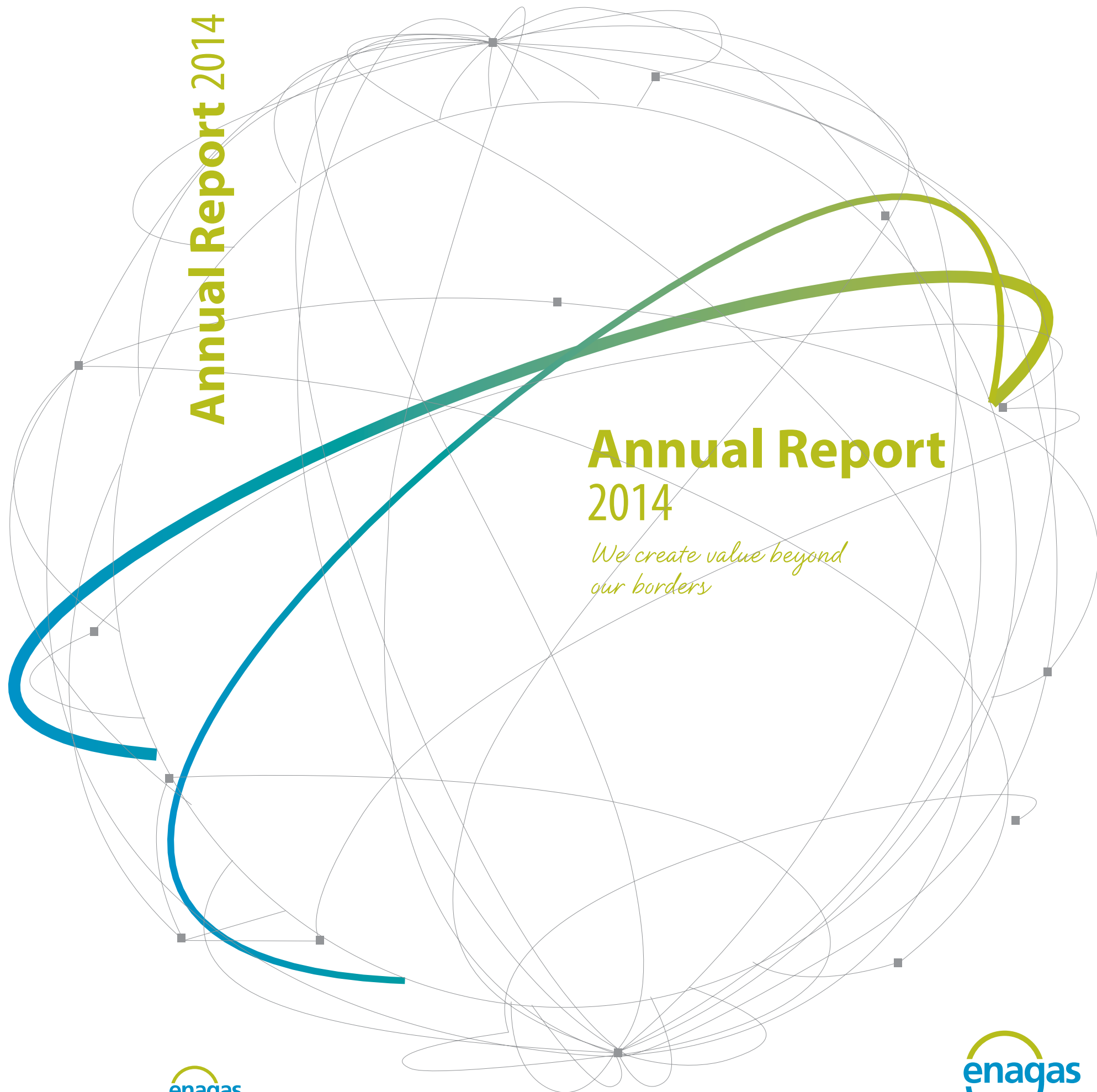


*We create value beyond
our borders*



Annual Report 2014

**Annual Report
2014**

*We create value beyond
our borders*



Paseo de los Olmos, 19 28005 Madrid
www.enagas.es





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Annual Report 2014, available on the corporate website

The complete Enagás Annual Report 2014 is available on the corporate website in an *on-line* version for para computer, tablet and mobile telephone (browsable, downloadable, interactive pdf files) www.enagas.es



More information



If you would like to access any more information that may interest you, you can use your smartphone or tablet to capture the QR code that appears in certain sections of this report.



ANTONIO LLARDÉN, EXECUTIVE CHAIRMAN OF ENAGÁS

“FOR THE EIGHTH CONSECUTIVE YEAR, WE MET ALL OUR COMMITMENTS”

The Enagás chief executive explains the highlights of 2014, a year marked by sustainable growth, expansion in Latin America and Southern Europe, and the new regulatory framework for the Spanish gas market. [G4-48]

Q: How was 2014 for Enagás? What is your assessment of the results for the year?

A: 2014 was an intense year, with a complicated economic environment. Despite that, we met all the commitments included in our Strategic Plan for the eighth consecutive year. We worked hard and, even with the impact of the new gas sector regulations, we managed to increase net profit by 0.8% to €406.5Mn. This performance proves that Enagás is a robust and highly flexible company, able to adapt and to meet future challenges.

Q: It was a very important year in the company's international expansion strategy. Which achievements would you highlight in this regard?

A: Enagás embarked on its internationalisation process in 2011. Four years later, we manage more LNG plants worldwide than any other company, with an active presence, apart from Spain, in Chile, Mexico and Peru. In 2014, we allocated over 76%

of our total investment of €478Mn to international markets. We entered a new country during the year, Peru, through various projects. We acquired a 20% stake in Transportadora de Gas del Perú and a 30% stake in Compañía Operadora de Gas del Amazonas, and won the South Peru Gas Pipeline project with our Brazilian partner Odebrecht. The other major milestone in 2014 with regard to our internationalisation process was the interest acquired in a strategic project for the security of Europe's energy supply: the Trans Adriatic Pipeline (TAP), which involves the construction of an 871-km gas pipeline linking Greece, Albania and Italy. TAP is part of the Southern Gas Corridor, designed to supply Europe with natural gas from the Caspian Sea.

Q: In this international context in which the company now operates, what is your analysis of the world energy outlook for the years ahead?

A: Energy prices are currently experiencing high volatility,

Trans Adriatic Pipeline (TAP) project



› mainly due to geopolitical factors, competitiveness among countries and companies, and aspects relating to climate change. In fact, within a matter of months, oil prices have fallen by more than 30%. However, I do not believe that they will continue down indefinitely. Financial experts believe that, in the long term, demand from emerging economies and the expected recovery in developed countries will drive prices back up. Specifically, in the gas sector, although there will continue to be three price bands (US: low; Europe: medium; Asia and Middle East: high), the shale gas phenomenon will give rise to a convergence of price levels.

Q: Against this backdrop, what can be expected of the European market?

A: We have made a lot of progress in relation to the common energy policy, although there is still some way to go. One of the European Commission's priorities is to consolidate the integrated European energy market, with the aim of reducing energy dependency and increasing security. This need has intensified as a result of the conflict between the Ukraine and Russia, on whose gas six member countries rely on fully, and on the redirection of Russian exports to Asia. Examples of this progress include the €300,000Mn investment plan -the bulk of which is earmarked for energy projects- or the €647Mn to be awarded in the future to 34 key energy infrastructure projects, as announced recently by the EU Climate Action and Energy Commissioner. In this regard, Spain has one of the most diversified supplies in the world thanks to its connections with North Africa and its commitment to LNG. Therefore, it can play a central role in the security of European supply. We are a potential reception point for gas from anywhere in the world. Through an appropriate connection with France, such as that envisaged in the Midcat project spearheaded by Enagás, we could transport this gas to the rest of Europe. We should not expect to replace gas

“We have joined a strategic project for the **security of Europe's energy supply**: the Trans Adriatic Pipeline (TAP), which will link Greece, Albania and Italy”

supplied from Russia. We are looking at a complementary supply source.

Q: In Spain, the year was dominated by the new gas industry regulations. How has the sector reform affected Enagás?

A: Since 2011, the gas sector has been registering a tariff deficit that, while far lower than electricity sector deficit, could have jeopardised the system's long-term stability if it had not been resolved. Therefore, the regulator took the initiative and the sector companies undertook to reduce our remuneration in order to guarantee the security and solvency of the gas system in Spain. One positive effect of the reform is that the new regulatory framework provides more stability until 2020, reducing the uncertainty surrounding the market. It has caused a significant impact on Enagás' income, €120Mn a year to be precise.

In order to minimise this impact, we stepped up our cost efficiency measures even further. This should enable us to contain operating expenses considerably in the years to come. Furthermore, the extension of assets' useful lives, which is one of the fundamental principles of the new energy reform, will have a positive impact on our earnings.

Q: What is the outlook for gas demand in Spain?

A: Until now, the trend in conventional (industrial, commercial and residential) natural gas demand in our country has been quite stable, despite the complicated economic environment of recent years. Forecasts for Spain over the 2015-2017 period point to 4% average annual growth in gas demand, driven by improved economic conditions and the higher contribution of natural gas to the energy mix.

Q: Since you became the Chairman of Enagás in 2007, all commitments to the Enagás shareholders have been met each year. With this in mind, what challenges lie ahead in 2015?

A: We will continue to work in the same direction and with the same enthusiasm to continue to meet our main objective: to maximise value creation for our shareholders. As you know, shareholder remuneration is a cornerstone of our strategy. We therefore submitted a proposal for approval at the General Shareholders' Meeting to pay a dividend of €1.30 per share for 2014, which is 2.4% more than that of the previous year, and we intend to propose a dividend of €1.30 per share out of 2015 profit for approval at next year's Meeting. We recently published the update of our Strategic Plan for 2015-2017. We expect to achieve sustained growth in this period, and not only in Spain, through the implementation of international projects. Over this period, we expect our investment



GROWTH

“Over the 2015-2017 period we expect our investment to reach **€1,300Mn** and our dividend to increase by **5%** each year”.

“Enagas' share price rose by almost **38%** in 2014 and continues to easily outperform the Ibex 35 as a whole since 2007, when we launched the current Strategic Plan”.

“Four years after embarking on our internationalisation process, we manage **most LNG plants** worldwide than any other company”

› to reach €1,300Mn and dividends to increase by 5% each year. [G4-1]

Q: Enagás was one of the top performers of any stock on the Ibex 35 in 2014. What was behind this?

A: That is correct. In 2014, Enagás' share price rose by nearly 38% and continues to easily outperform the Ibex 35 as a whole since 2007, when we launched the current Strategic Plan. Many of our investors, with whom we have a very open dialogue, highlight the company's positive performance, which has resulted in a sound economic and financial performance, including the generation of predictable and stable cash flows over the long term, which our investors value particularly. The current market situation, with interest rates at record lows, also boosted the share price. Another significant factor was our robust financial structure. This was borne out by the recent €600Mn bond issue, which had the lowest coupon ever issued by a Spanish issuer or by a European utility company for a 10-year maturity. With respect to the shareholder structure, we increased the level of the free float to 90%, which is one of the highest on the Ibex and provides Enagás shares with a high level of liquidity on the stock market.

Q: What is Enagás' level of commitment to a sustainable management model?

“We are the only Spanish company included in the **Global 100 sustainability index published at the latest **DavosWorld Economic Forum**”**

“Maximising value creation for our shareholders is our main objective. Shareholder remuneration is a cornerstone of our strategy”

A: We are fully committed. Sustainability is a key factor in our management model and a driver that we reinforced in 2014 and in the 2015-2017 Strategic Update. Enagás was the only Spanish company in the Global 100 index published recently at the latest Davos World Economic Forum. This recognises us as one of the world's 100 most sustainable companies, and a world leader in the gas utilities sector. We also maintained our presence on the main sustainability indices (DJSI, FTSE4Good, etc.) and renewed our commitment to the UN Global Compact's ten universal principles. Also, our management model renewed its European Excellence 500+ certificate from the European Foundation for Quality Management (EFQM) and the “Proactive B+” status as a family-responsible company. Lastly, I would like to stress that this is the third year in a row that we have prepared this Integrated Annual Report. The report content was approved by the Management Committee and includes the company's performance and most relevant economic, social and environmental impacts.

Q: What are the strong points in the area of corporate governance?

A: In order to continue to adopt best corporate governance practices, we consolidated the separation of the functions of Chairman and CEO, and we have a majority of independent

directors on the Board and the various board committees. This is a particularly significant issue in a company such as ours, with a high free float. In 2015, we will establish new remuneration criteria in order to guarantee the Board's independence, and its members will be evaluated independently by a Corporate Governance Advisor from outside the company. Moreover, we on the Board will continue to work to increase the number of women both on our board and in senior management posts.

Q: Thank you very much. A conclusion or a final message to end on?

A: Once again this year, I would like to thank the Enagás employees for their hard work. Their technical and human qualities are the company's main assets and the foundations of our sustained growth in the future. And I would like to end by thanking all of our shareholders, on my behalf and on behalf of the Board of Directors, for your trust and support. We will continue to work in 2015 and beyond towards maximising the value of the company for our shareholders. ■

SCOPE OF THIS REPORT

For the third consecutive year, Enagás presents an Integrated Annual Report, as a way of clearly and concisely presenting relevant issues affecting the company's ability to create and maintain value in the present and future. [G4-3, G4-7, G4-28]



The scope of this report includes the business performance in 2014 and 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 were 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), including those of Enagás Transporte Norte, which is 90% owned. The workforce figures include the employees of Enagás México S.A. de CV (wholly owned by Enagás Internacional S.L.U.). These employees began the year as part of Enagás Internacional S.L.U. and were transferred from one company to the other in October 2014. [G4-17, G4-22, G4-23]

+ **More information:** consult Note 2.4 to the Financial Statements, ‘Consolidation principles’ and section 5.3.4 ‘Cooperation initiatives’.

The 2014 Annual Report was prepared taking into account reporting standards and principles such as the G4 Sustainability Reporting Guidelines of the GRI (Global Reporting Initiative): Comprehensive Compliance Option – Oil & Gas sector supplement, the Integrated Reporting Framework

headed by the International Integrated Reporting Committee (IIRC), and the principles of inclusivity, materiality and responsiveness of the AA1000 standard, as well as the ten universal principles of the United Nations Global Compact. [G4-15]

+ **More information:** see the appendices to this report.

The report includes information about the issues deemed material issues by the company and its stakeholders as a result of the materiality analysis performed.

+ **More information:** see section 5.1 ‘Stakeholder management’.

MATERIAL ASPECTS IN ENAGÁS' VALUE CHAIN

- Economic performance and cost efficiency
- Occupational health and safety
- Ethical compliance and respect for human rights
- Human capital management (talent, training and diversity)
- Environmental management and combating climate change
- Impact on local communities



+ **information:** access past Enagás Annual Reports in the ‘Publications for investors’ section of the corporate website.

ENAGÁS IN 2014

Net profit growth, focus on international investment, increase in share price and job creation.

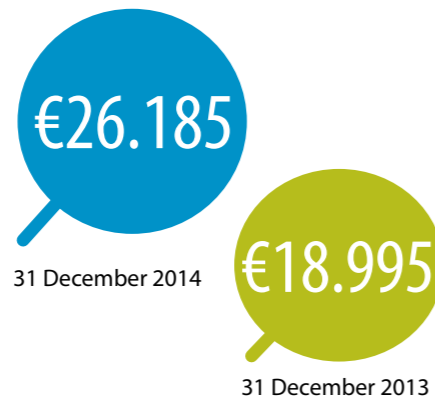
NET PROFIT

+ 0.8%



ENAGÁS SHARE PRICE

+ 37.85%



FREE FLOAT

90%

DIVIDEND PER SHARE

€1.30

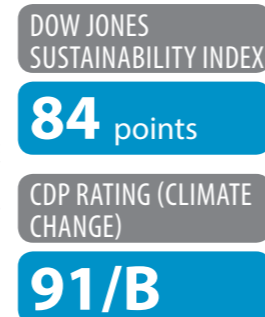
NET DEBT/EBITDA^(*)

4.2x

RATING



INTERNATIONAL INDICES



^(*) Net debt/EBITDA adjusted for subsidiaries' dividends.

INVESTMENT

€625Mn

Spain €147Mn
International €478Mn

Total demand for gas transmitted
397 TWh

[G4-EN4]

WORKFORCE

1,206 employees
24% women in the workforce

NET JOB CREATION (%)

+ 5%

ENVIRONMENT

CO₂ emissions 571,033 t CO₂e

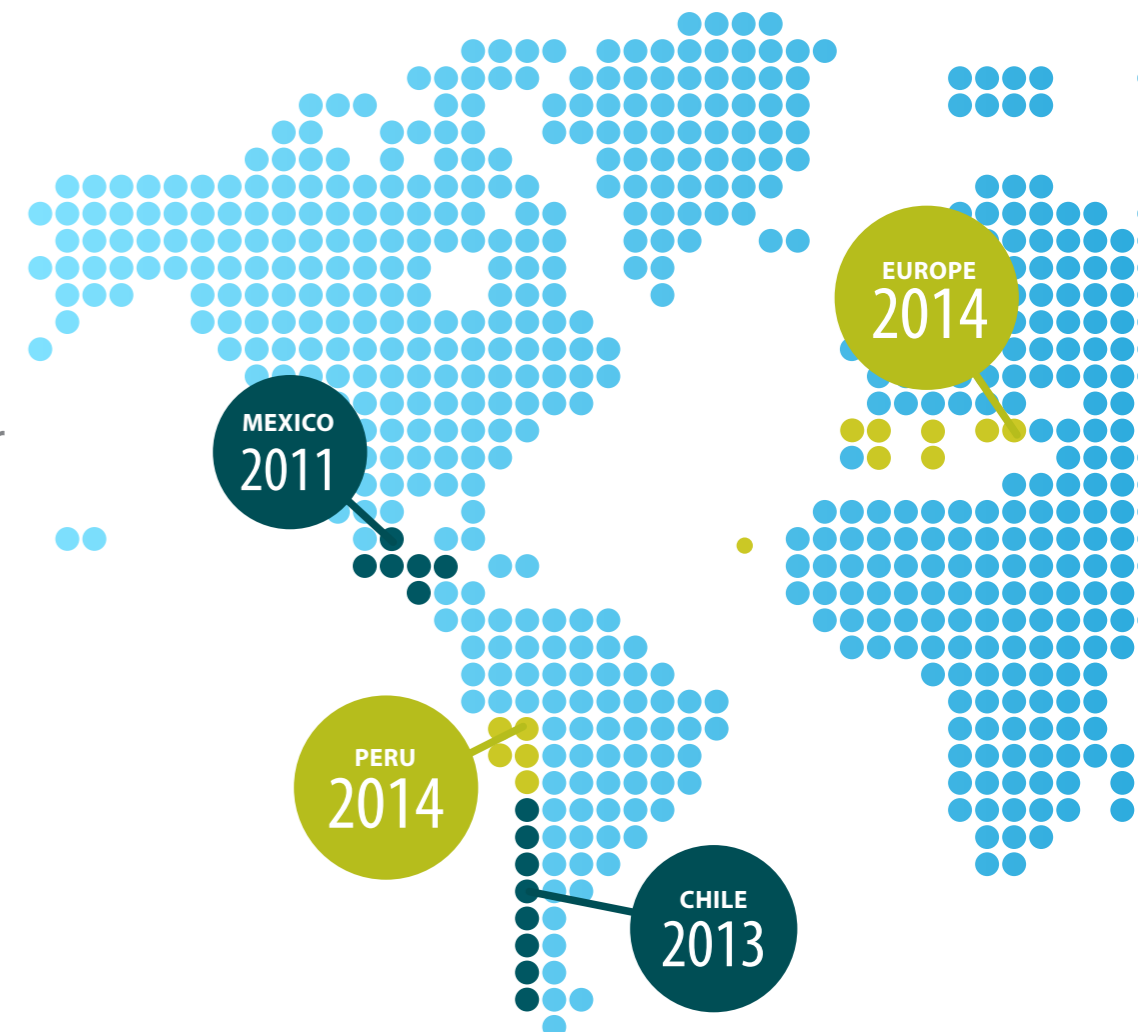
CO₂ emissions avoided through energy efficiency measures 118,588 t CO₂e

SAFETY

Frequency accidents entailing sick leave (own staff + contract staff) 3.60

2014 MILESTONE: INTERNATIONAL EXPANSION CONTINUES



The company continued to expand internationally and, in 2014, three operations consolidated our presence in Peru: the acquisition of stakes in Transportadora de Gas del Perú and COGA, and the award of the South Peru Gas Pipeline project. Enagás also acquired a stake in the TAP project, an 871km-long gas pipeline forming part of the European Southern Gas Corridor, which is designed to carry natural gas from the Caspian Sea to continental Europe.




ENAGÁS IN THE WORLD

With its headquarters in Madrid, Enagás is present in Spain, Mexico, Chile and Peru and holds a stake in a key gas pipeline for ensuring supply in Europe.

MEXICO

- Soto La Marina compressor station (50%) 
- Morelos gas pipeline (50%) 
- TLA Altamira plant (40%)


PERU

- Transportadora de Gas del Perú (TgP, 20%) and Compañía Operadora de Gas del Amazonas (Coga, 30%)
- South Peru Gas Pipeline (25%) 


CHILE

- Quintero LNG plant (20.4%)

EUROPE

- Trans Adriatic Pipeline (TAP, 16%). 871 km long pipeline linking Turkey and Italy, running through Greece and Albania 

SPAIN

- Over 10,000 km of gas pipeline
- 5 LNG terminals: Cartagena, Huelva, Barcelona, El Musel (Gijón) and BBG (Bilbao, 40%)
- 2 LNG terminals planned in the Canary Islands 
- 3 underground storage facilities: Serrablo (Huesca), Yela (Guadalajara) and Gaviota (Vizcaya)

 Under construction / planned



ABOUT US

- 1.1 What we do
- 1.2 Mission, vision and values
- 1.3 Our infrastructure
- 1.4 The Spanish gas system in 2014
- 1.5 Participation in international gas infrastructure

1 ABOUT US



Enagás is an international standard bearer in the development and maintenance of gas infrastructures and in the operation and management of complex gas networks.

1.1 WHAT WE DO



LNG



STORAGE



NETWORK OPERATION



TRANSMISSION



+information: access Enagás' corporate videos.

Over the course of our 40-year history we have developed the key infrastructures for the Spanish Gas System, transforming it into a benchmark for security and diversification of supply. [G4-4]

Enagás has also been Technical System Manager in Spain since 2000. The Company is also certified as an independent TSO by the European Union and takes part in gas infrastructures in Latin America and Europe.

Enagás is also involved with the governing bodies of a number of Spanish associations and organisations such as Sedigas, Enerclub and Instituto Elcano, and international bodies such as ENTSOG, GIE, EASEE Gas and UNECE. It also cooperates with regulators, both directly and through industry associations, to propose regulatory improvements, whether directly or as part of consultations by the regulators. [G4-16]

1.2 MISSION, VISION AND VALUES

The company's mission, vision and values, and its policies and strategy are reviewed and approved by the Board of Directors. [G4-42]

Mission

To develop and manage gas infrastructure in a secure, efficient and sustainable manner; complying responsibly with prevailing legislation and helping guarantee supply, particularly in our role as the Technical System Manager in Spain; offering our experience, knowledge and best practices to create value for our stakeholders.

Vision

To be a national and international standard bearer in the development and management of gas infrastructures, promoting their use by offering innovative services that contribute to sustainable development.

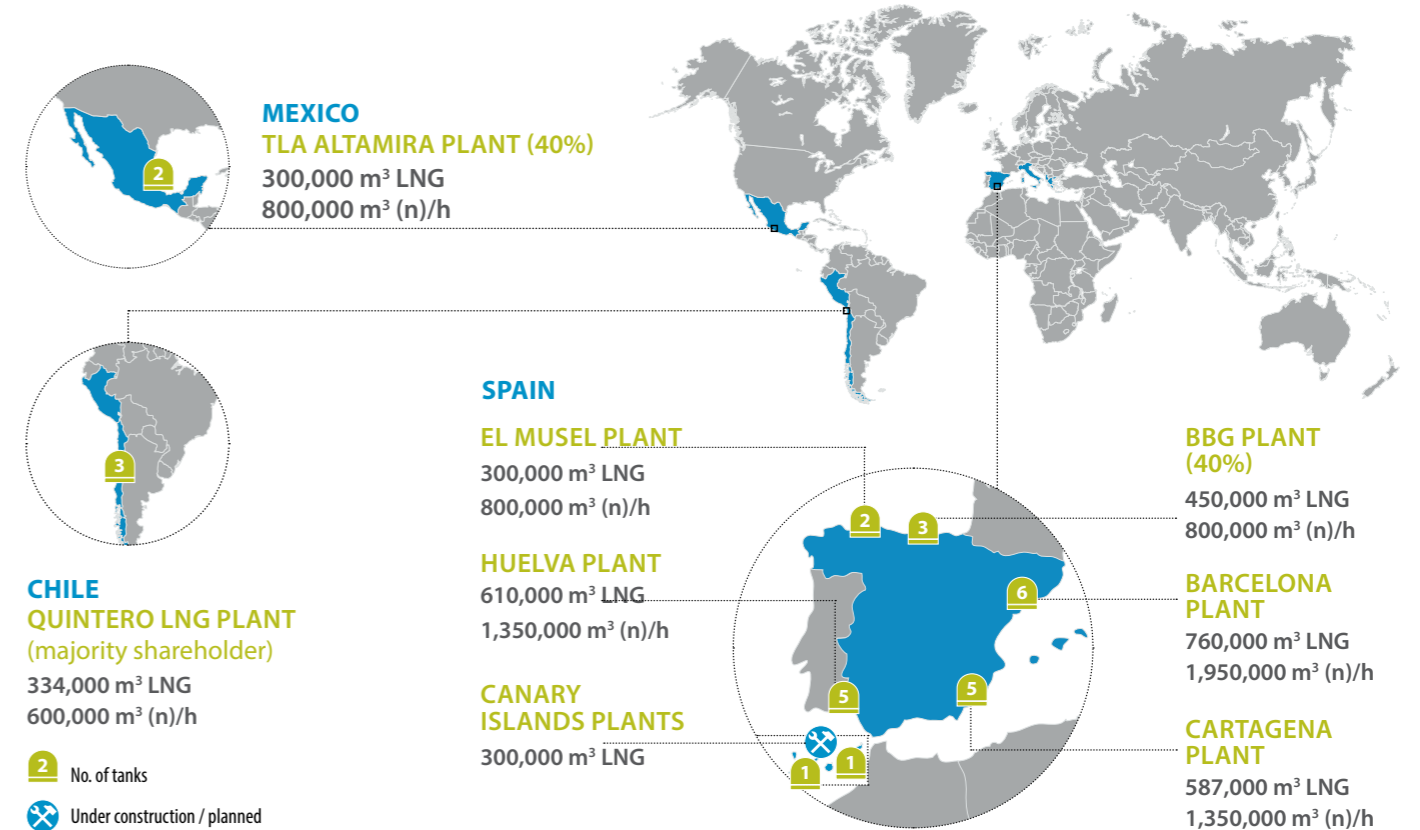
Values

- > Efficiency
- > Innovation
- > Sustainability
- > Transparency
- > Integrity
- > Security
- > Team work

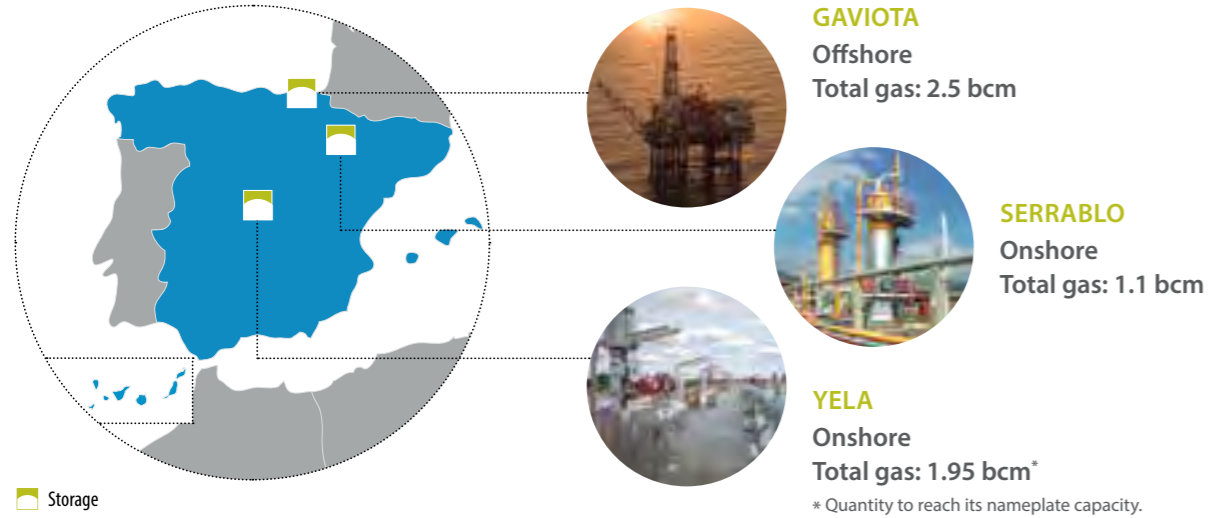
1.3 OUR INFRASTRUCTURE [G4-5, G4-6, G4-8]

LNG terminals

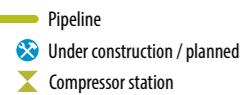
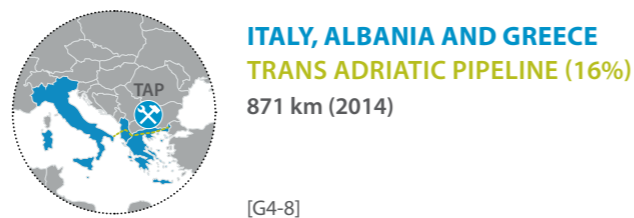
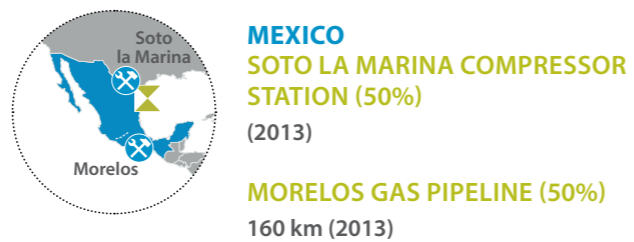
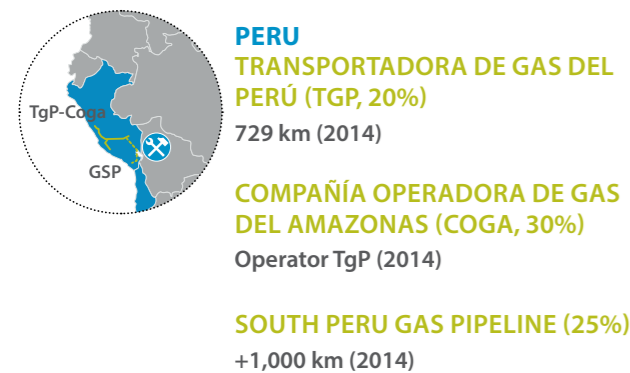
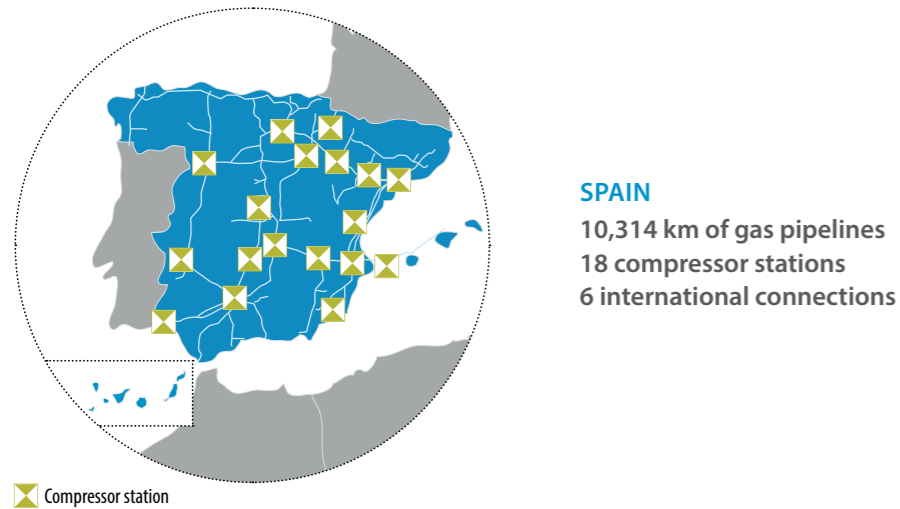
7 LNG terminals (+ 2 in development)



Underground storage



Transmission



1.4 THE GAS SYSTEM IN SPAIN, 2014



1.5 PARTICIPATION IN INTERNATIONAL GAS INFRASTRUCTURES

Enagás embarked on an internationalisation process in 2011 and we are currently present in Mexico, Chile and Peru and have signed an agreement to participate in the Trans Adriatic Pipeline (TAP) project, a key gas pipeline for safeguarding supply in Europe, which will link Turkey with Italy via Greece and Albania.

International investments are managed by ensuring representation on the Board with voting power in the main decisions (financial, investment, corporate transactions, etc.) and occupying key management posts at subsidiaries (COO, Asset Manager, CFO, etc.).

The company also ensures coordinated management through working groups in financial, technical and commercial areas, and carries out ancillary services such as engineering, and operation and maintenance.

Enagás does so without oversizing its corporate services and without geographical dispersion (local businesses), maximising efficiency and profitability and ensuring standards of performance and sustainability.



2



BUSINESS MODEL AND VALUE CREATION

- 2.1 Stakeholder management**
- 2.2 Enagás in the gas value chain**
- 2.3 Matters identified in the international infrastructure in which Enagás takes part**
- 2.4 Our value creation process**

2 BUSINESS MODEL AND VALUE CREATION

Engaging stakeholders is crucial for efficient management of key issues and, therefore, for generating and creating value.

2.1 STAKEHOLDER MANAGEMENT [G4-24, G4-25, G4-26]

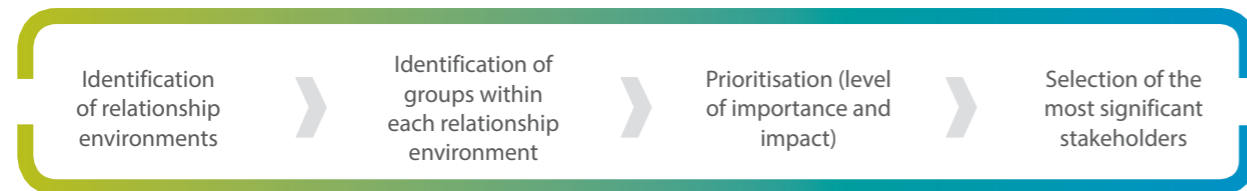
The aim of the stakeholder management carried out by Enagás is to achieve levels of engagement (dialogue and cooperation) that allow us to identify stakeholders' needs and expectations in order to integrate them into management and set in motion initiatives for shared value creation.

+ More information: see section 5.3.4 'Cooperation initiatives'.



+ information: visit the Sustainability section on our corporate website.

Preparation of a stakeholder map



Stakeholder map

Sector regulation

- MINETUR
- CNMC
- ENTSG
- European institutions
- CFE MEXICANA
- CRE (Mexico's Energy Regulating Commission)
- Southern gas region regulatory authorities

International development

- International investment partners
- Critical suppliers for business development

Reputation

- Media

Share listing / Stock market

- Investors
- Analysts
- Rating agencies
- CNMV



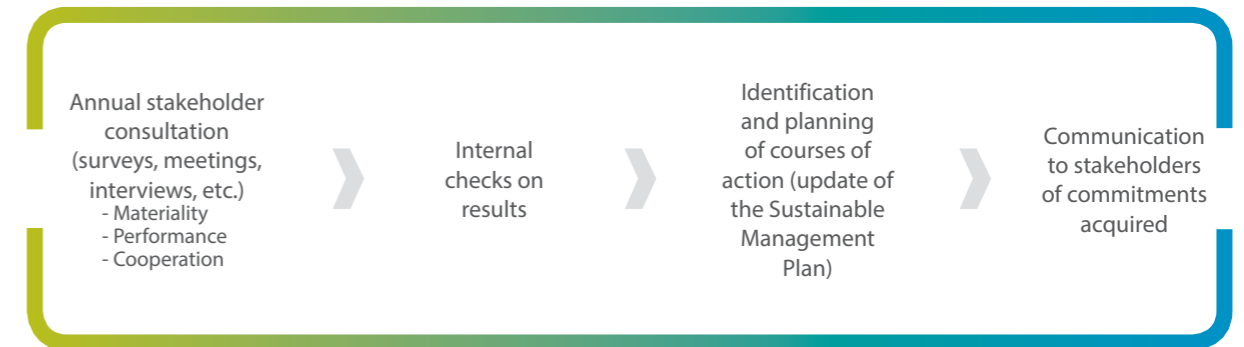
Business operations

- Spanish gas system shippers
- Spanish gas system operators
- Employees
- Directors and Provincial Heads of Industrial and Energy Area
- Critical suppliers for business operation
- Local environment

Financing

- Banks

Stakeholder engagement



Results of the 2014 stakeholder consultation



Performance

Evaluation of aspects such as accessibility, transparency, speed and proactivity in service provision.

- Overall rating of 3.54/4
- Most highly valued aspects: accessibility and transparency
- Room for improvement in speed and proactivity (compared with other companies)



Areas of engagement

Identification of energy efficiency, the development of new services relating to gas natural and the economic and social development of local communities as areas where projects could be carried out in cooperation with Enagás.



Materiality

Prioritisation of the material aspects on which it will focus its management. It will report its performance and targets in this report:

- Economic performance and cost efficiency
- Occupational health and safety
- Ethical compliance and respect for human rights
- Human capital management
- Environmental management and combating climate change
- Impact on local communities

Furthermore, issues that are important outside the organisation (upstream and downstream), together with the related impact on the company, are reported.



These results are submitted to the Sustainability Committee, which is defined at General Management level and reports to the Appointments, Remuneration and CSR Committee (the highest governance body on sustainability). [G4-37]

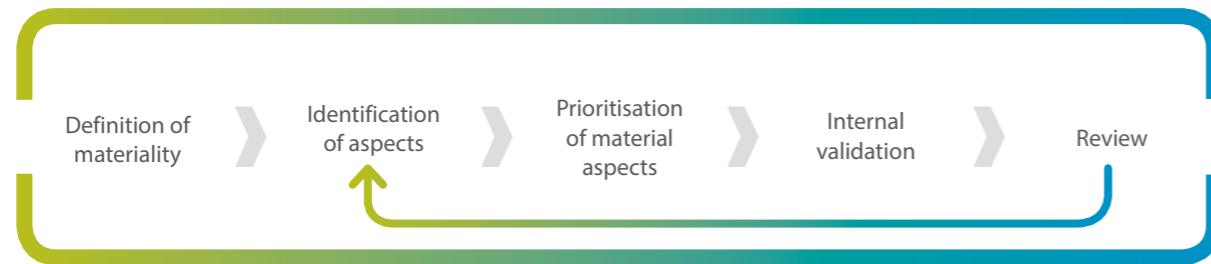
+ More information: see section 2.2 'Enagás in the gas value chain'.

Materiality analysis [G4-DMA]

Enagás' materiality analysis forms part of an overall Culture of Innovation and Shared Value with Stakeholders project that was launched in 2013 in the wake of the assessment conducted using the EFQM excellence model. The internal working group leading this project updates the stakeholder map in line with the strategic goals and identifies the priority stakeholders for each significant relationship environment.

A material aspect reflects the company's significant **economic, environmental or social**, impacts of that substantively influence the decisions of stakeholders

Process for carrying out the materiality analysis [G4-18]



The first step in the process is to define materiality: an aspect is material when it reflects the company's significant economic, environmental or social impacts, or substantively influences the assessments and decisions of stakeholders regarding the organisation's ability to create value in the short, medium and long term.

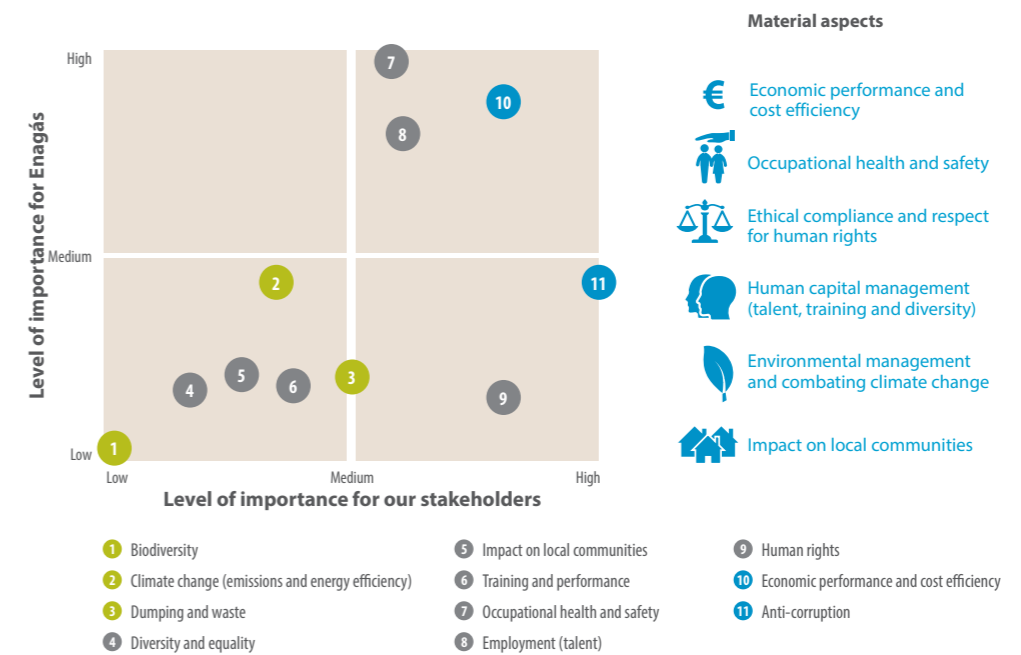
The second step is to identify the material economic, social and environmental aspects -taking the aspects reflected in the GRI G4 guide as a starting point-, the internal selection of the material aspects -involving the assessment by the working group and management of the stakeholders- and, lastly, external consultations with stakeholders. The identification criteria used are: the company's profile and activity; the Enagás' value chain; the 2013-2015 Strategic Update; Enagás' Visión 2020 corporate social responsibility strategy; the risks and opportunities of the

gas industry, the regulatory framework, regulations, international agreements and significant voluntary standards. With regard to the stakeholders the company consults, it takes into account the opinion of a small group of people identified in the Enagás Stakeholders Map, whose opinion may be regarded as representative of the group to which they belong.

The third step, as a result of this process, is to prioritise the material aspects on which the company must focus its management efforts, as illustrated in the Materiality Matrix table on the following page. Following an internal validation, a review is carried out of the material aspects. This leads, where appropriate, to a new identification phase.

Materiality matrix [G4-19, G4-DMA]

The results of the process determine the material aspects on which the company should focus its management efforts (aspects rated as high or very high both internally and externally).



The findings of the annual stakeholder consultation are reported to the Sustainability Committee and the Appointments, Remuneration and CSR Committee. [G4-37, G4-45]

In addition to this global consultation, other annual consultations with more detailed and specific content are carried out with customers and employees.

More information: see section 6.4.4 'Results and impact on our team'.

Results of the 2014 customer consultation (companies related to the business operations)

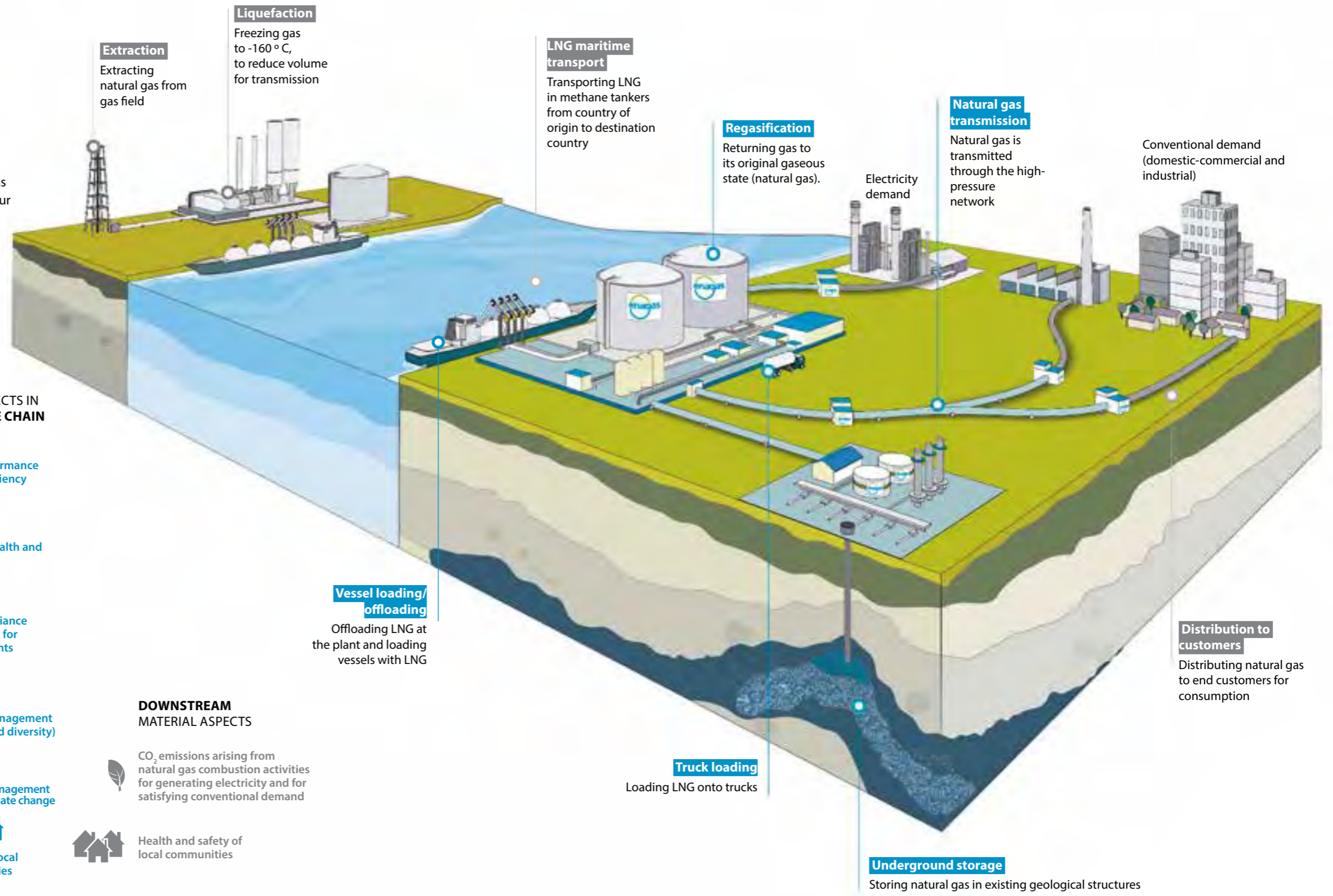
		Percentage and number of responses	Assessment of services provided by Enagás	Services	
Business operation	Enagás transmission company	Shippers	84% (42)	82.2/100	Capacity management and viability analysis, infrastructure operation and programming, etc.
		System operators (transmission and distribution companies)	67% (6)	77.1/100	
	Enagás Technical System Manager	Shippers	58% (30)	78.6/100	Programming, operations, distribution, balances, etc.
		System operators (transmission and distribution companies)	62% (8)	72.6/100	

[G4-24, G4-27]

2.2 ENAGÁS IN THE GAS VALUE CHAIN

Enagás is the sole transmission company for the trunk network in Spain, the Technical System Manager of Spain's Gas System and an international transmission company.

Enagás' activities represent part of the natural gas value chain, through which we create value for our stakeholders and positive impacts on society. The following chart illustrates Enagás' material aspects and upstream and downstream activities.



MATERIAL ASPECTS IN ENAGÁS' VALUE CHAIN



Economic performance and cost efficiency



Occupational health and safety



Ethical compliance and respect for human rights



Human capital management (talent, training and diversity)



Environmental management and combating climate change



Impact on local communities



CO₂ emissions arising from natural gas combustion activities for generating electricity and for satisfying conventional demand



Health and safety of local communities

MATERIAL ASPECTS IN THE SUPPLY CHAIN



CO₂ emissions and energy efficiency



Prevention of fraud, corruption and bribery, and respect for human rights



Occupational health and safety

[G4-21]

With regard to the impact arising from the material aspects outside the organisation (upstream and downstream, and the supply chain):

In our scope 3 emissions inventory we report the greenhouse gas emissions of a sample of our main suppliers.

We assess suppliers in relation to occupational safety, labour relations, the environment and other factors.

Upstream, the company monitors conflicts in local communities, since they may have an indirect impact on the company. For example, the Ukraine crisis might speed up the process to build international connections with France in order to enable Europe to cope with an eventual supply crisis.

We work with companies from the gas industry through participation in working groups in the area of gas infrastructure security (Marcogaz).

More information: see sections 6.5.2 'Climate change and energy efficiency' and 5.3.3 'Supplier assessment'

2.3 MATTERS IDENTIFIED IN INTERNATIONAL INFRASTRUCTURE IN WHICH ENAGÁS TAKES PART [G4-20, G4-21]

Although the report scope refers to the impact of operations carried out by Enagás in Spain, participation in foreign operations is becoming

increasingly significant. Therefore, the company began to identify the most significant issues in the areas of safety, the environment and the development

of local communities involving Enagás' international investees.

MEXICO



Soto La Marina compressor station (50%)

- Construction project in progress
- 3 turbocompressors of 15.3 MW each

Safety. A SCADA system was installed to reduce possible leakage and damage. The system detects leakage and significant breakage so that emergency procedures may be executed

Stakeholder management at local level. The stakeholders were involved in the project, the most important

being the municipal council and the "ejidos" (groups that administer common land). As a result, risks relating to the impact on communities were mitigated and various initiatives designed to improve facilities and accesses were launched.

Gas emissions. Since it was designed, the project includes the best technologies available for reducing gas emissions. The facility's maximum estimated volume of venting is around 29kg of natural gas, which will only be produced on exceptional occasions to facilitate the security of the facility or in maintenance operations.

Noise. The compressor station was designed to minimise the problems of noise (a muted exhaust gas system, soundproofed turbines, a double wall and fence all the way along the station with a three metre gap, etc.).

Morelos gas pipeline (50%)

- Construction project in progress
- 171.5 km of gas pipelines

Biodiversity. A flora and fauna rescue programme was carried out to restore a surface area of 1.3 km², for which Enagás invested €1,674,575.

More information: see section 6.5.3 'Biodiversity conservation.'

TLA Altamira plant (40%)

- 70 employees
- Gas emissions: 25 t CH₄

Safety. TLA has a record of over 8 million staff hours worked without registering any disabling injuries. It is OHSAS 18001 certified.

Environmental management. The plant is ISO 14001 certified.



PERU



South Peru Gas Pipeline (25%)

- Construction project in progress
- 1,134 km of gas pipelines

Stakeholder management in the local environment.

There is a Community Relations team at each segment of the route.



Transportadora de Gas del Perú (TgP, 20%) – Compañía Operadora de Gas del Amazonas (COGA, 30%)

- Project in progress
- 729 km of gas pipelines

Environmental management.

132 points along the gas pipeline are monitored.

Development of local communities. Over 140 projects fostering local development in areas such as education, culture, health and productivity, for the benefit of more than 30,000 inhabitants of the local areas involved.

CHILE



Quintero LNG plant (majority shareholder)

Development of local communities.

Various projects are being conducted focusing on local development:

- **Urban projects.** Funding of architecture and engineering development projects
- **Competitive funding.** Aimed at organisations in Quintero.
- **Projects to support the fishing community in the area.**

2.4 OUR VALUE CREATION PROCESS [G4-2, G4-EC1]

Enagás uses the capital management model in the Integrated Reporting framework to define its value creation process.

Our business model transforms capital (financial, material resources, intellectual, human, social and relational capital) into impacts, both on our business and on individuals, communities and the environment.

Our strategy, our leaders, and the risks and opportunities arising from the operational context, together with our performance and outlook are factors that determine the scope and extent of our impacts.



Business (trust-building)

€404.9Mn Value distributed to capital providers
€1.3 per share
60% Independent directors
3.54/4 Performance appraisal by our stakeholders



Local communities (economic and social development)

4.9 % Net job creation
€84.7Mn Value distributed to employees
€185.2Mn Value distributed to suppliers
€1.6Mn Investment in the community
€101Mn Value distributed to the company through the payment of taxes



People (commitment)

7/10 Employee satisfaction
0.7 % Voluntary turnover rate
3.60 Incidence rate of sick leave of own staff and contractors



Environment (environmental protection)

118,588 t CO₂ e Avoided through energy efficiency initiatives
51 Our main suppliers committed to combating climate change (participation in CDP initiative)
 Reduction of **11%** and **29%** in CO₂ emissions in the transmission network and the underground storage facilities compared with 2013, respectively



3



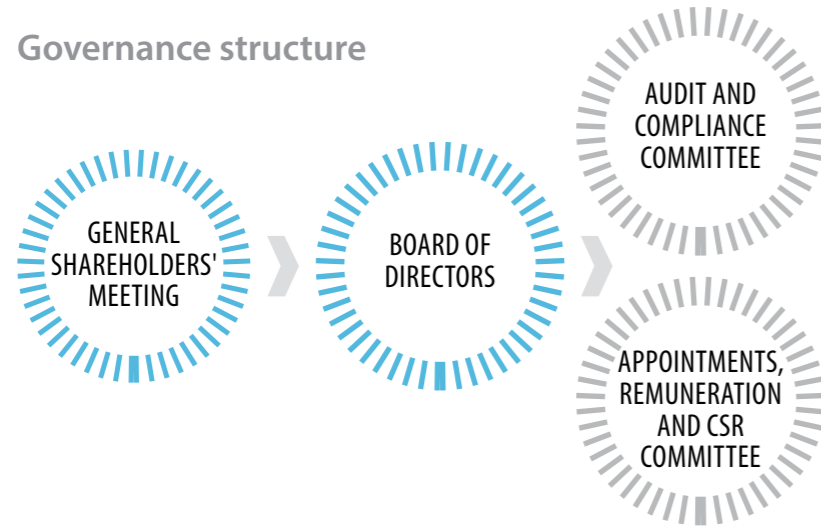
CORPORATE GOVERNANCE

- 3.1 Good corporate governance**
- 3.2 Governing bodies: General Meeting, Board of Directors and Governance Committees**
- 3.3 Remuneration of the Board of Directors**
- 3.4 Performance of the governing bodies**

3 CORPORATE GOVERNANCE

The Enagás Group's main governing bodies are the General Shareholders' Meeting and the Board of Directors. The Group's corporate governance values are independence, diversity and transparency.

Governance structure



+ information: consult all the information relating to Enagás' General Shareholders' Meeting on the corporate website.



3.1 GOOD CORPORATE GOVERNANCE

Enagás' corporate governance structure supports the company's capacity to create value through the adoption of good practices with regard to independence, diversity and transparency. The highlights in 2014 were:

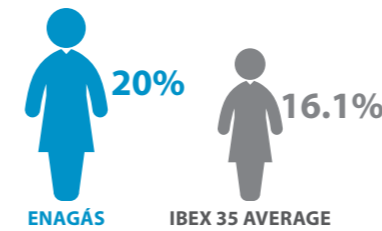
order to ensure the independence and diversity of the Board, and the level of knowledge and experience in the energy sector and the international environment, including the advisory support of an external expert.

- › The consolidation of the separation of the roles of the Chairman and CEO, and the re-appointment of both for four years at the General Meeting held in 2014.
- › The renewal of the Board of Directors, maintaining the high level of independence and diversity.
- › The resolution by the Appointments, Remuneration and CSR Committee on the criteria to be met by the new directors in

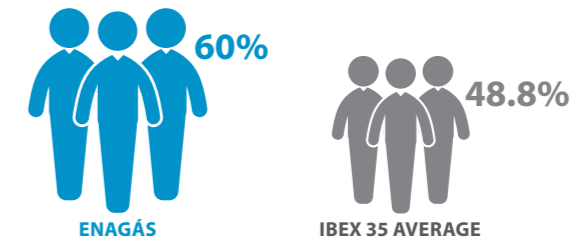
- › A new Board self-assessment with the advisory support of an external expert.

Fees for non-audit work amounted to 3.4% of the total billed by the external auditor in 2014, as a result of applying the internal procedure for awarding contracts to the external auditor.

% Women on the Board



% Independent directors

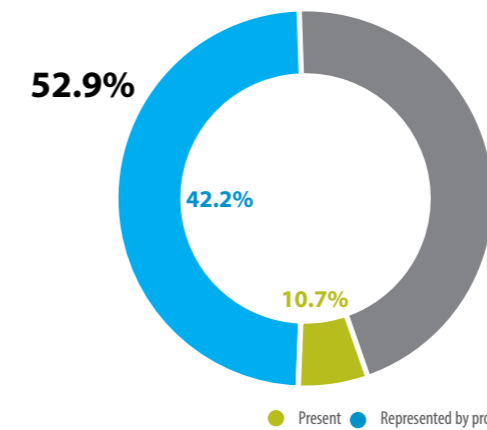


3.2 GOVERNANCE BODIES [G4-34, G4-38, G4-39, G4-LA12]

3.2.1 GENERAL MEETING

The General Meeting is the highest body representing shareholders.

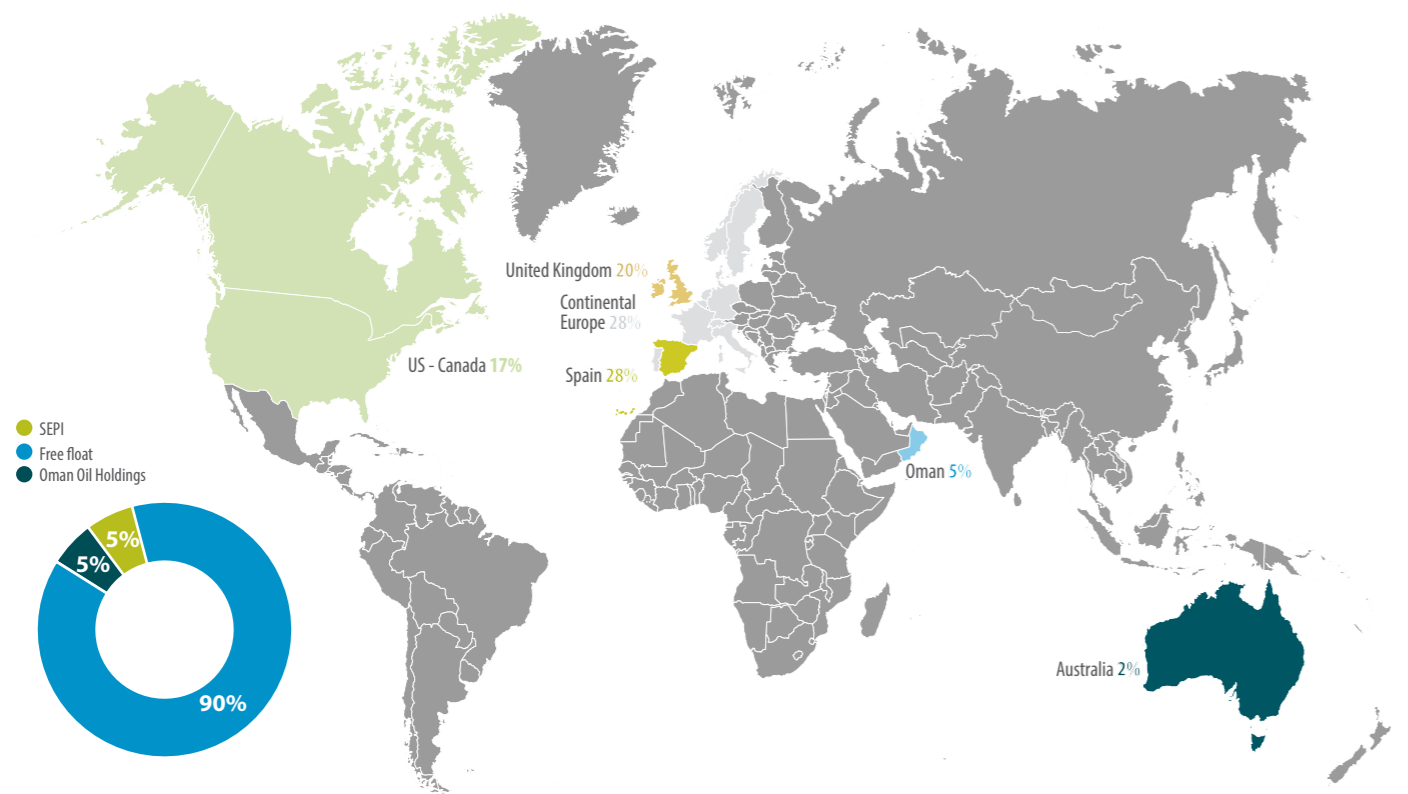
Quorum in 2014



Share capital	€358.1 million
Number of shares	238.7 million
Number of voting rights	238.7 million

The company currently has two institutional shareholders on the Board: SEPI and Oman Oil Company S.A.O.C., each with a 5% ownership interest. Enagás is one of the companies on the Spanish continuous market with the highest free float (90%). 75% of its shareholder base is international, the estimated distribution by country being as follows: [G4-13]

Ownership structure



90%
Enagás has one of the highest free floats in its ownership structure of any company on the Spanish continuous market

3.2.2 BOARD OF DIRECTORS AND GOVERNANCE COMMITTEES

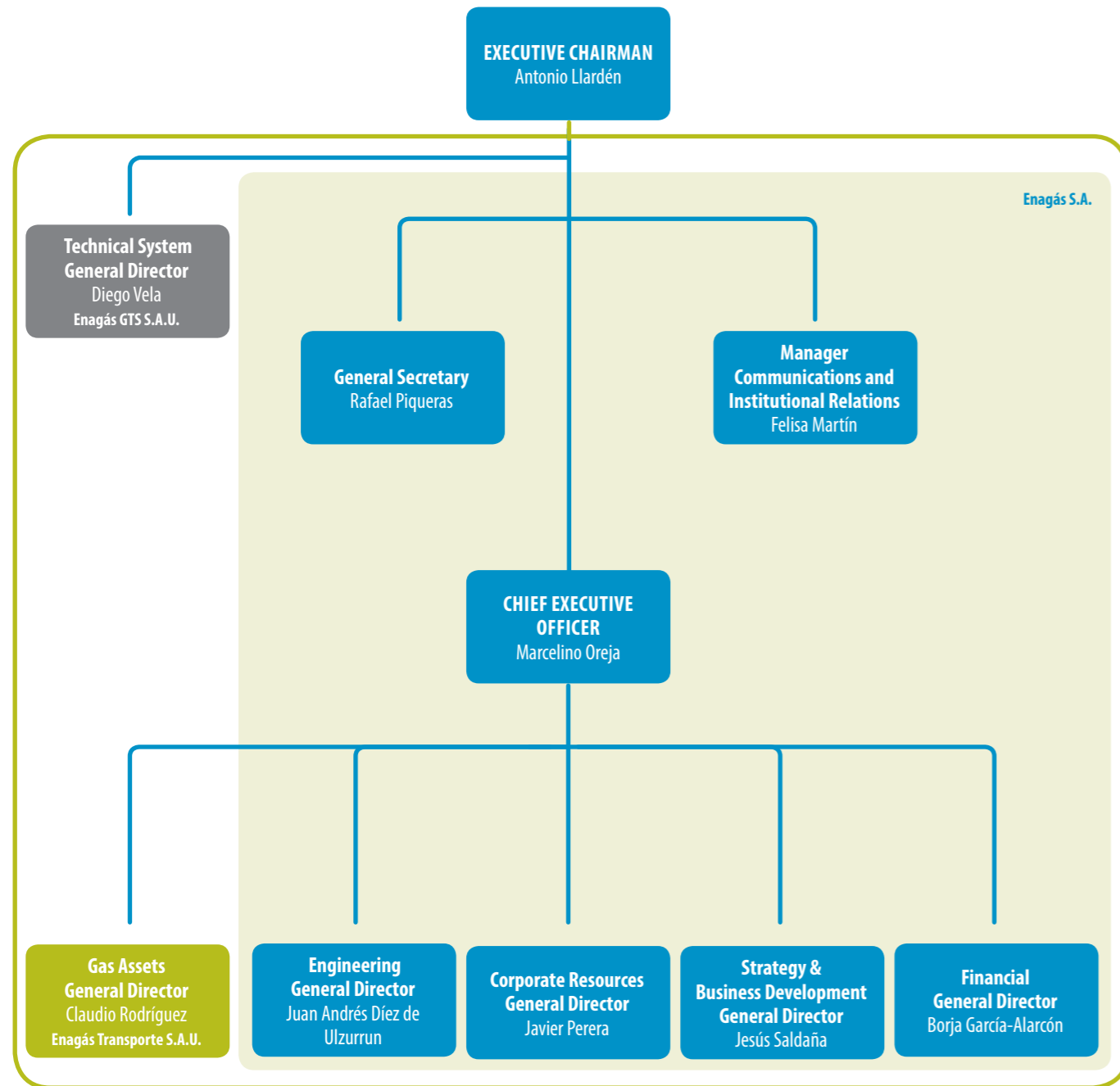
[G4-34, G4-38, G4-39, G4-LA12]

The composition of the Board of Directors and the Governance Committees is as follows:

Name of Director	Position on the Board of Directors	Type of Director	Position on the Audit and Compliance Committee	Position on the Appointments, Remuneration and CSR Committee
Antonio Llardén Carratalá	Chairman	Executive	-	-
Marcelino Oreja Arburúa	Chief Executive Officer	Executive	-	-
Jesús David Álvarez Mezquiriz	Director	Independent	-	Member
Sultan Hamed Khamis Al Burtamani (proposed by Oman Oil Holdings Spain S.L.)	Director	Proprietary	-	-
Antonio Hernández Mancha	Director	Independent	-	Member
Luis Javier Navarro Vigil	Director	Other external	-	Member
Ana Palacio Vallelersundi	Lead Independent Director	Independent	-	-
Martí Parellada Sabata	Director	Independent	Chairman	-
Jesús Máximo Pedrosa Ortega (proposed by SEPI - Sociedad Estatal de Participaciones Industriales)	Director	Proprietary	-	Member
Ramón Pérez Simarro	Director	Independent	-	Member
Isabel Tocino Biscarolasaga	Director	Independent	-	Chairman
Rosa Rodríguez Díaz	Director	Independent	Member	-
Gonzalo Solana González	Director	Independent	Member	-
SEPI - Sociedad Estatal de Participaciones Industriales (represented by Federico Ferrer Delso)	Director	Proprietary	Member	-
Luis Valero Artola	Director	Independent	Member	-

● Executive ● Independent ● Other external ● Proprietary

3.2.3 MANAGEMENT COMMITTEE



3.3 REMUNERATION OF THE BOARD OF DIRECTORS

The Board of Directors of Enagás is empowered to adopt resolutions on Director remuneration. The Appointments, Remuneration and CSR Committee proposes the remuneration criteria, within the limits set forth in the Articles of Association and pursuant to the decisions taken at the General Shareholders' Meeting. The Committee also monitors the transparency of remuneration.

The process for determining the Board's remuneration policy is carried out with a guarantee of independence and stakeholder involvement, and may receive internal or external advisory support.
[G4-52, G4-53]

The Appointments, Remuneration and CSR Committee ensures that remuneration is **transparent**



Independence

The Regulations of the Organisation and Functioning of the Board of Directors of Enagás establish that the Appointments, Remuneration and CSR Committee should comprise a majority of independent directors, and executive directors may not be members, unless the members of the committee resolve otherwise. The Committee consists of four independent directors, one proprietary director and one external.



Stakeholder involvement

The annual report on directors' remuneration has been submitted to an advisory vote as a separate item on the agenda of the Ordinary General Meeting since 2012.



Internal and external advisory services

Pursuant to the Regulations of the Organisation and Functioning of the Board of Directors, the Appointments, Remuneration and CSR Committee may seek advice internally or externally and request the attendance of senior management personnel of the Company and its Group, as deemed necessary in the execution of its duties.

Remuneration of the Board of Directors in 2014 [G4-51]

Directors	Thousands of euros	
	2014	2013
Antonio Lladén Carratalá (Executive Director) ⁽¹⁾	1,737	1,670
Marcelino Oreja Arburúa (Executive Director) ⁽²⁾	552	423
Sociedad Estatal de Participaciones Industriales (Proprietary Director)	72	76
Sultan Hamed Khamis Al Burtamani (Proprietary Director)	32	37
Jesús David Álvarez Mezquíriz (Independent Director)	76	72
Dionisio Martínez Martínez (Independent Director) (*)	26	113
José Riva Francos (Independent Director) (*)	21	77
Ramón Pérez Simarro (Independent Director)	76	72
Martí Parellada Sabata (Independent Director)	80	76
Teresa García-Milà Lloveras (Independent Director) (*)	20	76
Miguel Ángel Lasheras Merino (Independent Director) (*)	20	76
Luis Javier Navarro Vigil (Other External Director)	76	76
Isabel Sánchez García (Independent Director) (*)	20	72
Jesús Máximo Pedrosa Ortega (Proprietary Director)	76	51
Rosa Rodríguez Díaz (Independent Director)	70	44
Ana Palacio Vallelersundi (Independent Director) (**)	60	-
Isabel Tocino Biscarolasaga (Independent Director) (**)	60	-
Antonio Hernández Mancha (Independent Director) (**)	60	-
Luis Valero Artola (Independent Director) (**)	53	-
Gonzalo Solana González (Independent Director) (**)	57	-
Total	3,244	3,011

(*) Directors that resigned from office at the General Shareholders' Meeting held on 25 March 2014.

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

(1) The remuneration of the Executive Chairman has been unchanged since 2008. Any variations were due to measurement of the same payments in kind or to different sums of the same insurance premiums. The increase in the Executive Chairman's remuneration in 2014 with respect to 2013 was exclusively due to changes in the criteria for measurement of payments in kind introduced by Law 16/2012 of 27 December. Payments in kind were the same in both years. This increase was partially offset by a smaller sum of the same insurance premiums.

In 2014, the Executive Chairman received €960 thousand of fixed remuneration and €576 thousand of variable remuneration, with both components approved by the Board. In addition, the Executive Chairman was paid €64 thousand in attendance fees (fixed remuneration plus fee for attending board meetings) and €137 thousand in remuneration in kind, for a combined total of €1,737 thousand. In addition, he was provided with a life insurance policy, with total premiums in the year of €29 thousand, while €10 thousand were contributed to his pension scheme. The Group has outsourced its pension obligations vis-à-vis its Directors by means of a mixed group insurance policy, which includes benefits cover for widowhood, death or disability. The Executive Chairman is covered by this policy: of the total premium paid for this during in 2014, €169 thousand corresponded to the Executive Chairman.

(2) The remuneration of the Chief Executive Officer has been unchanged since he took up the post in 2012. The increase in 2014 with respect to 2013 was because it was the first year since he took up the post that he earned variable remuneration on a full year. In 2014, the Chief Executive Officer was paid fixed remuneration of €300 thousand and variable remuneration of €180 thousand, with both components approved by the Board. In addition, the CEO was paid €64 thousand in Board attendance fees (fixed compensation plus attendance fee per meeting) and €8 thousand in remuneration in kind, for a combined €552 thousand. In addition, he was provided with a life insurance policy, with total premiums in the year of €2 thousand, while €3 thousand were contributed to his pension scheme. The CEO is also covered by the mixed group insurance policy for pension commitments, and the amount of €76 thousand of this premium corresponds to him.

Note: The Board attendance fees have not risen since 2008. Changes between financial years correspond to actual attendance by the Directors to the meetings.

The short-term variable remuneration of the Chairman and the Chief Executive is linked to the achievement of the Company's economic, environmental and social objectives. [G4-51]

+ More information: see section 4.3 'Strategic update 2015-2017'.

RATIOS [G4-54, G4-55]

The ratio of annual compensation of the highest-paid individual to the median annual compensation for employees is 31.2.

The ratio of percentage increase of annual compensation of the highest-paid individual to the median percentage increase in annual compensation for all employees was -0.95 in 2014.

3.4 PERFORMANCE OF THE GOVERNING BODIES

Enagás' Corporate Governance Policy establishes an annual evaluation of the Board's performance with regard to quality and efficiency, and an evaluation of the Chairman and the Chief Executive Officer. An independent external expert took part in the Board's self-assessment in 2014.



+ information: consult the 'Annual Corporate Governance Report, 2014' on the corporate website.

Actions carried out by Enagás as a result of this self-assessment [G4-44]

Recommendations	Actions carried out by Enagás
Increase in the diversity of the Board.	Inclusion of independence and diversity criteria for the Board, and criteria relating to the level of knowledge and experience in the process for selecting new directors.
Increased support for the Board members in their decision-making through enhanced organisation of the supply of material prior to the Board and committee meetings.	Review by the Management Committee of the documentation to be submitted to the Board prior to Board meetings. Preparation of an executive summary containing an analysis of the documentation submitted.
Reinforcement of the role and responsibility of the Audit and Compliance Committee with regard to risk management.	Implementation of the new risk management model, providing key information to Management/the Audit and Compliance Committee in order to take business decisions.
Sharper focus by the Board on risk assessment and controls, as well as structural cost saving opportunities.	

Critical concerns addressed by the Board of Directors in 2014 [G4-37, G4-49, G4-50]

Concern:	Type	Resolution
Analysis of the Company's international investment opportunities.	Economic	Unanimous approval.
Review of the Enagás Group Code of Ethics and the Code of Conduct of the Technical System Manager.	Corporate governance	Unanimous approval.
Monitoring of the Company's contributions to social action and corporate volunteering.	Social	Unanimous approval.
Implementation of a criminal compliance system.	Corporate governance	Unanimous approval.

The Managing Directors of the Company are invited to attend the Board meetings to explain matters within their area of responsibility when these concerns are being addressed. [G4-43]



4



BUSINESS OUTLOOK AND STRATEGY

- 4.1 Outlook for the natural gas sector**
- 4.2 2014 Milestones**
- 4.3 2015-2017 Strategic update**

4 BUSINESS OUTLOOK AND STRATEGY

Sustained growth in global gas demand, increased trade and arbitrage opportunities among regions will require significant development of gas infrastructures internationally over the coming years. [G4-56]

4.1 OUTLOOK FOR THE NATURAL GAS SECTOR

OUTLOOK	IMPACT
Global gas demand is forecast to rise by more than 2% a year until 2020.	<ul style="list-style-type: none"> • Increase in gas consumption concentrated in non-OECD Asia-Pacific countries, Middle East and the Americas. • Power generation is the main driver, although gas is also beginning to progress towards road transport and marine bunkers.
Additional gas supply capacity in all major regions, except Europe	<ul style="list-style-type: none"> • Non-conventional gas and LNG will play an increasingly important role in global supply. • The US has become the largest gas producer (687.6 bcm), ahead of Russia.
Rising import needs matched with a higher number of LNG producers and exporters.	<ul style="list-style-type: none"> • Global gas trade will grow, with Asia replacing Europe as the world's largest gas importer. • Regional price spreads will decrease but will continue to reflect the differences in the mechanisms for fixing prices, high transmission costs between regions and local market conditions.

Meanwhile, liquefied natural gas (LNG) will play a key role in the global supply and demand balance.

New LNG plants (import/export) contracted, together with lower restrictions in destination clauses and greater use of trading hubs in pricing formulae should enhance efficiency in the world gas markets. Furthermore, there are additional brownfield opportunities relating to disposal processes of vertically integrated

companies, as well as institutional investors.

Gas demand in Spain is expected to grow due to the forecast rise in GDP, higher penetration of natural gas in end consumption and a partial recovery in the use of natural gas for generation. The new regulatory framework resolves the tariff deficit and increases the competitiveness of Spanish companies.



+ information: the 'Publications/Presentations' section of the corporate website contains various documents analysing the natural gas sector.

4.2 2014 MILESTONES



New regulatory framework
Transparent, sustainable, stable and predictable.
Adapted to current economic environment and maturity of the Spanish gas system.
Regulatory impact on average annual revenues (€-120mill) will be offset in Net Profit through opex control, lower D&A and profits from international investments.

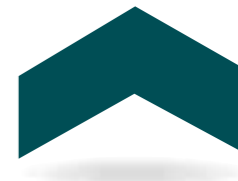


Tax reform
Approved in December 2014.
Reduces corporate tax rate from 30% to 28% in 2015 and to 25% in 2016 and beyond.



Investment
Significant capex that ensures the company's future growth:

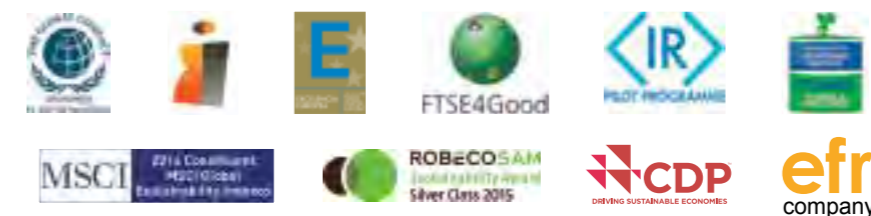
- TGP (20%) and COGA (30%)
- South Peru Gas Pipeline (25%)
- TAP (16%)



Sustainability
Best practices in corporate governance.
Dow Jones Sustainability Index.
EFQM +500.

Positioning in the main sustainability indices

[G4-13]



+ information: visit the Sustainability section on our corporate website.

4.3 2015-2017 STRATEGIC UPDATE

Having achieved the company's objectives in 2014, Enagás fulfilled its 2013-2015 Strategic Plan a year early. As a result of this and new sector regulations, the company reviewed and updated its strategy for 2015-2017.

This update takes the new operating environment in Spain and abroad into account.



Strategic international expansion criteria

<p>Core business</p>	<ul style="list-style-type: none"> Natural gas transmission and underground storage infrastructures. LNG logistics infrastructures and solutions (bunkering and storage platforms). Related activities.
<p>Risk profile</p>	<ul style="list-style-type: none"> Contracting infrastructure capacity, mainly long term.
<p>Governance</p>	<ul style="list-style-type: none"> Strategic role as an industrial partner with a right to veto the most important decisions. Enagás managers in key positions (engineering, asset management, operation and maintenance, etc.). Financial and technical working groups to foster coordination and encourage quality standards and forecast results.
<p>Partners</p>	<ul style="list-style-type: none"> Establish alliances with local groups and/or companies with complementary expertise. High quality partners.
<p>Results</p>	<ul style="list-style-type: none"> Stable and predictable cash flows, with attractive returns.

Company objectives met in 2014

Each year Enagás links employees' variable remuneration to the achievement of strategic objectives, setting as objectives four strategic drivers.

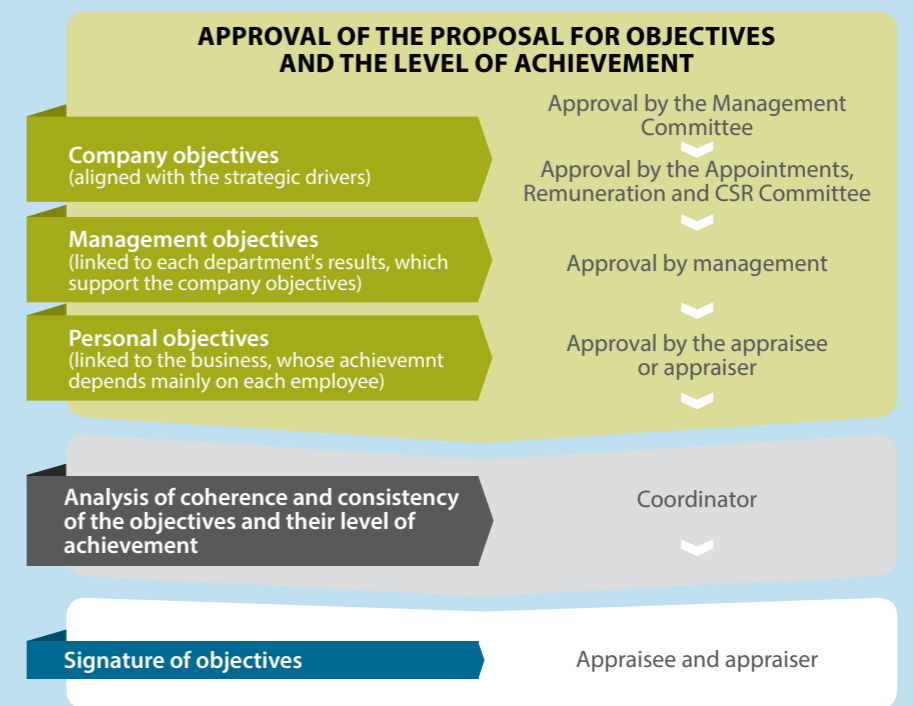
Strategic drivers	Company objectives	Indicator	Level of attainment
Regulated business in Spain	Consolidate the company's regulated revenue.	<ul style="list-style-type: none"> Develop regulatory- and remuneration-related initiatives that help guarantee company revenue (80%). Design and develop a 2014-2016 logistics-sales plan to help increase revenue for the system and for Enagás (20%). 	99.26%
Shareholder remuneration policy	Improve the company's financial results	<ul style="list-style-type: none"> Net profit at 31/12/14 (growth). 	100%
International growth	Extend the international reach of the company through new acquisitions and tenders in accordance with the established strategic and profitability criteria.	<ul style="list-style-type: none"> International investment by the company (60%). Consolidation of Enagás' business in Mexico and Peru (30%). Adaptation of the organisation and definition of critical processes to ensure that international business is coordinated and managed(10%). 	100%
Sustainability	Help grow the company through sustainability and good governance.	<ul style="list-style-type: none"> Improve energy efficiency and reduce CO₂ emissions (50%). Enhance Enagás' positioning with institutional investors and socially-responsible investors (SRI) (50%). 	99.5%

MANAGEMENT BY OBJECTIVES MODEL

Enagás' management by objectives model, which affects the variable remuneration of employees not included in collective bargaining (40.7% of the workforce), is a systematic process supported by a software application that ensures the traceability of the information. [G4-LA11]

The employees' variable remuneration depends on the level of achievement of three types of objectives, relating to: the company, management and each employee, the weight of which on remuneration depends on the professional category.

Variable remuneration of the Chairman and CEO depends on the achievement of the company's objectives. Therefore, remuneration is linked to economic, environmental and social objectives. [G4-S1]





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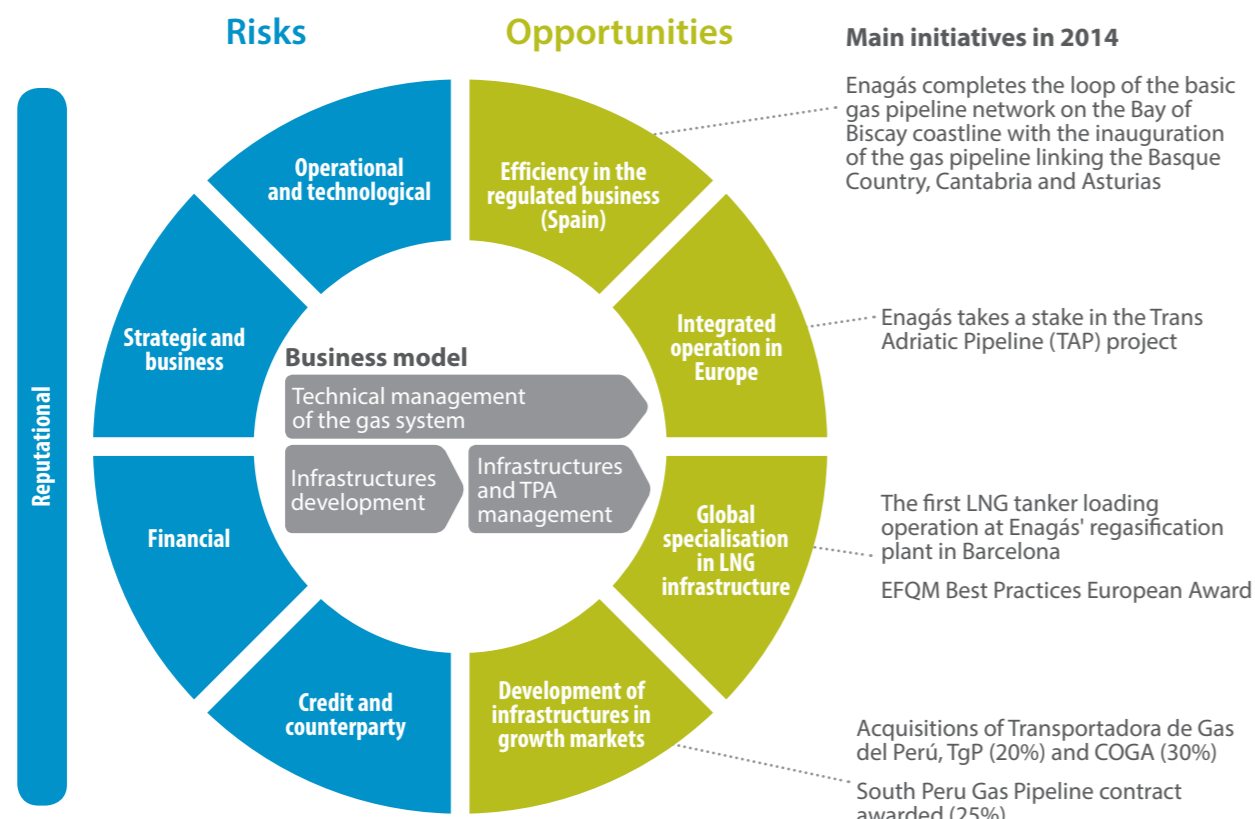


OPPORTUNITY AND RISK MANAGEMENT

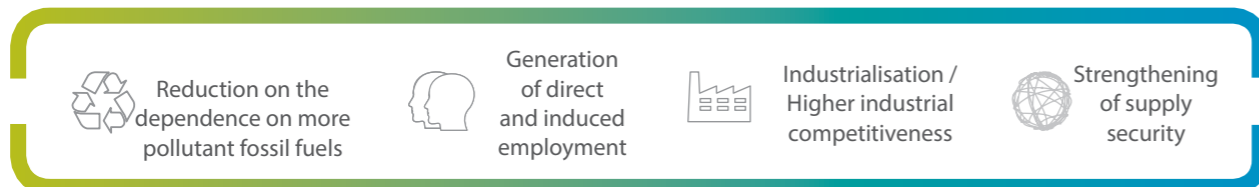
- 5.1 Opportunity management
- 5.2 Risk management
- 5.3 Opportunity and risk management in the supply chain

5 OPPORTUNITY AND RISK MANAGEMENT

Our corporate strategy and governance enable us to take advantage of opportunities and manage the risks inherent in our business model and the context in which we operate. In recent years these opportunities led to the development of new activities and acquisitions through ownership interests. [G4-2]



Impact on communities



Responsibilities in opportunity and risk identification and management

Opportunity identification and analysis	Approval of investment opportunities	Risk identification and assessment	Determination of risk levels	Approval of the global risk map	Risk management and control
		Managers	Managers		Managers
Corporate business development		Corporate risk management			Corporate risk management
				Sustainability Committee	Sustainability Committee
	Non-remunerated Investments Committee				
	New Business Investment Committee				
			Management Committee	Management Committee	Management Committee
				Audit and Compliance Committee	Audit and Compliance Committee
				Board	Board

[G4-45, G4-46, G4-47]

5.1 OPPORTUNITY MANAGEMENT

Despite the existence of several uncertainties in the short term (economic, regulatory, etc.), the medium-term outlook for natural gas is promising, which should give rise to growth opportunities. [G4-EC2, G4-2]



Short-term uncertainties

Economic outlook in key countries in relation to energy consumption.

Energy markets:

- Trend in regional gas prices.
- Development of shale gas.

Climate change policy:

- Impact of the price of CO₂ in the energy mix.
- COP-21 November 2015 Paris.

Legislative and regulatory environment.



The gas sector over the medium term

Falling fossil fuel prices should boost economic activity and encourage gas demand.

In all scenarios, natural gas will increase consistently over the coming decades in order to meet growing energy demand.

A key role for gas as a "bridge" fuel in the energy transition.

Growing need for natural gas supply infrastructure.



Enagás' role as a key midstream partner

Leading midstream (NG and LNG) infrastructure company.

Independent company with a robust financial structure.

Proven experience in international investments.

Growth drivers and initiatives

Enagás has defined the growth drivers and the initiatives in its strategy through which it will develop these opportunities.

Take advantage of Enagás experience as TSO



Highly competitive and mature market.
Lay the basis for Enagás to become a key player with an increasing relevance in Europe.

Develop of natural gas infrastructure in growth markets



Fast growing markets.
Replicate Enagás business model as independent TSO in countries with high potential growth.

Strengthen Enagás position as a global specialist in LNG regasification and liquefaction



Global LNG market.
Take advantage of opportunities worldwide to connect gas markets, maintaining Enagás position as a global leader in LNG.

5.2 RISK MANAGEMENT [G4-2, G4-14]

The integrated risk management model implemented at the company ensures coordination of a series of strategic, operational and organisational activities that enable the company to ensure that objectives will be met with a certain degree of certainty.

For Enagás, risk management is a competitive advantage in the development of the business. To this end, a project was launched in 2014 to review and redesign the risk function. The objective was to increase the business units' presence in the operating management of risks in their ordinary activities, and to integrate risk management more in the taking of decisions on activities of a strategic nature.

In 2015, a review will be made of certain aspects of the risk, organisation and governance policy and of the assessment and reporting methodologies, among others.



+ information: visit the Sustainability section on our corporate website.

Risk management is a **competitive advantage** in the development of our business

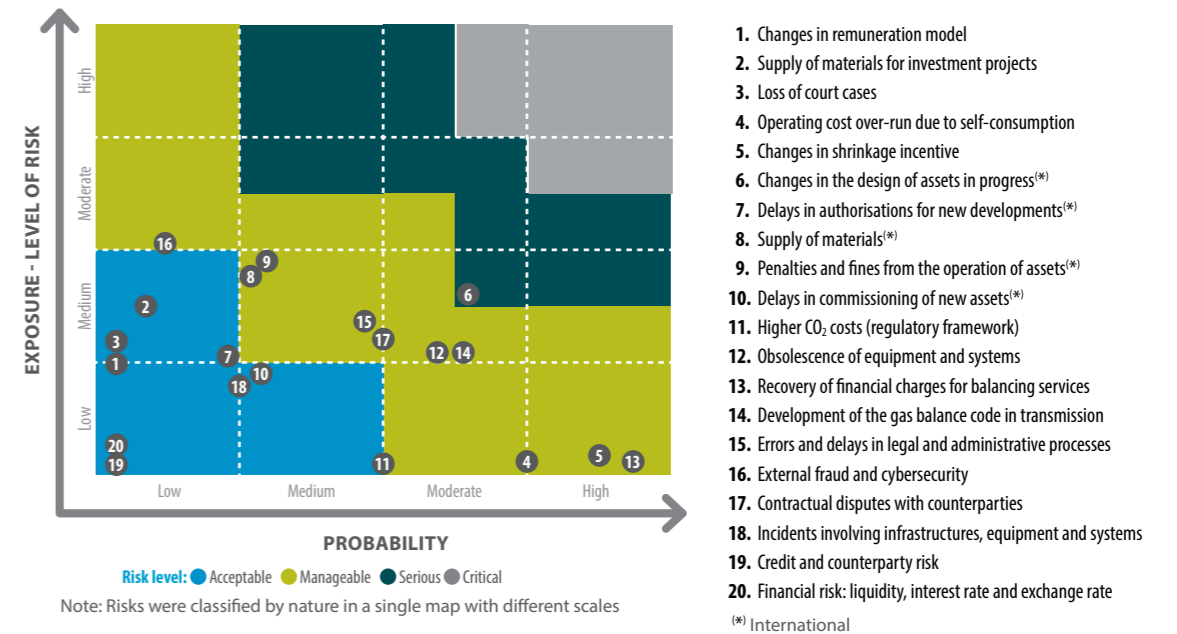
Enagás' risk map in 2014 [G4-2, G4-14]

The update of the company's risk map includes the following impacts arising from both the socio-economic environment and Enagás' actions.

Context and Enagás initiatives	Impact on the company's risks
International expansion process	Appearance of new risks in the phase of analysis of the opportunity, development and the operation of assets
Regulatory reform (see section 4.2 '2014 Milestones')	Very significant reduction in uncertainty and the company's regulatory risk
<ul style="list-style-type: none"> Prospects for improvement in the economic situation and growth in domestic demand for gas in Spain in coming years The company's business initiatives 	Significant reduction in certain risks identified in previous years relating to demand and the economic environment due to increased use of regasification plants
Investments in underground storage facilities to adapt wells and thereby ensure the safety and availability of the facilities	Reduction in the risks associated with the obsolescence of the facilities
<ul style="list-style-type: none"> Financing strategy (see section 6.1.3 'Financing strategy') Maintenance of very low interest rates 	Limitation on the level of financial risk Lower impact of the possible volatility of interest rates on the company's balance sheet and income statement
Improvement in the economic situation and strengthening of banks' balance sheets	Reduction of the credit and counterparty risk profile
Nature of the company's activities	Limited credit risk

Main risks for the Enagás Group

Integrated Risk Management Model based on ISO 31000, using the international methodological framework COSO II (Committee of Sponsoring Organizations of the Treadway Commission).



The Enagás Group's main risks [G4-2, G4-14]

Name	Details	Mitigating controls and actions defined
1. Regulatory and legal changes	Changes in the remuneration model in Spain.	<ul style="list-style-type: none"> › Ongoing working relationship with domestic and European regulatory bodies and government bodies. › Regulatory development proposals made in relation to changes in the remuneration system. › Active participation in gas sector agent associations. › Internal procedures related to this event.
2. Market and competition	Supply of materials for investment projects in Spain.	<ul style="list-style-type: none"> › Allocation of stock to other projects. › Update of warehouse inventory.
3. Strategic	Loss of court cases in Spain.	<ul style="list-style-type: none"> › Regular monitoring of the status of ongoing proceedings. › Monitoring of existing situation with corresponding administrative authorities: conversations with port authorities.
4. Market and competition	Operating cost over-run at regasification plants due to self-consumption in Spain.	<ul style="list-style-type: none"> › Monitoring and supervision of the existing levels of self-consumption. › Investments to reduce self-consumption levels.
5. Regulatory and legal	Changes to the shrinkage incentive relating to previous years.	<ul style="list-style-type: none"> › Filing of appropriate submissions for the new regulations to be applied from their publication date. › Monitoring of existing situation with corresponding administrative authorities.
6. International asset management	Modification to the design of certain assets in progress that imply higher costs.	<ul style="list-style-type: none"> › Monthly monitoring of the planning of assets in progress. › Regular monitoring of the risks associated with the project. › Actions carried out to mitigate these risks. › Monitoring of return on investment.
7. International asset management	Delays in obtaining authorisations required to develop new assets.	<ul style="list-style-type: none"> › Ongoing working relationship with domestic and European regulatory bodies and government bodies.
8. International asset management	Procurement of supplies that do not meet the required standards.	<ul style="list-style-type: none"> › Monthly monitoring of the planning of assets in progress.
9. International asset management	Penalties and fines from the operation of international assets.	<ul style="list-style-type: none"> › Regular monitoring of the risks associated with the project.
10. International asset management	Penalties due to delays in commissioning of new infrastructures.	<ul style="list-style-type: none"> › Actions carried out to mitigate these risks. › Monitoring of the profitability of investments.
11. Regulatory and legal	Higher CO ₂ costs due to changes in the regulatory framework. [G4-EC2]	<ul style="list-style-type: none"> › Measures to reduce CO₂ emissions (Energy Efficiency Plan). › Definition of a short-term emission allowances acquisition policy. › Quarterly monitoring of the emission allowance balance to adapt the policy.
12. Market and competition	Obsolescence of current equipment and systems (Spain).	<ul style="list-style-type: none"> › Implementation of the LS-TPA 2.0. system and future alignment with standards implemented in other companies in the sector. › Internal procedures in place. › Monitoring by the Management and Operating Committee of the SIOM software and the implementation of European NCs. › Regular committee meetings, in order to manage the implementation of the new program efficiently. › Contingency plan for possible delays in implementing the LS-TPA system.
13. Market and competition	Recovery of financial charges for balancing services to new agents.	<ul style="list-style-type: none"> › Analysis of the level of guarantees that should be required of the system agents. › Active participation in the legislative amendments regulating this matter.

Name	Details	Mitigating controls and actions defined
14. Regulatory and legal	Development of the gas balance network code in the transmission networks.	<ul style="list-style-type: none"> › Detailed analysis of the types of risk, impact and guidelines for mitigating risks. › Definition of mitigation actions.
15. Operational: processes	Errors and delays in legal and administrative processes.	<ul style="list-style-type: none"> › For each project, the creation of a detailed schedule to enable the company to react to unforeseen events, with exhaustive regular monitoring of milestones. › Specific analyses by project of necessary resources. Based on these analyses, internal working groups are created and specific measures adopted. The latter may include the engagement of external advisers or the relocation of Enagás teams to the place where the bid is being presented. › Studies and analyses of any cases of errors and delays that may have occurred in the past, even though they did not involve significant financial costs, in order to attempt to prevent their recurrence.
16. Operational: external fraud	External fraud.	<ul style="list-style-type: none"> › Business principles, ethics channel and reporting to the Business Principles Supervisory Committee. › Control of physical access to facilities, buildings, plant, etc. › Control access to systems and data (user access and profiles).
17. Operational: suppliers and counterparties	Contractual disputes with counterparties.	<ul style="list-style-type: none"> › Internal procedures, including control activities related to this risk. › Supplier selection procedure. › Setting of supplier reliance limits. › Supplier reliability assessment. › Financial/strategic monitoring of projects. › Verification of the inclusion of appropriate clauses that protect the Enagás Group. › Consultations to the regulatory bodies on discrepancies existing with shippers, distributors and transmission companies.
18. Operational: infrastructures, equipment and systems	Incidents involving infrastructures, equipment and systems	<ul style="list-style-type: none"> › Quality, Occupational Health and Safety and Environmental certifications (ISO 9001, OHSAS 18001, ISO 14001 and ISO 9001:2008). › Verification of the design, selection and execution of works or facilities and technical specifications for services, equipment and systems. › Existence of emergency action plans. › Performance and monitoring of Maintenance Plan and continuous improvement of the same. › Control of physical access to facilities, buildings and plants. › Control systems and alarms to guarantee continuity and quality of service. › Investigation into and monitoring of incidents and availability issues.
19. Credit and counterparty	Credit.	<ul style="list-style-type: none"> › Diversification policy among high rating entities, maintaining a balance between credit and debt positions. › 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.
20. Financial	Liquidity, exchange rate and interest rate risk.	<ul style="list-style-type: none"> › Liquidity policy reviewed regularly by the Board of Directors. › Periodic sensitivity and "what-if" analysis of interest rate movements on the company's financing costs and their impact on the interest cover ratios. › Analysis of the company's optimum financing structure and arrangement of appropriate hedges.

G4-2

5.3 OPPORTUNITY AND RISK MANAGEMENT IN THE SUPPLY CHAIN [G4-DMA]

5.3.1 OUR SUPPLY CHAIN [G4-12]

Suppliers must be approved in order to work with Enagás. The company currently works with 1,745 approved suppliers, which are classified in families according to the products or services they offer.

- › Providers of facilities and services: suppliers of IT & communication, engineering, etc. In 2014, employees from 281 service providers carried out work at Enagás' facilities. [G4-10]
- › Providers of equipment: electrical equipment suppliers, piping manufacturers, rotary machine manufacturers, manufacturers of instrumentation and control devices, etc.

In turn, the suppliers are classified by category according to security and cost. Product and service suppliers that represent a higher cost and security risk are classified as "main" or "critical" (categories 1 and 2). Enagás has 1,031 suppliers of this type.

53 new suppliers were approved in 2014, two of which began to carry out work for Enagás. The company stopped working with 15 because they ceased production, were integrated into third parties or failed to comply with the related contract. [G4-21, G4-13]

5.3.2 SUPPLIER CONTRACTING

In its activities in Spain, Enagás mainly contracts domestic companies for the provision of work and services.

Outside Spain, the company encourages local supplier participation. In cases where there are no suppliers in the area that meet the technical standards requested, Enagás encourages the hiring of Spanish companies, thereby boosting other companies in Spain.

In 2014, orders were placed with 1,026 suppliers.

CONTRACTING IN MEXICO AND PERU

In order to support the process of locating and possibly hiring suppliers in Mexico, Enagás has prepared a list of companies (both local and Spanish with an office or subsidiary in Mexico) with products or services accredited by Enagás or by the end customer (Pemex and CFE):

- › Products approved by Enagás. A risk assessment is also conducted of the company distributing the product (Informa and D&B) in order to analyse its reliability and position it as a possible partner.
- › Products approved by the end customer. Enagás' technicians check this approval and conduct a technical analysis of the product documentation before issuing final approval.

In Peru, the company has operated similarly and has identified possible suppliers, both domestic and Spanish with a presence in the country, offering products and services approved by Enagás. As a result, Enagás has identified approximately 500 suppliers that could potentially work with the company in future international projects in these countries.

Furthermore, Enagás provided Odebrecht, its business partner in Peru, with an information dossier on 150 Spanish firms approved by the company that could provide services in the country. We are therefore promoting the hiring of Spanish companies in our international activities.

VOLUME OF SUPPLIER MANAGEMENT

WORK AND SERVICES

- 1,591 orders, 94% in Spain
- €170.04Mn in orders, 92% in Spain

SUPPLIES

- 1,522 orders, 95% in Spain
- €28.3Mn in orders, 45% in Spain

[G4-EC9]

1,745
approved suppliers
work with Enagás

5.3.3 SUPPLIER ASSESSMENT [G4-DMA]

Enagás' suppliers meet the following accreditation requirements:

- › Capacity and resources to meet technical, quality, environmental and safety requirements, and maintenance over an extended period of time.
- › Observance of the principles of the United Nations Global Compact and the Universal Declaration of Human Rights.

- › Suppliers of certain product or service families are required to have certain certificates: quality (required for 49% of critical suppliers), environment (required for 36% of critical suppliers) and occupational risk prevention (required for 26% of Enagás' critical suppliers).

Supplier assessment process*

[G4-EN32, G4-EN33, G4-SO9, G4-SO10, G4-LA14, G4-LA15, G4-HR1, G4-HR10, G4-HR11, G4-DMA]

Global assessment areas	Assessment aspects**	No. of critical suppliers assessed	Assessment results	Impact of the assessment
Quality	Existence of ISO 9001 certification (accreditation requirement)	508 suppliers, 26 of which are new, were required to have this certificate.	99% of the suppliers required to have this certificate are in possession of it.	Focus on continuous improvement and on the management of processes with our suppliers.
	Reliability analysis (assessment of aspects such as technical quality, meeting deadlines and the quality of the service provided).	Assessment made of 215 suppliers, belonging to 52 product categories.	97% of suppliers received scores above the acceptable level (50/100). The cumulative average results obtained since 2011, by supplier type, are as follows: › Providers of equipment and material: 76.95/100. › Civil work and facility assembly suppliers: 76.65/100. › Service providers: 78.37/100.	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.

*Assessments arising from the accreditation requirements and additional aspects.

**Arising from the risks identified in each area.

» Supplier assessment process*

[G4-EN32, G4-EN33, G4-SO9, G4-SO10, G4-LA14, G4-LA15, G4-HR1, G4-HR10, G4-HR11, G4-DMA]

Global assessment areas		Assessment aspects**	No. of critical suppliers assessed	Assessment results	Impact of the assessment
Impacts on society	Environmental	Existence of ISO 14001 certification (accreditation requirement)	368 suppliers, 26 of which are new, were required to have this certificate.	91% of the suppliers required to have this certificate are in possession of it.	Focus on continuous improvement and on the management of processes with our suppliers.
		Environmental impacts in infrastructure construction ¹ .	11 critical suppliers of construction work in domestic projects were audited.	55% of the audited suppliers passed the audit without significant non-compliance. The negative impacts detected relate to the environmental training of contractors, emergency drills and environmental monitoring inspections.	Process improvement. 75% of the suppliers audited have implemented actions to mitigate their environmental impact.
		Impact in relation to climate change ² .	51 suppliers responded to the CDP supply chain questionnaire on climate change (120 were invited to take part).	See section 6.5.2 'Climate change and energy efficiency'.	See section 6.5.2 'Climate change and energy efficiency'.
Labour		Existence of OSHAS 18001 certification (accreditation requirement).	267 suppliers, 26 of which are new, were required to have this certificate.	81% of the suppliers required to have this certificate are in possession of it.	Focus on continuous improvement and on the management of processes with our suppliers.
		Situation with regard to registration with the social security service ³ .	281 service suppliers that performed work at Enagás' facilities in 2014.	100% have documentation accrediting the social security registration status of their employees.	Work performed while respecting employees' labour rights.
		Safety (injury rate).	20 suppliers with staff working permanently at Enagás' facilities audited. Furthermore, an assessment was made of the accident rate of 281 service providers that performed work at Enagás' facilities in 2014.	40% of the audited suppliers passed the audit without corrective action. The negative impacts detected relate to the accident rate.	Process improvement. As a result of the audits, 14 corrective actions were identified.
Compliance		Legal obligations relating to tax and social security, existence of penalties and non-compliance (accreditation requirement).	1,745 (all approved suppliers).	100% meet their obligations.	Guarantee of legal compliance and performance of the work while respecting the employees' labour rights.

*Assessments arising from the accreditation requirements and additional aspects.

**Arising from the risks identified in each area.

(1) On-site environmental audits.

(2) CDP supply chain initiative.

(3) Audits of contractors in relation to labour regulations and the prevention of occupational hazards conducted in relation to the permanent staff at Enagás facilities.

Global assessment areas		Assessment aspects**	No. of critical suppliers assessed	Assessment results	Impact of the assessment
Impacts on society	Corporate responsibility	CSR certification (while Enagás does not require any supplier to have CSR certification in order to work with it, it does value those that have it positively).	472 main suppliers rated (21 are new). Moreover, audits were conducted on 61 critical suppliers using Achilles.	8 critical suppliers approved by Enagás have CSR certification.	Focus on continuous improvement and on the management of processes with our suppliers.
		CSR score ⁽⁴⁾ : ethics, human rights, labour practices (workforce structure, hiring of disabled people, etc.), safety, the environment, stakeholder engagement, quality and transparency, etc.		Enagás has a detailed score for each supplier and a comparison with the average of the suppliers included in the platform. As a result of these assessments and audits, agreed-upon actions are proposed and monitored in subsequent visits.	Extension of Enagás' commitment to the sustainability of the supply chain.

(4) Assessment carried out using the Achilles Repro platform. **Arising from the risks identified in each area.

5.3.4 COOPERATION INITIATIVES: SUPPLIER CIRCLE [G4-DMA]

In 2014 the company worked with six suppliers (Aplein Ingenieros, Atos, Indra, Prosegur, Telefónica and Emerson) in the study, planning and development of cooperation initiatives. The objective is to help our suppliers to develop new products and services while the company obtains improvements and savings in several areas (process improvements, energy efficiency, safety, etc.). The projects that have made most progress to date include the following two:

Initiatives	Benefits
<p>1 Aplein is developing a monitoring and supervision system that compares measures from duplicated measurement equipment and detects deviations. Enagás is exploiting one of these applications in the international G-02 Gallués connection in Navarra (gateway for gas to France, where there are duplicate sensors).</p>	<p>➤ 60% of savings in maintenance costs (fewer adjustments to equipment). ➤ 13% reduction in gas shrinkage in the Spanish gas system (€1.3Mn). ➤ More reliable measurements and increased transparency for the customer.</p>
<p>2 Indra is developing a perimeter protection system to monitor intrusion in critical infrastructure. Enagás is using the system at four of its facilities: the Yela and Gaviota storage facilities, the Montesa compressor station and the Bilbao-Treto position.</p>	<p>➤ Saving in equipment costs, compared with the traditional method, of 8% in Yela and 33% at the Montesa station. ➤ Saving in costs, compared with the traditional method, of 62% in Yela and 59% at the Montesa station. ➤ Increased security and autonomy of the equipment.</p>

PRIZE AWARDED BY AERCE

Enagás won a prize in the 2014 "Purchasing Diamond" awards organised by the Spanish Association of Purchasing, Contracting and Procurement Professionals (AERCE) and received the Prize for Integrating Suppliers in the Value Chain. This award acknowledges the significant progress made by the company in implementing a sustainable supply chain management model in order to ensure that it is more reliable and entails less risk. Furthermore, Enagás integrates suppliers in the company's value chain and explores new ways to cooperate with them in order to generate joint benefits.



SUSTAINABLE MANAGEMENT: PERFORMANCE AND OBJECTIVES

- 6.1 Economic performance and cost efficiency**
- 6.2 Occupational health and safety**
- 6.3 Ethical compliance and human rights**
- 6.4 Human capital management**
- 6.5 Environmental management and combating climate change**
- 6.6 Impact on local communities**

6 SUSTAINABLE MANAGEMENT: PERFORMANCE AND OBJECTIVES

Sustainability is at the heart of how Enagás conducts its business activities. Our sustainable management model focuses on innovation and continuous improvement, allowing us to achieve sustainable results in the economic, social and environmental dimensions.

At Enagás, sustainability is integrated into management at both strategic and operating level:

- › Strategically, sustainability is one of the four drivers of the 2015-2017 Strategic Update, and one of the company's objectives, linked to variable remuneration.
- › In operating terms, the Sustainable Management Model enables the company to coordinate activity from a continuous improvement standpoint.

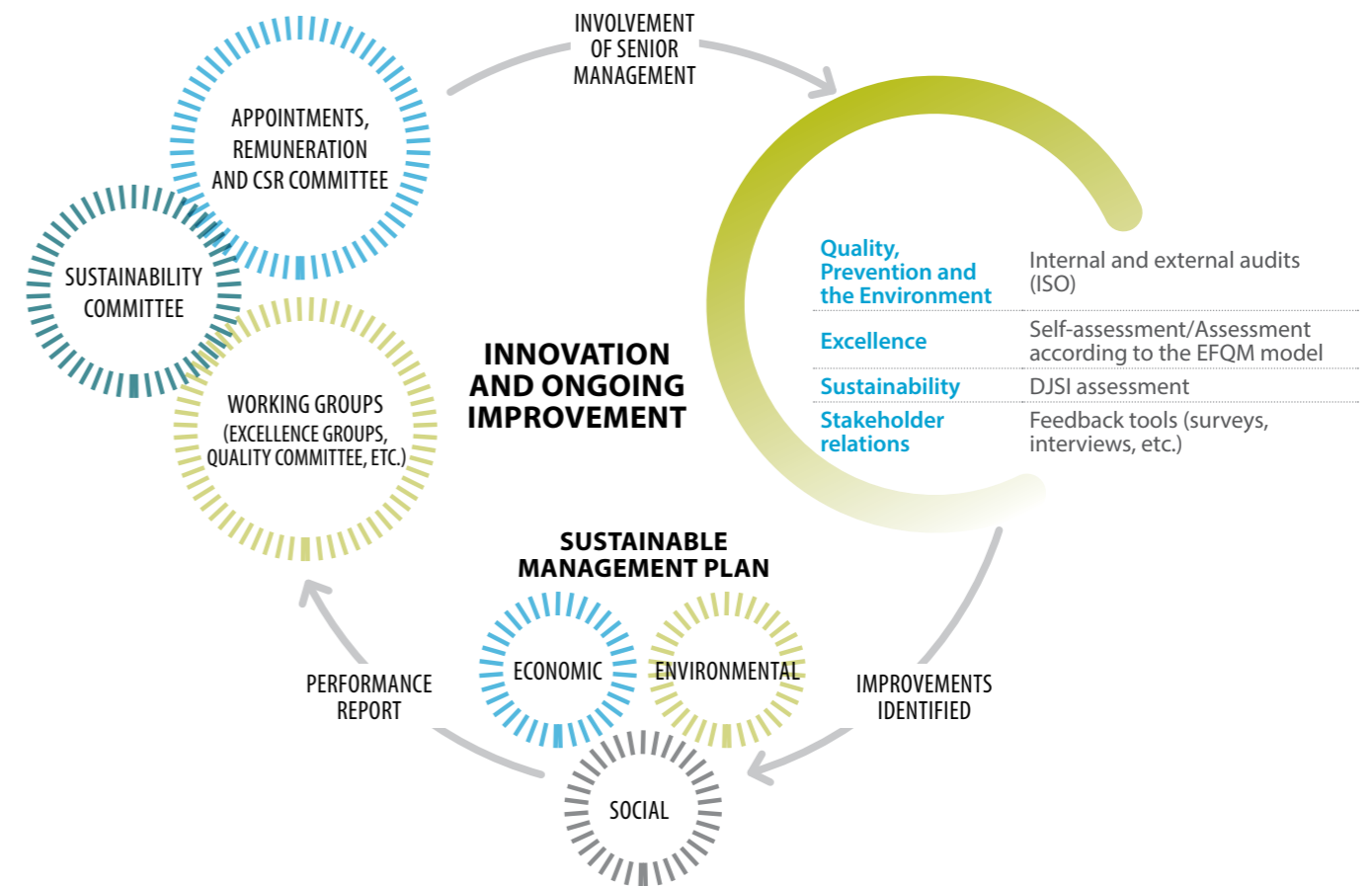
Enagás' Sustainable Management Model establishes the methodology for identifying and implementing the areas of improvement, with the commitment of senior management.

The company conducts internal and external assessments in various areas each year, following benchmark standards and models (EFQM model, ISO regulations, etc.). As a result, lines of action cutting across the entire organisation are identified and collated in the Sustainable Management Plan, which is structured according to the company's material aspects and linked to variable remuneration.

This enables the company to obtain results in the economic, social and environmental dimensions that reflect its sustainable growth and demonstrate its long-term vision.



Enagás' Sustainable Management Model



The Appointments, Remuneration and CSR Committee (ARCSRC) is the highest body with responsibility for sustainability (economic, environmental and social impacts). The Sustainability Committee, which is defined at General Management level, reports to the the ARCSRC and is responsible for approving initiatives in this connection (by delegation from the ARCSRC). [G4-45, G4-47]

At executive level, 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. Reporting to the CEO and in general, the Finance Department is responsible for economic affairs and the Resources Department for

environmental and social matters, including the external assurance for the Annual Report. [G4-33, G4-34, G4-35, G4-36]

The performance and objectives of the Sustainable Management Plan in each of Enagás' material aspects, prioritised in accordance with the results of the materiality analysis, are detailed below.

More information: see section 2.1 'Stakeholder management'.

6.1 ECONOMIC PERFORMANCE AND COST EFFICIENCY

2014 MILESTONES

- › Approval of the 2014-2020 Efficiency Plan
- › Financial targets met for the eighth consecutive year

€1.30
Enagás' dividend per share increased by 2.4% in 2014

LINES OF PROGRESS 2015

- › Dividend of €1.32/share
- › €430Mn Capex (50% international investment)
- › €4,240Mn net debt
S&P rating: BBB
Fitch: A-
- › Cost of debt: 3.1%

Financial drivers

- Solid financial position
- To ensure appropriate, competitive shareholder remuneration
- Sustained growth in net profit

INDICATORS

- › Dividend of €1.30/share (+2.4%)
- › Net profit of €406.5Mn (+0.8%)
- › Investment of €625Mn
- › Net debt of €4,059Mn (Net debt/EBITDA ratio of 4.2x)



+ information: visit the 'Financial Information' section on the corporate website.

6.1.1 ANALYSIS OF RESULTS IN 2014 [G4-DMA]

The results in 2014 were the first to be affected by the gas reform, which establishes a new stable regulatory framework until 2020. The impact of the regulatory reform was a reduction in regulated revenue of €57 Mn.

The company also recognised a provision in 2014 amounting to €18.3Mn on investments associated with plant and recognised a write-down of €22.1Mn relating to a plot of land acquired for the construction of a new head office after the decision was taken not to use it for this purpose.

These effects were offset in net profit mainly by a lower depreciation and amortisation charge arising from the extension of the useful life of transmission assets and the one-off positive accounting impact of the tax reform in 2014.

Net profit (NP) for 2014 amounted to €406.5Mn, up 0.8% on the €403.2Mn obtained in 2013.

€Mn	2013 ⁽¹⁾	2014	% Chg.
Total revenue	1,261.9	1,223.8	-3.0%
EBITDA	995.9	939.8	-5.6%
EBIT	649.8	589.6	-9.3%
Net profit	403.2	406.5	0.8%

(1) In 2014, pursuant to IFRS 11 (whereby the option of proportionate consolidation is eliminated for joint arrangements), BBG and TLA Altamira were accounted for using the equity method and only contributed to net profit.

6.1.2 EFFICIENCY PLAN

The scope of Enagás' Efficiency Plan includes expenses associated with infrastructures and the company's general expenses, encompassing approximately 100% of its operating expenses. The plan is based on four strategic pillars:

› **Energy efficiency.** This includes measures to reduce the energy required to operate the infrastructures, to promote self-generation of electricity and to minimise consumables.

- Minimisation of self-consumption costs at the regasification plants until 2017 through the installation of compressors and required adaptations at the regasification plants.
- Increase in electricity generation at Almendralejo, Huelva, Barcelona and certain transmission centres, with the objective of raising self-generation to around 20% of the energy consumed in 2017 and 35% in 2020.
- Improvement in the processes for managing the contracting of electricity.

- Reduction in operating additives, such as the consumption of nitrogen, methanol and other consumables.

› **Streamlining of organisational models.**

› **Maintenance management.** This includes measures such as:

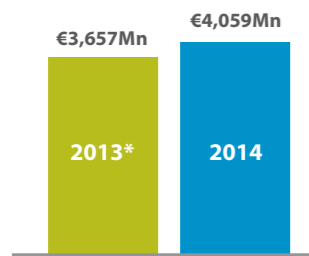
- Optimisation of maintenance plans according to the criticality of the assets.
- Review and continuous improvement of maintenance services in line with the Group's policies and procedures.
- Quality certification of the main maintenance processes in accordance with ISO 9001.

› **Efficiency in general expenses.** This pillar focuses on improving the management of contracting (searching for win-win situations) with the main suppliers and measures designed to link contracts to the trend in gas system costs), and on controlling expenditure and adapting it to the company's needs at any given time.

6.1.3 FINANCING STRATEGY [G4-DMA]

Enagás adapted to the new context arising from the crisis by reducing external bank borrowings and replacing this with another type of funding, such as bonds. This enabled it to achieve a more diversified structure.

Net trend in debt



(*) 2013 debt was adjusted in application of IFRSs effective at 1 January 2014

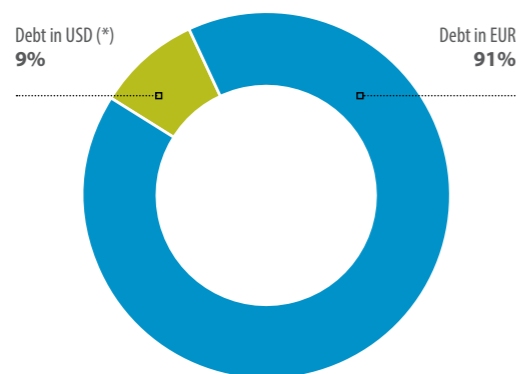
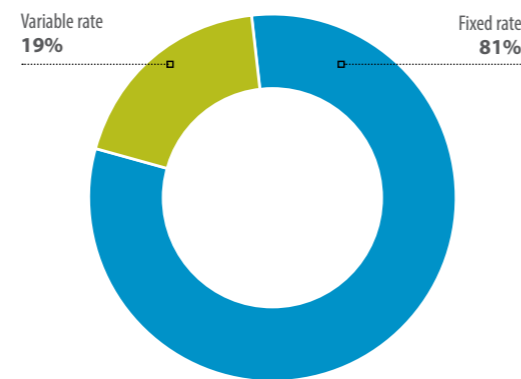
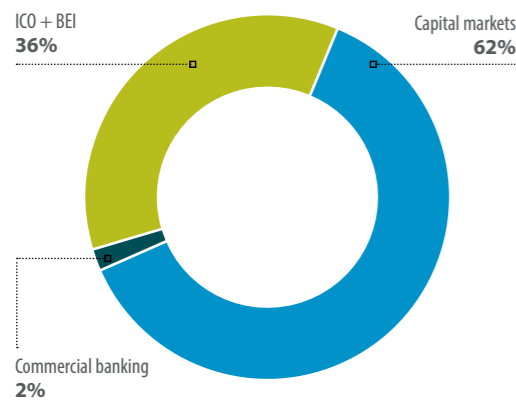
Leverage and liquidity

	2013*	2014
Net debt/EBITDA ⁽¹⁾ (adjusted)	3.7x	4.2x
FFO/net debt	18.5%	16.5%
Cost of debt	3.0%	3.2%
Liquidity	€2,114Mn	€2,443Mn

(1) Net debt/EBITDA adjusted for subsidiaries' dividends.

(*) 2013 data were adjusted in application of IFRSs effective at 1 January 2014

Debt structure



(*) Exchange rate USD/EUR: 1.30

Rating agencies
S&P (BBB)
and **FITCH (A-)**
maintained their
credit ratings in 2014

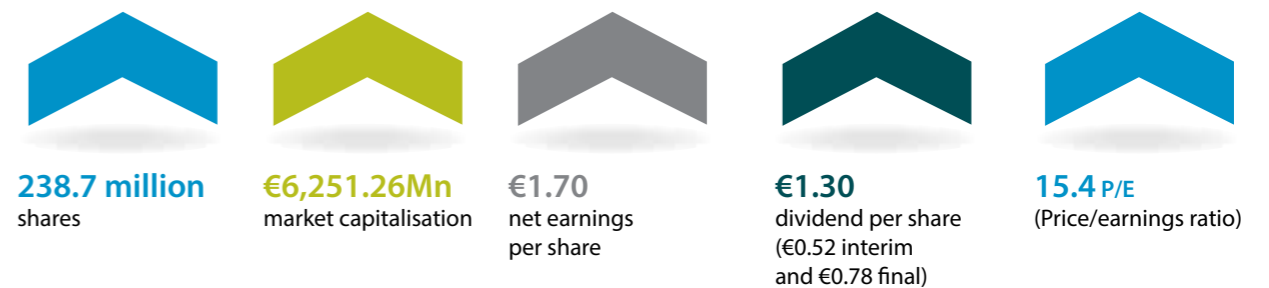
6.1.4 ENAGÁS SHARE PRICE PERFORMANCE IN 2014 [G4-DMA]

As a result of the company's performance and activity in 2014, Enagás shares performed strongly, notching up their third straight year of gains. It was the third best performer on the Spanish blue chip index, gaining 37.85% from 2013, compared with an average increase of 3.66% for the Ibex 35.

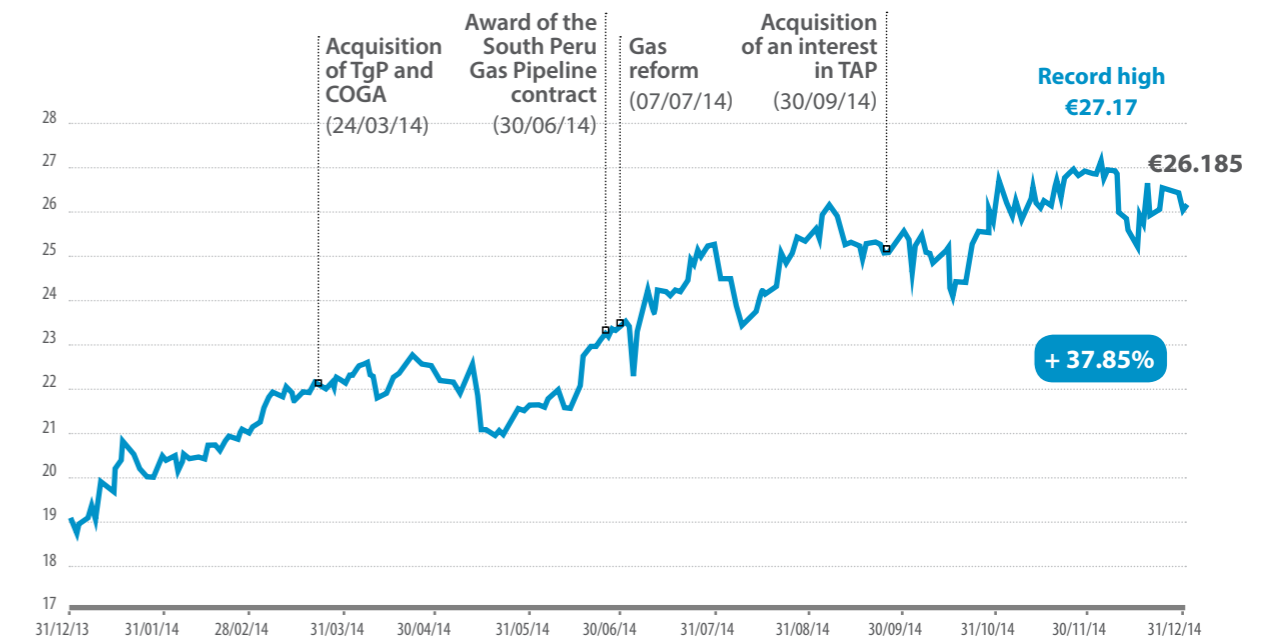
For Enagás, 2014 was marked by the regulatory reform of the Spanish gas sector and by the company's international expansion.

The completion of the reform contributed to stability in the sector, with a new stable and predictable regulatory framework until 2020.

Enagás continued with its international expansion process. Backed by its financial soundness and experience in infrastructure management, the company won new projects in international markets, making it a global benchmark in the development and operation of gas infrastructures.



Stock market performance



SHAREHOLDER SUPPORT COMMUNICATION CHANNELS

Free shareholder helpline: 900 100 399

E-mail: accionistas@enagas.es

Corporate website: www.enagas.es

6.2 OCCUPATIONAL HEALTH AND SAFETY

2014 MILESTONES

- OHSAS 18001 certification of 100% of Group companies (Enagás S.A., Enagás Internacional, Enagás GTS and Enagás Transporte).
- Diagnosis of healthy workplace certification for the Enagás Group, which obtained a favourable rating for the implementation of a healthy integrated management system.
- Adherence to the *Luxembourg Declaration* through the Spanish Institute for Occupational Health and Safety.
- Publication of the protocol and position on road safety.
- Training of technical staff from the Spanish public authorities on safety in the gas sector.

LINES OF PROGRESS 2015

- Healthy workplace certification for the Enagás Group.
- Diagnosis of ISO 22320 (Emergency Management) integration in the Management System.
- Promotion of leadership in safety for executives.

INDICATORS

- 100% of activity certified in accordance with OSHAS 18001.
- 9,975 hours training in health and safety.
- 3.60. Integrated frequency of accidents entailing sick leave (own staff + contract staff).
- 0.25. Integrated index of seriousness accidents entailing sick leave (own staff + contract staff).

6.2.1 OCCUPATIONAL RISK PREVENTION MANAGEMENT SYSTEM [G4-DMA]

The Enagás Group's Occupational Risk Prevention Management System certified in accordance with OHSAS 18001 contains procedures and rules for identifying and assessing risks, and for reporting accidents. [G4-PR1]

Enagás promotes safety certification for its supply chain and requires, in its approval process, certification in occupational risks for suppliers of certain families of products or services.

More information: see section 5.3.3 'Supplier assessment'.

Health and safety indicators [G4-LA6]

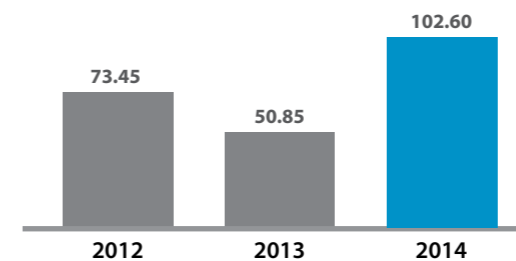
Frequency of accidents entailing sick leave

Number of accidents causing injuries and sick leave per million hours worked. (Number of accidents leading to sick leave x 10⁶ / number of hours worked)



Rate of lost days

Total lost days / total hours worked x 200,000.



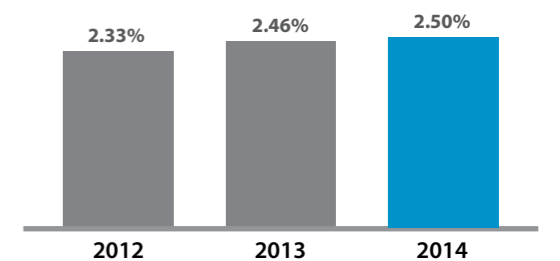
Index of seriousness entailing sick leave

Number of working days lost as a result of accidents per thousand hours worked. (Number of working days lost x 10³ / number of hours worked)



Rate of absenteeism

Hours of absenteeism x 100 / theoretical hours (average workforce x 1,682 hours)



EMERGENCY DRILL

In 2014, as part of its Emergency Intervention Capability Improvement Plan, Enagás conducted a drill to activate all the channels of action in the management of a crisis caused by a gas pipeline emergency. The drill consisted of a break in a gas pipeline, without ignition, due to interference by third parties near kilometre point 38,000 of the semicircle Madrid gas pipeline (Algete-Getafe), of 16", between the B-22 Getafe and B-21 Vallecas points, within the scope of action of the San Fernando transmission centre.

During the drill, the company verified the effectiveness of the organisation

to respond to an emergency and its staff's expertise to put into practice the Incident and Emergency Action Plan and the General Crisis Communication Regulations. Also, sufficiency and suitability of materials and resources allocated were verified, as were the adequacy of action procedures and correct functioning of external and internal communications, all under the observation of the Military Emergency Unit.

This initiative is in line with the work on Excellence in Emergency Prevention and Action Management in 2014. This was in addition to other

actions, such as the agreement with the government of Catalonia for cooperation and improvement of communications through the RESCAT network; the draft agreement with Castilla-La Mancha; the activation programmes with Civil Protection in the Basque Country, Madrid, Andalusia, Murcia, Valencia, Aragón, Extremadura, Galicia and Navarra, and the analysis of improvements in the coordination with fire brigades nationwide. This set of initiatives will enable the company to improve management of a crisis arising from an emergency at Enagás' facilities.

6.2.2 HEALTH AND SAFETY COMMITTEES [G4-LA5, G4-LA8, G4-DMA]

Enagás has various social representation bodies where employees exercise their participation and consultation rights:

› **Health and Safety Committees⁽¹⁾**, in which 100% of employees are represented. These committees, set up at work centres with more than 50 employees, consist of prevention officers and management representatives. The head of Prevention attends as a technical adviser. Meetings are held quarterly.

› **The Group's Inter-Centre Health and Safety Committee.** This committee is formed in accordance with current legislation and Enagás' collective bargaining agreement. It comprises six prevention officers, four from Enagás Transporte SAU (one representing the regasification plants, one from the transmission centres, one from the storage facilities and one from head office), one from Enagás GTS and one from Enagás SA, appointed by the largest trade unions, and six members of management.

The collective agreement provides for calling the committee if there are issues to be addressed. In accordance with this provision, experience has demonstrated that the required frequency is one meeting each year.

⁽¹⁾ At centres with fewer than 50 employees at which there is Prevention Officer, health and safety meetings are held regularly.

› **The Inter-Centre Health and Safety Committee of Enagás Transporte SAU.** This committee is formed in accordance with current legislation and Enagás' collective bargaining agreement. It comprises six prevention officers (two representing the regasification plants, two from the transmission centres, one from the storage facilities and one from head office). It meets every two months and whenever requested by one of the members for justified reasons.

There is also a suggestion box available for all the employees.

Internationally, the Enagás Group takes part in the Marcogaz-Eurogas Joint Group Environmental Health and Safety. The Working Group Health and Safety deals with issues related to occupational health and safety of employees in the gas industry.

In Spain, Enagás takes part in the Safety and Sustainable Development Committee and in its SEDIGAS working group, where common action criteria are established in relation to prevention and safety in the Spanish gas system. The company also takes part in the Spanish Occupational Hazard Prevention Services Association (AESPLA). This is a forum for sharing knowledge on new lines of action to create a global prevention strategy in the various business sectors.

The preventative culture campaign 'Tu salud, tu mejor trabajo' (Your best work is your health) focused on health, physical fitness and road safety in 2014. Communications were issued, fun activities -such as a children's road safety drawing competition- were held, and 20 articles were published.

There were more than 500 actions designed to encourage occupational risk prevention (training and awareness). These included training of technical staff from the Spanish public authorities on safety in the gas sector.

6.2.3 TRAINING AND AWARENESS

A total of 9,975 hours of health and safety training were given in 2014. The main courses received by Enagás employees were the following: [G4-LA6]

- › Basic level prevention
- › Self-protection plan
- › First aid
- › Road safety
- › Fire fighting
- › Emergency organisation

6.2.4 EMPLOYEES' HEALTH [G4-DMA]

Enagás' commitment to the health of its employees is reflected in actions relating to two aspects:

- › Diagnosis of Enagás as a healthy workplace, performed in 2014: the company obtained a favourable rating on the implementation of the integrated healthy management system in the four areas: physical, psychosocial, health and community; and the commitment to compliance with the system requirements.
- › Adherence to the Luxembourg Declaration through the Spanish Institute for Occupational Health and Safety, undertaking to accept and implement basic objectives for promoting health in the workplace.

In addition, in 2014 Enagás' medical service provided assistance in the following initiatives:



1,522 medical consultations



168 vaccinations against flu, tetanus and hepatitis A and B



1,006 medical check-ups

Prevention campaigns were also carried out, addressing issues such as high blood pressure, cardiovascular risk and the prostate. Health check-ups are offered to all the company's employees. These are voluntary and in all cases guarantee the employee's informed consent before the examinations, tests and analyses are carried out, as well as the confidentiality of the personal medical data obtained.

Enagás obtained a favourable rating for the implementation of the **healthy integrated management** system.



+ information: visit the Sustainability section on our corporate website.

6.3 ETHICAL COMPLIANCE AND HUMAN RIGHTS

2014 MILESTONES

- Review of the Enagás Ethics and Compliance model:
 - Approval of the Enagás Code of Ethics and associated procedures (management of reports and consultations regarding irregularities or breaches of the Code of Ethics, and the operation of the Ethical Compliance Committee).
 - Approval of the Code of Conduct of the Technical System Manager of Spain's Gas System.
- Training for managers in issues relating to criminal risk management.

LINES OF PROGRESS 2015

- Informing and instructing employees about the new Code of Ethics.
- Signing the Enagás Group's new Code of Ethics by all employees.
- Review and update of corporate policies.

INDICATORS

<ul style="list-style-type: none"> 66% of employees⁽¹⁾ received training in human rights (13,310 hours). [G4-HR2] 9 significant investment agreements⁽²⁾. All include human rights clauses. [G4-HR1] 200 employees⁽³⁾ received training in anti-corruption policies and procedures. [G4-SO4] 	<ul style="list-style-type: none"> 7 communications received via the Ethics Channel. <p><small>⁽¹⁾ Training relating to: equality and non-discrimination, health and safety, and the environment.</small></p> <p><small>⁽²⁾ Amount of purchases exceeding €2Mn.</small></p> <p><small>⁽³⁾ 82.5% of managers, 11% of technicians, 14.5% of operational staff and 8% of administrative staff.</small></p>
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Principles and guidelines on conduct in the Code of Ethics. [G4-56, G4-57, G4-58, G4-DMA]

PRINCIPLES

- Knowledge and compliance
- Traceability of decisions
- Due diligence
- Communication and response
- Leading by example

200 employees received training in **anti-corruption** policies and procedures

The Enagás Group's Code of Ethics defines the following guidelines on conduct:

- Be trustworthy and transparent
- Express rejection of fraud, corruption and bribery
- Use company assets responsibly
- Be fiscally responsible
- Establish relationships with third parties in a clear manner
- Identify, report and manage conflicts of interest
- Manage the information diligently
- Protect people
- Protect the environment
- Generate a culture of innovation



+ information: Consult the Code of Ethics of the Enagás Group and the Code of Conduct of the Technical System Manager of Spain's Gas System on the corporate website.

6.3.1 ETHICS AND COMPLIANCE MODEL [G4-56, G4-57, G4-58, G4-DMA]

The Enagás Ethics and Compliance Model consists of the Codes of Conduct (Code of Ethics of the Enagás Group and Code of Conduct of the Technical System Manager of Spain's Gas System), the associated corporate policies and procedures (procedure for managing notifications and consultations relating to irregularities or breaches of the Code of Ethics, and the procedure for the operation of the Ethical Compliance Committee) and the assignment of responsibilities in this connection.

The Code of Ethics of the Enagás Group was updated and approved in 2014. Compliance with this code is compulsory for employees, managers and directors and, in their respective relationships with the

company, for contractors, suppliers, all working with the company or acting on its behalf and all business partners.

The new code strengthens areas such as the rejection of fraud, corruption and bribery, fiscal responsibility and respect for human rights.

It also contains a chapter on managing non-compliance, referring to the responsibilities of the Ethical Compliance Committee and to the consultation and reporting channels.

CONSULTATION CHANNELS AND NOTIFICATION OF THE CODE OF ETHICS

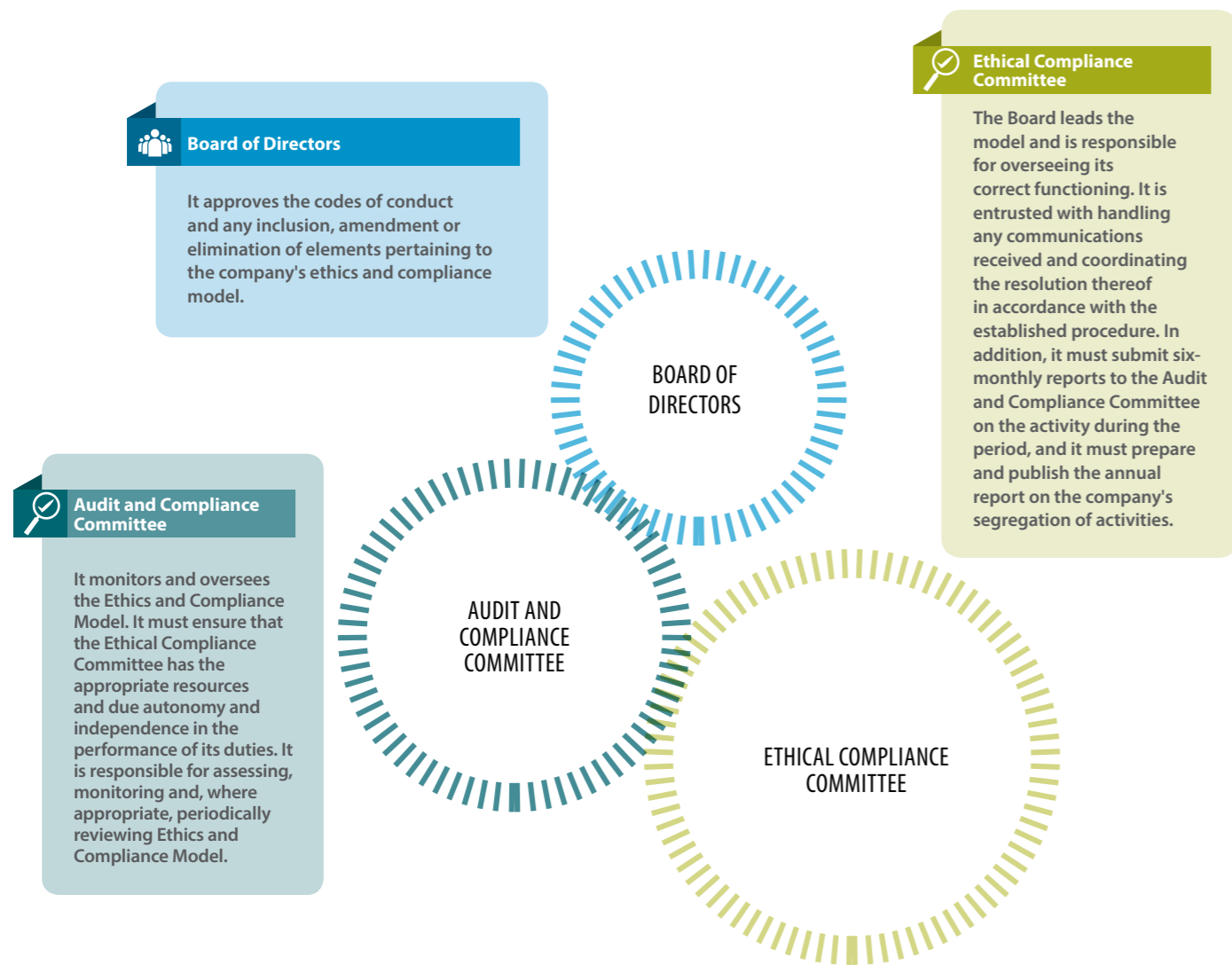
- E-mail: canal.etico@enagas.es
- Exclusive fax line (the communications are received personally by the Chairman of the Ethical Compliance Committee) Fax no: 91 709 60 96
- Post addressed to any member of the Ethical Compliance Committee
- Information and a communication channel on the corporate intranet.

7 communications were received via the ethics channel in 2014:

> Consultations. Two consultations were received and addressed, while one was received that could not be admitted since it did not relate to issues covered by the code of ethics.

> Notifications. Four notifications were received relating to breaches of the code of ethics, one relating to incidents of corruption. In response to them, an investigation was carried out. This included interviews with the complainant, the person accused, and people close to the complainant/person accused. All cases were concluded with the rejection of the related notifications. None of the notifications related to human rights. [G4-HR12, G4-SO5]

Governance bodies of the Enagás Ethics and Compliance Model



Awareness and training [G4-SO4, G4-DMA]

All Enagás employees are familiar with and have signed the company's Code of Ethics. The updated Code will be conveyed to and signed by the employees in 2015.

A training session was carried out in 2014 for company managers and heads (59 employees) on the criminal liability risk management model, the

governing bodies responsible for managing it, the various types of criminal offences and the required conduct guidelines for employees in order to minimise this risk.

The Company also provided employees with a criminal liability risk management manual and a handbook for consultation purposes and internal dissemination.

6.3.2 RESPECT FOR HUMAN RIGHTS [G4-DMA]

Enagás has made progress in its commitment to ensure compliance with human rights by following the principles of the UN Framework and Guiding Principles on Business and Human Rights (Ruggie framework).

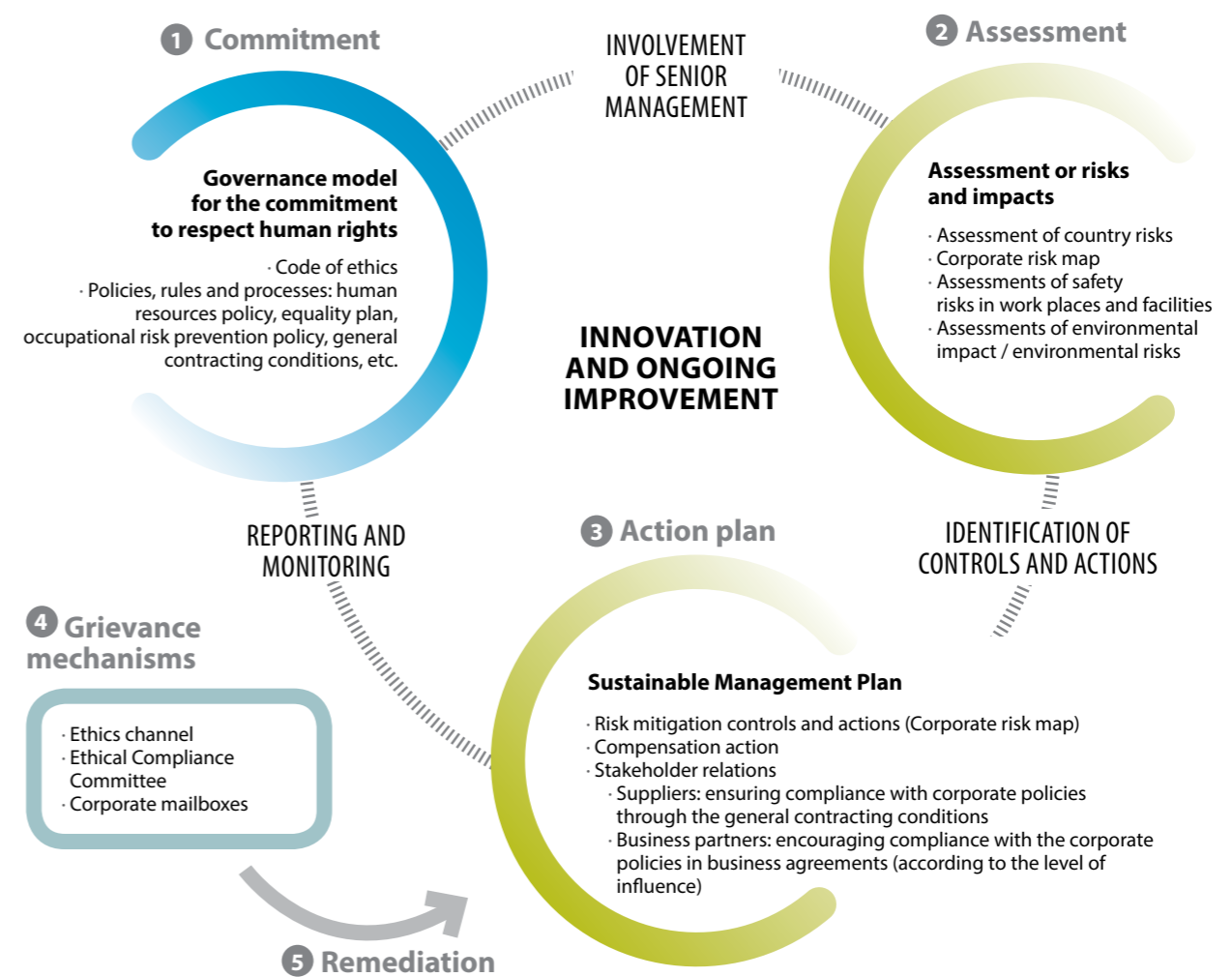
In 2014, we reflected this commitment to respect human rights according to the International Bill of Human Rights and the fundamental principles and rights at work of the International Labour Organization (ILO) in our Code of Ethics and its underlying corporate policies. [G4-15]

The company's respect for human rights focuses on the following areas:

- › Labour rights (remuneration, collective bargaining, trade union membership, etc.)
- › Equality and non-discrimination (gender, disability, race, religion, nationality, sexual orientation, age, etc.)
- › Health and safety
- › Environment
- › Community property rights
- › Data protection

These areas are managed using a continuous improvement approach, aligned with our Sustainable Management Model.

Human resources management model



6.4 HUMAN CAPITAL MANAGEMENT

2014 MILESTONES

- Approval of the 2015-2017 Efficiency Plan.
- Extension of the competency-based performance appraisal system to all personnel excluded.
- Signing of a cooperation agreement with the Ministry of Health, Social Services and Equality aimed at increasing the number of women in executive positions.
- Development of HR policies adapted to the international environment, travel guides, employee support services, etc.

LINES OF PROGRESS 2015

- Development of the Resources Plan to ensure the availability of the profiles required to implement Enagás' strategy.
- Review of performance appraisal systems to foster employees' professional development.
- Implementation of processes to identify employees with competencies and skills for occupying management positions (pre-manager assessment).
- Development of a corporate entrepreneurship and open innovation project.
- Approval of the Improvement Plan associated with the results of the workplace climate survey.
- Preparation of a Comprehensive Diversity Plan for managing human capital.

INDICATORS

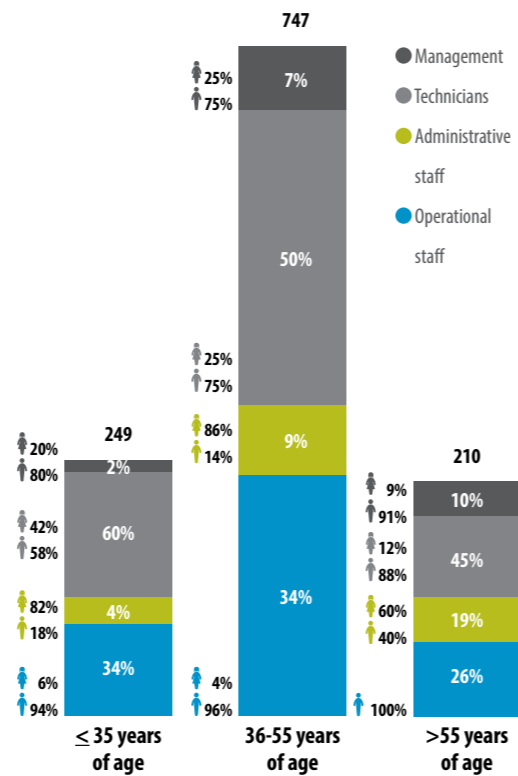
- 59.6 hours of training per employee. [G4-LA9]
- 92.2% of the workforce received training in the year.
- 9.4% of the staff at Enagás are internal trainers.
- €1,041 investment in training per employee.
- 81% of the workforce received a performance appraisal linked to their career development and the increase in their fixed remuneration. [G4-LA11]
- 172 employees attended equality courses.

6.4.1 JOB STABILITY AND QUALITY

[G4-10, G4-LA1, G4-LA12, G4-DMA]

Enagás increased its workforce by 5% in 2014. The 2015-2017 Resources Plan, approved at the end of 2014, envisages growth of around 5% in the workforce over this period, enhancing the efficiency of the organisational models and with the objective of providing the company with the resources it needs for its international development.

Distribution of the 1,206 employees by age group, employee category and gender



Type of contract and working hours per employee



6.4.2 ATTRACTING AND RETAINING TALENT [G4-DMA]

ATTRACTING TALENT (Recruitment)

Enagás conducted 201 recruitment processes in 2014, with 45% internal coverage through the horizontal mobility programme, promotions and hiring of interns.



107 new hires
 72% under 35 years of age
 38% women
 23 interns hired

15 employees took part in the talent identification programmes

PERFORMANCE TREND

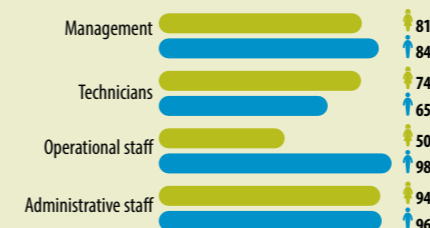
(Assessment systems) [G4-LA10, G4-LA11]

The abilities and skills of Enagás professionals are assessed annually, linking the results of this assessment to progression in their careers and increases to their fixed salaries.

The following appraisals are also conducted for certain profiles:

- 360° appraisal, carried out for 33 managers and pre-managers, who were appraised by their superior, team and peers.
- 180° appraisal, carried out for 75 managers and supervisors, who were appraised by the Board of Directors. The results of the appraisals are linked to the increase in their fixed remuneration.

EMPLOYEES RECEIVING PERFORMANCE APPRAISAL BY CATEGORY AND GENDER



45% Almost half of the recruitment processes were covered internally

CAREER DEVELOPMENT (Training) [G4-LA9, G4-LA10]

Staff training is a key aspect in the development of competencies and abilities. With a strong business focus, it is offered through the Enagás Training School (81.3% of the training) and other entities (18.7% external training).

Enagás offers specific training to the management team in its Management School Programme, which concentrates on competencies, values and behaviour. This programme is aligned with the strategic update, including key competencies as "change drivers".

HOURS OF TRAINING PER EMPLOYEE



690 training courses given
 9 employees took part in coaching programmes

PROMOTION AND TERMINATION

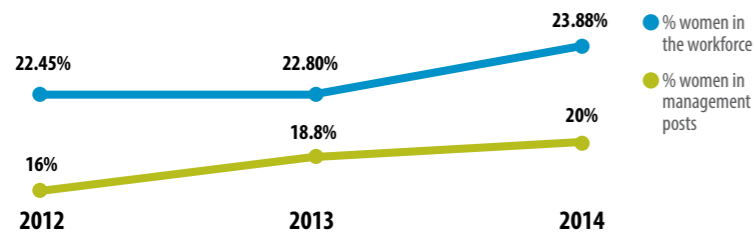
Enagás is working to develop transition assistance programmes to facilitate the employability of employees and the management of career endings resulting from retirement or the termination of employment. This type of programme is currently applied to families of employees who are transferred to work in a different country. The company carries out regular monitoring, with a qualitative and quantitative individual report of the activities carried out to help relocate the participant. [G4-LA10]

39 promotions of male employees
 12 promotions of female employees

6.4.3 EQUAL OPPORTUNITIES AND DIVERSITY [G4-DMA]

Enagás is committed to equal opportunities and managing diversity, through a firm undertaking that involves the implementation of actions designed to achieve this aim.

Change in number of women in the workforce and in management posts



Ratio of basic salary and remuneration of women to men by employee category [G4-LA13]



Commitments and acknowledgements in relation to equality and work-life balance

- Certified as a Family-Responsible Company in the Proactive B+ category. This acknowledgement distinguishes the company for its policy with regard to integrated management of people.
- Renewal of the "Equality at Work" seal, granted by the Ministry of Health, Social Services and Equality in 2010.
- Signing of a voluntary cooperation agreement with the Ministry of Health, Social Services and Equality for the adoption of measures aimed at increasing the presence of women in management posts and management committees.
- Adherence to the Diversity Charter, a voluntary commitment whereby the company strives to promote and ensure the inclusion of plurality in the company.
- Awarded the Bequal seal for its commitment to the inclusion of people with disabilities.

Maternity/paternity leave



Return to work rate of employees who took leave prior to 31/12/14



Retention rate of employees in the company 12 months after returning



The Enagás remuneration model factors in considerations of equality and non-discrimination, and thus any differences between salaries are due solely to objective criteria (position in the organisation and level of experience).

INCREASING AWARENESS OF GENDER-BASED VIOLENCE

Enagás took part in the fun run organised by the gender-based violence department of the Ministry of Health, Social Services and Equality called '1 Carrera Hay Salida. Por una sociedad libre de violencia de género' ('1st There's a Way Out Race -for a society free from gender-based violence).



Enagás maintains its position with regard to work-life balance and offers its staff more than 60 measures enabling them to achieve a work-life balance,

covering their social and assistance needs and those of their immediate families.

[G4-EC3, G4-LA2, G4-DMA]

Health and well-being

- > Annual medical check-up and flu vaccine campaigns.
- > 90% subsidy on the cost of private medical healthcare insurance for employees and 100% for their children. Medical cover on international travel.
- > 100% subsidy on meal costs (staff restaurants, financial assistance, luncheon vouchers).
- > Access to a programme of discounts and exclusive prices in a wide range of on-line products, services and leisure activities.
- > Pension plans for employees with two years effective or recognised service.
- > A healthy food corner in the head office.
- > Aid for sports activities.

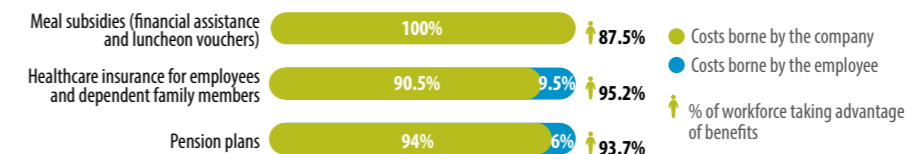
Flexible working

- > Flexible timetable for arrival and lunch.
- > Shorter hours in summer and on Fridays all year.
- > Division of annual leave into up to three periods.

Family

- > Study grants for employees' children.
- > 90% grant for special school expenses for employees with children with disabilities.
- > Backup/relief service for employees with disabled, dependent family members (assessment, advisory services and management of resources, social benefits and legal rights).
- > Social/health care staff search and selection service, assistance in the home and child care.
- > "Día sin Cole" (Day off school) programme and urban summer camps with a subsidy on the cost, for children of employees on working days (not public holidays) during the school term.
- > Paid leave in addition to the days established in the current labour legislation (birth of a child, marriage, death of an immediate family member, exams, training and special situations).
- > Free family support cover services (fixed line and mobile telecare, home care and special treatment, telephone advice service, selection of personnel for specialised care).

Social benefits relating to health and well-being most used by employees



Social benefits related to family most used by employees



ENAGÁS COLLECTIVE BARGAINING AGREEMENT

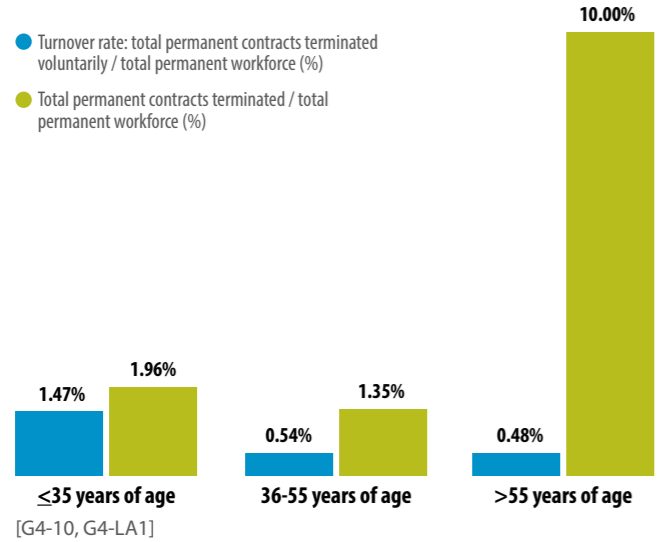
The Enagás collective bargaining agreement is the point of reference in terms of regulations for all employees subject to its scope and it is a key element in the management of labour relations in the company.

59% of employees are covered by the collective bargaining agreement (100% of operational staff, 94.21% of administrative staff and 34.09% of technicians). [G4-11]

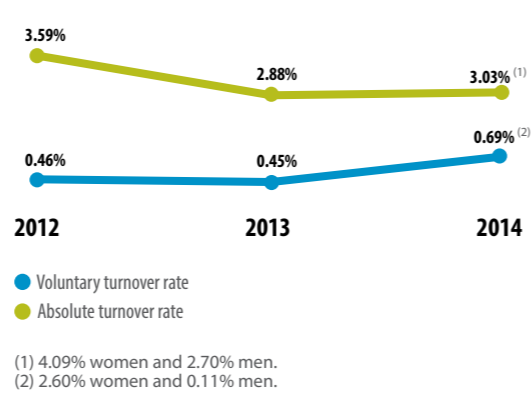
6.4.4 RESULTS AND IMPACT ON OUR TEAM

The commitments acquired by Enagás in its human resources policy and the measures and actions implemented resulted in high indices of satisfaction and motivation, as reflected in the low turnover, the results of the workplace climate survey and the awards received by the company in this respect.

Rate of employee turnover by age group



Trend in turnover rate



Workplace climate survey

At 2014 year-end, the workplace climate survey was conducted. This was complemented by employee focus groups. The results show a significant increase in both employee participation and employee satisfaction.

The most highly valued aspects in this survey were the emotional commitment to the company and the level of information regarding the issues and matters that are relevant for work, as well as the communication mechanisms and systems.

The workplace climate survey is a key tool for the company for identifying areas of improvement in the area of human capital management. In this regard, the analysis of the results demonstrates the need to work with more transparency and communication in the areas relating to career development and remuneration.

73% Positive perception of the measures and actions to encourage a positive workplace environment

68% participation in the survey

Also, the company moved up the ranking of the best companies to work for in Spain prepared each year by the *Actualidad Económica* magazine. The ranking includes the top 100 companies with regard to aspects such as talent management, remuneration and compensation, CSR, training and employee appraisal. This rise (Enagás is ranked 53/54) is mainly due to the improvement in the areas of talent and training, mainly as a result of the commitment to facilitate internal mobility.

Enagás received the Top Employer Spain certificate for the fourth consecutive year in recognition of its advanced human resources management, which optimises employees' conditions and their ongoing development.

6.5 ENVIRONMENTAL MANAGEMENT AND COMBATING CLIMATE CHANGE

2014 MILESTONES

- > The Enagás Group's carbon footprint was certified in accordance with ISO 14064 with a reasonable level of assurance.
- > Identification of the measures required to reduce noise at the Cartagena plant.
- > Improvements to methanol recovery system at the Serrablo storage facility.
- > Energy assessment (Sankey diagrams) of plants, USF and CS, and assessment of the energy efficiency measures implemented.
- > Development of specific initiatives to boost the efficient consumption of natural gas at plants operating below the technical minimum, during ship-loading operations and injection at underground storage facilities and compressor stations relating to inputs from international connections.
- > Identification of fugitive emissions at 2 plants, 2 storage facilities, 7 compressor stations, 80 regulation and metering stations and 80 points (in 2013-2014).

LINES OF PROGRESS 2015

- > Definition of the model for quantification of the energy efficiency of Enagás' facilities.
- > Approval of the 2015-2017 Energy Efficiency Plan.
- > Streamlining of photocopying and printing services in order to reduce energy and paper consumption: a paperless office.
- > Approval of the strategy for purchasing emission rights associated with the EU Emissions Trading Scheme (ETS 2013-2020).
- > Encouragement of the environmental management model on international projects.

INDICATORS

- > 537,092 t CO₂ scope 1 emissions. [G4-EN15]
- > 33,941 t CO₂ scope 2 emissions. [G4-EN16]
- > 27,401 t CO₂ emissions prevented by energy efficiency.
- > 6.6% self-generated electricity of the total amount consumed. [G4-EN3, G4-OG3]
- > 4 km² of occupied surface area relating to Spain's Natura 2000 network (LIC/ZEPAs)⁽¹⁾. [G4-EN11]
- > 97%⁽²⁾ of the activity certified in accordance with ISO 14001.

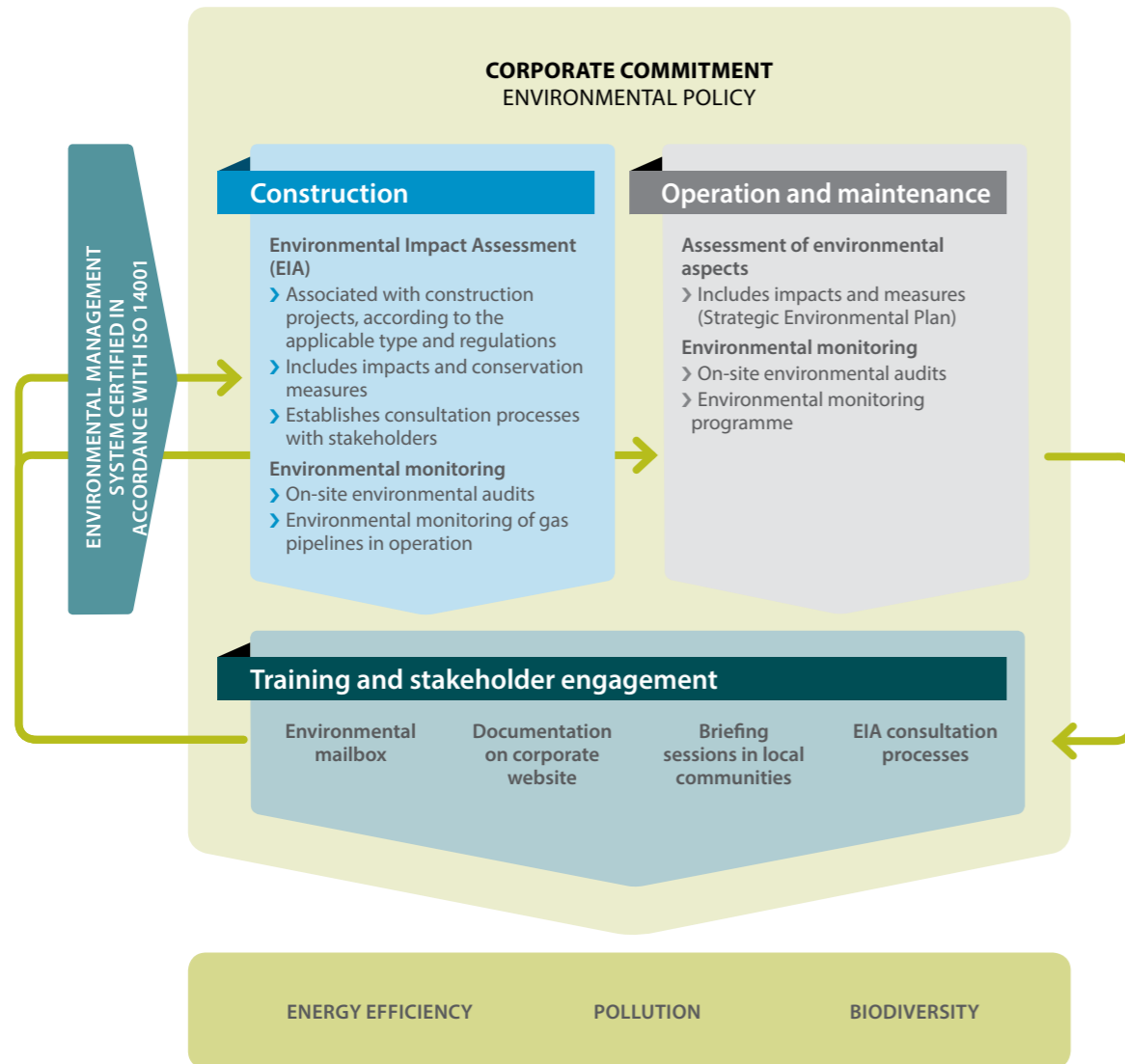
⁽¹⁾ The occupied areas are mainly surface areas, although in 2014 0.3 km² of protected marine areas were included.
⁽²⁾ Figure calculated with respect to net profit for the Infrastructure Activities segment.

97% of the activity, certified in accordance with ISO 14001



6.5.1 ENVIRONMENTAL MANAGEMENT [G4-DMA]

Enagás fulfils its environmental commitments (reflected in the environmental policy) through the environmental management system, certified in accordance with ISO 14001 (97% of activity).



EUSKADOUR COMPRESSOR STATION IN IRÚN

Enagás is building the Euskadour compressor station in Irún (Guipúzcoa), which it expects to complete at the end of 2015 after investing €15Mn. This station will be used for improving the gas interconnection between Spain and France through the Spanish and French Basque Country. This is the first Enagás compressor station to operate with electric motors, which entails a series of environmental benefits:

Lower energy consumption
It gives rise to energy consumption reductions of up to 62% compared with gas turbines, due to higher performance in the established operating conditions.

Lower emissions of pollutant gases
Throughout the facility's useful life, emissions of pollutant gases such as carbon dioxide and nitrogen dioxide are avoided.

Smaller occupied surface area
The surface area occupied by the station represents approximately 10% of the land occupied by a gas turbine compressor station.

Lower noise level
The noise level is lower than that of gas turbines in operation, as are the measures required to reduce noise, which are not as significant or costly.

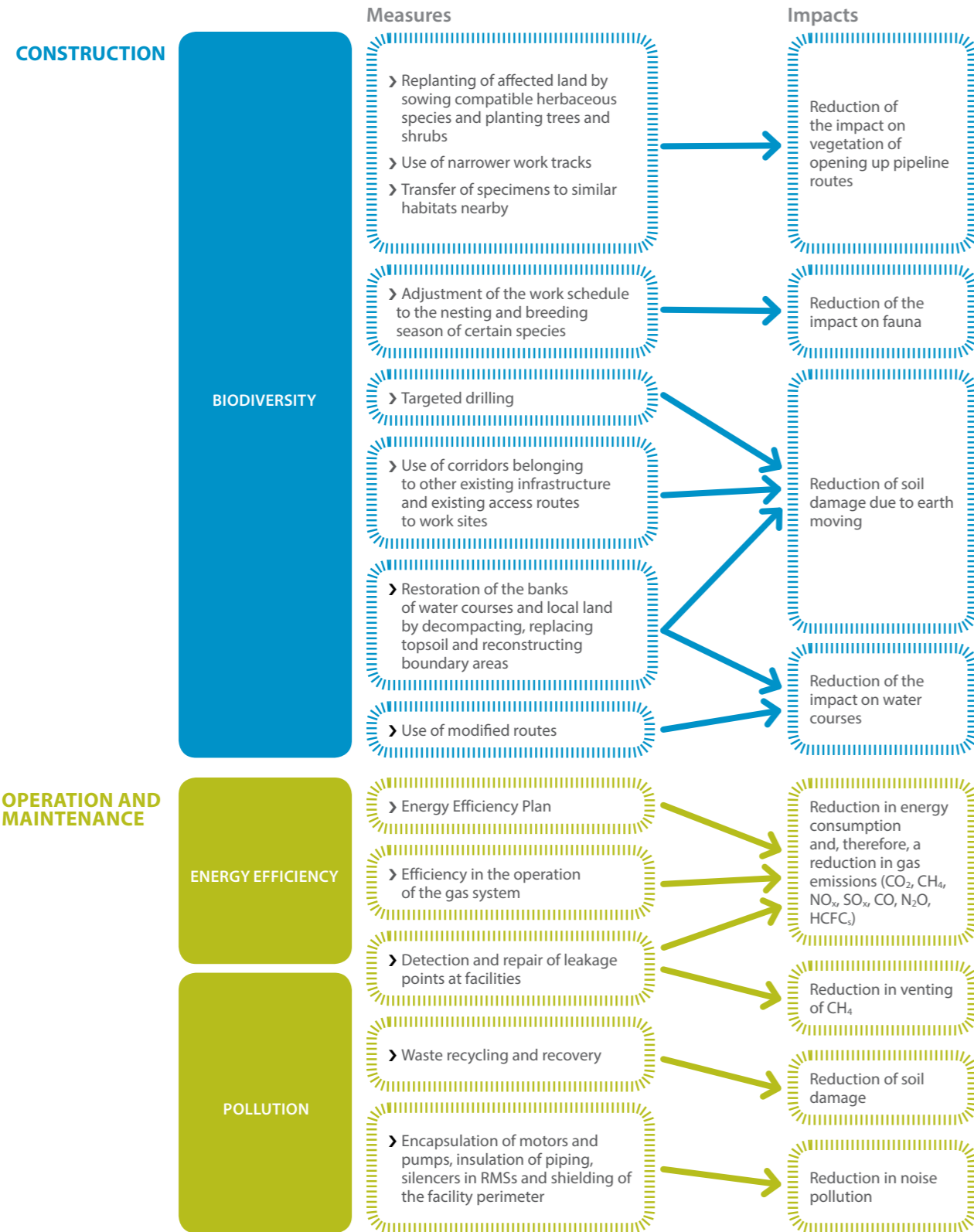
As with other construction projects, this was submitted to public information and consultation as part of the process for obtaining administrative and environmental authorisation. 14 submissions were received in period from affected environmental bodies and agencies and one was received from a private individual, to which Enagás replied by providing further information thereon. After analysing the project, the related environmental impact assessment and the result of the public information and consultation process, the Directorate General for Environmental Quality and Assessment and the Natural Environment (MAGRAMA) issued an environmental impact statement in favour of carrying out the project.



Euskadur will be used to improve the gas interconnection between **Spain and France** through the Spanish and French Basque Country

The most significant measures and impacts arising from our activity, distinguishing between those produced in operation and maintenance

activities and those arising from construction activities, are detailed below. [G4-EN12, G4-EN13, G4-OG4, G4-DMA]



6.5.2 CLIMATE CHANGE AND ENERGY EFFICIENCY [G4-DMA]

Commitment to combat climate change and to efficient energy use

Enagás develops the natural gas transmission network and manages its infrastructures in a secure, efficient, profitable and environmentally-friendly manner. This commitment is embodied in the minimisation of the environmental impact from greenhouse gas (GHG) emissions, which are the main cause of climate change.

Measurement and control of emissions arising from our activity.

Our energy consumption involves the emission of GHG (CO₂ and CH₄) and of other pollutant gases, such as CO, NO_x and SO_x. The data related to emissions, calculated on the basis of our energy consumption, are shown below.

+ More information: see section 6.5.4 'Pollution'.

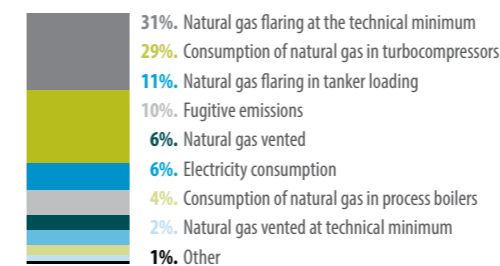
Energy consumption⁽¹⁾ [G4-EN3]

GWh/year	2013	2014
Non-renewable fuels		
Natural gas	1,827.35	2,218.35
Diesel	6.75	7.07
Gasoline	1.40	1.21
Electricity consumed from the grid	148.79	141.4
Electricity generated ⁽²⁾	12.7	9.3
Electricity sold ⁽³⁾	9.30	5.96
Total energy consumed	1,987.69	2,371.38

(1) The data relating to 2013 were recalculated according to Enagás' 2014 carbon footprint.
 (2) Electricity generated at the Huelva plant, Almendralejo CS, wind generators Murcia TP and Tivissa TP and micro-co-generation Stirling Pos. 41 in Bergara (Guipúzcoa). The investment in 2014 was €2.6Mn. [G4-OG2]
 (3) The electricity generated at the Almendralejo CS is sold to the network.

The amount of natural gas consumed and CO₂ emissions increased in 2014 due to the operation of the plants at technical minimum and tanker loading, items that account for 50% of all emissions. In the gas pipelines, the increase was due to the existence of venting in the Sabiñánigo (Serrablo) section as a result of an accident occurring in the gas pipeline. This venting represents 82% of the total venting in the gas pipelines.

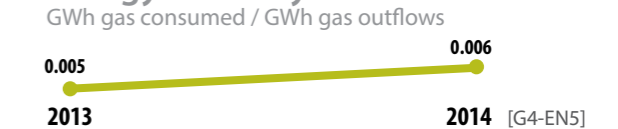
Scope 1 and 2 emissions by source type [G4-EN15, G4-EN16]



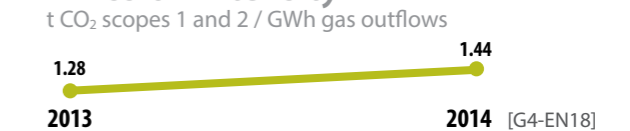
Scope 1 and 2 emissions by facility [G4-EN15, G4-EN16]

Facility	2013	2014	Chg.
Regasification plants	199,632	285,059	42.8%
RMSs	34,453	33,995	-1.3%
Gas pipeline	35,831	47,148	31.6%
CS	177,551	163,114	-8.1%
USF	64,197	38,111	-40.6%
Offices and TPs	2,006	1,990	-0.8%
Fleet	1,584	1,616	2%
Total	515,254	571,033	10.8%

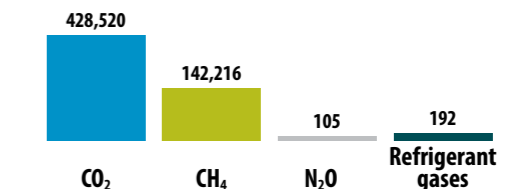
Energy intensity



Emission intensity



Scope 1 and 2 emissions by type of gas [EN20]



Scope 3 emissions [G4-EN17]

In 2014, we took part in the CDP Supply Chain initiative for the first time, by inviting suppliers that accounted for the highest volume of contracts in the last five years to report on climate change targets and performance: 119 suppliers that, in 2013, accounted for 63.56% of the amount of contracts. [G4-EN33]

We are working with six critical suppliers on cooperation initiatives and our objective is to carry out other initiatives with our stakeholders to enable us to continue to reduce our GHG emissions.

The information obtained was included in our scope 3 emissions inventory.

Emission source	Emissions (t CO ₂)
Emissions arising from the purchase of goods (printers, measurement instruments, etc.) or services (financial, IT, consultancy, etc.) ⁽¹⁾	3,264
Paper consumption	37
Emissions arising from the purchase of equipment required for production (turbocompressors, evaporators, etc.) and infrastructure (gas pipelines) ⁽¹⁾	1,135
a) Emissions due to the extraction, production and transmission of natural gas and diesel consumed by Enagás	21
b) Emissions due to the extraction, production and transmission of fuel used for generating electricity used by Enagás ⁽¹⁾	
Consumption of helicopter and ship fuel at the Gaviota storage facility	5,945
Emissions arising from the transmission, management and treatment of waste generated at the facilities	197
Business travel	2,330
Journeys to and from work by employees	44
Total scope 3 emissions	12,973

⁽¹⁾Information obtained from the CDP Supply Chain questionnaire

We monitor our inventory of GHG emissions monthly (Enagás Carbon Footprint). This inventory has been certified since 2013 in accordance with ISO 14064, with a reasonable level of assurance. [G4-EN15, G4-EN16, G4-EN17, G4-EN20]

Emissions reduction initiatives: Energy Efficiency Plan

Each year a company target is set to reduce CO₂ emissions linked to the employees' variable remuneration.

The 2014 target was defined in relation to efficiency ratios, focused on aspects with the greatest impact on the company's overall emissions:

- Compressor stations: ratios of self-consumption to gas inflows, according to the three areas associated with international connections.
- Regasification plants:

- Operation at minimum technical limits: daily self-consumption ratios due to working at minimum technical limits at each step in production at the plant.
- Tanker loading: ratio of shrinkage assigned to the shipper with respect to the energy loaded.
- Underground storage facilities: ratios of self-consumption from injected gas.



+ information: consult the 'Carbon Footprint Report' published on the corporate website.

The company met its objective to continue reducing its GHG emissions through the Enagás Energy Efficiency Plan, which includes savings and energy efficiency initiatives (electricity and natural gas consumption) at its facilities:

[G4-EN6, G4-EN7, G4-EN19]

Energy Efficiency Plan Initiatives	Energy savings achieved in 2014	Emission reductions obtained in 2014
Optimisation of the operation of the compressor stations linked to natural gas entering through international connections: <ul style="list-style-type: none"> Change in the normal operating mode in the various steps Control of the flow Adjustment to the compression parameters Use of control valves 	344 GWh	69,439 tCO₂ e
Optimisation of operations at the minimum technical limit at regasification plants: <ul style="list-style-type: none"> Reduction in the generation of boil-off gas by not cooling the facilities that do not limit maximum emission capacity Recovery of boil-off gas generated through the emission of boil-off to local networks Increase in the use of boil-off gas for self-consumption Improvements in the insulation of boil-off gas collectors 	119 GWh	23,052 tCO₂ e
Optimisation of the ship loading operations at regasification plants through the adoption of a set of exceptional operational measures, such as the installation of pressure control valves in various tanks to control boil-off, among others.	135 GWh	26,097 tCO₂ e
Total	598 GWh	118,588 tCO₂ e

Fulfillment of the target represented:

- reductions of 11% and 29% in CO₂ emissions in the transmission network and underground storage facilities, respectively, compared with 2013.
- a 27% improvement in the ratio of self-consumption with respect to gas loaded on ships and in 34% in relation to the time that the regasification plants remain below the technical minimum. These two items account for 50% of the company's emissions.

Moreover, the implementation of energy efficiency measures represents an opportunity to reduce energy consumption and, therefore, to reduce costs. Savings of €6.4Mn are estimated in 2015, with an investment of around €0.9Mn. [G4-EC2]

+ More information: see section 5.2 'Risk management'.

The Energy Efficiency Plan and the purchase of emission allowances contribute to mitigating our main risk arising from climate change: higher CO₂ emission costs due to amendments to the regulatory framework. The impact on the company of the 2015-2017 EU Emissions Trading Scheme is estimated to be around €1.2Mn, arising from the purchase of emission allowances. [G4-EC2]

Our transparency and performance in the area of climate change has allowed us to improve our position in the CDP climate change ranking. Our transparency score improved by 8 points compared to 2013 (91 points, B).

6.5.3 BIODIVERSITY CONSERVATION [G4-DMA]

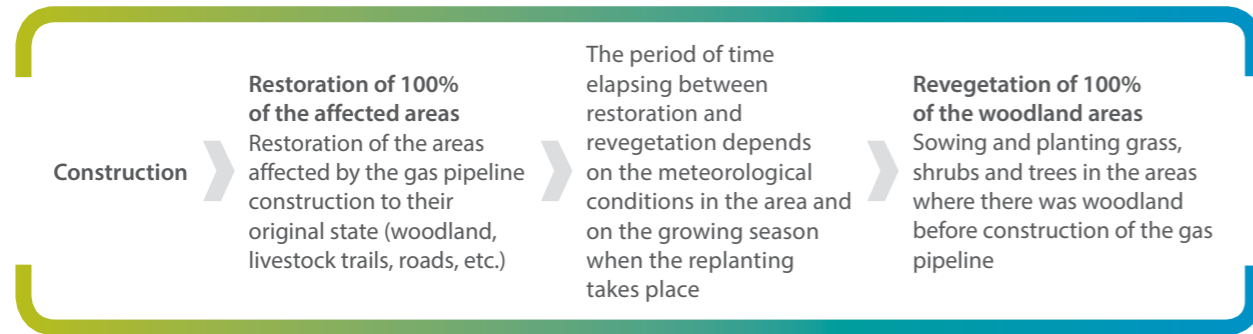
During infrastructure development, Enagás performs protection and conservation activities on species of flora and fauna. The first is a tour of the area before the work commences in order to verify the presence or absence of species along the route.

MORELOS GAS PIPELINE (MEXICO)



As a result of the flora and fauna rescue programme, 79 native plants and 18 animals were transferred to areas at a distance from the construction work. Enagás has invested €132,125 in this programme.

Furthermore, following construction work, Enagás restores and revegetates the affected areas as indicated below: [G4-EN13]



- 0.3 km² of surface area restored in 2014 relating to the El Musel-Llanera pipeline (an investment of €169,492).
- 0.2 km² of surface area replanted in 2014, relating to the Bilbao-Treto pipeline (an investment of €102,762), the Zarza de Tajo-Yela pipeline (an investment of €45,062), and the T05 Navalcarnero point (an investment of €10,254).

- This replanted area relates to the woodland restored in 2013.
- On-site environmental audits carried out on 177km of gas pipeline. [G4-EN11]
- Environmental monitoring of 673 km of gas pipeline. [G4-EN11]

After every construction project, **We restore and revegetate** the affected areas

6.5.4 POLLUTION [G4-DMA]

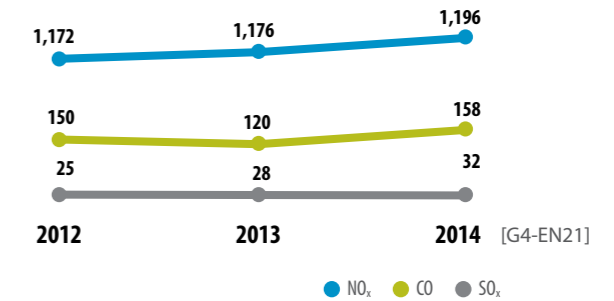
Minimisation of air pollution

The main non-GHG emissions at our facilities are CO, SO_x and NO_x. In addition, there are less significant emissions of other gases:

Gases	Emissions in 2014 (t)
NH ₃	20
NMVOG	16
TSP	3
PM10	3

As part of its Environmental Monitoring Programme, Enagás carries out regulatory voluntary checks (self-checking) at all its combustion sites.

Emissions of non-GHG gases (t)



Minimisation of effluents and waste [G4-EN24]

The wastewater discharged by Enagás is comparable to urban waste. In the plant's operations, seawater is withdrawn (156.6 Hm³ in 2014), that is returned to the sea under controlled conditions. [G4-EN22]

With regard to spillage, the company carries out preventative measures such as dual-wall underground tanks, which are inspected regularly to ensure that they are watertight, and the placement of containment troughs and trays.

Accidental spillage in 2014 was as follows:

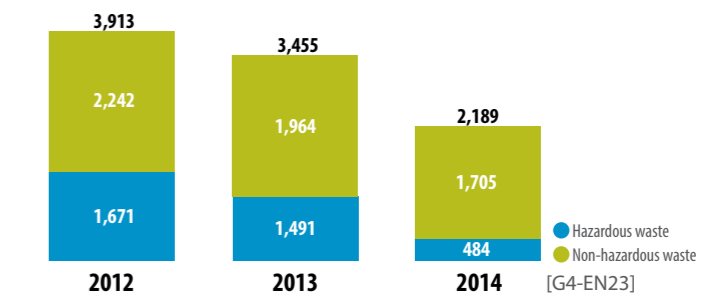
Diesel	1,008 litres	The corrective actions include assessment of the damage, decontamination and replacement of the land, waste removal and treatment by the waste manager and preparation of the incident report
Oils	638 litres	
Chlorine dioxide	216 litres	
350kg of land contaminated by oils and emulsified water		

Enagás mainly generates waste through its facilities and equipment maintenance. The company's objective is to recycle and recover this waste wherever possible.

A target for energy recovery of **65%** of hazardous waste and **80%** of non-hazardous waste

In 2014, 35% of hazardous waste and 9.3% of non-hazardous waste was processed recycling or recovery, including energy recovery. [G4-EN23]

Waste generated (t)



DISMANTLING OF TANKS AT THE BARCELONA PLANT [G4-OG11]



Removing perlite This consists of the extraction, transport and waste management of the expanded perlite packing that is used as cryogenic insulation in the spaces between the rings in both tanks. The extracted perlite is stone-like, inert waste. In this case, due to the low granulometry of the approximately 4,000 m³ of the waste generated in the two tanks, it was not possible to treat or recycle. Therefore, it was eliminated. At the same time as the perlite was removed, the metal dome was dismantled, generating 521.5 t of ferrous scrap and 72.54 t of stainless scrap.

Removal of the dome struts. This consists of the removal of the fibre cement⁽¹⁾ struts located in the concrete vault and the metal casing of each tank, and the subsequent waste management. The removal was carried out by an authorised company (55.1 t of fibre cement) which, on concluding the work, issued an "asbestos-free area" certificate in order to be able to start the demolition work.

Demolition. The process for demolishing the dome consisted of the controlled collapse inwards for both tanks and dismantling and demolishing the walls. The work was mainly carried out with mechanical means in tank A, through an orderly sequence, progressing with the demolition by horizontal strips (for tank B the plan is for mechanical and manual means to be used alternately). The debris generated in the demolition of tank A weighed 651.1 t.

In 2014, the twin tanks at the Barcelona plant were in the process of being dismantled as their useful life had ended. The TK-1200-A tank was dismantled in 2014 and the TK-1200-B tank's dismantling will be completed in 2015, leaving a space at the facility prepared for a possible future extension.

The most significant stages of the demolition process are as follows:

Purging and inerting This consists of removing all the volatile compounds with the help of an inert agent (nitrogen) to create a safe condition. 249 t of nitrogen were pumped out of the two tanks.

(1) Fibre cement is classified by the World Health Organization as a carcinogen by inhalation and the removal operations are carried out by an authorised company which abides by the requirements set forth in article 3, paragraph 1, of Royal Decree 396/2006 of 31 March. The latter establishes the minimum health and safety provisions applicable to workers with asbestos exposure risk.

Minimisation of noise pollution

Enagás conducts annual noise measurement campaigns at its facilities in order to minimise noise pollution. In 2014, 126 measurements were conducted and checks were made on compliance with the legal limits applicable in all but four facilities. Since 2009, the company has installed silencers and acoustic panels in some of its facilities.

A report on "Noise Studies at Compressor Stations", in which noise emissions of the compressor stations of Enagás Transporte S.A.U. were studied

and typified, proposes measures for reducing/mitigating noise based on computational simulations made using CadnaA noise prediction software.

Specifically, the analyses focused on the Almendralejo, Alcázar de San Juan and Denia compressor stations.



+ information: visit the Sustainability section on our corporate website.

6.6 IMPACT ON LOCAL COMMUNITIES

2014 MILESTONES

- › Approval of the 2015-2017 social action strategy.
- › Increase in the participation of Enagás employees in voluntary schemes.
- › Maintenance of the percentage investment in social schemes at 0.4% of net profit.

LINES OF PROGRESS 2015

- › Encourage the participation of middle and senior management in volunteering through projects and initiatives aimed at these groups.
- › Launch volunteer projects aimed at specific professional categories, so that Enagás employees may contribute their experience and knowledge to the development of underprivileged groups.

INDICATORS

- › **0.4%** of investment in social schemes in relation to net profit.
- › **866** hours of corporate volunteering.
- › **108** employees participating in corporate volunteering initiatives.

6.6.1 IMPACTS ARISING FROM OUR ACTIVITIES [G4-DMA]

Enagás, through its activities to develop, operate and maintain gas infrastructure, reinforces and guarantees the security of the energy supply, and fosters the use of natural gas instead of other, more polluting fossil fuels, such as oil or coal.

Moreover, natural gas plays a very important role in competitiveness, since it enables the introduction of efficient industrial technologies that improve the intensity of energy use and industrial competitiveness. By using natural gas in the tertiary and domestic sector, the entire population can enjoy comfort and energy security.

In both the construction activity and the survey of the route for gas pipelines, Enagás pays particular attention to various measures to minimise the impact on the flora and fauna in the area.

Similarly, the company avoids as much as possible the passage of the pipeline through private property. However, in Spain, there are a high number of private estates per kilometre of gas pipeline (15 on average). Therefore, it is essential to apply the regulated procedure that ensures transparency in infrastructure development and equal treatment for all Spanish citizens in the legal system.

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 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. [G4-SO2, G4-OG10, G4-DMA]

+ More information: see section 6.5 'Environmental management'.



DEVELOPMENT OF THE SOUTH PERU GAS PIPELINE

The project in which Enagás takes part as a member of the consortium awarded the contract entails the construction and subsequent operation and maintenance of a pipeline which will run for over 1,000 km from Peru's jungle region to the coast. This project will strengthen the existing natural gas and transmission system and have a direct impact on development in the Cuzco, Arequipa, Moquegua, Puno, Apurímac and Tacna regions.

The concession runs for 34 years and entails the largest ever investment in infrastructure in Peru. This project is eagerly awaited by the inhabitants of the country's southern region, particularly Cuzco, since it will create around 7,000 direct jobs during the construction stage, thereby giving rise to the region's long awaited industrialisation.



Reduction of the dependence on more polluting fossil fuels



Industrialisation / Higher industrial competitiveness



Generation of direct and induced employment



Strengthening of supply security

6.6.2 2015-2017 SOCIAL ACTION STRATEGY [G4-DMA]

In order to bolster the positive impact on society we create with our activity, Enagás makes financial contributions (sponsorship, patronage and donations), contribution of time (volunteering) and in-kind contributions (donation of material) in the following areas of cooperation, as reflected in the 2015-2017 Social Action Strategy, approved in 2014:

- **Social welfare.** Programmes to help the disabled, children and the elderly through financial contributions, volunteering and in-kind contributions.
- **Economic development.** Support initiatives for projects that promote economic progress and enhanced quality of life for local communities.

- **Education and youth programmes.** Financial contributions for business schools and grants at leading universities, volunteering initiatives to help children and in-kind donations to schools.
- **Health.** Initiatives to promote support services in hospitals and financial aid for medical research, and to improve the quality of life of the patients and their families.
- **Art and culture.** Financial aid for artistic and cultural institutions. Protection and attainment of Spain's cultural heritage.

Enagás proactively manages its social initiatives through engagement with stakeholders:

108
employees participated in corporate volunteering initiatives



Each year the company prepares the Social Action Plan, which includes details of all the planned initiatives, containing sufficient information to enable the impact of the project to be monitored and subsequently assessed. The company also has a management procedure for sponsorship, patronage

and donations which establishes the criteria for the receipt, approval and follow up of cooperation requests (financial contributions). [G4-SO1]

In its social action strategy, Enagás proposes the following strategic objectives for 2015-2017:

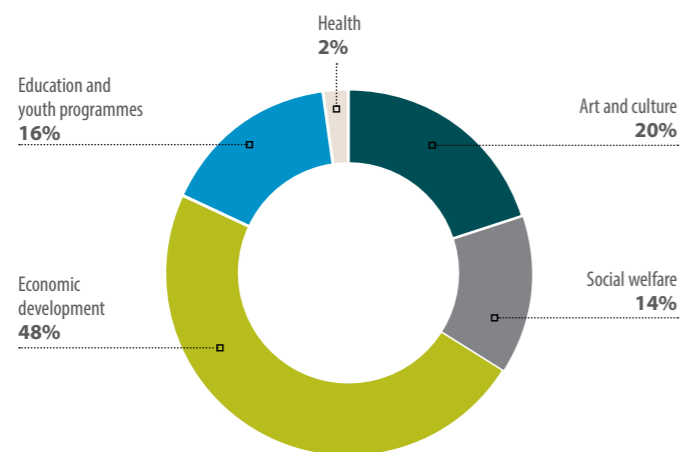
Financial contributions	<ul style="list-style-type: none"> ➤ 60% of the volume of investment allocated to long-term proactive initiatives ➤ Percentage investment in social action not less than 0.3% of net profit
Contributions of time	<ul style="list-style-type: none"> ➤ At least seven voluntary initiatives to be carried out each year ➤ Middle and senior management to be encouraged to participate in volunteering ➤ Volunteering initiatives aimed at specific professional profiles
Contributions in kind	<ul style="list-style-type: none"> ➤ Donation of all IT equipment, mobile phones and discontinued promotional material, in blocks and according to availability

The financial contributions, volunteering and contributions of time in 2014 are detailed below.

Financial contributions

Enagás cooperates in social initiatives through sponsorships (institutional and/or sporting activities), patronage (social and cultural activities and projects) and donations. [G4-SO1]

Contribution areas



Contribution of **€1.6Mn** p.a. in the last three years, i.e. **0.4%** of net profit

COOPERATION WITH CÁRITAS SPAIN

For the third year running Enagás donated €100,000 to Cáritas, to help meet the basic needs of the most vulnerable groups affected by the crisis. This sum, which the company previously spent on Christmas cards and gifts, will be used for Cáritas' 'Emergency Social Assistance Programme'. In 2014, the donation benefited 4,020 people through various activities in the following towns and cities:

- **Almería.** Seminars were held on healthy eating, food was distributed, particularly to families with children in their care, and needs were detected in some children with dietary deficiencies.
- **Bilbao.** Aid is allocated to the soup kitchen, in which educational activities are carried out; meals were served to needy families and a charity market and awareness-raising activities were organised.

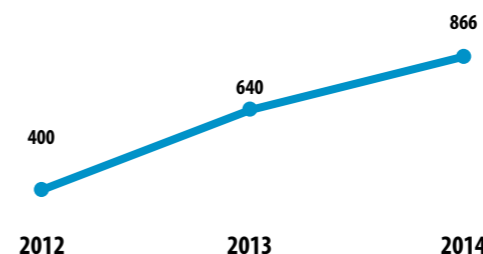
- **Solsona.** Support was provided to families through the payment of meal subsidies and assistance for paying rent and utilities.
- **Valladolid.** The aid was allocated to primary care activities such as the acquisition of supermarket shopping cards, pharmacy vouchers and assistance for living costs.
- **Alcalá de Henares.** People in need were helped through the distribution of emergency basic food at diocesan service centres and parishes.
- **Menorca.** Financial aid was provided for the purchase of medication and basic needs were covered by in-kind contributions. Social development workshops were also held.

Contributions of time

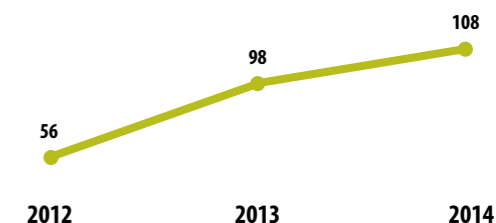
Enagás employees take part in Enagás' volunteering programme, 'En nuestras

manos' ('In our hands'), contributing their time, skills and talent.

Hours spent



Employees taking part



'EDUCANDO EN SOLIDARIDAD' (EDUCATING IN SOLIDARITY) PROGRAMME



In 2014, Enagás entered into a cooperation agreement with Fundación del Valle for the purpose of raising primary school children's

awareness of the UN's 2015 Millennium Development Goals (MDGs).

The aim of the initiative is to instil values of solidarity among primary school children of a social, civic and environmental nature, so that in the future they will become involved in solving these problems.

After receiving prior training, 14 Enagás volunteers hosted a workshop for a total 75 students in three sessions.

This project will continue in 2015, linked this time to the closure of the MDGs and the new 2030 Sustainable Development Goals (SDGs).

In-kind contributions

Donations of IT and telephone equipment, furniture and surplus and/or discontinued promotional material to entities with a social purpose.

Enagás has also had a Cooperation Framework Agreement with the Escuela de la Fundación Juan XXIII in place since 2013 under which mentally handicapped students are offered work placements in the company. The main goal is for students to develop skills and obtain the knowledge they need to join, progress in and develop

in the labour force. Since the agreement was signed, three students have carried out placements at Enagás, cooperating in areas such as the collection of toys in the Christmas campaign, handling and distributing materials and digitising documents.



+ information: consult the 2015-2017 Social Action Strategy published on the corporate website.



KEY PERFORMANCE INDICATORS

- Economic performance and cost efficiency
- Stock market performance
- Economic value generated and distributed
- Financial and non-financial ratings
- Corporate Governance
- Supply chain
- Ethical compliance and human rights
- Human capital
- Customer satisfaction
- Occupational health and safety
- Impact on local communities
- Environmental management and combating climate change

7 KEY PERFORMANCE INDICATORS

ECONOMIC

Economic performance and cost efficiency [G4-9]

	2007	2008	2009	2010	2011	2012	2013 ⁽¹⁾	2014 ⁽²⁾
EBITDA (€Mn)	596.0	636.2	701.3	780.8	885.5	934.3	995.9	939.8
EBIT (€Mn)	408.3	433.1	484.7	530.9	585.9	618.4	649.8	589.6
Net profit (€Mn)	238.3	258.9	298.0	333.5	364.6	379.5	403.2	406.5
Dividends (€Mn)	143.0	155.3	178.8	200.1	237.0	265.7	302.4	310.4
Investment (€Mn)	508.6	776.9	901.6	796.3	781.4	761.4	531.4	625.0
Net debt (€Mn)	1,942.7	2,351.3	2,904.0	3,175.3	3,442.6	3,598.6	3,657.8	4,059.0
Shareholders' equity (€Mn)	1,344.8	1,456.1	1,593.4	1,738.8	1,867.4	2,014.9	2,118.4	2,218.5
Assets (€Mn)	3,976.0	4,717.8	5,779.9	6,829.1	7,717.4	8,083.4	7,043.5	7,711.8
Net debt / EBITDA ^(*)	3.3x	3.7x	4.1x	4.1x	3.9x	3.8x	3.7x	4.2x
Interest cover (EBITDA/interest)	9.8x	7.9x	9.6x	9.9x	9.0x	8.4x	8.0x	7.4x
Net debt/total assets	48.9%	49.8%	50.2%	46.5%	44.6%	44.5%	51.9%	52.6%
Net debt/net debt + shareholders' equity	59.1%	61.8%	64.6%	64.6%	64.8%	64.1%	63.3%	64.7%
Average cost of debt	4.3%	4.7%	3.3%	2.7%	2.8%	2.5%	3.0%	3.2%
ROE after tax ^(**)	18.5%	18.5%	19.5%	20.0%	20.2%	19.6%	19.5%	18.7%
ROCE after tax ^(***)	8.8%	8.5%	8.7%	7.9%	8.0%	7.9%	8.1%	6.8%
Headcount (31 December)	985	1,008	1,046	1,047	1,126	1,178	1,149	1,206

^(*) Net debt/EBITDA adjusted for subsidiaries' dividends.

^(**) Net profit/average shareholders' equity.

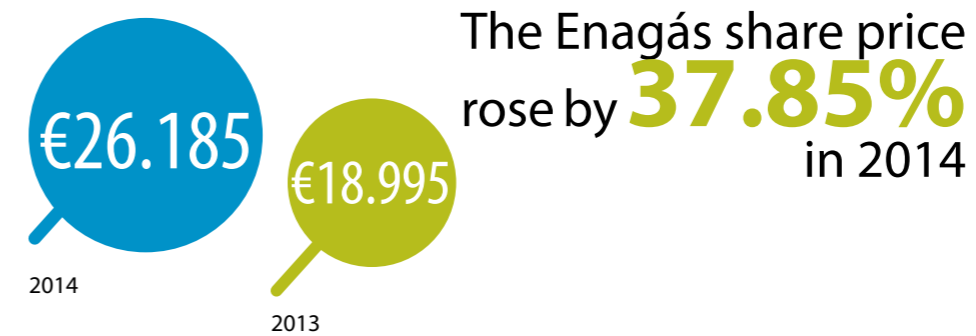
^(***) EBIT/(average net debt + average shareholders' equity).

⁽¹⁾ 2013 data restated in application of IFRSs effective at 1 January 2014.

⁽²⁾ In 2014, and in accordance with IFRS 11, BBG and Altamira are now consolidated under the equity method.

Stock market data

	2007	2008	2009	2010	2011	2012	2013	2014
Share price (at 31 Dec, €)	19.990	15.560	15.425	14.915	14.290	16.140	18.995	26.185
Dividend per share (€)	0.60	0.65	0.75 *	0.84	0.99	1.11**	1.27	1.30
Capitalisation (€Mn)	4,771.6	3,714.7	3,682.5	3,560.7	3,411.0	3,852.6	4,534.8	6,251.3
Number of shares (million)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7



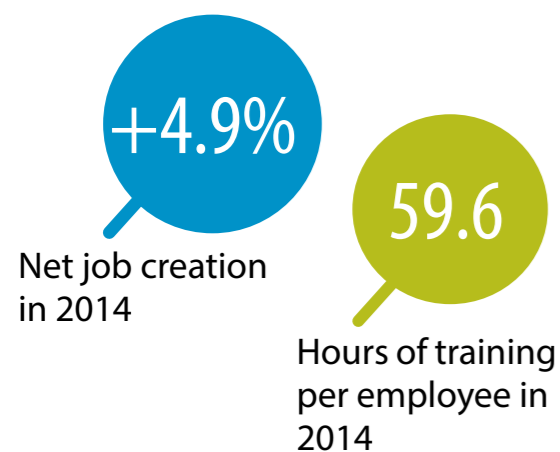
Economic value generated and distributed (€Mn) [G4-EC1]

	2009	2010	2011	2012	2013	2014
Economic value generated (EVG)	901.5	1,000.80	1,154.80	1,199.30	1,261.9	1,227.2
Economic value distributed (EVD)	565.7	617.5	727.6	769.2	845.4	801.5
Suppliers	137.2	147.3	193.1	168.1	184.6	198.3
Society (tax and social action investment)	127.7	144.3	164.9	179.8	172.2	102.6
Social action investment	0.8	1.3	2.2	1.6	1.6	1.6
Tax	126.9	143	162.6	178.2	170.6	101.0
Employees (personnel expenses)	60.7	67.2	67	79	82.3	84.7
Capital providers (dividends paid to shareholders and financial result)	240	258.7	302.6	342.4	406.3	415.9
Dividends paid to shareholders	178.8	200.1	237	265.7	302.4	310.4
Financial result	61.2	58.6	65.6	76.7	103.9	105.5
Economic value retained (EVR)	335.9	383.3	427.2	430.1	416.5	425.7

Financial and non-financial ratings

	2007	2008	2009	2010	2011	2012	2013	2014
Standard & Poor's	AA-	AA-	AA-	AA-	AA-	BBB	BBB	BBB
Fitch	A2	A2	A2	A2	A2	A-	A-	A-
Dow Jones Sustainability Index ⁽¹⁾	67	77	75	78	88	83	85	84
CDP (transparency / performance)	-	-	-	70/B	83/B	85/B	83/B	91/B

⁽¹⁾ Enagás has been a member of the DJSI since 2008, and went to the top of its sector in 2011.



SOCIAL

Corporate governance

	2011	2012	2013	2014
Number of directors	15	13	15	15
Independent directors	53.3%	61.5%	60%	60%
Gender diversity on the Board	13.4%	15.4%	20%	20%
Non Audit Fees	27.2%	13.6%	3.2%	3.4%
General Shareholders' Meeting quorum	57%	55.8%	53.1%	52.9%

Supply chain

	2011	2012	2013	2014
Approved suppliers (no.)	1,989	2,010	1,875	1,745
Critical/approved suppliers	52.1%	51.8%	54.4%	59.1%
Orders assessed in reliability analysis (%)	-	11.6%	18.9%	24.4%
Suppliers audited on management systems (no.)	-	31	51	61
Percentage of approved suppliers assessed in accordance with CSR criteria (%)	-	-	25.05%	27.05%

Ethical compliance and human rights

	2011	2012	2013	2014
Complaints received via ethics channel (no.)	-	2	2	4
People trained in issues related to ethical compliance (no.)			128	200

Human capital [G4-9]

	2011	2012	2013	2014
Employees (no.)	1,126	1,118	1,149	1,206
Net job creation (%)	7.55%	-0.71%	2.77%	4.9%
Voluntary employee turnover (%)	0.8%	0.46%	0.45%	0.69%
Absenteeism (%)	3.65%	2.33%	2.46%	2.50%
Workforce gender diversity (%)	22.47%	22.45%	22.8%	23.88%
Senior management gender diversity (%)	14.06%	15.87%	18.84%	20%
Investment in training per employee (€)	956.2	898.25	1,192	1,041
Training per employee (hrs)	48.92	45.77	52.00	59.6

Customer satisfaction

	2011	2012	2013	2014
Rate of shipper satisfaction with transmission	80%	82.5%	83%	82.2%
Rate of satisfaction of transmission companies and distributors with transmission	76.7%	78.3%	79%	77.1%
Rate of satisfaction of shippers with the technical management of the Spanish gas system	76.7%	83.5%	80.5%	78.6%
Rate of satisfaction of transmission companies and distributors with the technical management of the Spanish gas system	76.7%	78.7%	81.2%	72.6%

Occupational health and safety

	2011	2012	2013	2014
Frequency of accidents entailing sick leave for own staff	7.51	9.01	5.31	4.69
Frequency of accidents entailing sick leave for contract staff	7.08	6.36	9.32	3.04
Index of seriousness of accidents leading to sick leave for own staff	0.07	0.37	0.25	0.53
Index of seriousness of accidents leading to sick leave for contractors' staff	0.2	0.28	0.36	0.11
Work-related fatalities of own staff (no.)	0	0	0	0
Work-related fatalities of contractors' staff (no.)	0	0	0	0

Impact on local communities

	2011	2012	2013	2014
Social action investment/net profit (%)	0.6%	0.4%	0.4%	0.4%
Participation of employees in corporate volunteering initiatives (% of workforce)		5%	8.5%	9%
Time spent on volunteer work (hrs)		400	640	866

ENVIRONMENTAL

Environmental management and combating climate change

	2011	2012	2013 ⁽¹⁾	2014
Scope 1 CO ₂ emissions (t eq CO ₂)	264,679	387,651	479,175	537,092
Scope 2 CO ₂ emissions (t eq CO ₂)	52,752	61,377	36,079	33,941
Self-consumption of natural gas (GWh)	1,025	1,672	1,827	2,218
Electricity consumption (GWh)	193.2	183.2	148.8	141.4
Electricity generation/consumption (%)	-	9.8%	8.5%	6.6%
Waste generated (t)	3,722	3,913	3,455	2,189
Waste recycled (%)	59%	48%	63%	15%
Area occupied in protected areas (km ²)			3.7	4

⁽¹⁾ Data updated in accordance with Enagás' 2013 carbon footprint.

9% of the workforce took part in corporate volunteer initiatives, devoting 866 hours of work time



APPENDICES

- 8.1 Self-assessment of adoption of integrated reporting principles and elements
- 8.2 GRI content index
- 8.3 External assurance report
- 8.4 Contents of the Global Compact
- 8.5 Contact

8 APPENDICES

8.1 SELF-ASSESSMENT OF ADOPTION OF INTEGRATED REPORTING PRINCIPLES AND ELEMENTS

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 currently a member of the Integrated Reporting Business Network.

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.

Since 2012, Enagás has been progressing towards an integrated report in its Annual Reports. In 2014, the company continued in this line, making significant progress in terms of Connectivity and Materiality.

Strategic focus and future orientation

In line with the company's internationalisation process, the report reflects key strategic aspects such as international investment criteria and how these investments are managed. It also describes the outlook for the natural gas sector and the impact it will have on the business, on the basis of which, the company sets its growth pillars.

The commitment of leaders responsible for sustainability and opportunity and risk management, together with the performance and targets in each of the material issues, shows that company is prepared to deliver its strategy, i.e. how to generate value in the present and in the future.

Connectivity of information

The report reflects the relationship between the various blocks of information, mainly:

- › The outlook for the natural gas sector and the business model, which give rise to the opportunities, the company's growth pillars and its strategy.
- › The strategy and corporate governance, through which we leverage opportunities and manage risks, focusing at all times on value creation and taking into account the impacts on the business and on society.
- › The company's objectives, aligned with the strategic drivers and linked to employees' variable remuneration, whereby we ensure compliance with our strategy.
- › The management of risks and opportunities, and the related, and the controls and mitigating actions in various areas of management. All the above relates to both our activities and our supply chain (supplier assessment and cooperation projects).

Our value creation process, prepared in accordance with the capital model, includes the main inputs and impacts on the material issues generated by our activity. Furthermore, the performance and objectives of each of the material issues are aimed at complying with this strategy.

Responsiveness and stakeholder inclusiveness ^[G4-18]

Enagás' Annual Report 2014 targets its main stakeholders. In 2014, the company identified a network of Enagás opinion leaders. This is a small group of people representing each of the groups included in the stakeholder map whose opinion may be regarded as representative of the group to which they belong.

These opinion leaders took part in the identification of the material issues, and in assessing the company's performance in these areas. Similarly, with the objective of implementing shared value creation projects in the future, they took part in the identification of the cooperation areas.

As in previous years, the Annual Report 2014 was prepared taking into account the principles of the AA1000 standard: inclusivity, materiality and responsiveness.

Materiality and conciseness ^[G4-18]

A materiality analysis was carried out, which is detailed in chapter 2. The report includes information that enables the company to respond to the information that is relevant to the main stakeholders.

We identified the material issues in Enagás' value chain, i.e. those arising from our activities. Similarly, an analysis was made of issues that are material in upstream and downstream activities and in our supply chain. Once these material issues from outside the organisation were identified, the sphere of influence and the impact of these material issues were included in the annual report. In the case of the supply chain, the information was extended, including an analysis of the material issues and the assessments that we carry out on our suppliers in order to manage risks and leverage opportunities.

Also, in the Annual Report 2014, although this is not included in the scope of the report, we began reporting certain indicators on our investees in relation to the issues identified as material in the international environment.

With the objective of only including material issues in the Annual Report, a separation was made between the Integrated Annual Report and the detailed information of the Financial Statements and Corporate Governance Report. The Integrated Annual Report includes the most salient data from these publications.

At the same time, other aspects were included in the corporate website that represent information that either is not significant or is static (management models, policies, etc.).

Reliability

Financial information is audited by Deloitte, which also audits our financial statements and examines information relating to the ICFR system, expressing an opinion on its effectiveness.

Non-financial information is verified by KPMG, with a limited level of assurance.

In 2012, work began on the reasonable assurance of the indicators relating to the development of human capital and safety.

› Occupational health & safety indicators. Frequency accidents entailing sick leave for own staff.

› Human Resources indicators. Development of human capital, the workforce and labour relations.

Enagás is continuing to review its indicators so as to achieve higher levels of assurance in future.

Comparability and consistency

The 2014 Annual Report takes account of the content and indicators recommended in the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), 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 2014 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 emissions reported in the chapter on 'Environmental management and combating climate change' are those included in the Enagás Carbon Footprint report prepared for the first time in 2013.

Also, the customer satisfaction surveys are standardised for the respondents, in that their structure and rating levels 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.

Integrated reporting framework content

Content element	Aspects included	Sections	Pages
Organisational overview and external environment	Activities	1. About us 2.2. Enagás in the gas value chain	16-21, 28-30
	Mission, vision and values	1.2. Mission, vision and values	19
	Description of the supply chain	5.3. Opportunity and risk management in the supply chain	56
	Operational context	Enagás in the world 1.4. The Spanish gas system 1.5. Participation in international gas infrastructure	14, 21
Governance	Shareholder structure	3.2.1. General Meeting	35-36
	Corporate governance structure	3.2.2. Board and Governance Committees	37
	Selection and self-assessment of the Board	3.4. Performance of the governing bodies	41
	Good corporate governance practices implemented	3.1. Good corporate governance	35
Opportunities and risks	Board remuneration linked to value creation in the short, medium and long term	3.3. Remuneration of the Board of Directors	39-40
	Management of opportunities arising from future prospects	5.1. Opportunity management	51-52
	Management of risks associated with future prospects	5.2. Risk management	52-55
Strategy and resource allocation	Opportunity and risk management in the supply chain	5.3. Opportunity and risk management in the supply chain	56-59
	Growth strategy	4.3. 2015-2017 strategic update 5.1. Opportunity management 1.5. Participation in international gas infrastructure	46-47, 51-52, 21
Business model	Strategy	4.3. 2015-2017 strategic update	46-47
Performance	How Enagás creates value from its resources and business processes	2.4. Our value creation process	31
	Sustainable management model	6. Sustainable management: performance and objectives	62-63
	Key company performance indicators	7. Key performance indicators 6.1.4. Enagás share price performance in 2014	98-99, 67
	Performance in material matters measured by indicators	6. Sustainable management: performance and objectives	62-95
Outlook	Results of annual stakeholder surveys, indicating the extent to which needs, expectations and interests were met	2.1. Stakeholder management	24-27
	The opportunities, challenges and uncertainties the organisation may encounter in pursuing its strategy	4.1. Outlook for the natural gas sector	44-45
Basis of preparation and presentation	Risks associated with the business and implementation of the strategy	5.2. Risk management	52-59
	Materiality analysis process	2.1. Stakeholder management	24-27
General reporting principles	Scope of the information supplied	About this report	11
	Material issues	About this report 2.1. Stakeholder management 2.2. Enagás in the gas value chain 2.3. Matters identified in the international infrastructure in which Enagás takes part	11 24-27 28-29 30
	Key quantitative indicators	7. Key performance indicators	98-101
	Information on capital	2.4. Our value creation process	31
	Reporting period and aggregation level	About this report	11

8.2 GRI CONTENT INDEX [G4] [G4-32]

[Comprehensive Compliance Option]



General content [G4-32]

General basic content	Pages/Reference/ Direct response	Omissions	External verification (pages)	Description
Strategy and analysis				
G4-1	10	-	-	Statement from the most senior decision-maker of the organisation, strategy
G4-2	31, 50, 52, 53, 54	-	-	Description of the key impacts, risks and opportunities
Organizational profile				
G4-3	11, 124	-	-	Name of the organisation
G4-4	18	-	-	Primary brand, products and/or services
G4-5	18	-	-	Location of the organisation's headquarters
G4-6	19	-	-	Number of countries where the organisation operates, and names of countries where the organisation has significant operations
G4-7	11	-	-	Nature of ownership and legal form
G4-8	19-20	-	-	Markets served
G4-9	98	-	-	Scale of the organisation (net sales, total capitalisation, etc.)
G4-10	56, 76, 80	-	☑ (120-122)	Total number of employees by employment type, employment contract, and region
G4-11	79	-	☑ (120-122)	Percentage of total employees covered by collective bargaining agreements
G4-12	56	-	-	Description of the supply chain
G4-13	36, 45, 56	-	-	Significant changes regarding the organisation's size, structure, ownership or supply chain (acquisitions, shareholder structure, new supplies and suppliers who no longer work with the company)
G4-14	53, 54	-	-	Description of how the precautionary approach or principle is addressed by the organisation
G4-15	11, 75	-	-	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses
G4-16	18	-	-	Memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: <ul style="list-style-type: none"> ➤ Holds a position on the governance body ➤ Participates in projects or committees ➤ Provides substantive funding beyond routine membership dues; or ➤ Views membership as strategic

[G4-32]

General basic content	Pages/Reference/ Direct response	Omissions	External verification (pages)	Description
Identified material aspects and boundaries				
G4-17	11	-	☑ (120-122)	List of entities included in the consolidated financial statements and of those that are not covered by this report
G4-18	26	-	☑ (120-122)	Process for defining the report content and the aspect boundaries. How the organisation has implemented the reporting principles for defining report content
G4-19	27	-	☑ (120-122)	List of material aspects
G4-20	30	-	☑ (120-122)	Identification of the aspects that are material in each financially consolidated company. Limitations regarding the aspect boundary
G4-21	29, 30, 56	-	☑ (120-122)	Material aspects identified outside the company and the companies affected, geographical location where the aspect is material and limitations regarding aspect boundary outside the organisation
G4-22	11	-	☑ (120-122)	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatements.
G4-23	11	-	☑ (120-122)	Significant changes in the scope and aspect boundaries
Stakeholder engagement				
G4-24	24, 27	-	☑ (120-122)	List of stakeholders engaged by the organisation
G4-25	24	-	☑ (120-122)	Basis for identification and selection of stakeholders with whom to engage
G4-26	24	-	☑ (120-122)	Approach to stakeholder engagement (including frequency)
G4-27	27	-	☑ (120-122)	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
Report profile				
G4-28	11	-	-	Reporting period
G4-29	2013	-	-	Date of most recent previous report
G4-30	Annual	-	-	Reporting cycle (such as annual, biennial)
G4-31	124	-	-	Contact point
G4-32	108	-	-	Reporting of the "in accordance" option, the content index for the option and a reference to the external assurance report

» General content [G4-32]

General basic content	Pages/Reference/ Direct response	Omissions	External verification (pages)	Description
G4-33	63, 120 -122		-	Policy and current practice with regard to seeking external assurance for the report. Information on the relationship with the assurance provider and the highest governance body or senior executive involved in seeking assurance
Governance				
G4-34	35, 37, 63		☑ (120-122)	Governance structure of the organisation responsible for decision-making on economic, social and environmental impacts
G4-35	63		☑ (120-122)	Description of the process for delegating authority for economic, social and environmental topics
G4-36	63		☑ (120-122)	Existence of an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body
G4-37	25, 27, 41		☑ (120-122)	Process for consultation between stakeholders and the highest governance body
G4-38	35, 37 <i>Corporate Governance Report. Sections C1.2, C1.3 and C1.12</i>		☑ (120-122)	Composition of the highest governance body and its committees: executive or non-executive, gender, tenure on the governance body, independence, membership of under-represented social groups, competences / responsibilities relating to economic, environmental and social impacts, and stakeholder representation
G4-39	35, 37		☑ (120-122)	Report whether the Chair of the highest governance body is also an executive officer
G4-40	<i>Corporate Governance Report. C.1.19</i>		☑ (120-122)	Criteria used for nominating and re-electing members of the highest governance body: diversity, independence and experience, stakeholder (shareholder) involvement
G4-41	<i>Corporate Governance Report. D.6</i>		☑ (120-122)	Process for managing possible conflicts of interest
G4-42	19		☑ (120-122)	Body responsible for reviewing and approving the company's values, mission and vision, policies and strategy related to economic, environmental and social objectives
G4-43	41		☑ (120-122)	Measures to enhance the highest governance body's knowledge of economic, environmental and social topics
G4-44	41		☑ (120-122)	Processes for evaluation of the highest governance body's own performance, particularly with respect to economic, environmental and social topics (independence of the process, self-assessment, frequency and actions taken in response to evaluation)
G4-45	51, 63		☑ (120-122)	The highest governance body's role in the identification and management of economic, social and environmental impacts, risks and opportunities, and its role in the implementation of due diligence processes. Stakeholders' influence on decisions.

[G4-32]

General basic content	Pages/Reference/ Direct response	Omissions	External verification (pages)	Description
G4-46	51		☑ (120-122)	Highest governance body's role in reviewing the effectiveness of the risk management process
G4-47	51, 63		☑ (120-122)	Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities.
G4-48	7		☑ (120-122)	Highest body that reviews and approves the Annual Report, and ensures that all the material aspects are covered
G4-49	41		☑ (120-122)	Process for communicating critical concerns to the Board of Directors
G4-50	41		☑ (120-122)	Nature and total number of critical concerns communicated to the Board of Directors and the mechanisms used to address and resolve them
G4-51	A1, A2 and A3 of the 2014 <i>Enagás Remuneration Report</i>		☑ (120-122)	Remuneration of the highest governance body and senior executives (fixed and variable remuneration, bonuses or incentive payments, termination benefits, recoveries and retirement benefits). Relationship to economic, environmental and social objectives.
G4-52	39		☑ (120-122)	Process for determining remuneration (involvement of external advisers and independence)
G4-53	39		☑ (120-122)	Stakeholder involvement in the definition of remuneration policies
G4-54	40		☑ (120-122)	Ratio of the total compensation for the highest-paid individual in each country of significant operations to the median total compensation for all employees
G4-55	40		☑ (120-122)	The ratio of the percentage increase in total compensation for the highest-paid individual to the median percentage increase in total compensation for all employees
Ethics and integrity				
G4-56	44, 72 -73		☑ (120-122)	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
G4-57	72-73		☑ (120-122)	Internal and external mechanisms for seeking advice on ethical behaviour and matters related to integrity (helplines or advice lines)
G4-58	72-73		☑ (120-122)	Mechanisms for reporting concerns about unethical behaviour or matters related to integrity

Specific content [G4-32]

Information on the management focus and indicators	Pages/Reference/Direct response	Omissions	External assurance (pages)	Description
CATEGORY: ECONOMIC				
Material aspect: Economic performance				
G4-DMA	26, 27, 65, 66, 67		☑ (120-122)	Management approach
G4-EC1	31, 99		☑ (120-122)	Direct economic value generated and distributed, including revenues, operating costs, employee wages and benefits, donations and other community investments, profits retained and payments to providers of capital and governments
G4-EC2	51, 54, 87		☑ (120-122)	Financial implications and other risks and opportunities for the organisation's activities due to climate change
G4-EC3	79		☑ (120-122)	Coverage of the organisation's defined-benefit plan obligations
G4-EC4	The Group benefited from a deduction to income tax for 2014 of €30,086 (8% of the investment made) for the execution of the "Installation of a Nitrogen Self-Generation Plant at the Enagás Group Regasification Plant in Barcelona" project. Also, with regard to deductions for R&D&I activities, in the calculation of income tax for 2014, the Group recognised a deduction on the amount payable of €1.4 million in this connection.		☑ (120-122)	Financial assistance received from governments
Material aspect: Procurement practices				
G4-DMA	26, 27, 56, 57, 59		☑ (120-122)	Management approach
G4-EC9	57		☑ (120-122)	Proportion of spending on local suppliers at significant locations of operation
CATEGORY: ENVIRONMENTAL				
Material aspect: Energy				
G4-DMA	26, 27, 82, 84, 85		☑ (120-122)	Management approach
G4-EN3	81, 85		☑ (120-122)	Total energy consumption (renewable and non-renewable fuels, electricity acquired, generated and sold) and methods/assumptions used
G4-EN4	13		☑ (120-122)	Energy consumption outside the organisation
G4-EN5	85		☑ (120-122)	Energy intensity
G4-EN6	87		☑ (120-122)	Energy saving (detail by type) due to conservation and efficiency initiatives, and methods/assumptions used
G4-EN7	87		☑ (120-122)	Reductions in energy consumption achieved as a result of initiatives to provide energy-efficient or renewable energy-based products and services
G4-OG2	85		☑ (120-122)	Total amount invested in renewable energy

[G4-32]

Information on the management focus and indicators	Pages/Reference/Direct response	Omissions	External assurance (pages)	Description
G4-OG3	81		☑ (120-122)	Total amount of renewable energy generated by source
Material aspect: Biodiversity				
G4-DMA	26, 27, 82, 84, 88		☑ (120-122)	Management approach
G4-EN11	81, 88		☑ (120-122)	Description of operational sites adjacent to or located in protected areas and areas of high biodiversity value outside protected areas. Indicate the location and size of operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
G4-EN12	84		☑ (120-122)	Description of significant impacts of activities, products and services on biodiversity in protected areas and in areas of high biodiversity value outside protected areas
G4-EN13	88 Monitoring and verification is carried out internally.		☑ (120-122)	Habitats protected or restored
G4-EN14	Enagás takes into account the existence of special protection areas and habitats of interest listed by the IUCN (International Union for Conservation of Nature) and protection of the cultural heritage associated with them, as well as national and regional protection lists.		☑ (120-122)	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk
G4-OG4	84		☑ (120-122)	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored
Material aspect: Emissions				
G4-DMA	26, 27, 82, 84, 85		☑ (120-122)	Management approach
G4-EN15	81, 85 <i>Carbon Footprint Report 2014</i>		☑ (120-122)	Direct emissions (scope 1) by type of gas and calculation process
G4-EN16	81, 86 <i>Carbon Footprint Report 2014</i>		☑ (120-122)	Indirect emissions (scope 2) by type of gas and calculation process
G4-EN17	86 <i>Carbon Footprint Report 2014</i>		☑ (120-122)	Indirect emissions (scope 3) by type of gas and calculation process
G4-EN18	85 <i>Carbon Footprint Report 2014</i>		☑ (120-122)	Emission intensity
G4-EN19	87 <i>Carbon Footprint Report 2014</i>		☑ (120-122)	Reduction of greenhouse gas emissions

» Specific content [G4-32]

Information on the management focus and indicators	Pages/Reference/Direct response	Omissions	External assurance (pages)	Description
G4-EN20	85, 86 <i>Carbon Footprint Report 2014</i>		☑ (120-122)	Emission of substances that affect the ozone layer and calculation process
G4-EN21	89		☑ (120-122)	NOx, Sox and other significant air emissions and calculation process
Material aspect: Effluents and waste				
G4-DMA	26, 27, 82, 84, 89		☑ (120-122)	Management approach
G4-EN22	89		☑ (120-122)	Total water discharged by quality and purpose
G4-EN23	89 Practically all waste derives from routine activities.		☑ (120-122)	Total weight of managed waste, by type and treatment method
G4-EN24	89		☑ (120-122)	Total number and volume of significant spills
G4-EN25	Waste generated by Enagás is not shipped internationally.		☑ (120-122)	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 internationally
G4-EN26	Enagás does not discharge any wastewater into water courses located in protected nature reserves or which are considered to be of particular ecological value.		☑ (120-122)	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
G4-OG5	Not reported	Not applicable. Not applicable to Enagás' activity, as it does not have produced water.	-	Volume and disposal of formation or produced water
G4-OG6	The main flared and/or vented hydrocarbon is methane. In 2014, the volume of flared and/or vented natural gas was 117,321,052m ³ .		☑ (120-122)	Volume of flared and vented hydrocarbon

[G4-32]

Information on the management focus and indicators	Pages/Reference/Direct response	Omissions	External assurance (pages)	Description
G4-OG7	Not reported	Not applicable. As shown in the <i>Enagás and the gas value chain</i> chart, the company's 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.	-	Amount of drilling waste (drill mud and cuttings). Strategies for its treatment and disposal
Material aspect: Supplier Environmental Assessment				
G4-DMA	26-27, 57-59		☑ (120-122)	Management approach
G4-EN32	58		☑ (120-122)	Percentage of new suppliers that were screened using environmental criteria
G4-EN33	58, 86		☑ (120-122)	Significant actual and potential negative environmental impacts in the supply chain and actions taken
CATEGORY: SOCIAL				
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK				
Material aspect: Employment				
G4-DMA	26, 27, 76, 77		☑ (120-122)	Management approach
G4-LA1	76, 80		☑ (120-122)	Total number and rates of new employee hires and employee turnover by age group, gender, and region
G4-LA2	79		☑ (120-122)	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.
G4-LA3	78		☑ (120-122)	Return to work and retention rates after parental leave, by gender.
Material aspect: Occupational health and safety				
G4-DMA	26, 27, 68, 70, 71		☑ (120-122)	Management approach

» Specific content [G4-32]

Information on the management focus and indicators	Pages/Reference/Direct response	Omissions	External assurance (pages)	Description
G4-LA5	70		☑ (120-122)	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes
G4-LA6	69, 70	Calculation of the frequency and seriousness index, by gender. Not currently available. Data will be available in the forthcoming Annual Report 2015 (IT systems have been prepared to extract the hours of sick leave by gender)	☑ (120-122)	Rates of absenteeism, occupational diseases, lost days and number of work-related fatalities by region
G4-LA7	Enagás has not identified, through its occupational health and safety assessment systems, any positions with a risk of suffering occupational diseases.		☑ (120-122)	Workers with high risk of diseases related to their occupation
G4-LA8	70		☑ (120-122)	Health and safety topics covered in formal agreements with trade unions
Material aspect: Training and education				
G4-DMA	26-27, 76-77		☑ (120-122)	Management approach
G4-LA9	76, 77		☑ (120-122)	Average hours of training per year per employee, by employee category
G4-LA10	77		☑ (120-122)	Programs for skills management and lifelong training that support the continued employability of employees and assist them in managing career endings
G4-LA11	76, 77, 47		☑ (120-122)	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category
Material aspect: Diversity and equal opportunity				
G4-DMA	26-27, 78-79		☑ (120-122)	Management approach

[G4-32]

Information on the management focus and indicators	Pages/Reference/Direct response	Omissions	External assurance (pages)	Description
G4-LA12	35, 37, 76 With respect to integration of the disabled, Enagás has an agreement with the Juan XXIII Foundation to help disabled people into employment and complies with the 2% statutory target for employment of people with disabilities through sponsorship programmes.		☑ (120-122)	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity
Material aspect: Equal remuneration for women and men				
G4-DMA	26-27, 78-79		☑ (120-122)	Management approach
G4-LA13	78		☑ (120-122)	Ratio of basic salary and remuneration of women to men by employee category
Material aspect: Supplier assessment for labour practices				
G4-DMA	26-27, 57-58		☑ (120-122)	Management approach
G4-LA14	58		☑ (120-122)	Percentage of new suppliers that were screened using labour practices criteria
G4-LA15	58		☑ (120-122)	Actual and potential negative impacts for labour practices in the supply chain and actions taken
SUB-CATEGORY: HUMAN RIGHTS				
Material aspect: Investment				
G4-DMA	26, 27, 72, 75		☑ (120-122)	Management approach
G4-HR1	72, 58		☑ (120-122)	Total number and percentage of significant investment agreements that include human rights clauses or that underwent human rights screening
G4-HR2	72		☑ (120-122)	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
Material aspect: Security practices				
G4-DMA	26, 27, 72, 75		☑ (120-122)	Management approach

» Specific content ^[G4-32]

Information on the management focus and indicators	Pages/Reference/Direct response	Omissions	External assurance (pages)	Description
G4-HR7	Enagás subcontracts the security staff working at its facilities and ensures that 100% of these employees receive specific training on specific procedures at the company's facilities and on prevention of occupational hazards. As a contracting requirement, the contractor company must submit the annual training plan it has prepared for its employees. Moreover, the security staff carry out their activities pursuant to the Private Security Law, which obliges the provision of specific training. Enagás also requests that security contractor companies belong to the APROSER association (which obliges its members to comply with principles relating to respect for human rights).		☑ (120-122)	Percentage of security personnel trained in human rights
Material aspect: Supplier human rights assessment				
G4-DMA	26-27, 57-59		☑ (120-122)	Management approach
G4-HR10	58		☑ (120-122)	Percentage of new suppliers that were screened using human rights criteria
G4-HR11	58		☑ (120-122)	Actual and potential negative human rights impacts in the supply chain and actions taken
Material aspect: Human rights grievance mechanisms				
G4-DMA	26-27, 72-74		☑ (120-122)	Management approach
G4-HR12	73		☑ (120-122)	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms
SUB-CATEGORY: SOCIETY				
Material aspect: Local communities				
G4-DMA	26, 27, 91, 92, 93		☑ (120-122)	Management approach
G4-SO1	93		☑ (120-122)	Percentage of operations with implemented local community engagement, impact assessments, and development programs.
G4-SO2	92		☑ (120-122)	Operations with significant actual or potential negative impacts on local communities
G4-OG10	92		☑ (120-122)	Number and description of significant disputes with local communities and indigenous peoples
G4-OG11	90		☑ (120-122)	Number of sites that have been decommissioned and sites that are in the process of being decommissioned
Material aspect: Anti-corruption				
G4-DMA	26-27, 72-74		☑ (120-122)	Management approach

[G4-32]

Information on the management focus and indicators	Pages/Reference/Direct response	Omissions	External assurance (pages)	Description
G4-SO3	The risk of corruption is included in risk of fraud and unauthorised activities. Every business unit has been analysed for corruption risks.		☑ (120-122)	Total number and percentage of operations assessed for risks related to corruption
G4-SO4	72, 74		☑ (120-122)	Communication and training on anti-corruption policies and procedures
G4-SO5	73		☑ (120-122)	Confirmed incidents of corruption and action taken
G4-OG12	Compulsory purchases related to Enagás' activity do not involve involuntary resettlement of communities.		☑ (120-122)	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process
G4-OG13	No process safety events were registered pursuant to standard API RP 754		☑ (120-122)	Number of process safety events, by business activity
Material aspect: Supplier assessment for impacts on society				
G4-DMA	26-27, 57-59		☑ (120-122)	Management approach
G4-SO9	58		☑ (120-122)	Percentage of new suppliers that were screened using criteria for impacts on society
G4-SO10	58		☑ (120-122)	Significant actual and potential negative impacts on society in the supply chain and actions taken

8.3 EXTERNAL ASSURANCE REPORT [G4-33]

2



KPMG Asesores S.L.
Edificio Torre Europa
Paseo de la Castellana, 65
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 2014 of Enagás Group (hereinafter Enagás) for the year ended 31 December 2014 (hereinafter “the Report”). The information reviewed corresponds to the economic, environmental and social indicators referred in the chapter entitled Annex 8.2 “GRI content index” with the symbol.

Enagás management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines and the Oil and Gas Sector Disclosures version 4.0 (G4) of the Global Reporting Initiative as described in item G4-32 of the Index of GRI contents of the Report, and following the Content Index Service, obtaining confirmation from the Global Reporting Initiative on the proper application of these. 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 (AA1000APS); 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 G4-11, G4-LA1, G4-LA6 (own employees), G4-LA9 and G4-LA12, 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 plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement. It concerns a review performed according to KPMG assurance engagement independence rules, as well as the requirements from the International Ethics Standards Board for Accountants Code of Ethics on integrity, objectivity, confidentiality, professional behaviours and qualifications. 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:

- Risk analysis, including media search to identify material issues during the period covered by the Report.
- Verifying the consistency of the information that responds to the General Standard Disclosures, with internal systems or documentation.

- Inquiries of management to gain an understanding of Enagás’s processes for determining the material issues for their key stakeholder groups.
- Interviews with relevant staff concerning Enagás’s policy and strategy application on sustainability, governance, ethics and integrity.
- Interviews with relevant Enagás staff responsible for providing the information contained in the Report.
- Visit to Cartagena Regasification Plant 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.
- Reviewing the application of the Global Reporting Initiative’s G4 Sustainability Reporting Guidelines requirements for the preparation of reports in accordance with comprehensive option.
- 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.
- 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 G4-11, G4-LA1, G4-LA6 (own employees), G4-LA9 and G4-LA12 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 2014 of Enagás Group for the year ended, 31 December 2014, we conclude that:

- GRI Indicators G4-11, G4-LA1, G4-LA6 (own employees), G4-LA9 and G4-LA12, reviewed with a reasonable level of assurance, can be considered reliable and comply, in all significant aspects with the Sustainability Reporting Guidelines version 4.0 (G4) and the Oil and Gas Sector Supplement of the Global Reporting Initiative as described in item G4-32 of the Index of GRI contents of the Report;
- 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 4.0 (G4) and the Oil and Gas Sector Supplement of the Global Reporting Initiative as described in item G4-32 of the Index of GRI contents of the Report;
- 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 “Stakeholder management”.

[G4-33]

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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

During financial year 2014, Enagás consulted a network of opinion leaders identified by the working group "Culture of innovation and shared value", formed in 2013. To select these prescribers, a sample of the most critical stakeholders included in the company's stakeholders map was chosen, considering both the importance of this group for Enagás and the impact that the company has on this group. To further develop the stakeholder's management model, it is recommended that Enagás progress in formalizing the process to be carried out through the working group "Culture of innovation and shared value"; which means to develop a protocol to define the review frequency in which stakeholders are identified and prioritized, contacted, or the approach of possible consultations.

In relation to the MATERIALITY principle

The consultation process undertaken during 2014 to identify relevant issues, started with an internal prioritization of issues for Enagás. The company prepared a survey based on the results of the initial prioritization. In this survey, the most critical stakeholders should assess the performance of the company in each case and their satisfaction level with the provided services, as well as areas of potential collaboration with stakeholders. The aim of this external consultation is to determine to what extent shared value creation projects can be developed. In order to optimize information that can be obtained from both queries, it is recommended that Enagás further develop the description of matters to be assessed, reinforcing the specific meaning that they could have for the company.

In relation to the RESPONSIVENESS principle

Every year Enagás identifies, through these consultations, processes to stakeholders and through other sources such as company's management systems audits, DJSI assessment, etc., the lines of action to include in its Sustainable Management Plan. In order to strengthen the capacity of this plan for giving response to the needs and expectations of its stakeholders, and to make progress in involving them in the plan design process, it is recommended that Enagás promote and formalize a mechanism that allows the company to determine its stakeholders' satisfaction level with the actions of this Plan.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

10 March 2015



[G4-33]

8.4 CONTENTS OF THE GLOBAL COMPACT

The Global Compact is an ethical commitment initiative designed so that entities from all countries can adhere to, as an integral part of their strategy and operations, ten universal principles governing conduct and action on matters concerning human rights, labour, the environment and the fight against corruption.

Enagás, a member of the United Nations Global Pact since 2003, 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	G4-HR1 - 11	72-75, 58-59, Appendix 8.2. GRI G4 content index
2	Businesses should make sure that they are not complicit in human rights abuses	G4-HR1, G4-HR3, G4-HR7	72-75, 58-59, Appendix 8.2. GRI G4 content index
Labour practices			
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	G4-11	79, Appendix 8.2. GRI G4 content index
4	Businesses should uphold the elimination of all forms of forced and compulsory labour	G4-DMA's Human Rights Subcategory	72-75, 57-59, Appendix 8.2. GRI G4 content index
5	Businesses should uphold the effective abolition of child labour	G4-DMA's Human Rights Subcategory	72-75, 57-59, Appendix 8.2. GRI G4 content index
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	G4-LA1, G4-LA12 - 13	35, 37, 76, 78, 80 Appendix 8.2. GRI G4 content index
Environment			
7	Businesses should support a precautionary approach to environmental challenges	G4-EN19, G4-DMA's Environmental Category	82-90
8	Businesses should undertake initiatives to promote greater environmental responsibility	G4-EN 6 - 7, G4-EN13 - 14, G4-EN19, G4-EN 22-23	87, 88, Appendix 8.2. GRI G4 content index
9	Businesses should encourage the development and diffusion of environmentally friendly technologies	G4-EN 6 - 7, G4-EN13 - 14, G4-EN19, G4-EN 22 - 23	87, 88, Appendix 8.2. GRI G4 content index
Anti-corruption			
10	Businesses should work against corruption in all its forms, including extortion and bribery	G4-SO3, G4-SO5	73, Appendix 8.2. GRI G4 content index

8.5 CONTACT [G4-3, G4-5, G4-31]

Please address any comments, requests for clarification or suggestions in connection with this report to:

Enagás S.A.

Paseo de los Olmos, 19
28005 Madrid

Investor Relations Management

Tel.: 91 709 93 30 / 900 100 399
E-mail: accionistas@enagas.es

Organisation and CSR Management

Tel.: 91 709 92 62
E-mail: rsc.enagas@enagas.es



2014 CORPORATE GOVERNANCE REPORT

- **Independent assurance report on the Annual Corporate Governance Report**
 - A. **Ownership structure**
 - B. **General Shareholders' Meeting**
 - C. **Company management structure**
 - D. **Related-party and intragroup transactions**
 - E. **Risk control and management systems**
 - F. **Internal control over financial reporting (ICFR)**
 - G. **Degree of compliance with corporate governance recommendations**
 - H. **Other information of interest**
- **Explanatory Notes**
- **Report on the Activities of the Enagás, S.A. Audit and Compliance Committee in 2014**

INDEPENDENT ASSURANCE REPORT ON THE ANNUAL CORPORATE GOVERNANCE REPORT

Deloitte

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

INDEPENDENT ASSURANCE REPORT ON THE ANNUAL CORPORATE GOVERNANCE REPORT

To the Board of Directors of Enagás, S.A.

Scope of the Report

We have performed an assurance engagement regarding the compliance of the content of the accompanying Annual Corporate Governance Report for 2014 of Enagás, S.A. with the minimum content of the Annual Corporate Governance Report provided for by Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission (CNMV) and with the provisions of Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March.

Responsibility of the Board of Directors on the Annual Corporate Governance Report

The preparation of the Annual Corporate Governance Report and its content are the responsibility of the Board of Directors of Enagás, S.A., which is also responsible for the design, implementation and maintenance of the procedures through which the information is obtained.

Our responsibility

Our responsibility is to issue an independent report based on the procedures applied in our assurance engagement. We carried out our engagement in accordance with the applicable requirements of the Code of Ethics of the International Federation of Accountants (IFAC).

We carried out our assurance 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) on reasonable assurance engagements. That standard requires the performance of procedures and the obtaining of sufficient appropriate evidence to make it possible to reduce the assurance engagement risk to an acceptably low level in the circumstances of the engagement and to express a conclusion in a positive form. In this regard, our engagement included, inter alia, the following:

- Reading and understanding the information prepared by the Company contained in the Annual Corporate Governance Report and assessing whether said information encompasses all the information required by Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission and by Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March.
- Holding meetings with and submitting queries to the Company's personnel, the members of the Board of Directors and other bodies responsible for the various areas of governance of the Company on which the report is issued for the purpose of analysing the information included in the Annual Corporate Governance Report.

- Evaluating internal control relevant to the internal compilation and validation of the data and information set out in the Annual Corporate Governance Report. This evaluation is part of our assessment of the engagement risk and is performed for the sole purpose of being able to design assurance procedures that are appropriate in the circumstances.
- Verifying, by means of selective tests, the criteria used in preparing the information included in the Annual Corporate Governance Report and its adequate compilation and consistency with the data furnished by management of the Company.
- Analysing the minutes of the Annual General Meeting, of the Board of Directors meetings, of the Audit and Compliance Committee meetings and of the Appointments, Remuneration and Corporate Social Responsibility Committee meetings of Enagás, S.A. for the purpose of assessing the compliance of the information included in the Annual Corporate Governance Report.
- Obtaining a representation letter on the work performed signed by the persons responsible for preparing the Annual Corporate Governance Report.

For the recommendations of the Unified Good Corporate Governance Code that have not been implemented by the Company, the directors of Enagás, S.A. offer the explanations that they consider appropriate. In relation to said explanations, we checked that the assertions contained in the Annual Corporate Governance Report do not contradict the evidence obtained from the application of the procedures described above.

Also as regards the system of Internal Control over Financial Reporting (ICFR) (see section F of the accompanying Annual Corporate Governance Report), we verified the existence of the corresponding report issued by the Company's auditor. That report states that the work was performed in accordance with the requirements established in 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) for the issuance of reasonable assurance reports.

Conclusion

Based on the results of our work, in our opinion the content of the accompanying Annual Corporate Governance Report for 2014 of Enagás, S.A. has been prepared, in all material respects, in accordance with Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission (CNMV) and with Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March, and its content complies with the provisions of those regulations.

DELOITTE, S.L.



Ana Sánchez Palacios

24 February 2015

9 ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES



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
3/5/02	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 company at year-end, excluding Directors.

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
FIDELITY INTERNATIONAL LIMITED	0	4,710,880	1.97%
RETAIL OEICS AGGREGATE	0	2,410,274	1.01%
OMAN OIL COMPANY, S.A.O.C.	0	11,936,702	5.00%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
FIDELITY INTERNATIONAL LIMITED	FIDELITY INTERNATIONAL LIMITED	4,710,880
RETAIL OEICS AGGREGATE	RETAIL OEICS AGGREGATE	2,410,274
OMAN OIL COMPANY, S.A.O.C.	OMAN OIL HOLDINGS SPAIN S.L.U.	11,936,702

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

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
KUTXABANK,S.A.	10/3/14	Decrease of 5% of share capital
KUTXABANK,S.A.	16/6/14	Decrease of 3% of 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	0.02%
MARCELINO OREJA ARBURÚA	1,260	0	0.00%
SULTAN HAMED KHAMIS AL BURTAMANI	1	0	0.00%
RAMÓN PÉREZ SIMARRO	100	0	0.00%
MARTÍ PARELLADA SABATA	910	0	0.00%

Name or corporate name of Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
LUIS JAVIER NAVARRO VIGIL	1,405	7,075	0.00%
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	11,936,713	0	5.00%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
LUIS JAVIER NAVARRO VIGIL	NEWCOMER 2000, S.L.U.	7,075
% of total voting rights held by the Board of Directors		5.02%

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.

Related-party name or corporate name

OMAN OIL HOLDINGS SPAIN S.L.U.
ENAGÁS, S.A.

Type of relationship: Corporate

Brief description

Dividends and other benefits paid €15,322 thousand.

Related-party name or corporate name

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)
ENAGÁS, S.A.

Type of relationship: Corporate

Brief description

Dividends and other benefits paid: €15,322 thousand.

Related-party name or corporate name

FIDELITY INTERNATIONAL LIMITED
ENAGÁS, S.A.

Type of relationship: Corporate

Brief description

Dividends and other benefits paid: €6,047 thousand.

Related-party name or corporate name

RETAIL OEICS AGGREGATE
ENAGÁS, S.A.

Type of relationship: Corporate

Brief description

Dividends and other benefits paid: €3,094 thousand.

A.6 Indicate whether the Company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Corporate Enterprises Act ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable.

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.

The Company has not been notified of any shareholders' agreements affecting it and is not aware of the existence of any concerted actions among its shareholders.

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

Remarks

A.8 Complete the following tables on the Company's treasury stock.

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	0	0.00%

(*) Through:

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007.

A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

The Ordinary General Shareholders' Meeting held 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 General Shareholders' Meeting.

A.10 Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the Company by means of share purchases on the market.

Yes No

Description of restrictions

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% (...)" (continues in Section H. OTHER INFORMATION OF INTEREST: EXPLANATORY NOTE ON SECTION A.10).

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.

A.12 Indicate whether the Company has issued securities not traded in a regulated market of the European Union.

Yes No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

B. GENERAL SHAREHOLDERS' MEETING

B.1 Indicate whether the quorum required for constitution of the General Shareholders' Meeting differs from the system of minimum quorums established in the LSC and specify any such difference.

Yes No

B.2 Indicate and, as applicable, describe any differences between the Company's system of adopting corporate resolutions and the framework established in the LSC.

Yes No

Describe how they differ from the rules established in the LSC.

B.3 Indicate the rules governing amendments to the Company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.

Article 18 of the Articles of Association states that:

"The shareholders, when constituted as a duly summoned General Meeting, shall by a majority of votes decide upon the matters that fall within the powers of the General Meeting. The General Meeting is responsible for addressing and agreeing upon the following issues: (...) and states in section c) Amendments to the Articles of Association".

Likewise, article 26 states that:

"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, the attendance or representation of shareholders holding at least twenty-five percent of subscribed capital with voting rights shall be sufficient".

Likewise, article 13.3 of the Regulations of the General Shareholders' Meeting states that:

Notwithstanding the above, in the case of capital increases or decreases, any other modification to the Articles of Association, bonds issues, elimination or restriction of the pre-emptive subscription right over new shares, the transformation, merger or spin-off of the Company, the transfer of all the assets and liabilities thereof and the decision to move the registered office to outside Spain, at the adjourned meeting, and when the Meeting is attended by shareholders representing less than fifty percent of the subscribed voting capital, two-thirds of the subscribed voting capital present in person or by proxy must vote for the resolution in order for it to be adopted.

B.4 Indicate the attendance figures for the General Shareholders' Meetings held during the year.

Date of general meeting	Attendance data				Total
	% attending in person	% by proxy	% remote voting		
			Electronic means	Other	
24/04/13	6.62%	44.40%	0.00%	2.04%	53.06%
25/3/14	5.58%	42.23%	0.00%	5.14%	52.95%

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.

Yes No

B.6 Indicate whether decisions involving a fundamental corporate change ("subsidiarisation", acquisitions/disposals of key operating assets, operations that effectively entail the Company's liquidation) must be submitted to the General Shareholders' Meeting for approval or ratification even when not expressly required under company law.

Yes No

B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings which must be made available to shareholders on the 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).

The links to this information can be found easily through a web browser and are as follows:

In Spanish:

Página principal / Accionistas e Inversores / Gobierno Corporativo/ (<http://www.enagas.es/enagas/es/AccionistasInversores/GobiernoCorporativo/>).

Página principal / Responsabilidad Corporativa / Gobierno Corporativo/ (http://www.enagas.es/enagas/es/Responsabilidad_Corporativa/Gobierno_Corporativo).

In English:

Home / Investors Relations / Corporate Governance/ (<http://www.enagas.es/enagas/en/AccionistasInversores/GobiernoCorporativo/>).

Home / Corporate Responsibility / Corporate Governance/ (http://www.enagas.es/enagas/en/Responsabilidad_Corporativa/Gobierno_Corporativo).

C. COMPANY MANAGEMENT STRUCTURE

C.1 Board of Directors

C.1.1 List the maximum and minimum number of Directors included in the Bylaws.

Maximum number of Directors	15
Minimum number of Directors	6

C.1.2 Complete the following table with Board members' details.

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	22/4/06	25/3/14	VOTE AT GENERAL SHAREHOLDERS' MEETING
MARCELINO OREJA ARBURÚA		CHIEF EXECUTIVE OFFICER	17/9/12	25/3/14	VOTE AT GENERAL SHAREHOLDERS' MEETING
SULTAN HAMED KHAMIS AL BURTAMANI		DIRECTOR	20/12/10	25/3/11	VOTE AT GENERAL SHAREHOLDERS' MEETING
JESÚS DAVID ÁLVAREZ MEZQUÍRIZ		DIRECTOR	25/4/03	25/3/11	VOTE AT GENERAL SHAREHOLDERS' MEETING
JESÚS MÁXIMO PEDROSA ORTEGA		DIRECTOR	24/04/13	24/04/13	VOTE AT GENERAL SHAREHOLDERS' MEETING
RAMÓN PÉREZ SIMARRO		DIRECTOR	17/6/04	24/04/13	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
MARTÍ PARELLADA SABATA		DIRECTOR	17/3/05	24/04/13	VOTE AT GENERAL SHAREHOLDERS' MEETING
ROSA RODRÍGUEZ DÍAZ		DIRECTOR	24/04/13	24/04/13	VOTE AT GENERAL SHAREHOLDERS' MEETING
LUIS JAVIER NAVARRO VIGIL		DIRECTOR	9/7/02	25/3/11	VOTE AT GENERAL SHAREHOLDERS' MEETING
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	FEDERICO FERRER DELSO	DIRECTOR	25/4/08	30/3/12	VOTE AT GENERAL SHAREHOLDERS' MEETING
ANA PALACIO VALLELERSUNDI		DIRECTOR	25/3/14	25/3/14	VOTE AT GENERAL SHAREHOLDERS' MEETING

ISABEL TOCINO BISCAROLASAGA	DIRECTOR	25/3/14	25/3/14	VOTE AT GENERAL SHAREHOLDERS' MEETING
ANTONIO HERNÁNDEZ MANCHA	DIRECTOR	25/3/14	25/3/14	VOTE AT GENERAL SHAREHOLDERS' MEETING
GONZALO SOLANA GONZÁLEZ	DIRECTOR	25/3/14	25/3/14	VOTE AT GENERAL SHAREHOLDERS' MEETING
LUIS JAVIER ARTOLA	DIRECTOR	28/4/14	28/4/14	VOTE AT GENERAL SHAREHOLDERS' MEETING
Total number of Directors		15		

Indicate any board members who left during this period.

Name or corporate name of Director	Status of the Director at the time	Leaving date
DIONISIO MARTÍNEZ MARTÍNEZ	Independent	25/3/14
ISABEL SÁNCHEZ GARCÍA	Independent	25/3/14
MARÍA TERESA GARCÍA-MILÁ LLOVERAS	Independent	25/3/14
JOSÉ RIVA FRANCO	Independent	25/3/14
MIGUEL ÁNGEL LASHERAS MERINO	Independent	25/3/14

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

EXECUTIVE DIRECTORS

Name or corporate name of Director	Committee proposing appointment	Position held in the Company
ANTONIO LLARDÉN CARRATALÁ	APPOINTMENTS, REMUNERATION AND CSR COMMITTEE	CHAIRMAN
MARCELINO OREJA ARBURÚA	APPOINTMENTS, REMUNERATION AND CSR COMMITTEE	CHIEF EXECUTIVE OFFICER
Total number of Executive Directors		2
% of the board		13.33%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of Director	Committee proposing appointment	Name or corporate name of significant shareholder represented or proposing appointment
SULTAN HAMED KHAMIS AL BURTAMANI	APPOINTMENTS, REMUNERATION AND CSR COMMITTEE	OMAN OIL HOLDINGS SPAIN S.L.U.
JESÚS MÁXIMO PEDROSA ORTEGA	APPOINTMENTS, REMUNERATION AND CSR COMMITTEE	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	APPOINTMENTS, REMUNERATION AND CSR COMMITTEE	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)

Total number of Proprietary Directors	3
% of the board	20.00%

INDEPENDENT EXTERNAL DIRECTORS

> Name or corporate name of Director

JESÚS DAVID ÁLVAREZ MEZQUÍRIZ

Profile

- Chairman of Biocarburantes Peninsulares, S.L.
- Director of EULEN S.A.

> Name or corporate name of Director

RAMÓN PÉREZ SIMARRO

Profile

- 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.

> Name or corporate name of Director

MARTÍ PARELLADA SABATA

Profile

- 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.

> Name or corporate name of Director

ROSA RODRÍGUEZ DÍAZ

Profile

- Doctorate in Economics and Business Administration.
- Lecturer at the Las Palmas de Gran Canaria University's Economics and Business Administration Faculty.
- Former Vice-Secretary of Tax Administration and Planning for the government of the Canary Islands.
- Former Vice-President of Gran Canaria's "Cabildo" Council.

› **Name or corporate name of Director**

ANA PALACIO VALLELERSUNDI

Profile

- Founding partner of the Palacio & Asociados law firm.
- Elected member of the Spanish Council of State.
- Coordinator for the Rhine-Alpine Corridor of the Trans-European Transport Network.
- Arbitrator in the Spanish Court of Arbitration, in the Court of Madrid, and a member of the "Panel of Arbitrators of the Centre for Settlement of Investment Disputes (ICSID)".
- Member of the "International Advisory Board" of Invescorp.
- Member of the Board of Directors of Pharmamar, S.A.
- Member of "Le Conseil d'Orientation et de Réflexion de l'Assurance (CORA)".
- Board Member of several research centres and public bodies including: the "Atlantic Council" of the United States, the European Council on Foreign Relations (ECFR), the "Institute for Strategic Dialogue" and the Foundation for Social Studies and Analysis (FAES).
- Member of the Global Agenda Council of the World Economic Forum.
- Former member of the Advisory Group on Foreign Affairs and Security established by the President of the European Union (2013-2014).
- Former member of the panel responsible for vetting judges and advocates general for the EU/Luxembourg court system (2010-2013).
- Former Senior Vice-President for International Affairs of Areva.
- Former Senior Vice-President and General Counsel of the World Bank Group.
- Former Minister of Foreign Affairs of Spain.
- Former member of the European Parliament (1994-2002): Chair of the Committee on Legal Affairs and the Internal Market and of the Committee on Justice and Home Affairs.

› **Name or corporate name of Director**

ISABEL TOCINO BISCAROLASAGA

Profile

- Elected member of the Spanish Council of State.
- Independent Director of Banco Santander.
- Independent Director of ENCE.
- Former Spanish Minister for the Environment (1996-2000).
- Former Chairwoman for Spain and Portugal and former Vice-Chairwoman of Siebel (subsequently acquired by Oracle).
- Former legal advisor to the Nuclear Energy Board (currently CIEMAT).
- Vice President of the International Association of Women Lawyers.
- Member of the Spanish Royal Academy of Doctors.
- Vice-President of the Federal Council of the European Movement.

› **Name or corporate name of Director**

ANTONIO HERNÁNDEZ MANCHA

Profile

- Public prosecutor.
- Member of the Court of Arbitration of Madrid's Chamber of Commerce and Industry.
- Founding President and Sole Director of Apple Energy Group Iberia, S.L.
- Member of the Board of Directors of Isolux Corsán, S.A.
- Member of the Advisory Committee of M&A Arcano.
- Former Vice President of NAP de las Américas Madrid, S.A.
- Former Chief Executive Officer of NAP de África Occidental e Islas Canarias, S.A.

› **Name or corporate name of Director**

GONZALO SOLANA GONZÁLEZ

Profile

- Director of the Nebrija Santander Chair in International Business Management.
- Founding partner of the law firm Huerta&Solana specialising in competition law and regulations.
- Independent Director of OMIClear.
- Member of the Advisory Board of Centro Atlántico de Pensamiento Estratégico.
- Former President of the Tribunal for the Defence of Competition (2000-2005).
- Former Board Member of the National Institute of Statistics (INE).
- Former technical advisor to the Spanish Committee of the International Chamber of Commerce (ICC).

› **Name or corporate name of Director**

LUIS VALERO ARTOLA

Profile

- Trade Technical Expert and State Economist.
- Former General Secretary of the Ministry of Industry, Energy and Tourism.
- Former General Manager of the Spanish Association of Automobile and Truck Manufacturer's (ANFAC).
- Former member of the Management Committee of the Spanish Confederation of Employers' Organisations (CEOE).
- Former Director of Operadora del Mercado Eléctrico (OMEL).
- Former Business Director of Banco Saudí Español.
- Former Manager of Spanish Foreign Investment Services.
- Former Commercial Director in the Republic of South Africa.

Total number of Independent Directors	9
% of the board	60.00%

List any Independent Directors who receive from the Company or Group any amount or payment other than standard Director remuneration or who maintain or have maintained during the period in question a business relationship with the Company or any group company, either in their own name or as a significant shareholder, Director or senior manager of an entity which maintains or has maintained the said relationship.

JESÚS DAVID ÁLVAREZ MEZQUÍRIZ, as Director of EULEN, S.A., is party to service level agreements for building and facility security and maintenance and, therefore, has a business relationship that is not substantial with ENAGÁS TRANSPORTE S.A.U., an Enagás Group subsidiary.

The Board of Directors of Enagás considered it appropriate to include JESÚS DAVID ÁLVAREZ MEZQUÍRIZ as an "Independent Director" after verifying that he met all the conditions of articles 5 and 9 of the Regulations of the Board of Enagás for Independent Directors; i.e.:

He enjoys a solid reputation and, therefore, can contribute his experience and know-how to the Company's corporate governance and does not meet the requirements for inclusion in the category of Proprietary Director or Executive Director. Moreover, he can perform his duties without being affected by dealings with the Company, its significant shareholders or its executives. Although JESÚS DAVID ÁLVAREZ MEZQUÍRIZ maintains, or has maintained in the past year, a business relationship with Enagás, S.A. or any other Group company, as joint and several director of GRUPO EULEN, this business relationship was not considered to be significant and in no case prevents the performance of his duties as Independent Director of Enagás with impartiality and transparency.

This statement from the Board of Directors of Enagás complies with article 5 of Order ECC/461/2013, of 20 March, with respect to the situations set out in article 8.4. b) and e) therein.

If applicable, include a statement from the board detailing the reasons why the said Director may carry on their duties as an Independent Director.

OTHER EXTERNAL DIRECTORS

Name or corporate name of Director	Committee notifying or proposing appointment
LUIS JAVIER NAVARRO VIGIL	APPOINTMENTS, REMUNERATION AND CSR COMMITTEE

Total number of Other External Directors	1
% of the board	6.67%

List the reasons why these cannot be considered Proprietary or Independent Directors and detail their relationships with the Company, its executives or shareholders.

› Name or corporate name of Director

LUIS JAVIER NAVARRO VIGIL

Company, executive or shareholder with whom the relationship is maintained

TERMINAL DE LNG DE ALTAMIRA, S. DE R.L. DE C.V.

Reasons

LUIS JAVIER NAVARRO VIGIL is a Director of Enagás and 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; i.e. LUIS JAVIER, representing NEWCOMER, S.L.U., has a business relationship with TLA, S. DE R.L. - MÉXICO, as he has entered into an agreement to provide consultancy services to TLA, S. DE R.L.- MÉXICO and TLA Servicios S. de R.L. de C.V. (abbreviated to "TLA Servicios").

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 the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás.

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

C.1.4 Complete the following table on the number of female Directors over the past four years and their category.

	Number of female Directors				% of total Directors of each type			
	Year 2014	Year 2013	Year 2012	Year 2011	Year 2014	Year 2013	Year 2012	Year 2011
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	3	3	2	2	33.33%	33.33%	25.00%	25.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	3	3	2	2	20.00%	20.00%	15.38%	13.33%

C.1.5 Explain the measures, if applicable, which have been adopted to ensure that there is a sufficient number of female Directors on the board to guarantee an even balance between men and women.

Explanation of measures

At the date of call of the General Shareholders' Meeting for 24 and 25 March 2014, there were five vacancies on the Board of Directors. The Appointments, Remuneration and CSR Committee established a number of re-election criteria in order to present to the Board and General Shareholders' Meeting the corresponding proposed candidates for appointment as Independent Directors, including the following: "It must be sought that the proposals encourage diversity within the Board, whereby they must focus on preferably incorporating women and people who due to their nationality or experience have an international professional profile, in accordance with the Company's new strategy.

Shareholders at the General Shareholders' Meeting of 25 March 2014 voted to appoint ANA PALACIO VALLELERSUNDI and ISABEL TOCINO BISCAROLASAGA as Independent Directors of Enagás. As a result, there were still three (3) women directors.

C.1.6 Explain the measures taken, if applicable, by the Nomination Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female Directors, and whether the Company makes a conscious effort to search for female candidates who have the required profile.

Explanation of measures

To fill the five vacancies by the 2014 General Shareholders' Meeting, the Appointments, Remuneration and CSR Committee agreed that the proposed candidates for appointment as Independent Directors should meet the following criteria:

- Without prejudice to any legal and statutory requirements of the post, candidates must have acknowledged prestige and appropriate professional knowledge and experience to perform their tasks.
- Candidates must meet all the conditions to qualify as Independent Directors.
- Candidates must be able to satisfy the independence requirements demanded by Enagás' appointment as independent gas transmission network operator.
- It must be sought that the proposals encourage diversity within the Board, whereby they must focus on preferably incorporating women and people who due to their nationality or experience have an international professional profile, in accordance with the Company's new strategy.
- An independent expert must be involved in the selection process, who can bring a more objective perspective to the process.

In addition, for the presentation of the proposed candidates, the Appointments, Remuneration and CSR Committee received support by from an executive recruitment and development firm of recognised renown.

When, despite the measures taken, there are few or no female Directors, explain the reasons.

Explanation of the reasons

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 of the Organisation and Functioning of the Board of Directors, which prescribes 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.

At present, THREE (3) of the FIFTEEN (15) members of the Board of Directors of Enagás are women: ROSA RODRÍGUEZ DÍAZ, ANA PALACIO VALLELERSUNDI and ISABEL TOCINO BISCAROLASAGA. ROSA RODRÍGUEZ DÍAZ is also a member of the Audit and Compliance Committee, while ISABEL TOCINO BISCAROLASAGA is a member of the Appointments, Remuneration and CSR Committee. ANA PALACIO VALLELERSUNDI is currently Lead Independent Director.

C.1.7 Explain how shareholders with significant holdings are represented on the board.

At present two of the four shareholders with significant holdings are represented on the Board of Directors.

The shareholder OMAN OIL HOLDINGS SPAIN S.L.U. is represented by the Director SULTAN HAMED KHAMIS AL BURTAMANI.

In addition to being a legal person Director represented by FEDERICO FERRER DELSO, the shareholder SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI) is also represented on the Board by JESÚS MÁXIMO PEDROSA ORTEGA.

C.1.8 Explain, if 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

C.1.9 Indicate whether any Director has resigned from office before their term of office has expired, whether that Director has given the board their reasons and through which channel. If made in writing to the whole board, list below the reasons given by that Director.

> Name of Director

DIONISIO MARTÍNEZ MARTÍNEZ

Reasons for resignation

At the April 2010 Ordinary General Meeting, it was resolved to re-elect the Independent Director Dionisio Martínez Martínez. Since the 2014 Ordinary General Meeting was held a few days before the date on which the statutory four-year term of his appointment elapsed, to achieve the greatest possible degree of legal certainty with regard to the appointment of the new Director at the subsequent General Meeting, the aforementioned Director stood down from his post at the Board Meeting held on 17 February 2014 with effect from the date of the next Ordinary General Shareholders' Meeting: 24 March 2014 at the first call or 25 March 2014 at the second call.

> Name of Director

JOSÉ RIVA FRANCOS

Reasons for resignation

At the April 2010 Ordinary General Meeting, it was resolved to re-elect the Independent Director JOSÉ RIVA FRANCOS. Since the 2014 Ordinary General Meeting was held a few days before the date on which the statutory four-year term of his appointment elapsed, to achieve the greatest possible degree of legal certainty with regard to the appointment of the new Director at the subsequent General Meeting, the aforementioned Director stood down from his post at the Board Meeting held on 17 February 2014 with effect from the date of the next Ordinary General Shareholders' Meeting: 24 March 2014 at the first call or 25 March 2014 at the second call.

> Name of Director

MIGUEL ÁNGEL LASHERAS MERINO

Reasons for resignation

At the April 2010 Ordinary General Meeting, it was resolved to re-elect the Independent Director MIGUEL ÁNGEL LASHERAS MERINO. Since the 2014 Ordinary General Meeting was held a few days before the date on which the statutory four-year term of his appointment elapsed, to achieve the greatest possible degree of legal certainty with regard to the appointment of the new Director at the subsequent General Meeting, the aforementioned Director stood down from his post at the Board Meeting held on 17 February 2014 with effect from the date of the next Ordinary General Shareholders' Meeting: 24 March 2014 at the first call or 25 March 2014 at the second call.

> Name of Director

ISABEL SÁNCHEZ GARCÍA

Reasons for resignation

At the April 2010 Ordinary General Meeting, it was resolved to re-elect the Independent Director ISABEL SÁNCHEZ GARCÍA. Since the 2014 Ordinary General Meeting was held a few days before the date on which the statutory four-year term of his appointment elapsed, to achieve the greatest possible degree of legal certainty with regard to the appointment of the new Director at the subsequent General Meeting, the aforementioned Director stood down from her post at the Board Meeting held on 17 February 2014 with effect from the date of the next Ordinary General Shareholders' Meeting: 24 March 2014 at the first call or 25 March 2014 at the second call.

> Name of director

MARÍA TERESA GARCÍA-MILÁ LLOVERAS

Reasons for resignation

At the April 2010 Ordinary General Meeting, it was resolved to re-elect the Independent Director MARÍA TERESA GARCÍA-MILÁ LLOVERAS. Since the 2014 Ordinary General Meeting was held a few days before the date on which the statutory four-year term of his appointment elapsed, to achieve the greatest possible degree of legal certainty with regard to the appointment of the new Director at the subsequent General Meeting, the aforementioned Director stood down from her post at the Board Meeting held on 17 February 2014 with effect from the date of the next Ordinary General Shareholders' Meeting: 24 March 2014 at the first call or 25 March 2014 at the second call.

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s).

> Name or corporate name of Director

MARCELINO OREJA ARBURÚA

Brief description

Pursuant to the resolution passed by the Board of Directors of Enagás, S.A. on 25 March 2014, 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 Enagás' Board of Directors, were granted in the public instrument dated 28 May 2014 and executed before the Notary Public of Madrid Pedro de la Herrán Matorras, with number 1,306 in his notarial archive and is recorded in Volume 32,018, Book 0, File 5, Section 8; Sheet M-6113; Entry 777 of the Madrid Companies Register.

For more information on the powers delegated by the Board of Directors see section H. OTHER INFORMATION OF INTEREST (EXPLANATORY NOTE ON SECTION C.1.10 below).

C.1.11 List the Directors, if any, who hold office as Directors or executives in other companies belonging to the listed company's Group.

Name or corporate name of Director	Corporate name of the Group entity	Position
ANTONIO LLARDÉN CARRATALÁ	ENAGÁS GTS, S.A.U.	REPRESENTATIVE OF SOLE DIRECTOR
ANTONIO LLARDÉN CARRATALÁ	ENAGÁS TRANSPORTE, S.A.U.	REPRESENTATIVE OF SOLE DIRECTOR
MARCELINO OREJA ARBURÚA	ENAGÁS CHILE, S.P.A.	BOARD DELEGATE
MARCELINO OREJA ARBURÚA	ENAGÁS TRANSPORTE DEL NORTE, S.L.	CHAIRMAN
LUIS JAVIER NAVARRO VIGIL	TERMINAL DE LNG DE ALTAMIRA, S. DE R.L. DE C.V.	DIRECTOR
LUIS JAVIER NAVARRO VIGIL	TLA SERVICIOS, S. DE R.L. DE C.V.	DIRECTOR
SULTAN HAMED KHAMIS AL BURTAMANI	TERMINAL DE VALPARAÍSO, S.A.	DIRECTOR
SULTAN HAMED KHAMIS AL BURTAMANI	GNL QUINTERO	DIRECTOR

C.1.12 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 name of Director	Corporate name of the Group entity	Position
ANA PALACIO VALLELERSUNDI	PHARMAMAR, S.A.	DIRECTOR
ISABEL TOCINO BISCAROLASAGA	BANCO SANTANDER, S.A.	DIRECTOR
ISABEL TOCINO BISCAROLASAGA	ENCE ENERGÍA Y CELULOSA, S.A.	DIRECTOR

C.1.13 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

Pursuant to article 35 of the Articles of Association, the following must not be Directors or, if applicable, natural person representatives of a legal person Director:

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

C.1.14 Indicate the company's general policies and strategies that are reserved for approval by the Board of Directors in plenary session.

	YES	NO
Investment and financing policy	X	
Design of the structure of the corporate Group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plans, management targets and annual budgets	X	
Remuneration and evaluation of senior officers	X	
Risk control and management, and the periodic monitoring of internal information and control systems	X	
Dividend policy, as well as the policies and limits applying to treasury stock	X	

C.1.15 List the total remuneration paid to the Board of Directors in the year.

Board remuneration (thousands of euros)	3,244
Amount of total remuneration corresponding to accumulated pension rights (thousands of euros)	1,797
Total board remuneration (thousands of euros)	5,041

C.1.16 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	Position
DIEGO ANTONIO VELA LLANES	General Manager Technical System
CLAUDIO PEDRO RODRÍGUEZ SUÁREZ	General Manager Gas Assets
JESÚS LUIS SALDAÑA FERNÁNDEZ	General Manager Business Development
JUAN ANDRÉS DÍEZ DE ULZURRUN MORENO	General Manager Engineering
JOSÉ MANUEL CASTRO DEL REAL	Head of Internal Audit
FRANCISCO BORJA GARCÍA-ALARCÓN ALTAMIRANO	Chief Financial Officer
FELISA MARTÍN VILLAN	General Manager Communications and Institutional Relations
RAFAEL PIQUERAS BAUTISTA	General Secretary
JAVIER PERERA DE GREGORIO	General Manager Corporate Resources
Total remuneration received by senior management (thousands of euros)	2,861

C.1.17 List, if applicable, the identity of those Directors who are likewise members of the Boards of Directors of companies that own significant holdings and/or group companies.

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.

› **Name or corporate name of related-party Director**

SULTAN HAMED KHAMIS AL BURTAMANI

Name or corporate name of related-party significant shareholder

OMAN OIL HOLDINGS SPAIN S.L.U.

Relationship

MANAGER BUSINESS DEVELOPMENT

C.1.18 Indicate whether any changes have been made to the board regulations during the year.

Yes No

C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing Directors. List the competent bodies and the processes and criteria to be followed for each of these procedures.

APPOINTMENT OF DIRECTORS

Pursuant to article 8 of Enagás' Board Regulations, Directors shall be appointed by the General Meeting or by the Board of Directors in conformity with the provisions of the Corporate Enterprises Act ("LSC") and the Company's Articles of Association.

Candidates must be persons who, in addition to satisfying the requirements of the post under the law and under the Articles of Association, have a solid reputation and possess the professional know-how and experience required to discharge their duties. Any nomination for a Directorship which the Board lays before the General Meeting and any appointment made by the Board in the exercise of its statutory powers of co-option must be preceded by an appropriate proposal from the Appointments, Remuneration and CSR 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. Selection procedures must be free of any implied bias against women candidates. The company shall seek out and include women with the target profile among the candidates for Board places. Special mention should be made to the specific requirements that have been established to ensure the independence and impartiality of Independent Directors which are set out in article 9 of the Board Regulations. Independent Directors are defined as those who, appointed based on their personal and professional aptitudes, may perform their duties without being affected by dealings with the Company, its significant shareholders or its executives.

Under no circumstances may the following be classified as Independent Directors:

- Persons who have been employed by, or served as, Executive Directors, of Group companies, unless three or five years, respectively, have elapsed since the termination of that relationship.
- 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 the 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.
- Persons who are, or have been during the past three (3) 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 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, and 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 donations from Enagás or its Group. Patrons or trustees of any foundation that receives donations shall not be included under this section.

g) Spouses, partners or relatives maintaining 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 CSR Committee.

i) Persons who, in respect of a significant shareholder or one represented on the Board, find themselves in any of the circumstances described under sections a), e), f) or g).

In the event of kinship as described under letter g), this limitation shall apply not only in respect of the shareholder, but also in respect of its proprietary directors at the investee. Proprietary Directors who lose their status as such as a result of the sale of their interest by the shareholder that they represented may only be re-elected as Independent Directors if the shareholder that they represented until that time has sold all of its shares in the Company. Any Director holding an interest in the Company may hold the status of Independent Director provided that he/she meets all of the conditions established under this article and, further, that his/her interest is not significant. (Continues in section H: OTHER INFORMATION OF INTEREST.- EXPLANATORY NOTE ON SECTION C.1.19).

C.1.20 Indicate whether the board has evaluated its performance during the year.

Yes No

Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities.

Description of amendments

The evaluation of the Board's performance in 2014 was carried out by SODALI. It was designed and carried out based on interviews with the Company's Directors, who gave their opinion on a series of issues related to the quality and effectiveness of the Board of Director's functioning and performance, and of the Company's other management bodies, including the Chairman, the Board committees, the Lead Independent Director and the Secretary to the Board.

A highlight of SODALI's evaluation is the specific section on the evaluation of the performance of the Company's chief executive. As a result, the Chairman of the Board of Directors was evaluated twice: on the one hand, the Directors evaluated his performance as the person in charge of the governing body, and on the other, as the Company's chief executive. The Executive Chairman's performance was rated satisfactory in both cases.

The evaluation also included a section on the performance of the five new Independent Directors who joined the Board in 2014. The evaluation of their performance was highly positive.

Lastly, the evaluation focused on issues in which the Directors showed an interest or concern in the 2013 evaluation, with few comments by Directors on them, largely because of the new initiatives undertaken in 2014 to improve the preparation and development of the Board and Board Committee meetings. Certain individual areas of improvement were identified. The results showed an interest in having specific information on the development of new international projects involving the Company. Special attention will be paid in this respect in 2015.

C.1.21 Indicate the cases in which Directors must resign.

In accordance with corporate governance recommendations, articles 12.2 and 12.4 of the Rules Regulations of the Organisation and Functioning of the Board of Directors stipulate that:

2. Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, in the following cases:
- When they are affected by instances of incompatibility or prohibitions laid down in Law, in the Articles of Association, and in these Regulations.
 - When they are in serious breach of their duties as Directors.
 - 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.
 - When the reason for which they were appointed as Directors no longer holds.
 - When Independent Directors cease to meet the conditions established under article 9.
 - 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.
4. After a Director resigns from his/her post, he/she may not work for a competitor for a period of two years, unless exempted from this duty or the duration of the duty is shortened by the Board of Directors.

C.1.22 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:

- Appointment of the Chief Executive Officer: at its meeting on 17 September 2012, the Board of Directors appointed MARCELINO OREJA ARBURÚA as its Chief Executive Officer for the first time. MARCELINO OREJA ARBURÚA was re-elected as Chief Executive Officer at the General Shareholders Meeting of 25 March 2014. The Chief Executive Officer 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. 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 on the Organisation and Functioning of the Board of Directors.
- Lead Independent Director: article 18 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors provides for the Coordinating (Lead) Independent Director post, which has been held since 2010.
- In addition, 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 transactions 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).

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 CSR Committee, to perform the following duties, under the title of Lead Independent Director:

- To request the Chairman of the Board of Directors to convene that body when said Lead Independent Director deems it appropriate.
- To request that items be included on the Agenda of the meetings of the Board of Directors.
- To coordinate and voice the opinions of External Directors.
- To oversee the Board's evaluation of its Chairman and, where appropriate, the Managing Director.
- 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.

ANA PALACIO VALLELERSUNDI has held the post of Lead Independent Director since 2010.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decisions?

Yes No

If applicable, describe the differences.

C.1.24 Indicate whether there are any specific requirements, apart from those relating to the Directors, to be appointed Chairman.

Yes No

C.1.25 Indicate whether the Chairman has the casting vote:

Yes No

C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for Directors.

Yes No

C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for Independent Directors.

Yes No

Maximum number of years in office	12
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C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a Director may hold. Also indicate whether only one Director of the same category may be appointed as a proxy. 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, in accordance with article 7.3 of the Regulations of the Board, 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.

C.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. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	12
Number of board meetings held without the Chairman's attendance	0

Indicate the number of meetings of the various board committees held during the year.

Committee	No. meetings
AUDIT AND COMPLIANCE COMMITTEE	4
APPOINTMENTS, REMUNERATION AND CSR COMMITTEE	4

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

Directors' attendance	6
% of attendances of the total votes cast during the year	96.67%

C.1.31 Indicate whether the consolidated and individual 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	Position
ANTONIO LLARDÉN CARRATALÁ	CHAIRMAN
FRANCISCO BORJA GARCÍA-ALARCÓN ALTAMIRANO	GENERAL MANAGER FINANCE

C.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 Board Regulations 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 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 attributes to this Committee the duty 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.

Enagás 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.

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

Yes No

C.1.34 Explain the procedures for appointing and removing the Secretary of the board, indicating whether their appointment and removal have been notified by the Nomination 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 of 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 CSR Committee and must be approved by the Board in plenary session. Also, article 25 of the Regulations establishes that the functions of the Appointments, Remuneration and CSR Committee shall include responsibility for reporting on the appointment and dismissal of the Secretary of the Board of Directors.

	YES	NO
Does the Nomination Committee propose appointments?	X	
Does the Nomination Committee advise on dismissals?	X	
Do appointments have to be approved by the board in plenary session?	X	
Do dismissals have to be approved by the board in plenary session?	X	

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:

- adhere to the spirit and letter of primary enactments and their implementing regulations, including those issued by regulatory agencies;
- comply with the Company's Articles of Association and Rules and Regulations of the Board and others of the Company;
- incorporate the good governance recommendations that the Company has accepted.

C.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.

1. Measures to preserve the independence of the auditor:

The chief purposes of the Audit and Compliance Committee are to evaluate the Company's accounting verification system, review the internal control system, ensure the independence of the External Auditor, 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.

2. Measures in aid of preserving the independence of financial analysts, rating agencies and investment banks:

In accordance with article 5, section D 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.

Likewise, article 7 section e) of the Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás states that the Audit and Compliance Committee is entrusted with assessing compliance with the Internal Code of Conduct in Matters Relating to Stock Markets, 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, Remuneration and CSR Committee in considering Company Directors' and managers' compliance with the Code.

It assists with drafting the Annual Corporate Governance Report, especially in areas concerning transparency of information and conflicts of interests.

The Audit and Compliance Committee also provides information on issues within the scope of its duties at the General Meeting.

The Investor Relations Department manages communications with financial analysts, investors and rating agencies 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 via the following channels: the Investor Relations Department and the Shareholder Information Office.

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

C.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

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

C.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 euros)	45	0	45
Amount of non-audit work as a % of the total amount billed by the audit firm	6.40%	0.00%	3.40%

C.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

C.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.

	Company	Group
Number of consecutive years	11	11
Number of years audited by current audit firm/Number of years the Company's financial statements have been audited (%)	26.19%	26.19%

C.1.40 Indicate and give details of any procedures through which directors may receive external advice.

Yes No

Procedures

Article 15 of the Regulations of the Board 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.

C.1.41 Indicate 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

Procedures

Article 6 of the Board Regulations governs the procedure to ensure that Directors have the necessary information to prepare meetings of the Board of Directors with sufficient time. It states that:

- Notices convening ordinary sessions shall be issued by the Chairman or the Secretary, or by the Deputy Chairman on order of the Chairman, 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.

C.1.42 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 Board Regulations 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, 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.

C.1.43 Indicate whether any Director has notified the Company that they have been indicted or tried for any of the offences stated in article 213 of the LSC.

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 or, if applicable, detail the actions taken or to be taken by the board.

C.1.44 List the significant agreements entered into by the Company which come into force, are amended or terminate in the event of a change of control of the Company due to a takeover bid, and their effects.

Enagás does not have any such significant agreements.

C.1.45 Identify in aggregate form and provide detailed information on agreements between the Company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other transaction.

> Number of beneficiaries 10

Type of beneficiary

EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

Description of the resolution:

The Company has an agreement with the Executive Chairman, the Chief Executive Officer and EIGHT (8) 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, court 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 (both fixed and variable), while those provided for the Chief Executive Officer are equivalent to two years' pay (both fixed and variable).

The termination benefits to which the EIGHT (8) 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.

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the Company or its Group.

	Board of Directors	General Shareholders' Meeting
Body authorising clauses	Yes	No
	Yes	No
Is the General Shareholders' Meeting informed of such clauses?		X

C.2 Board committees

C.2.1 Give details of all the board committees, their members and the proportion of Proprietary and Independent Directors.

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
MARTÍ PARELLADA SABATA	CHAIRMAN	Independent
ROSA RODRÍGUEZ DÍAZ	MEMBER	Independent
GONZALO SOLANA GONZÁLEZ	MEMBER	Independent
LUIS VALERO ARTOLA	MEMBER	Independent
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	MEMBER	Proprietary

% of Executive Directors	0.00%
% of Proprietary Directors	20.00%
% of Independent Directors	80.00%
% of Other External Directors	0.00%

APPOINTMENTS, REMUNERATION AND CSR COMMITTEE

Name	Position	Type
ISABEL TOCINO BISCAROLASAGA	CHAIRMAN	Independent
JESÚS DAVID ÁLVAREZ MEZQUÍRIZ	MEMBER	Independent
RAMÓN PÉREZ SIMARRO	MEMBER	Independent
ANTONIO HERNÁNDEZ MANCHA	MEMBER	Independent
JESÚS MÁXIMO PEDROSA ORTEGA	MEMBER	Proprietary
LUIS JAVIER NAVARRO VIGIL	MEMBER	Other External

% of Executive Directors	0.00%
% of Proprietary Directors	17.00%
% of Independent Directors	67.00%
% of Other External Directors	17.00%

C.2.2 Complete the following table on the number of female directors on the various board committees over the past four years.

	Number of female Directors							
	2014		2013		2012		2011	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND COMPLIANCE COMMITTEE	1	20.00%	1	20.00%	1	20.00%	1	20.00%
APPOINTMENTS, REMUNERATION AND CSR COMMITTEE	1	16.66%	1	16.66%	1	20.00%	1	20.00%

C.2.3 Indicate whether the Audit Committee is responsible for the following:

	Yes	No
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.	X	
To regularly review internal control and risk management systems, so main risks are correctly identified, managed and notified.	X	
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.	X	
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.	X	

	YES	NO
To submit to the board proposals for the selection, appointment, reappointment and removal of the external auditor, and the engagement conditions.	X	
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.	X	
To ensure the independence of the external auditor.	X	

C.2.4 Describe the organisational and operational rules and the responsibilities attributed to each of the board committees.

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee comprises five (5) members, which is within the limits established in article 44 of the Articles of Association, article 26 of the Board Regulations, 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. Four (4) of the Committee's members, including the Chairman, are Independent Directors, and one (1) is a Proprietary Director. The Chairman of the Audit and Compliance Committee, MARTÍ PARELLADA SABATA, is an Independent Director, pursuant to article 44 of the Articles of Association and article 26 of the Board Regulations.

As per article 3 of the Audit and Compliance Committee Regulations, Executive Directors may not sit on this Committee and at least one of its members must be an Independent Director. The 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 Committee Regulations, the term of a Committee member shall be the same as the term of office for a Directorship. 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 Board Regulations for the setting of remuneration to Directors, subject to the same requirements of public disclosure.

In the exercise of his office, a member of this Committee shall, according to article 6 of the Committee regulations, be under the same duties and subject to the same principles of action as those prescribed for Directors in the Articles of Association, the Board Regulations and current legislation.

In keeping with article 8 of the Committee Regulations, this 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 2014, the Committee met four (4) times.

The duties of the Audit and Compliance Committee are set out in article 44 of the Articles of Association, article 26 of the Board Regulations and article 7 of the 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, this Committee shall have the following duties: (continues in H. OTHER INFORMATION OF INTEREST, SECTION C.2.4 of APPENDIX 1. EXPLANATORY NOTES).

C.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. In addition, indicate whether on a voluntary basis any of the board committees has produced an activity report.

The Regulations of the Audit and Compliance Committee are available for consultation at the headquarters of Enagás and on its website at www.enagas.es or www.enagas.com. The Audit and Compliance Committee has drafted a report on its activities in 2014, available both at the headquarters of Enagás and on its corporate website.

The Nomination, Remuneration and Corporate Social Responsibility Committee has no specific regulations, as it is sufficiently regulated under article 45 of the Articles of Association and article 25 of the Board Regulations. The Articles of Association and the Board Regulations are available for consultation at the headquarters of Enagás and on its website (www.enagas.es or www.enagas.com).

C.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 or Delegate Committee.

Enagás does not have a Delegate or Executive Committee.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and explain, if applicable, the procedures for approving related-party or intragroup transactions.

Competent body

Board of Directors

Procedures

Article 14A. of the Board Regulations stipulates that:

"1. "The Board of Directors shall know the transactions that the Company enters into, either directly or indirectly, with Directors, with significant shareholders or with persons related to these as defined in law. The execution of said transactions shall require authorisation from the Board, on the basis of a favourable report from the Appointments, Remuneration and CSR Committee.

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

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

- a) they are undertaken by virtue of contracts whose conditions are basically standardised and are usually applied to the customers who contract the type of product or service in question;
- b) they go through at market prices, generally set by the person supplying the goods or services or, when the transactions are goods or services that have no set prices, at normal market rates, similar to those applied in commercial relations with customers with similar characteristics; and; and c) their amount is no more than 1% of the Company's annual revenues.

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

4. Exceptionally, when grounds of urgency make it advisable, related-party transactions may be authorised, if appropriate, by the Executive Committee, and later ratified by the Board.

Explain if the authority to approve related-party transactions has been delegated to another body or person.

At the date of preparation of this report, the Board of Enagás has not delegated the approval of related-party transactions.

However, article 14A 4.- of the Board Regulations states that exceptionally, when grounds of urgency make it advisable, related-party transactions may be authorised, if appropriate, by the Executive Committee, and later ratified by the board.

At present, Enagás does not have an Executive Committee.

D.2 List any relevant transactions, by virtue of their amount or importance, between the Company or its group of companies and the Company's significant shareholders.

Name or corporate name of significant shareholder	Name or corporate name of the Company or its Group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
OMAN OIL HOLDINGS SPAIN S.L.U.	ENAGÁS, S.A.	Corporate	Dividends and other benefits paid	15,322
FIDELITY INTERNATIONAL LIMITED	ENAGÁS, S.A.	Corporate	Dividends and other benefits paid	6,047
RETAIL OEICS AGGREGATE	ENAGÁS, S.A.	Corporate	Dividends and other benefits paid	3,094

D.3 List any relevant transactions, by virtue of their amount or importance, between the Company or its group of companies and the Company's managers or Directors.

Name or corporate name of significant shareholder	Name or corporate name of the Company or its Group company	Relationship	Nature of the relationship	Amount (in thousands of euros)
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	ENAGÁS, S.A.	Director	Dividends and other benefits paid	15,322

D.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.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

> Corporate name of the Group company

GASODUCTO DE MORELOS SAPI DE CV

Amount (in thousands of euros): 3,115

Brief description of the transaction: Financial revenue on loan to Morelos

> Corporate name of the Group company

ESTACIÓN DE COMPRESIÓN SOTO LA MARINA SAPI DE CV

Amount (in thousands of euros): 55,989

Brief description of the transaction: Loan to Soto La Marina

> Corporate name of the Group company

GASODUCTO DE MORELOS SAPI DE CV

Amount (in thousands of euros): 16,655

Brief description of the transaction: Morelos loan and capitalised interest

> Corporate name of the Group company

GASODUCTO DE MORELOS SAPI DE CV

Amount (in thousands of euros): 1,130

Brief description of the transaction: Financial interest on loan to Morelos

> Corporate name of the Group company

COMPAÑÍA TRANSPORTISTA DE GAS CANARIAS, S.A.

Amount (in thousands of euros): 998

Brief description of the transaction: Loan to GASCAN

> Corporate name of the Group company

ESTACIÓN DE COMPRESIÓN SOTO LA MARINA SAPI DE CV

Amount (in thousands of euros): 275

Brief description of the transaction: Financial interest on loan to Soto La Marina

> Corporate name of the Group company

ESTACIÓN DE COMPRESIÓN SOTO LA MARINA SAPI DE CV

Amount (in thousands of euros): 1,145

Brief description of the transaction: Financial interest on loan to Soto La Marina

> Corporate name of the Group company

COMPAÑÍA TRANSPORTISTA DE GAS CANARIAS, S.A.

Amount (in thousands of euros): 33

Brief description of the transaction: Financial interest on loan to GASCAN

> Corporate name of the Group company

TRANS ADRIATIC PIPELINE AG

Amount (in thousands of euros): 29,191

Brief description of the transaction: Loan to TAP

> Corporate name of the Group company

TRANS ADRIATIC PIPELINE AG

Amount (in thousands of euros): 208

Brief description of the transaction: Financial interest on loan to TAP

> Corporate name of the Group company

GASODUCTO SUR PERUANO, S.A.

Amount (in thousands of euros): 8,961

Brief description of the transaction: Loan to GSP

> Corporate name of the Group company

COMPAÑÍA TRANSPORTISTA DE GAS CANARIAS, S.A.

Amount (in thousands of euros): 53

Brief description of the transaction: Financial interest on loan to GASCAN

> Corporate name of the Group company

GASODUCTO SUR PERUANO, S.A.

Amount (in thousands of euros): 223

Brief description of the transaction: Financial interest on loan to GSP

› **Corporate name of the Group company**

BAHÍA DE BIZKAIA DE GAS, S.L.

Amount (in thousands of euros): 60,207

Brief description of the transaction: Guarantees and sureties extended to BBG

› **Corporate name of the Group company**

COMPAÑÍA TRANSPORTISTA DE GAS CANARIAS, S.A.

Amount (in thousands of euros): 3,555

Brief description of the transaction: Guarantees and sureties extended to GASCAN

› **Corporate name of the Group company**

GASODUCTO DE MORELOS SAPI DE CV

Amount (in thousands of euros): 16,489

Brief description of the transaction: Guarantees and sureties extended to Morelos

› **Corporate name of the Group company**

GASODUCTO SUR PERUANO, S.A.

Amount (in thousands of euros): 146,343

Brief description of the transaction: Guarantees and sureties extended to GSP

› **Corporate name of the Group company**

ESTACION DE COMPRESIÓN SOTO LA MARINA SAPI DE CV

Amount (in thousands of euros): 7,309

Brief description of the transaction: Guarantees and sureties extended to Soto La Marina

› **Corporate name of the Group company**

GASODUCTO SUR PERUANO, S.A.

Amount (in thousands of euros): 38,907

Brief description of the transaction: Investment commitments acquired

› **Corporate name of the Group company**

TRANS ADRIATIC PIPELINES AG

Amount (in thousands of euros): 16,000

Brief description of the transaction: Investment commitments acquired

› **Corporate name of the Group company**

BAHÍA DE BIZKAIA DE GAS, S.L.

Amount (in thousands of euros): 12

Brief description of the transaction: Gains on sales of assets

› **Corporate name of the Group company**

ESTACION DE COMPRESIÓN SOTO LA MARINA SAPI DE CV

Amount (in thousands of euros): 26

Brief description of the transaction: Gains on sales of assets

› **Corporate name of the Group company**

MORELOS EPC SAPI DE CV

Amount (in thousands of euros): 68

Brief description of the transaction: Gains on sales of assets

D.5 Indicate the amount of related-party transactions.

156,157 (in thousands of euros)

D.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.

Mechanisms for detecting and resolving any possible conflicts of interest between Enagás and/or its Group, and its Directors, managers or shareholders are primarily set out in Enagás' 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 has operational control.
- In general, everyone who has access to the Company's privileged or reserved information.

Concerning transactions 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:

- Notify the Secretary to the Board of Directors of any possible conflicts of interest to which they may be subject due to family relationships, their personal assets and liabilities or any other reason. 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 Board Regulations, 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 regarding the securities market.
- b) To report to the Board of Directors on any related-parties transactions before authorisation thereof. Under no circumstances shall the Board of Directors authorise any transaction which has not been issued with a favourable report from the Appointments, Remuneration and CSR Committee as outlined in article 14A of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A., except for those transactions which meet the three conditions stipulated in article 14A.
- 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 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 CSR Committee shall work in conjunction with the Audit and Compliance Committee whenever appropriate.

D.7 Is more than one Group company listed in Spain?Yes No

Identify the listed subsidiaries in Spain

Listed subsidiary

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other Group companies;

 Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other Group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other Group companies.

 Mechanisms

E. RISK CONTROL AND MANAGEMENT SYSTEMS**E.1 Describe the risk management system in place at the Company.**

Enagás has an Integrated Risk Management Model that ensures coordination of a series of strategic, operational and organisational activities in order to achieve the objectives set by the Company with a certain degree of certainty, thereby improving its ability to create value and offer both shareholders and other stakeholders a higher standard of assurance as regards profitability and environmental and social impact.

The Enagás Risk Policy and Integrated Risk Management Procedure provide a integrated risk management framework, establishing the basic principles governing the risk function and identifying the roles of the various decision-making bodies and the constituent parts of the risk management system.

Integrated Risk Management is a dynamic, multi-directional and interactive process that allows for ongoing monitoring of risks, in which the following activities are carried out:

- Risks and the factors that can affect the achievement of objectives are identified regularly and systematically.
- These risks are assessed and measured by following the established measurement methodologies.
- A risk management strategy is defined that, according to the case, can be designed to mitigate, transfer or assume the risk.
- Risk monitoring and control are established to ensure that the risks are at the appropriate levels.

According to the nature of the triggering events and factors, the monitored risks are classified as being: strategic and business risks, operational and technological risks, credit and counterparty risks, financial risks, criminal liability risks and pure reputational risks. The assessment includes the possible associated economic loss, as well as the possible impact on reputation that each of the events considered would have if it occurred.

In 2014, Enagás embarked on a project to review and redesign the risk function. Given the complexity of the business operations amid a globally competitive environment, the economic context, the materialisation of the risks (quicker and with an increasingly evident knock-on effect), the risk management and control systems must evolve accordingly. The new design is aimed at turning "risk management" into a competitive advantage for the business.

E.2 Identify the bodies responsible for preparing and implementing the risk management system.

The main bodies responsible for the Risk Management System and their main functions are:

Audit and Compliance Committee:

- Identifying and analysing the main risks to which the Company is exposed, and, in particular, those affecting its financial position.
- Informing the Board of Directors of the risks detected and the assessment of them;
- Proposing to the Board of Directors the measures required to manage, mitigate or prevent the risks detected.
- Overseeing the effectiveness of the risk management systems in place.

Sustainability Committee:

- Establishing a general policy on risk management, defining the Company's stance in the short, medium and long term.
- Nurturing, across all company levels and activities, a common risk culture aligned with the strategies and objectives laid down by Senior Management.
- Proposing the inclusion of risk management criteria in the Company's strategy and decision-making.
- 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.
- Promoting and overseeing the implementation of department-level control activities to allow for integrated risk management.
- Monitoring the implementation of risk management action plans by each depart in order to ensure their effective management.

Risks and Asset Management Department:

- Proposing the risk management strategy to the Sustainability Committee
- Developing specific risk management policies and rules and proposing them to the Sustainability Committee for approval
- Designing and reviewing the existing identification and measurement methodologies
- Supporting and advising individual departments on risk identification, assessment and measurement
- Reporting on key risk issues to Senior Management, the Sustainability Committee and the Audit and Compliance Committee

Business and Corporate Units (Risk Operations Managers):

- Managing the risks inherent to their activity, as owners of the risks, through the establishment of adequate action plans and control measures
- Identifying risks, and the factors that can affect the achievement of objectives, regularly and systematically, with the assistance of the Risks and Asset Management Department
- Evaluating risks in accordance with the methodologies defined from the perspective of probability and impact, with the assistance of the Risks and Asset Management Department
- Defining the thresholds for the risks identified in accordance with the objectives set by the Company and the strategic plan
- Identifying the control activities as necessary to ensure that risk exposures are implemented properly and on time.

E.3 Indicate the main risks which may prevent the Company from achieving its targets.

The main risks affecting the Enagás Group in the development of its business can be classified as follows:

Strategic and Business Risks:

Strategic and business risks relate to potential losses in earnings or value for the Company 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.

Similarly, uncertainties could arise from legal actions or different actions of governments, such as obtaining licenses, permits and authorisation. Any change in existing legislation could have a negative impact on the Company.

Operational and Technological Risks:

During the performance of the activities carried out by the Enagás Group there may be direct or indirect losses resulting from inadequate or failed internal processes, people and systems or from external events, that could have a negative impact on the earnings or value of the Company.

Credit and Counterparty Risks:

Credit and counterparty risks consist of possible losses deriving from failure to comply with financial obligations by a counterparty (due to insolvency, receivership, bankruptcy, etc.) to the Enagás Group.

Financial Risks:

The Enagás Group is subject to the risks deriving from the volatility of interest and exchange rates, as well as movements in other financial variables that could affect the Company's liquidity.

Reputational Risks:

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

E.4 Identify if the Company has a risk tolerance level.

The Integrated Risk Management Model includes a risk tolerance level. The departments define thresholds or the level of risk accepted for the issues or risks identified, in accordance with the objectives set by the Company and the strategic plan. This enables risk to be classified by its degree of severity, in a scale with four "ranges": acceptable, manageable, serious and critical.

E.5 Identify any risks which have occurred during the year.

In 2014, regulatory reforms were implemented in Spain establishing the new regulatory framework for the remuneration of natural gas transport, regasification and underground storage. This resulted in a significant reduction in uncertainty and the level of regulatory risk identified by the Company previously.

Similarly, certain operational and technological risks were recorded in respect of incidents with infrastructures and systems for minor sums caused by circumstances inherent in operations and business.

E.6 Explain the response and monitoring plans for the main risks the Company is exposed to.

A series of control activities defined by each of the business units and corporate areas are associated with the main risks identified by the Company to ensure that it can respond adequately and in a timely manner. The Sustainability Committee oversees the implementation of these control activities and monitors the action plans.

The type of controls in place vary considerably depending on the nature of the risk. For instance:

- Regarding regulatory risks, controls and mitigating actions include, inter alia, ongoing cooperation with (domestic and European) regulators and public administrations.
- Regarding risks of infrastructures and system obsolescence, controls include plans to implement new systems (SL-ATR 2.0), monitoring in the SIOM Programme Management and Operating Committee and the implementation of new European codes, etc.
- Regarding business risks related to international asset management, controls include monthly monitoring of planning for international assets and returns on investments, etc.
- Regarding risk of criminal liability, the Enagás Group has designed a plan for training and dissemination of the Criminal Liability Risk Model entailing a number of training sessions for Enagás Group employees and governing bodies to prevent crime and encourage appropriate behaviour.

Where limits or thresholds are exceeded, management strategy is reviewed to set a new risk level at a level considered acceptable.

F. INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the Company.

F.1 The entity's control environment

Specify at least the following components with a description of their main characteristics:

F.1.1 The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

As part of the ICFR responsibilities at Enagás, S.A. and Subsidiaries (hereinafter the "Group"), the following bodies and/or functions develop, maintain and oversee the preparation of Group financial information:

Board of Directors

Pursuant to article 5 c) of the Rules and Regulations of the Organisation and Functioning of the Board of Directors, the board shall "frame policy on risk control and management, and the periodic monitoring of internal information and control systems" and is ultimately responsible for guaranteeing an internal control environment conducive to complete, reliable and timely financial reporting.

Pursuant to article 26 of the same regulations, the Audit and Compliance Committee has been delegated these duties.

Audit and Compliance Committee of the Board of Directors

In compliance with article 7 of the Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee, the Audit and Compliance Committee's duties and competencies include "monitoring the preparation and integrity of financial information prepared on the Company and, where relevant, the Group, and checking compliance with regulatory requirements, the due definition of the scope of consolidation and the correct application of accounting principles".

Likewise, article 44 of the Articles of Association states that the Audit and Compliance Committee is responsible for seeing to the proper operation of the Company's internal control, its internal audit function, if applicable, and risk management systems, and discussing with the auditors any significant weaknesses in the internal control system detected in the course of audit.

To carry out its duty of oversight of the effectiveness of internal control, the Audit and Compliance Committee has an Internal Audit Unit, as established in the General Internal Audit Regulations.

Finance Department

The Finance Department is responsible for designing, implementing and ensuring there is a suitable and efficient ICFR system. The ICFR Unit assists it in these duties.

Internal Audit Department

Reporting to the Audit and Compliance Committee as per the Internal Audit General Regulations, this function is responsible for "assessing and improving the efficiency of the risk management processes and internal control within the Company".

Its main duties, which are coordinated by, overseen and supervised by the Audit and Compliance Committee, include:

- Carrying out periodic reviews, on a selective basis, to guarantee that all information is up-to-date in accordance with the Annual Audit Plan.
- Designing and carrying out a Test Plan on: (i) general controls; (ii) controls for the area, cycle and sub cycle; and (iii) established procedures which complement the self-assessments carried out by the

people in charge.

- Verifying, on a selective basis, compliance with the flow charts designed.
- Drawing up and issuing reports on ICFR system audits in accordance with the Annual Audit Plan.
- Verifying the correct implementation of corrective action concerning the ICFR system in accordance with the Annual Audit Plan.

Internal Control over Financial Reporting Unit

Reporting to the Finance Department, this unit is key in managing ICFR and has the following tasks:

- Guaranteeing coherence of ICFR.
- Monitoring 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).
- Overseeing the updating and maintenance of the tools used to manage the model.
- Managing the self-assessment of the ICFR system and monitoring the results.
- Coordinating the ICFR risk assessment and periodically updating the risk map.
- Carrying 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.
- Drawing up and updating the Enagás Group Internal Control over Financial Reporting system Manual ("ICFR system Manual").
- Updating and disseminating applicable ICFR system regulations, both internal and external.
- Identifying 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").
- Monitoring and updating the model for defining scopes.
- Collaborating with Internal Audit concerning clarifications, ensuring independence at all times.
- Collaborating in classifying any deficiencies detected during reviews of the ICFR system (material weaknesses, significant deficiencies, insignificant deficiencies).
- Collaborating in implementing corrective measures detected in the external audit.

Departments and Business Units involved in preparing financial information

The people in charge of the subcycles/processes involved in the preparation of financial information perform the following main duties:

- Supervising 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.
- Establishing, monitoring and evaluating 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.
- Coordinating the design, documentation and implementation of ICFR system processes, ensuring objectives to manage all processes in question are met.
- Ensuring 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.
- Reporting, formally and periodically on the outcome of the self-assessments carried out.
- Collaborating in identifying qualitative factors which may affect the inclusion of this process in the general ICFR model.
- Implementing and promoting the implementation of corrective action in the area of ICFR.

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- › 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.

The design and review of the organisational structure as well as defining clear lines of responsibility falls to the Appointments, Remuneration and Corporate Responsibility Committee as stipulated in article 25 of the Enagás, S.A. board regulations. The Appointments, Remuneration and CSR Committee "under

article 45 of the Articles of Association, has the following duties and powers [...]: 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 [...]."

Likewise, the Corporate Resources department is responsible for designing, implementing and updating the organisational structure. The internal mechanisms used by this department to clearly define the lines of responsibility are enumerated in:

- The General Regulations governing Management-by-Objectives
- The job analysis and description sheets
- The Human Resources Development Procedure
- The Development Procedure and Processes

which, among other issues, establish and develop, in accordance with the Company's strategy and business and operating needs, the organisational structure of the departments/units, the overall management model for processes and job descriptions.

The particular features of the ICFR lines of responsibility and authority are regulated by the "ICFR system Manual" as well as various rules and regulations concerning the key governing bodies and senior management.

The organisational structure is available to all employees on the intranet in the form of an organigram (by company and department) and is regularly updated.

› **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.**

The following documents are available to all employees as part of the Group's corporate governance policy and other corporate policies:

Internal Code of Conduct in Matters Relating to Stock Markets:

As stipulated in article 5 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A., the Company has an Internal Code of Conduct in Matters Relating to Stock Markets which was drawn up and approved by the board. These regulations establish the rules for acting in securities markets and mandatory filings, in particular concerning the following:

- Conduct in situations of Privileged Information and Relevant Information, and the handling of such information;
- The trading of Affected Securities of Enagás or companies in its business group,
- Detecting and dealing with conflicts of interest;
- Company relations with related parties;
- The treasury share policy of Enagás and its subsidiaries;
- Generally, compliance with securities market regulations.

These regulations are applicable to the members of the Board of Directors, members of the Management Committee, executives and other staff involved in stock market operations or with access to privileged information as stipulated in articles 2, 3 and 4. In this regard, upon receiving a copy of the regulations covered persons must sign a statement acknowledging receipt and declaring that they are aware of their obligations. These regulations are also available on the internet and intranet.

The Audit and Compliance Committee is responsible for ensuring compliance with the regulations and the Company's general governance rules, and makes suggestions, as necessary, to improve these (article 7 of the Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A.).

Enagás Group Code of Ethics:

The Company recently revised the contents of the "Our Business Principles. Enagás Code of Ethics" and changed the name to "Enagás Group Code of Ethics". The update was approved by the Board of Directors.

As set out in the Code, its purpose is to formalise "[...] the Company's model of ethics and compliance, laying down the conduct it expects of its employees, managers and directors ("persons") regardless of their responsibility and geographic or functional location [...]."

Moreover, the Company "[...] undertakes to inform and train appropriately both the persons at Enagás and third parties so that they are aware of and comply with this Code of Ethics, as well as the regulations, commitments and procedures that implement it. All these receive this Code and expressly confirm their commitment to knowing, complying with and enforcing it [...].". The Code is available on

the external website and the Intranet.

The conduct guidelines contained in the document, which are listed below, address issues related to financial reporting:

- Be trustworthy and transparent: "[...] The persons at Enagás ensure the reliability and rigour (they provide accurate, complete, understandable and timely information) of the financial and non-financial information both for internal use and provided to the market, and the accounting policies, control systems and supervisory mechanisms defined are applied so that the relevant information is identified, prepared and communicated in due time and form [...]."
- Express rejection of fraud, corruption and bribery: "In their relationships with third parties, including public authorities, the persons at Enagás can neither offer nor accept gifts or preferential treatment that is of more than a purely symbolic nature or that could be interpreted as an attempt to gain undue influence [...]."

In this regard, in 2013 the Company approved procedures for managing the offering and acceptance of gifts.

The Code states that the Audit and Compliance Committee "[...] is responsible for supervising due execution of the ethics and compliance model, which includes measures for supervision and monitoring to prevent irregularities and offences. Enagás has an Ethical Compliance Committee which reports directly to the Audit and Compliance Committee and which will be responsible for supervising the operation of the ethics and compliance model [...]."

Code of Conduct of the Technical System Manager of Spain's Gas System:

A Code of Conduct of the Technical System Manager of Spain's Gas System has been drawn up to: "[...] guarantee that the functions of the Technical Manager of Spain's Gas System are carried out independently from the rest of the activities of the Enagás Group, in compliance with the legally established criteria in the Hydrocarbons Sector Law, Law 34/1998 of 7 October [...].". It has been approved by the Board of Directors.

As set out in the Code: "It is the obligation of Enagás GTS to keep the list of the individuals subject to this Code of Conduct updated at all times and to send each of these a copy of the Code, requiring them to furnish a letter in which they confirm they have received the Code and declare that they know and accept compliance with the obligations they are subject to".

It also provides that: "...The Ethical Compliance Committee is entrusted with ensuring compliance with this Code of Conduct and the effectiveness hereof. It will therefore periodically report to the Audit and Compliance Committee of the Board of Directors of Enagás, S.A. on the results of its assessment and on any deficiencies detected. However, the Managing Director of the Technical Manager of the System will address any queries that may be raised by the employees of Enagás GTS regarding the Code of Conduct. [...]"

The Ethical Compliance Committee, pursuant to pursuant to Article 63.4 d) of the Hydrocarbons Sector Law, shall prepare a report containing the following information:

- The measures adopted to guarantee the segregation of activities.
- The conflicts of interest reported and the measures adopted to resolve them. [...]"

This report will be submitted to the Ministry of Industry, Energy and Tourism and to the National Markets and Competition Commission. Moreover, both this report and the Code of Conduct of the Technical System Manager of Spain's Gas System are available on the external website.

Internal Audit Code of Ethics:

A Code of Ethics for Internal Audit was approved in 2013 laying down the ethical culture in the function as an independent activity. It includes:

1. The Principles which are relevant to the profession and practice of internal audit, namely:

- Integrity
- Objectivity
- Confidentiality
- Competence

2. The rules of conduct which describe the behaviour expect from all internal auditors. These rules help interpret the Principles when applied in practical situations and are intended to guide the ethical conduct of all internal auditors.

Once a year all internal auditors must sign a declaration stating that they are cognisant of, understand and uphold these rules. This Code of Ethics is available on the intranet.

- › '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 a whistle-blowing channel, the "Ethics Channel", for consultation and reporting of irregularities or breaches of the Enagás Group Code of Ethics and the Code of Conduct of the Technical System Manager of Spain's Gas System.

The Ethical Compliance Committee is responsible for processing consultations and notifications. This Committee shall respond to all reports and periodically prepare a report to be submitted to the Audit and Compliance Committee. However, according to the "Business Principles Management Procedures (Ethical Channel)" (recently revised and renamed "Procedure for the management of consultations and reporting regarding irregularities or breaches of the Code of Ethics"), if the consultation or notification is of a financial or accounting nature or concerns internal control or fraud, the BPSC shall forward these directly to the Audit and Compliance Committee.

- › 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 Human Resources Development Division, which reports to the Corporate Resources Department, has a "Training School" which manages and plans all the training programmes and other instruction initiatives for all employees which is included in the Training Plan and "Training Programme".

The Resources Department, in coordination with the Finance Department and the Internal Audit Department, identifies and analyses the specific training needs of all personnel involved in preparing and reviewing financial reporting, including issues concerning accounting, internal control and risk management.

In 2014, the Finance Department and the Internal Audit Department took part in various training programmes, including: Combined Assurance From Theory to Practice, Analysis of Financial Control and Reporting in the Energy Sector, Update of VAT on Invoices Issued and Received, Analysis and Measurement of Investment Projects, Risk of Criminal Liability, Remuneration Model and Regulatory Development, among others.

F.2 Risk assessment in financial reporting

Report at least:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- › The process exists and is documented.

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 the Company's 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.

Risks related to the Company's Internal Control over Financial Reporting System are classified under the Group's operational risk. The identification and measurement of these risks are performed as set out in the Internal Control over Financial Reporting System Manual.

- › The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

Pursuant to the "ICFR System Manual", the risk identification process covers all financial reporting objectives to ensure the accuracy and completeness of the same. The manual describes the risks related to the financial reporting process as follows:

- Completeness: the risk that all transactions, and other circumstances and events are recorded.
- Rights and obligations: the risk that all financial information at any given date does not reflect the rights and obligations through the corresponding assets and liabilities in accordance with applicable standards.
- Existence and occurrence: the risk that not all transactions, circumstances and events exist and are not all recorded at the appropriate time.
- Valuation: the risk that not all transactions, circumstances and events are recorded and valued in conformity with applicable standards.
- Presentation, disclosure and comparability: the risk that not all transactions, circumstances and events are classified, presented and disclosed in the financial information in accordance with applicable standards.
- Internal fraud: includes the risk of manipulation of files, software and information, and the risk of 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 risks mitigation measures in place, and at the same time, assesses whether new risks need to be added.

- › A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.

The Finance Department operates a management and updating process to identify those companies which should be included in the scope of consolidation. This process is detailed in the "Period-end procedures for the Consolidated Financial Statements and Annual Accounts".

In compliance with article 7 of the Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee, the Committee's duties and competencies include "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".

- › The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

In the process of identifying risks associated with achieving the financial reporting objectives, the possible effects of other kinds of risks identified in the risk map, whose risk control and management system is described in section E) of this Report, are taken into account. The risks which may affect this include strategic and business, operational and technological, financial, credit and counterparty, reputational, etc.

- › Finally, which of the Company's governing bodies is responsible for overseeing the process.

The Audit and Compliance Committee is responsible for overseeing the preparation process and monitoring the integrity of financial information on the Company and overseeing the risk management systems, including the risks related to the treatment of financial information, according to article 44 of the Articles of Association.

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

- F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and 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.

Procedures for reviewing and authorising the financial information to be disclosed to the markets.

The Organisation has the following documents to ensure the reliability of the financial information to be disclosed to the securities markets:

- The "Manual of Accounting Policies (PGC)" and the "Manual of Accounting Policies (IFRS)", which establish and provide clear information on the accounting policies required for performing accounting estimates and preparing the Company's Separate and Consolidated Financial Statements and accompanying notes, to ensure that these provide a true and fair view of its equity, financial position, results of operations, changes in net equity and changes in cash flows.

- "Period-end procedures for the Separate Financial Statements and Annual Accounts" and "Period-end procedures for the Consolidated Financial Statements and Annual Accounts" approved by the Chief Financial Officer establishing the process of preparing, processing, reviewing and authorising the financial information at the closing of accounts by the persons in charge. These also establish the controls of judgements, estimates and evaluations which may materially affect the financial statements.

- "Procedure on the provision of Regular Reports to Securities Market Regulators"

which establishes the process to be followed when preparing periodic financial information to be disclosed to the regulated markets regarding interim financial reports, intermediate management reports and, if applicable, quarterly financial reports. This also establishes the people in charge of approving this financial information.

With regard to the preparation and subsequent disclosure of financial reporting, 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 at the various levels within the Organisation in the validation and approval of all financial information.

Description of ICFR: Control and Activities

The Group's ICFR control structure is based on the COSO Model (The Committee of Sponsoring Organizations of the Treadway Commission) established to create a framework for internal control (1992).

Likewise, the recommendations of the report on "Internal Control over Financial Reporting at Listed Companies" prepared by the CNMV's Internal Control Working Group (ICWG) (2010) are taken into consideration.

In this regard, the ICFR model states a number of key control objectives which, if fully implemented, allow reliability and transparency in preparing financial reporting. Implementation of these objectives is intrinsically tied to the effectiveness of "Control activities" at each stage of their execution.

In this context, the control structure defined is based on two classes of control:

- General controls
- Process controls

General controls

The General Controls, or tags, form the basis of the ICFR model. These are interlinked controls that directly affect the Enagás organisational structure and procedures. These are known as the "control environment" in the CNMV and COSO's recommendations.

At the end of 2014, there were 35 ICFR general controls in operation. Senior Management is responsible for overseeing these controls, which are split between the following divisions:

- Finance Department
- Resources Department
- General Secretariat
- Investor Relations Department

These controls are assessed once a year to incorporate any updates and to identify new control components.

Process controls

Process controls (control activities) are controls over an organisation's operating processes that are more specific than general controls. These are part of each of the main cycles and sub-cycles comprising the ICFR procedures, guaranteeing the reliability and transparency of Enagás financial reporting. These are factors which mitigate the risks inherent in the financial reporting procedure mentioned above to ensure the established control objectives are met.

These control activities are used throughout all the ICFR model and the eight areas which affect financial reporting:

- Acquisitions
- Fixed assets
- Inventories
- Revenue
- Payroll and personnel
- Financial management
- Support services
- Financial reporting

These areas in turn affect a further 28 cycles and 67 subcycles and are formally documented in a corporate IT tool.

These process controls can be classified with the following different characteristic attributes:

• According to their nature:

- Preventative: Preventing errors or any irregularities which may affect the information, i.e. preventing the impact of financial risks.
- Detective: Identifying errors or irregularities which may affect the financial information, i.e. identifying errors when they arise.
- Corrective: Correcting errors or irregularities which may affect the financial information, i.e. rectifying errors when they arise.
- Directive (Policy): controls based on the corporate policies procedures/instructions; such controls normally require an authorised signature or formal approval.

• According to 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 with "IT support".

The quarterly self-assessment process carried out by the ICFR unit allows the Organisation to confirm the validity of the description of these controls by the people responsible, identifying any updates (new process controls, elimination, automation, etc.).

At the end of 2014, there were 357 ICFR process controls, approximately 11% of which were automated.

Operating activities:

In addition to the controls we have mentioned above, when designing the ICFR subcycles a series of operating activities are defined to establish a flow chart showing how these impact financial reporting. Likewise, these activities are included in a corporate IT tool which establishes the models for the ICFR subcycles.

At 31 December 2014, there were 826 operating activities, approximately 12% of which were automated.

F.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 and are configured to support the preparation, processing and extraction of the financial information to be disclosed. This is why they are included in the ICFR actions and configuration.

All actions concerning information systems are regulated in the "Information Security Policy" which defines the principles to effectively manage information security in the IT systems, as well as the assets involved in the processes.

Based on the principles of this policy, Enagás has designed the "General Rules for Management of IT Systems" establishing the responsibilities and the relationship between the requesting units and the Information Systems Department.

We also have General Computer Controls ("GCCs"). These 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. At 31 December 2014,

there were 46 General Computer Controls covering five control areas:

- Management and Planning
- Physical and logical security
- Application development and maintenance
- Infrastructure development and maintenance
- Fraud prevention and detection

Here we would note that within the Infrastructure Development and Maintenance area is the GCC relating to the Business Continuity and Disaster Recovery Plan.

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.

Integral to the objectives of control of IT systems, is the need to establish an appropriate segregation of duties, which is a prerequisite for an ICFR system to 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 and in terms of positions and functions, is critical to the success of the process.

F.3.3 Internal control policies and procedures 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 any activities carried out by third parties which may significantly impact the financial statements to ensure maximum control over key procedures that may be outsourced, and that the activities are carried out to a standard that the Group demands.

The internal rules regulating this can be found in "Identification and Treatment Procedures for Service Organisations".

The Group also has the following regulations and internal procedures regulating the contracting process and ensuring quality control of third parties:

- The "General Management Regulations pertaining to Supplier Selection and Contracting"
- The "Purchase Management Procedures"
- The "Supplier Accreditation Procedure"
- The "Procedure for Ensuring Supplier Reliability"

When the Organisation hires the services of independent experts for appraisal, calculation or valuation services, we request that they certify they are reputable firms in their field and are independent. This helps ensure that the Group's management is able to supervise and take the ultimate decisions on the estimate processes which may impact accounting records.

F.4 Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the Company's operating units.

The Accounting and Tax Department which reports to the Finance Department is responsible for keeping all accounting policies regularly updated and communicating these to all personnel involved in the financial reporting process.

It has therefore drawn up the "Accounting Policy Manual (PGC)" and the "Accounting Policy Manual (IFRS)", internal documents which outline all procedures and the accounting policies required for performing accounting estimates and preparing the Company's Separate and Consolidated Financial

Statements and accompanying notes, to ensure that these provide a true and fair view of its equity, financial position, results of operations, changes in net equity and changes in cash flows. Those employees involved in the process are informed of any updates to the policies via the intranet.

F.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.

The preparation, review and approval of all financial information in standard format is regulated by the "Period-end procedures for the Individual Financial Statements and Annual Accounts" and the "Period-end procedures for the Consolidated Financial Statements and Annual Accounts", as well as the "Accounting Policy Manual (PGC)" and the "Accounting Policy Manual (IFRS)", which serve as guides to carrying out these tasks.

Furthermore there is a specific mechanism for the process of preparing the financial statements and accompanying notes, where the Audit and Compliance Committee, as a board committee, takes on a special relevance, overseeing this process (e.g. monitoring the supervision work of the Internal Audit unit, being cognisant of the internal control systems as well monitoring the work performed by the external auditor) before the financial statements are certified by the Board of Directors. The functions of the Audit and Compliance Committee in this regard are detailed in article 7 of the "Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A.".

The Group has an IT tool to record and treat all financial information which satisfies the needs of both individual and consolidated reporting.

F.5 Monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1 The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the Company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

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 the Internal Audit Department, through the supervision functions attributed by the ICFR model through the "General Internal Audit Regulations", the "Enagás Group ICFR Manual" and the "Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A.".
- Effective supervision by the Audit and Compliance Committee, as to overall control of the ICFR model, delegated by the Board of Directors, and implemented by Internal Audit.
- Reporting 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.

The role of Internal Audit is crucial in the supervision process with its main objectives being:

- 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 includes a review of the ICFR system.

The Group's management conducted an internal assessment of the ICFR system and concluded that the system in place for Enagás, S.A. and Subsidiaries at 31 December 2014 is effective and contains no significant deficiencies.

F.5.2 A discussion procedure whereby the auditor (pursuant to TAS), 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. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

Article 7 of the Regulations of the Audit and Compliance Committee of the Enagás, S.A. Board of Directors details the objectives and functions of the Committee, including 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 or other assignments. These reports are made after each review task has been completed. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The Committee is also in charge of supervising compliance with internal Codes of Conduct with relation to Stock Market matters. The reports on the activities of the Audit and Compliance Committee contain important information about communication procedures and the conclusions reached at the end of each year.

F.6 Other relevant information

There is no other relevant information regarding ICFR at the Group to add to that which we have provided above.

F.7 External auditor review

State whether:

F.7.1 The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The Group 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.

The report for 2014 is attached.



G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the Company's compliance with Corporate Governance recommendations.

Should the Company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the Company's behaviour. General explanations are not acceptable.

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.10, B.1, B.2, C.1.23 and C.1.24

Compliant Explain

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 (ENAGÁS, S.A.) nor may they exercise voting rights in such Company of over 3%.

Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the said parent company of over 1%. These restrictions do not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share capital be syndicated.

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

For the purposes of calculating the stake in that shareholding structure, in addition to the shares or other securities held or acquired by entities belonging to its same group, as defined by article 4 of 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, the members of a governing body shall be presumed to act on account of or in concert with that governing body.

b) Partners in conjunction with whom any such person exercises control over a subsidiary 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. Whatever the case, the penalty system stipulated herein will apply.

Enagás, S.A. may not transfer the shares of the subsidiaries carrying out regulated activities to third parties." Meanwhile, section 3 of Additional Provision 31 of this law states that:

"The restrictions of shareholding percentages and non transfer of the shares referred to in this provision are not applicable to other subsidiaries that ENAGÁS, S.A. may constitute for business activities other than transmission regulated by article 66 of law 34/ 1998, of 7 October, on the hydrocarbons sector, management of the transmission network and technical management of the national gas system".

Meanwhile, article 6 *bis* of the Company's Articles of Association ("Limitations on holdings in share capital") establishes that:

No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company, nor exercise voting rights in such company of over 3%. Under no circumstances may such share holdings 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 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."

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
- The mechanisms in place to resolve possible conflicts of interest.

See sections: D.4 and D.7

Compliant Partially compliant Explain 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:

- The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;
- Any acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose;
- Operations that are effectively equivalent to the Company's liquidation.

See section: B.6

Compliant Partially compliant Explain

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 27, should be made available at the same time as the publication of the Meeting notice.

Compliant Explain

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.

Compliant Partially compliant Explain

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Compliant Explain

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 Partially compliant Explain

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: C.1.14, C.1.16 and E.2

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.
- ii) Directors' remuneration, and, in the case of executive directors, the additional remuneration for their executive functions and other contract conditions.
- 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: D.1 and D.6

Compliant Partially compliant Explain

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: C.1.2

Compliant Explain

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.3 and C.1.3.

Compliant Partially compliant Explain

11. 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: A.2, A.3 and C.1.3

Compliant Explain

12. The number of Independent Directors should represent at least one third of all board members.

See section: C.1.3

Compliant Explain

13. 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 Nomination 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: C.1.3 and C.1.8

Compliant Partially compliant Explain

14. When women Directors are few or non existent, the Nomination 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: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Compliant Partially compliant Explain Not applicable

15. 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 sections: C.1.19 and C.1.41

Compliant Partially compliant Explain

16. 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: C.1.22

Compliant Partially compliant Explain Not applicable

17. 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 Bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;

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 Nomination Committee and approved by a full board meeting; the relevant appointment and removal procedures being spelled out in the board regulations.

See section: C.1.34

Compliant Partially compliant Explain

18. 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: C.1.29

Compliant Partially compliant Explain

19. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When Directors have no choice but to delegate their vote, they should do so with instructions.

See sections: C.1.28, C.1.29 and C.1.30

Compliant Partially compliant Explain

The Board of Directors met 12 times during 2014. There were 13 absentees, 7 of whom delegated their votes and 6 of whom did not.

The Appointments, Remuneration and CSR Committee met four times. All members attended all meetings, except one, who delegated their vote to another Director. In all, there was one absence, with delegation of their vote.

The Audit and Compliance Committee met four times. All members attended all meetings.

20. 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 Partially compliant Explain Not applicable

21. The board in full should evaluate the following points on a yearly basis:

- The quality and efficiency of the board's operation;
- Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;
- The performance of its committees on the basis of the reports furnished by the same.

See sections: C.1.19 and C.1.20

Compliant Partially compliant Explain

22. 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: C.1.41

Compliant Explain

23. 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: C.1.40

Compliant Explain

24. 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 Partially compliant Explain

25. Companies should require their Directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;
- Companies should lay down rules about the number of directorships their board members can hold.

See sections: C.1.12, C.1.13 and C.1.17

Compliant Partially compliant Explain

26. 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:

- On the proposal of the Nomination Committee, in the case of Independent Directors.
- Subject to a report from the Nomination Committee in all other cases.

See section: C.1.3

Compliant Partially compliant Explain

27. 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;
- a) 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 Partially compliant Explain

28. 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 and C.1.2

Compliant Partially compliant Explain

29. 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 Nomination 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 Ministerial Order ECC/461/2013.

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 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Compliant Explain

30. 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 213 of the Corporate Enterprises 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: C.1.42 and C.1.43

Compliant Partially compliant Explain

31. 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.

The terms of this Recommendation should also apply to the Secretary of the board, Director or otherwise.

Compliant Partially compliant Explain Not applicable

32. 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: C.1.9

Compliant Partially compliant Explain Not applicable

33. 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.

Compliant Partially compliant Explain Not applicable

34. 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 Explain Not applicable

35. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report that detract from reported earnings.

Compliant Explain Not applicable

36. 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 Explain Not applicable

37. 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: C.2.1 and C.2.6

Compliant Partially compliant Explain Not applicable

38. 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.

Compliant Explain Not applicable

39. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination 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: C.2.1 and C.2.4

Compliant Partially compliant Explain

40. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See sections: C.2.3 and C.2.4

Compliant Explain

41. Audit committee members, particularly the Chairman, are appointed in light of their knowledge and experience of accounting, audit or risk management.

Compliant Explain

42. 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.

See section: C.2.3

Compliant Explain

43. 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 Partially compliant Explain

44. Control and risk management policy should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational...) 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 section: E

Compliant Partially compliant Explain

45. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

- a) Review internal control and risk management systems on a regular basis, so the main risks are properly identified, managed and disclosed.
- b) Monitor the independence and efficacy of the internal audit function; proposing 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.
- c) 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.

2. With respect of the external auditor:

- a) 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.
- b) 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.
 - iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Compliant Partially compliant Explain

46. 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 Explain

47. 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: C.2.3 and C.2.4

Compliant Partially compliant Explain

48. 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: C.1.38

Compliant Partially compliant Explain

49. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.

See section: C.2.1

Compliant Explain Not applicable

50. 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: C.2.4

Compliant Partially compliant Explain Not applicable

51. The Nomination 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 Nomination Committee for its consideration.

Compliant Partially compliant Explain Not applicable

52. 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: C.2.4

Compliant Partially compliant Explain Not applicable

53. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to Executive Directors and senior officers.

Compliant Explain Not applicable

H. OTHER INFORMATION OF INTEREST

1. 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 and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the Company or Group, explain briefly.
2. You may include in this section any other information, clarification or observation related to the above sections of this 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.
3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable identify the Code and date of adoption.

This report includes the following Appendices in an attached document.

APPENDIX I.- Explanatory notes.

APPENDIX II.- Report on the Activities of the Audit and Compliance Committee, 2014.

APPENDIX III.- Audit opinion on the Internal Control over Financial Reporting system ("ICFR"), 2014.

APPENDIX IV.- Audit opinion on the Annual Corporate Governance Report, 2014.

This annual corporate governance report was adopted by the Company's Board of Directors at its meeting held on 23/2/15.

List whether any Directors voted against or abstained from voting on the approval of this Report.

Yes No

APPENDIX I

EXPLANATORY NOTES

EXPLANATORY NOTE ON SECTION A.2.-

The list of direct and indirect holders of significant stakes set out in section A.2 of this Report includes those significant shareholders who at 31 December 2014 qualified as such in the relevant official register of the CNMV. The foregoing is independent of the question of whether or not the issuer received timely notice from any relevant shareholder in pursuance of article 23 of Royal Decree 1362/2007 of 19 October.

Among the most significant changes in the shareholder structure in 2014, KUTXABANK, S.A. ceased to hold a significant interest in Enagás (indirect, KUTXABANK, S.A., and direct, KARTERA 1, S.L.) from 16 June 2014. Specifically, on 10 March 2014 KUTXABANK, S.A. reported to the CNMV the sale of 0.020% of the share capital of Enagás, and its ownership interest fell from 5%. KUTXABANK, S.A. then reported to the CNMV the sale of 4.962% of the share capital of Enagás on 16 June 2004, and ceased to be a significant shareholder in Enagás at that time. KUTXABANK, S.A. retains a 0.018% stake in the share capital of Enagás.

EXPLANATORY NOTE ON SECTION A.5.-

Regarding dividends paid by Enagás to the significant shareholders referred to in section A.5 of this Report, note:

On 3 July 2014, Enagás paid **OMAN OIL HOLDINGS SPAIN, S.L.U.** a final dividend for 2013 of €9,115 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2014, a €6,207 thousand interim dividend against 2014 earnings was paid. The total dividend paid therefore stands at €15,322 thousand.

On 3 July 2014, Enagás paid **SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI")** a final dividend for 2013 of €9,115 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2014, a €6,207 thousand interim dividend against 2014 earnings was paid. The total dividend paid therefore stands at €15,322 thousand.

On 3 July 2014, Enagás paid **FIDELITY INTERNATIONAL LIMITED** a final dividend for 2013 of €3,597 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2014, a €2,450 thousand interim dividend against 2014 earnings was paid. The total dividend paid therefore stands at €6,047 thousand.

On 3 July 2014, Enagás paid **RETAIL OEICS AGGREGATE** a final dividend for 2013 of €1,841 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2014, a €1,253 thousand interim dividend against 2014 earnings was paid. The total dividend paid therefore stands at €3,094 thousand.

Meanwhile, the Company considered it appropriate to disclose the trade transaction consisting of the guarantees and deposits received from **KUTXABANK, S.A.**, amounting to €279 thousand, even though **KUTXABANK, S.A.** was not a significant shareholder of Enagás at 31 December 2014.

EXPLANATORY NOTE ON SECTION A.7.-

At the date of preparation of this Report, **OMAN OIL HOLDING SPAIN, S.L.U** and **SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)** are significant shareholders of Enagás, with stakes of 5% of its share capital; SEPI is not only a significant shareholder, but also has a seat on the Enagás Board.

Neither of them may exercise control over ENAGÁS as they are not in the circumstances set out in article 4 of Act 24/1988, dated 28 July, on the Securities Market ("LMV").

Accordingly, no individual or body corporate exercises or could exercise control over Enagás in accordance with article 4 of the LMV.

EXPLANATORY NOTE ON SECTION A.10.-

Further text of section 2 of the thirty-first additional provision of Law 34/1998, of 7 October, on the Hydrocarbons Sector ("LSH"):

(...) For the purposes of calculating the stake in that shareholding structure, in addition to the shares or other securities held or acquired by entities belonging to its same group, as defined by article 4 of the Securities Markets Act [*Ley 24/1988*], 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 LMV".

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 Law. 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. Whatever the case, the penalty system stipulated herein will apply.

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

Meanwhile, section 3 of Additional Provision 31 of this law states that:

"The restrictions of shareholding percentages and non transfer of the shares referred to in this provision are not applicable to other subsidiaries that ENAGÁS, S.A. may constitute for business activities other than transmission regulated by article 66 of law 34/ 1998, of 7 October, on the hydrocarbons sector, management of the transmission network and technical management of the national gas system.

› Restrictions under the company's Bylaws

In accordance with the aforementioned legal provision, article 6a bis of Enagás, S.A.'s Articles of Association ("Limitations on holdings in share capital") establishes that:

No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company, nor exercise voting rights in such company of over 3%. Such shares may in no event 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 interests held by public sector enterprises. Under no circumstances may share capital be syndicated.

In addition, the sum of direct and indirect shareholdings held by individuals and legal entities operating in the natural gas industry 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".

EXPLANATORY NOTE ON SECTION B.6.-

Article 4 (i) of the Rules and Regulation of the General Meeting of Enagás attributes among other powers to the General Meeting the power to decide on transactions involving a structural change to the Company, such as the assumption of membership of entities, engaging in core activities carried on by the Company; acquisition or alienation of essential operating assets, where such transaction effectively involves changing the objects of the Company; or any transactions the effect of which is equivalent to the liquidation of the Company.

EXPLANATORY NOTE ON SECTION C.1.10.-

The Chief Executive Officer, Marcelino Oreja Arburúa, has been delegated the following powers:

› A) Jointly and severally.

1. Collect whatever is payable to him for any reason, in bills, cheques, promissory notes, or by deposit in a bank account, by public or private bodies in the European Union, other international organisations, by central, regional, provincial, local government authorities, executive agencies, government depositaries and, in general, by any private individual or legal entity in the public or private sectors; establish and settle balances, determine the form of payment of amounts owed to the Company, grant extensions of deadlines, set payment terms and conditions; cash orders of payment from the central, regional or local government tax authorities, including receiving from central government tax offices or other agencies money in cash or any means that represents it and accept the refund of amounts paid in tax.
2. Represent the Company in dealings with third parties, whether natural or juristic, public or private, 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, whether autonomous or otherwise, 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; exercise any rights, remedies, claims and defences relating to the Company; 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, either in proceedings initiated by the Company or in those of others that directly or indirectly affect the Company; file them, take part in the processing of them; formulate and respond to representations, propose and examine evidence; apply for stays and adjournments; discontinue and abandon or in any other way withdraw from them, at any stage of the proceedings; execute and enforce agreements, detachments and return of documents; request and respond to certificates and summonses, be they governmental, notarial or of any other nature; request certificates, depositions and authentic copies; take delivery from public authorities, including post and telegraph offices and customs officers, of all kinds of papers, objects, goods and consignments in general addressed to the Company, executing any notarial instruments or documents under hand required for such withdrawal or dispatch.

3. Make formal appearances in representation of the Company before courts and tribunals of any branch or level, whether in the civil, criminal, administrative, social or labour or any other jurisdiction, and before any arbitrator or arbitration body, of all levels, both domestic and foreign, whatever their territorial scope, and before any other authority, justice system, prosecutor's office, boards, centres, offices, departments, panels, bodies and officers belonging to the judiciary and the administration of justice, of any branch and level, and before them make sworn or ordinary statements and respond to interrogatories in court under non-determinative oath; initiate, pursue and complete as principal, defendant, partner in joinder of parties, coadjutor or in any other capacity, all types of judicial proceedings before any jurisdiction; file, pursue and waive appeals of any kind, including governmental and administrative appeals, and motions for reconsideration, rehearing, appeals for review to the same or a higher court, applications to the Supreme Court on the ground of manifest injustice of a previous decision, appeals against refusal of leave to appeal, actions to have decisions declared void, appeals on the ground on lack of jurisdiction, actions for enforcement of rights or any other legally permitted ordinary or extraordinary appeals, and the abandonment, discontinuance or any other form of withdrawal from proceedings in which the Company has an interest, as well as all kinds of proceedings, including conciliation proceedings, with or without a pre-trial settlement, proceedings of voluntary jurisdiction, governmental, notarial, mortgage and tax proceedings and, accordingly, to bring, respond to and pursue through all their formalities and levels until their conclusion all kinds of actions, claims, complaints, criminal actions, accusations, pleas and defences, and exercise any other causes of action, ratifying them whenever personal ratification is required; choose venues and submit implicitly or explicitly to jurisdictions; give evidence as a legal representative at any of the aforementioned proceedings, petition for stays of proceedings; make, request, receive and comply with summonses, notifications, citations and service of process; apply for joinders, attachments, cancellations, enforcements, dispossessions, filings, auctions of assets, statements and assessments of costs; raise issues of jurisdiction and preliminary issues; challenge witnesses; furnish and challenge evidence, waive evidence and the transfer of proceedings to another court; agree to favourable rulings; provide and withdraw payment bonds and deposits as and when required by the court; provide sureties, make judicial deposits and, in both cases, request they be refunded as and when appropriate, and execute and enforce court rulings.
4. Attend, speak and vote at meetings that are held in bankruptcy proceedings, whether fault-based or otherwise, and in temporary receivership proceedings and arrangements with creditors while they remain in force, approve and challenge creditors' claims and their ranking, appoint and accept appointments as receivers and administrators, appoint representatives; accept and reject debtors' proposals and appoint members of conciliation bodies.
5. Confer powers on court representatives and counsel, freely chosen by him, with general powers for litigation and special powers freely established in each case, including those of responding to interrogatories in court, reaffirming positions, withdrawing and abandoning actions, signing such

public or private documents as may be necessary for the exercise of such powers.

6. Enter into contracts of any kind with central, regional, provincial and local government authorities and executive agencies and, in general, with any private individual or legal entity in the public or private sectors, including contracts for works, supplies and services (excluding regasification, gas transmission and storage, and gas supply contracts); arrange auctions, calls for bids, competitive tendering, direct procurement or any other legal form of procurement; sign proposals and procurement specifications, award contracts and accept contract awards, sign the related contracts and any public and private documents that may be required for their formalisation, fulfilment or performance and discharge.
7. Take the necessary steps to establish arrangements with central, regional, provincial and local government authorities and their agencies concerning all kinds of public prices, levies, whether they be charges, taxes or rates, that affect the Company, agree to such arrangements and for this purpose approve, agree to and sign any covenant, contract or accord referring thereto.
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, subject to such terms and conditions as he may freely determine.
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, and complete all the formalities to obtain them, and to renew, amend or cancel them as may be necessary or appropriate.
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 networks of the Company 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, make formal appearances thereat and make the representations that he considers appropriate, request and conduct expert appraisals, request and receive compensation and, in general, participate in

such proceedings in all formalities and appeals related thereto without limitation, executing and signing for the purpose public or private documents of any kind.

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, they may:
 - a) Formulate requests and petitions, request and respond to certificates and summonses of all kinds, request affidavits, certificates and certified copies in which the Company has an interest, in dealings with private individuals and legal entities in the public or private sectors, without any exception.
 - b) Make and withdraw deposits of any kind, including cash, at public entity depositaries of any kind and those held by private individuals or legal entities, at any of their offices and agencies.
 - c) Attend the drawing up of official records of facts and events prior to and after the completion of compulsory purchase actions.
 - d) Group together, aggregate, segregate and divide real estate, making the filings relating thereto with the relevant Property Registers.
 - e) Arrange for the imposition of rights of way and title restrictions and for the acquisition and occupation by mutual agreement of property and rights affected by the laying of gas pipelines, their networks and branches and ancillary installations, fixing prices and conditions.
 - f) Discharge or redeem any charges or liens affecting the properties, fixing the price and conditions of such redemption.
 - g) Authorise and as appropriate empower by granting power of attorney to such persons as he considers appropriate to represent the Company at the official recording of facts and events prior to and at the time of the occupation of properties affected by compulsory purchase proceedings.
17. Enter into contracts with any private individuals or legal entities in the public or private sectors for the long-term provision of services of regasification, transmission and storage, procurement of points of entry to the Company's gas system, gas supply and any other contract for the provision of services connected with the gas business and ancillary activities.
18. Enter into contracts with any private individuals or legal entities in the public or private sectors for the short-term provision of services of regasification, transmission and storage, procurement of points of entry to the Company's gas system, gas supply, connection to installations and any other contract for the 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 any kind of companies, partnerships, consortia, European consortia and joint ventures, represent the Company in them, attend or take part in all kinds of meetings, holding office and appointing officers and representatives as he considers appropriate; contribute to commercial companies all kinds of assets, receiving in payment the relevant shares, equity interests, scrip certificates, convertible or non-convertible debentures, option rights or shares and, in the case of dissolution, the relevant assets. 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, of whatever kind and category, appoint and remove them from their duties, stipulating their pay, duties and tasks, and the remuneration payable for extraordinary services.
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 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 Company staff that are contained in the Company 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 hereunder 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 €30,000 thousand, 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 €20,000 thousand.

EXPLANATORY NOTE ON SECTION C.1.12.-

Director SEPI has representation on the Board of Directors of EBRO FOODS, S.A. through ALYCESA (a 91.96%-owned subsidiary of SEPI).

EXPLANATORY NOTE ON SECTION C.1.16.-

In 2014, a total of €2,861 thousand was paid to members of senior management. This amount includes the remuneration paid to a member of senior management, Juan Pons Guardia, who left his office of General Manager of Strategy and Regulation on 23 July 2014, and the remuneration paid in 2014 to the Head of Internal Audit.

EXPLANATORY NOTE ON SECTION C.1.17.-

Federico Ferrer Delso, natural person representative of SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI"), is the Deputy Chairman of SEPI.

SEPI has representation on the Board of Directors of the listed company EBRO FOODS, S.A. through ALYCESA (a 91.96%-owned subsidiary of SEPI).

EXPLANATORY NOTE ON C.1.19.-

› 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. Under 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 CSR 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).

EXPLANATORY NOTE ON SECTION C.1.37

To repond appropriately to the table included in section C.1.37, note that:

The amount of non-audit work as a % of the total amount billed by the audit firm amounted to 6.37%.

EXPLANATORY NOTE ON SECTION C.2.4.-

AUDIT AND COMPLIANCE COMMITTEE (Continued):

The duties of the Audit and Compliance Committee are:

› 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.

› 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 Accounts Auditor 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 on an annual basis 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 de Auditoría de Cuentas* (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 Accounts 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.
- 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 the auditing work to be carried out.

› d) In relation to the Company's risk map:

- Identifying and analysing, in conjunction with internal auditors and the External Accounts Auditor, 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 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 Rules and Regulations of the Audit and Compliance Committee 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 that shall form 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.

APPOINTMENTS, REMUNERATION AND CSR COMMITTEE

The Appointments, Remuneration and CSR Committee has no specific regulations, as it is sufficiently regulated under article 45 of the Company's Articles of Association, as amended by shareholders in General Meeting on 30 March 2012 and previously at the General Meeting 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 General Meeting of 30 March 2012.

The Appointments, Remunerations and CSR Committee is composed of six (6) Independent Directors, appointed by the Board of Directors, which is within the limits established in the Articles of Association and the Regulations of the Board, which set a minimum of three (3) and maximum of six (6) Directors. It consists of six (6) Directors, of which four (4) are Independent Directors, including the Chairman, one (1) is a Proprietary Director and one (1) is an Other External Director.

Article 45 of the Articles of Association and article 25 of the Regulations of the Board of Directors provide 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 and its Chairman shall be an Independent Director.

- Pursuant to article 25 of the Regulations of the Board of Directors, the Appointments, Remuneration and CSR Committee must meet at least four (4) times a year. In 2014, the Committee met four (4) times.
- Pursuant to article 25 of the Regulations of the Board of Directors, the Appointments, Remuneration and CSR Committee must meet at least four (4) times a year. In 2014, the Committee met four (4) times.

The duties of the Appointments, Remuneration and CSR Committee are detailed in article 45 of the Articles of Association and article 25 of the Regulations of the Board of Directors, and are as follows:

- 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.
- 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.

- To review the structure of the Board of Directors of Enagás and the companies included in 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.
- To report on the appointment and dismissal of the Secretary of the Board of Directors.
- 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 regarding the securities market.
- 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.
- 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.
- 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.
- To produce reports on appointments and dismissals of senior management staff, and, where necessary, approve special terms in their contracts.
- To approve the remuneration of senior management, provided that this does not diverge from criteria established in the general remuneration policy for executives.
- 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 the Rules and Regulations has not been issued.
- Report to the Board on the general Corporate Social Responsibility 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.
- 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 CSR Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

EXPLANATORY NOTE ON SECTION D.2.-

Regarding dividends paid by Enagás to significant shareholders, excluding Directors, referred to in section D.2 of this Report, note:

On 3 July 2014, Enagás paid OMAN OIL HOLDINGS SPAIN, S.L.U. a final dividend for 2013 of €9,115 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2014, a €6,207 thousand interim dividend against 2014 earnings was paid. The total dividend paid therefore stands at €15,322 thousand.

On 3 July 2014, Enagás paid FIDELITY INTERNATIONAL LIMITED a final dividend for 2013 of €3,597 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2014, a €2,450 thousand interim dividend against 2014 earnings was paid. The total dividend paid therefore stands at €6,047 thousand.

On 3 July 2014, Enagás paid RETAIL OEICS AGGREGATE a final dividend for 2013 of €1,841 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2014, a €1,253 thousand interim dividend against 2014 earnings was paid. The total dividend paid therefore stands at €3,094 thousand.

Meanwhile, the Company considered it appropriate to disclose the trade transaction consisting of the guarantees and deposits received from KUTXABANK, S.A., amounting to €279 thousand, even though KUTXABANK, S.A. was not a significant shareholder of Enagás at 31 December 2014.

EXPLANATORY NOTE ON SECTION D.3.-

Regarding dividends paid by Enagás to Director whose are significant shareholders referred to in section D.3 of this Report, note:

On 3 July 2014, Enagás paid SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI") a final dividend for 2013 of €9,115 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2014, a €6,207 thousand interim dividend against 2014 earnings was paid. The total dividend paid therefore stands at €15,322 thousand.

Meanwhile, attendance fees paid to the members of the Board of Directors de Enagás totalled €1,083 thousand at 31 December 2014.

The Board attendance fees have not risen since 2008. Changes between financial years correspond to actual attendance by Directors to the meetings.

EXPLANATORY NOTE ON SECTION D.4.-

The basis on which Enagás reports significant transactions between the Company and other group entities is set out below:

1. Any significant transaction with another group entity that is not eliminated in the process of accounting consolidation must be reported.
2. A transaction not eliminated in the accounting consolidation process must be reported unless it simultaneously satisfies the following three conditions:
 - a. The amount is no more than 1% of the Company's annual revenues(article 14A of the Rules and Regulations of the Board)
 - b. It forms part of the ordinary course of business of the Company,where "ordinary course of business" embraces all activities relating tottransport, storage and re-gasification.
 - c. It is concluded at arm's length (article 14A of the Rules and Regulations of the Board).

Services received generated billings in the amount of €10,098 thousand. Services rendered generated billings in the amount of €14,873 thousand.These figures are not mentioned in section D.4 of this Report because they reflect transactions that form part of the ordinary course of business of Enagás, S.A. and its group companies in terms of their purpose and contractual terms.

EXPLANATORY NOTE ON SECTION D.5.-

The amount of related-party transactions breaks down as follows:

Ref.	Group entity	Related party	Item	Amount (€ thousand)
D.5.1	Enagás S.A.	Banco Santander, S.A.	Finance cost	1,346
D.5.1	Enagás Internacional S.L.U.	Banco Santander, S.A.	Finance cost	101
D.5.1	Enagás Transporte, S.A.U.	Banco Santander, S.A.	Finance cost	29
D.5.1	Enagás GTS, S.A.U.	Banco Santander, S.A.	Finance cost	4
Total finance cost, other related parties				1,480
D.5.2	Enagás S.A.	Eulen, S.A.	Services received	964
D.5.2	Enagás Transporte S.A.U.	Eulen, S.A.	Services received	621
D.5.3	Enagás S.A.	Newcomer 2000	Services received	12
Total services received, other related parties				1,597
D.5.1	Enagás S.A.	Banco Santander, S.A.	Finance revenue	2
Total finance revenue, other related parties				2
D.5.1	Enagás S.A.	Banco Santander, S.A.	Guarantees	153,078
Guarantees and sureties received, other related parties				153,078
TOTAL TRANSACTIONS WITH OTHER RELATED PARTIES				156,157

D.5.1 Transactions with BANCO SANTANDER, S.A.-

- **Finance costs:** In 2014, finance costs payable to Santander, S.A. amounted to €1,480 thousand (€1,346 thousand payable by Enagás, S.A., €101 thousand payable by Enagás Internacional, S.L.U., €29 thousand payable by Enagás Transporte, S.A.U. and €4 thousand payable by Enagás GTS, S.A.U).
- **Finance revenue:** Finance revenue in 2014 amounted to €2 thousand, related to revenue from short-term investments made by Enagás S.A. with Santander.
- **Guarantees and sureties received:** Guarantees extended by Banco Santander, S.A. in 2014 amounted to €153,078 thousand, all of which were granted to Enagás, S.A.

D.5.2 Transactions with EULEN, S.A.-

- **Services received:** Enagás, S.A. incurred expenses of €964 thousand, as follows:

Services received from Eulen, S.A.				
Item	Amount	Price policy	Payment terms	Guarantees
Building/installations maintenance	964	-	-	-

- **Provision of services:** Enagás Transporte, S.A.U. incurred expenses of €621 thousand, broken down as follows:

Services received from Eulen, S.A.				
Item	Amount	Price policy	Payment terms	Guarantees
Building/installations maintenance	344	-	-	-
Security	277	-	-	-

D.5.3 Transactions with NEWCOMER 2000, S.L.U.

- **Services received:** Enagás, S.A. incurred expenses of €12 thousand, as follows:

Services received from Newcomer 2000				
Item	Amount	Price policy	Payment terms	Guarantees
Advisory services	12	-	-	-

APPENDIX II

REPORT ON THE ACTIVITIES OF THE ENAGÁS, S.A. AUDIT AND COMPLIANCE COMMITTEE IN 2014

Until the holding of the General Shareholders' Meeting on 25 March 2014, the Committee had the following composition:

> 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

At the aforementioned General Meeting, José Riva Francos and Isabel Sánchez García were removed from their positions as Directors of the Company and therefore as members of the Committee.

The Board of Directors, at its 19 May 2014 meeting, agreed to appoint new members of the Committee, which since then has had the following makeup:

> Chairman

Martí Parellada Sabata, Independent Director

> Members

Sociedad Estatal de Participaciones Industriales (SEPI), Proprietary Director, represented by its Deputy Chairman, Federico Ferrer Delso.
Rosa Rodríguez Díaz, Independent Director.
Gonzalo Solana González, Independent Director.
Luis Valero Artola, Independent Director.

> Secretary

Rafael Piqueras Bautista

As provided in the Company's constitutional documents, the Committee called on a number of persons related to matters under its competence for consultation. Accordingly, committee meetings were regularly attended by Enagás's Chief Executive Officer, Marcelino Oreja Arburúa; Chief Financial Officer, Borja García-Alarcón Altamirano; and Director of Internal Audit, José Manuel Castro del Real. External

Auditors from Deloitte also attended committee meetings.

ACTIVITIES OF THE COMMITTEE

The Audit and Compliance Committee met four (4) times in 2014.

The main areas on which it focused its activity during the year are summarised below.

1.-Committee activities relating to the formulation and approval of the Enagás Financial Statements for 2013

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 Auditors (Deloitte S.L.) on 17 February 2014, and also with Enagás' Chief Financial Officer and Director of Internal Audit.

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 2013 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 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 the provisions of Additional Provision 18 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 2013, 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 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 the auditors or persons or entities related to the auditors, pursuant to the provisions of the 19/1988 Audit Act 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 17 February 2014, 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 2013 were approved at the General Meeting held on 25 March 2014.

In addition to the above task, as in previous years, the then Chairman of the Audit Committee, Mr. Riva, intervened at the Ordinary General Meeting held on 25 March 2014, at which he explained the most important elements of the financial statements to the Company's shareholders, thus ensuring that 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.- 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.

3.- External auditor. Internal audit plan

Concerning external auditors, the Committee produced a favourable report on the proposal at the General Shareholders' Meeting to renew Deloitte S.L. as the Auditor of Enagás, S.A. and its Consolidated Group for 2014. The proposal was approved by the General Meeting held on 25 March 2014.

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. 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 2014, and a specific analysis of the main audit processes underway at a given time.

4.- Risk control in 2014

The Audit Committee considers the work on risk control to be particularly important. 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's 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.

In 2013, the Committee examined the model used for measuring risks in greater depth. In response to the concerns of the Committee, the Company's Management adopted organisational measures that the Chief Executive Officer reported to the Committee at its meeting held on 21 July 2014, consisting of risk control functions being taken over by a department reporting directly, from an

organic and functional standpoint, to the Committee. This organisational model corresponds to best practices and enables the work of Internal Audit to help the Committee in its role of ultimately ensuring appropriate risk control by the Company.

Once the role of risk control has been organisationally restructured, in 2014 work was begun on updating the Company Risk Model. These efforts will continue in 2015.

In 2014, the Company carried out various actions to deploy the Criminal Liability Risk Management Model, as has been reported to the Committee at several of its meetings.

5.- Internal Control over Financial Reporting System

The Committee also supervised the Internal Control of Financial Reporting system deployed by the Company with appropriate assistance by external consultants. This reporting system is intended to guarantee that the financial information prepared and published by the Company is complete and accurate. And, although such a review of the financial reporting system is not compulsory for companies such as Enagás, it is considered to be a "good practice". The consultants taking part in the review stated that "in general, Enagás has an appropriate level of internal control over financial reporting". A review of the corresponding level of compliance of this system was performed in 2014.

6.- Quarterly accounting reviews

Throughout 2014 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 accounts 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 auditors 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 ensure strict control over the Company's accounting, and they also facilitate the issue of an unqualified audit report at year-end.

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.

The Committee prepared 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 2014.

7.- 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 2014. The Committee has been informed in a timely fashion and in detail regarding the incidents arising in relation to the "Ethics Channel" that have been adequately resolved.

8.-Activities after year-end

In the opening months of 2015, 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, at a meeting on 23 February 2015 the Audit and Compliance Committee issued a prior favourable report on the 2014 financial statements which will be submitted to the 2015 General Meeting for adoption.

This report was drawn up and approved by the Audit and Compliance Committee at the meeting held on 23 February 2015, 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



2014 CONSOLIDATED FINANCIAL STATEMENTS

- Auditors' Report
- Consolidated Balance Sheet at 31 December 2014
- Appendix I – Subsidiaries of the Enagás Group at 31 December 2014
- Directors' Report of the Enagás Group

AUDITORS' REPORT




Traducción de la versión originalmente emitida en español, basada en una versión autorizada en cumplimiento de los requisitos de presentación de los estados financieros consolidados originalmente emitidos en español y preparada de acuerdo con el marco regulatorio de información financiera aplicable al Grupo en España (ver Notas 2 y 14). En el evento de una discrepancia, la versión en español prevalece.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Enagás, S.A.,

Report on the Consolidated Financial Statements

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

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

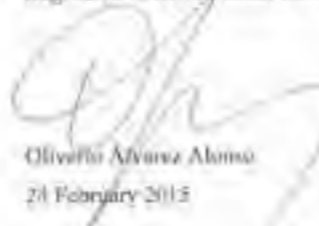
Opinion

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

Report on Other Legal and Regulatory Requirements

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

DELOITTE S.L.
Registered in ROAC under no. S0892



Oliviero Álvarez Alonso
24 February 2015

10 ENAGÁS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014 (Figures in thousands of euros)

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

Liabilities	Notes	31.12.2014	31.12.2013 (*)	01.01.2013 (*)
EQUITY		2,260,316	2,139,375	2,004,784
CAPITAL AND RESERVES	12	2,218,514	2,118,427	2,014,878
Share capital		358,101	358,101	358,101
Reserves		1,578,022	1,477,226	1,379,447
Profit for the year		406,533	403,183	379,508
Interim dividend		(124,142)	(120,083)	(102,178)
ADJUSTMENTS DUE TO CHANGES IN VALUE	12	27,555	7,042	(10,094)
NON-CONTROLLING INTERESTS (EXTERNAL PARTNERS)	12	14,247	13,906	-
NON-CURRENT LIABILITIES		4,272,494	4,174,130	5,083,532
Provisions	14	163,340	169,699	167,734
Non-current financial liabilities	15	3,735,091	3,526,351	4,432,388
Payables to related parties	11	11	5	16
Deferred tax liabilities	21	318,001	400,788	408,854
Other non-current liabilities	16	56,051	77,287	74,540
CURRENT LIABILITIES		1,179,049	729,993	834,842
Current financial liabilities	15	943,241	482,861	553,641
Trade and other payables	15 and 19	235,808	247,132	281,201
TOTAL LIABILITIES		7,711,859	7,043,498	7,923,158

Notes 1 to 33 to the accompanying financial statements are an integral part of the consolidated balance sheet at 31 December 2014.

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

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2014 (Figures in thousands of euros)

	Notes	31.12.2014	31.12.2013 (*)
Revenue	22	1,206,192	1,232,982
Revenue from regulated activities		1,185,103	1,214,981
Revenue from unregulated activities		21,089	18,001
Other operating income	22	20,989	28,877
Staff costs	23	(84,695)	(82,280)
Other operating costs	23	(202,803)	(183,745)
Depreciation and amortisation	5 and 6	(314,900)	(328,967)
Impairment losses and gains (losses) on disposals of fixed assets	6 and 7	(35,166)	(17,135)
OPERATING PROFIT		589,617	649,732
Financial and similar income	24	12,087	24,176
Financial and similar costs	24	(126,366)	(124,408)
Exchange differences (net)	24	8,542	(4,707)
Change in fair value of financial instruments	24	231	1,074
NET FINANCIAL LOSS		(105,506)	(103,865)
Gain (loss) from equity-accounted investments	32	11,160	14,879
PROFIT BEFORE TAXES FROM CONTINUING OPERATIONS		495,271	560,746
Income tax	21	(87,627)	(156,490)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		407,644	404,256
Loss attributable to non-controlling interests	12	(1,111)	(1,073)
PROFIT ATTRIBUTABLE TO THE PARENT COMPANY		406,533	403,183
Attributable to:			
Parent company		406,533	403,183
NET EARNINGS PER SHARE	13	1.70	1.69
NET EARNINGS PER DILUTED SHARE	13	1.70	1.69

Notes 1 to 33 to the accompanying financial statements are an integral part of the consolidated income statement at 31 December 2014.

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE AT 31 DECEMBER 2014 (Figures in thousands of euros)		
	31.12.2014	31.12.2013 (*)
CONSOLIDATED PROFIT FOR THE YEAR	407,644	404,256
INCOME AND EXPENSE RECOGNISED IN EQUITY:	17,241	2,084
Items that may be reclassified to profit and loss		
Fully consolidated companies	(48,854)	3,123
Cash flow hedges	(7,944)	2,846
Translation differences	(42,973)	1,131
Tax effect	2,063	(854)
Equity-accounted companies	66,095	(1,039)
Cash flow hedges	(12,705)	8,285
Translation differences	75,579	(8,099)
Tax effect	3,221	(1,225)
TRANSFERS TO THE INCOME STATEMENT:	3,272	15,052
Fully consolidated companies	7,277	8,773
Cash flow hedges	10,391	12,533
Tax effect	(3,114)	(3,760)
Equity-accounted companies	(4,005)	6,279
Cash flow hedges	(5,148)	7,873
Tax effect	1,143	(1,594)
TOTAL RECOGNISED INCOME AND EXPENSE	428,157	421,392
Attributed to non-controlling interests	1,111	1,073
Attributed to the parent company	427,046	420,319

Notes 1 to 33 to the accompanying financial statements are an integral part of the consolidated statement of recognised income and expense at 31 December 2014.

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

STATEMENT OF TOTAL CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2014 (Figures in thousands of euros)							
	Capital	Share premium and reserves	Profit for the year	Interim dividend	Adjustments due to changes in value	Non-controlling interests	Total equity
BALANCE AT BEGINNING OF 2013	358,101	1,379,447	379,508	(102,178)	(10,094)	-	2,004,784
Total recognised income and expense	-	-	403,183	-	17,136	1,073	421,392
Transactions with shareholders	-	-	(163,478)	(120,083)	-	12,833	(270,728)
Distribution of dividends	-	-	(163,478)	(120,083)	-	-	(283,561)
Increases/(decreases) due to business combinations	-	-	-	-	-	12,833	12,833
Other changes in equity	-	97,779	(216,030)	102,178	-	-	(16,073)
- Transfers between equity items	-	-	(216,030)	-	-	-	(216,030)
- Other variations	-	97,779	-	102,178	-	-	199,957
BALANCE AT END OF 2013 (*)	358,101	1,477,226	403,183	(120,083)	7,042	13,906	2,139,375
BALANCE AT BEGINNING OF 2014	358,101	1,477,226	403,183	(120,083)	7,042	13,906	2,139,375
Total recognised income and expense	-	-	406,533	-	20,513	1,111	428,157
Transactions with shareholders	-	-	(182,304)	(124,142)	-	(770)	(307,216)
- Distribution of dividends	-	-	(182,304)	(124,142)	-	(770)	(307,216)
Other changes in equity	-	100,796	(220,879)	120,083	-	-	-
- Transfers between equity items	-	-	(220,879)	-	-	-	(220,879)
- Other variations	-	100,796	-	120,083	-	-	220,879
BALANCE AT END OF 2014	358,101	1,578,022	406,533	(124,142)	27,555	14,247	2,260,316

Notes 1 to 33 to the accompanying financial statements are an integral part of the statement of changes in equity for the year ended 31 December 2014.

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

CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2014 (Figures in thousands of euros)		
	31.12.2014	31.12.2013 (*)
CONSOLIDATED PROFIT BEFORE TAXES	495,271	560,746
Adjustments to consolidated profit	432,827	411,668
Depreciation and amortisation of fixed assets	314,900	328,967
Other adjustments to profit	117,927	82,701
Change in operating working capital	(80,598)	(120,374)
Inventories	(548)	882
Trade and other receivables	(100,041)	(96,266)
Other current assets and liabilities	(1,282)	(979)
Other non-current assets and liabilities	(1,101)	(4,568)
Trade and other payables	22,374	(19,443)
Other cash flows from operating activities	(290,736)	(301,253)
Interest paid	(118,226)	(123,015)
Interest received	8,262	18,414
Income taxes received (paid)	(190,239)	(194,311)
Other cash inflows/(outflows)	9,467	(2,341)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	556,764	550,787
Payments for investments	(706,795)	(466,523)
Group companies and associates	(531,138)	(262,002)
Fixed assets and investment property	(140,343)	(204,296)
Non-current assets held for sale	(35,314)	-
Other financial assets	-	(225)
Divestment proceeds	37,038	11,757
Group companies and associates	-	11,757
Non-current assets held for sale	37,038	-
Other cash flows from investing activities	32,878	20,164
Other collections/(payments) from investing activities	32,878	20,164
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(636,879)	(434,602)
Proceeds from and payments for financial liabilities	603,766	(963,485)
Issue	2,173,729	1,241,344
Redemptions and repayment	(1,569,963)	(2,204,829)
Dividend payments	(307,215)	(283,561)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	296,551	(1,247,046)
EFFECT OF CHANGES IN CONSOLIDATION METHOD	-	-
TOTAL NET CASH FLOWS	216,436	(1,130,861)
Cash and cash equivalents at beginning of year	335,013	1,465,874
CASH AND CASH EQUIVALENTS AT END OF YEAR	551,449	335,013

Notes 1 to 33 to the accompanying financial statements are an integral part of the consolidated cash flow statement at 31 December 2014.

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

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

1. GROUP ACTIVITY

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

- › The regasification, basic and secondary transport and storage of natural gas, by means of or through the corresponding owned or third-party gas infrastructures and facilities, and the performance of ancillary or related activities.
- › The design, construction, commissioning, exploitation, operation and maintenance of all manner of gas infrastructures and complementary facilities, including telecommunications and control, including remote control, networks of any kind and electric grids, owned by it or third parties.
- › The performance of all the duties related to the technical management of the gas system.
- › The transport and storage of carbon dioxide, hydrogen, biogas and other energy-related fluids, by means of or through the corresponding owned or third-party facilities, and the design, construction, commissioning, exploitation, operation and maintenance of all manner of complementary infrastructure and facilities required to this end.
- › The business of exploiting the heat, cooling and energy properties associated with or deriving from its core businesses.
- › The provision of a range of services, including engineering, construction, advisory and consultancy services, in connection with the businesses constituting its corporate purpose, and participation in natural gas market management activities to the extent compatible with the business activities vested in the Company by law.

The foregoing activities may be carried out by Enagás, S.A. itself or through investees with an identical or analogous corporate purpose, subject to the scope and limits laid down in prevailing applicable oil and gas legislation. Under prevailing legislation, regulated transport and technical management activities of the system must be performed by two wholly-owned subsidiaries (Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., respectively). Accordingly, the following activities also form part of the corporate purpose:

- › Management of the corporate group comprising the Company's equity investments in the companies constituting that group.
- › The provision of assistance or support services to the Group companies and investees, to which end the Company may also extend any guarantees and securities deemed opportune.

Its registered office is at Paseo de los Olmos, no. 19, 28005 Madrid. The Articles of Association and other public information about the Company and its Group may be consulted on its web page, www.enagas.es and at its registered office.

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

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

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES

2.1. Basis of presentation

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

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

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

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

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

2.2. Responsibility for the information and estimates made

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

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

- › The useful life of intangible assets and the assets recognised as property, plant and equipment (see Notes 3.b and 3.c).

- › Provisions for dismantling/abandonment costs (see Note 3.c)
- › The measurement of non-financial assets to determine impairment losses (see Note 3.d)
- › The fair value of financial instruments (see Note 3.i).
- › Recognition of provisions and contingencies (see Note 3.m).
- › The calculation of corporation tax and deferred tax assets (see Note 3.q).

Although these estimates were made on the basis of the best information available at 31 December 2014 regarding the facts analysed, it is possible that future events may require them to be modified (upwards or downwards) in the years ahead. This would be carried out prospectively, recognising the effects of the changes to accounting estimates in the consolidated income statement, as is stipulated in IAS 8.

2.3 Changes in the scope of consolidation

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

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

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

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

On 31 July 2014, Enagás Internacional S.L.U. sold the company 1915279 Ontario Inc. to Carmen Corporation and, indirectly, to CPPIB for 49 million US dollars (37 million euros). Likewise, on 23 December 2014, the acquisition by Enagás Internacional S.L.U. of 30% of the Canadian company Tecgas, Inc., which in turn wholly-owned the Peruvian company COGA, was concluded for 15 million dollars (12 million euros).

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

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

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

- › On 30 June 2014, the consortium formed by Enagás Internacional, S.L.U. and Odebrecht Latinvest Perú Ductos, S.A., together with Inversiones en Infraestructuras de Transporte por Ductos, S.A.C. (Odebrecht Group companies) were the successful bidders for the Pipeline project in Southern Peru put out to tender by the Peruvian government. This award requires the members of the consortium to create a company to carry out the project. As a result, on 10 July 2014, the Peruvian company Gasoducto del Sur Peruano, S.A. (hereinafter GSP), was incorporated and Enagás Internacional, S.L.U. contributed 25% of share capital totalling 43,039 thousand dollars and the Odebrecht Group companies contributed the remaining 75%. This shareholding is consolidated using the equity method in the consolidated financial statements of the Enagás Group. Enagás Internacional, S.L.U. has joint control over the company due to the fact that the unanimous consent of shareholders is required to take strategic decisions of a financial and operating nature that concern relevant activities.
- › On 21 July 2014, the companies Servicios de Compresión SLM and Enagás Internacional, S.L.U. jointly created the company Estación de Compresión Soto La Marina O&M, SAPI de CV, located in Mexico and whose share capital totalled 50 thousand Mexican pesos (2 thousand euros). Enagás Internacional, S.L.U. holds a 50% stake and maintains joint control over the company as the favourable vote of both shareholders is required to implement the company's strategic financial and operating decisions. This shareholding is therefore consolidated using the equity method.
- › On 5 August 2014, Enagás Internacional S.L.U. formed the Peruvian company Enagás Perú, S.A.C. for 11 thousand Peruvian nuevo sol (3 thousand euros). Share capital was subsequently increased by 3,000 thousand Peruvian nuevo sol (8 thousand euros). Enagás Internacional, S.L.U. holds a 99% stake in this company and 1% is held by Enagás, S.A.; the equity interest is fully consolidated.
- › On 29 September 2014, Enagás Internacional, S.L.U. and Fluxys Europe B.V. concluded an agreement to acquire the 19% stake held by Total Gas Transport Ventures, S.A.S. and PEG Infrastruktur AG (E.ON) in the company that is carrying out the Trans-Adriatic Pipeline AG project (hereinafter TAP). As a result of this agreement, Enagás Internacional, S.L.U. acquired a 16% interest in this company and Fluxys Europe B.V. acquired the remaining 3%. Enagás Internacional, S.L.U. has significant influence in this company that allows it to intervene in and determine the company's main financial and operating decisions, but it does not have control or joint control thereover so it is therefore consolidated using the equity method.
- › On 13 October 2014, the Chilean company Enagás Chile I SpA merged with its wholly-owned Chilean subsidiary Enagás Chile II Limitada. The company Enagás Chile I changed its name to Enagás Chile SpA, and it is wholly owned by Enagás Internacional, S.L.U. This company also holds a 51% interest in the company Terminal de Valparaíso S.A.

2.4 Basis of consolidation

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

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

- › It exercises authority over the subsidiary, which is understood to exist when a company holds rights that allow it to direct relevant activities, which are understood to be those that significantly affect the performance of the subsidiary.
- › It maintains exposure or rights to variable returns deriving from its involvement with the subsidiary.
- › It has the capacity to use its authority to influence the amount of the returns to be obtained from that subsidiary.

Subsidiaries are fully consolidated.

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

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

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

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

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

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

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

The Enagás Group consolidation process took place as follows:

- a. The full consolidation method was applied to wholly-owned investee companies: Enagás Transporte, S.A. Unipersonal, Enagás GTS, S.A. Unipersonal, Enagás Internacional, S.L. Unipersonal, Enagás Financiaciones, S.A. Unipersonal, Enagás Altamira, S.L. Unipersonal, Enagás Perú, S.A.C., Enagás México, S.A. de C.V. and the consolidated financial statements of the Chilean subgroup, whose parent company is Enagás Chile, Spa. This method is also used to consolidate Enagás Transporte del Norte, S.L., in which a 90% stake is held, recognising the 10% interest held by Ente Vasco de la Energía in the account "Non-controlling interests (External Partners)" under Equity in the consolidated balance sheet at 31 December 2014.
- b. The companies considered to be jointly controlled operations, Gasoducto Al-Andalus, S.A. and Gasoducto Extremadura, S.A., were proportionately consolidated (see Note 2.6).
- c. Finally the equity method has been applied to the companies Compañía Transportista de Gas de Canarias, S.A. (Gascan), Morelos EPC, SAPI de CV, Gasoducto de Morelos, SAPI de CV, Estación de Compresión Soto la Marina SAPI de CV, Estación de Compresión Soto la Marina EPC SAPI de CV, COGA, Estación de Compresión Soto la Marina O&M SAPI de CV, Bahía de Bizkaia Gas, S.L., TAP, GSP, Terminal de LNG de Altamira, S. de RL de CV, and TgP. In addition, within the consolidated subgroup headed up by Enagás Chile, Spa, the interest in Terminal de Valparaíso, and indirectly in GNL Quintero, S.A., is also accounted for using the equity method.

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

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

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

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

- › The assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- › The income and expenses for each income statement item are translated at the average exchange rates for the year in which the transactions were performed.
- › The resulting exchange differences arising on net assets are recognised as a separate component of equity, as "Translation differences" under "Adjustments due to changes in value".

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

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

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

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

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

During the consolidation process, the dividends received by fully and proportionately consolidated companies are eliminated by considering them to be reserves of the recipient company and they are included under the heading "Reserves". In the case of non-controlling interests in fully consolidated

companies, the amount of the dividend relating to the stake held by minority shareholders are eliminated from the heading "Non-controlling interests (External Partners)" under consolidated equity.

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

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

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

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

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

- › Any capital gain relating to these companies or joint ventures is included in the carrying amount of the investment. This capital gain cannot be amortised.
- › Any interest in the net fair value of identifiable assets and liabilities that exceeds the cost of the investment will be recognised as income in the calculation of the stake in the profit for the period obtained by the associate or joint venture in the period in which the investment is acquired.

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

2.5 Comparative information

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

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

2.6 Accounting standards and interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED BALANCE SHEET AT 31 December 2013			
Assets	2013	Application of IFRS 11	2013 restated
NON-CURRENT ASSETS	6,136,747	(136,939)	5,999,808
Intangible assets	97,354	(20,006)	77,348
Goodwill	35,851	(18,330)	17,521
Other intangible assets	61,503	(1,676)	59,827
Investment properties	-	-	-
Property, plant and equipment	5,784,405	(191,021)	5,593,384
Equity-accounted investments	165,846	88,787	254,633
Other non-current financial assets	17,107	(223)	16,884
Deferred tax assets	72,035	(14,476)	57,559
CURRENT ASSETS	1,073,853	(30,163)	1,043,690
Inventories	15,182	(44)	15,138
Trade and other receivables	699,321	(11,556)	687,765
Other current financial assets	2,997	-	2,997
Other current assets	2,995	(218)	2,777
Cash and cash equivalents	353,358	(18,345)	335,013
TOTAL ASSETS	7,210,600	(167,102)	7,043,498

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

CONSOLIDATED BALANCE SHEET AT 01 January 2013			
Assets	01.01.2013	Application of IFRS 11	01.01.2013 restated
NON-CURRENT ASSETS	5,977,882	(133,159)	5,844,723
Intangible assets	74,303	(20,829)	53,474
Goodwill	19,153	(19,153)	-
Other intangible assets	55,150	(1,676)	53,474
Investment properties	-	-	-
Property, plant and equipment	5,679,516	(193,817)	5,485,699
Equity-accounted investments	152,341	95,913	248,254
Other non-current financial assets	29,759	(21)	29,738
Deferred tax assets	41,963	(14,405)	27,558
CURRENT ASSETS	2,105,561	(27,126)	2,078,435
Inventories	13,829	(53)	13,776
Trade and other receivables	607,473	(13,035)	594,438
Other current financial assets	2,227	-	2,227
Other current assets	2,385	(265)	2,120
Cash and cash equivalents	1,479,647	(13,773)	1,465,874
TOTAL ASSETS	8,083,443	(160,285)	7,923,158

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 December 2013			
	2013	Application of IFRS 11	2013 restated
Revenue	1,278,603	(45,621)	1,232,982
Revenue from regulated activities	1,235,412	(20,431)	1,214,981
Revenue from unregulated activities	43,191	(25,190)	18,001
Other operating income	29,521	(644)	28,877
Employee benefits expense	(85,518)	3,238	(82,280)
Other operating costs	(194,519)	10,774	(183,745)
Depreciation and amortisation	(342,082)	13,115	(328,967)
Impairment losses and gains (losses) on disposal of assets	(17,135)	-	(17,135)
OPERATING PROFIT (LOSS)	668,870	(19,138)	649,732
Financial and similar income	24,231	(55)	24,176
Financial and similar costs	(129,886)	5,478	(124,408)
Exchange differences (net)	(4,894)	187	(4,707)
Change in fair value of financial instruments	1,074	-	1,074
NET FINANCE INCOME	(109,475)	5,610	(103,865)
Share of profit of equity-accounted	5,610	9,269	14,879
PROFIT/(LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS	565,005	(4,259)	560,746
Income tax	(160,749)	4,259	(156,490)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	404,256	-	404,256
CONSOLIDATED PROFIT FOR THE YEAR	404,256	-	404,256
Profit attributable to non-controlling interests	(1,073)	-	(1,073)
PROFIT ATTRIBUTABLE TO THE PARENT COMPANY	403,183	-	403,183
Attributable to:			
Parent company	403,183	-	403,183
NET EARNINGS PER SHARE	1.69	-	1.69
NET EARNINGS PER DILUTED SHARE	1.69	-	1.69

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE AT 31 DECEMBER 2013			
	2013	IFRS 11 Application	2013 restated
CONSOLIDATED PROFIT FOR THE YEAR	404,256	-	404,256
INCOME AND EXPENSE RECOGNISED IN EQUITY	2,084	-	2,084
Items that may be reclassified to profit and loss			
Fully consolidated companies	2,084	1,039	3,123
Cash flow hedges	11,131	(8,285)	2,846
Translation differences	(6,968)	(8,099)	1,131
Tax effect	(2,079)	(1,225)	(854)
Equity-accounted companies	-	(1,039)	(1,039)
Cash flow hedges	-	8,285	8,285
Translation differences	-	(8,099)	(8,099)
Tax effect	-	(1,225)	(1,225)
TRANSFERS TO THE INCOME STATEMENT:	15,052	-	15,052
Fully consolidated companies	15,052	(6,279)	8,773
Cash flow hedges	20,406	(7,873)	12,533
Tax effect	(5,354)	1,594	(3,760)
Equity-accounted companies	-	6,279	6,279
Cash flow hedges	-	7,873	7,873
Tax effect	-	(1,594)	(1,594)
TOTAL RECOGNISED INCOME AND EXPENSE	421,392	-	421,392
Attributed to non-controlling interests	1,111		1,073
Attributed to the parent company	420,319		420,319

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

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

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

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

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

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

3. MEASUREMENT BASES

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

a. Goodwill and business combinations

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

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

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

The cost of the business combination is the sum of:

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

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

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

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

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

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

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

b. Intangible assets

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

The criteria used to recognise impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years, are similar to those for assets recognised as property, plant and equipment (see Note 3.d).

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

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

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

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

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

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

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

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

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

c. Property, plant and equipment

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

The costs of remodelling, expansion or upgrades leading to increased productivity, capacity or a lengthening of the useful lives of assets are capitalised as an increase in the cost of the related asset. The carrying amount of replaced assets is deducted. In contrast, regular upkeep, repair and maintenance expenses are expensed currently.

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

1. Borrowing costs associated with the financing of infrastructure projects accrued during the construction period if this is over a year. The average gross capitalisation rate used to calculate the amount of the interest costs to be capitalised was 2.83% in 2014 (2.99% in 2013).
2. Staff costs directly related to work in progress. To do so, the Group has a "Functional procedure for attributing staff costs to investment projects", which contains the calculation assumptions. This procedure establishes that the calculation of the work performed for the Group's own assets takes into account direct employee expenses, i.e. the hours charged to each project based on the prices per hour calculated at the start of the year. The amounts capitalised for these items are recognised in the accompanying 2014 consolidated income statement, as a decrease in staff costs (see Note 6).
3. Future payments which the Group will have to make in relation to the requirement to dismantle certain items of property, plant and equipment corresponding to the Serrablo, Yela and Gaviota underground storage facilities, and to the Bilbao, Altamira, Barcelona, Huelva and Cartagena regasification plants at the end of their useful lives. The carrying amounts of these assets include an estimate of the present value at the date of acquisition of the costs to the Group of dismantling, with a credit to "Non-current provisions" (see Note 14) in the accompanying consolidated balance sheet. In addition, this provision has been adjusted in subsequent periods.

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

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

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

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

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

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

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

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

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

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

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

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

The gain or loss on the disposal or derecognition of an asset is calculated as the difference between the gain on the sale and the carrying amount of the asset, and is recognised in the

consolidated income statement under "Impairment losses and gains (losses) on disposals of fixed assets" (see Note 3.d).

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

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

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

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

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

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

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

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

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

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

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

- › Regulated remuneration: estimated in accordance with the remuneration approved by the law for the years in which it is available, while for subsequent years the same discounting mechanisms established by the legislation have been used.
- › Investment: the best information available regarding investment plans for assets and for maintaining infrastructures and systems have been used, based on the mandatory planning for the gas system, over the entire estimated time horizon.
- › Operating and maintenance costs: the maintenance contracts that have been concluded have been taken into consideration, together with the rest of the costs estimated based on knowledge of the industry and past experience. They have been projected in line with the expected growth based on the investment plan.
- › Other costs have been projected based on knowledge of the industry, past experience and in line with the growth expected to derive from the investment plan.

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

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

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

e. Investment properties

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

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

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

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

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

The Group did not hold any finance leases in 2014.

g. Financial assets

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

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

Loans and receivables

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

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

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

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

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

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

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

Investments carried under the equity method

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

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

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

- › Any gain relating to these companies or joint ventures is included in the carrying amount of the investment. This gain cannot be amortised.
- › Any interest in the net fair value of identifiable assets and liabilities that exceeds the cost of the investment will be recognised as income in the calculation of the stake in the profit for the period obtained by the associate or joint venture in the period in which the investment is acquired.

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

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

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

Cash and cash equivalents

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

h. 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 therefore classified as property, plant and equipment.

Other inventories

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

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

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

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

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

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

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

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

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

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

a) Fair value hedges

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

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

b) Cash flow hedges

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

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

c) Hedges of a net investment in foreign operations

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

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

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

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

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

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

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

- › Level 1 – The inputs are based on listed prices (unadjusted) for identical instruments traded on active markets.
- › Level 2 – The inputs are based on listed prices for similar instruments in active markets (not included in Level 1), listed prices for identical or similar instruments in markets that are not active, or techniques based on measurement models for which all significant inputs are observable in the market or may be corroborated using observable market data.
- › Level 3 – The inputs are not generally observable and, in general, reflect estimates of market situations to determine the price of the asset or liability. Unobservable data used in the measurement models are significant with respect to the fair values of the assets and liabilities.

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

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

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

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

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

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

EAD * PD * LGD

- › EAD (Exposure at default): Exposure at the time of non-compliance at each point of time. The EAD is calculated by simulating market price curve scenarios (e.g.: Monte Carlo).
- › PD (Probability of default): Likelihood that one of the counterparties will fail to comply with payment commitments at each point of time.
- › LGD (Loss given default): Severity = 1- (recovery rate): Percentage of loss that ultimately arises when one of the counterparties has failed to comply.

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

The inputs applied to obtain the Group's own credit risk and counterparty risk (determination of the probability of default) are based mainly on the application of the credit spreads relating to the Group or comparable companies that are currently traded in the market (CDS curves, IRR debt issues). In the absence of credit spreads relating to the Group or comparable companies, and in order to maximise the use of relevant observable variables, listed reference prices that have been considered as most adequate on a case-by-case basis have been used (listed credit spread indexes). The credit spreads

used for items with available credit information have been obtained based on the listed CDS (Credit Default Swaps) on the market.

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

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

j. Current/non-current classification

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

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

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

k. Pension obligations

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

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

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

l. Termination benefits

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

m. Provisions

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

- › **Provisions:** Balances payable covering obligations existing at the balance sheet date arising as a result of past events which could give rise to a loss for the companies which is specific in nature but uncertain in terms of its amount and/or timing.
- › **Contingent liabilities:** Possible obligations arising from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events beyond the control of the consolidated entities.

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

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

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

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

n. Deferred revenue

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

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

o. Revenue recognition

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

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

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

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

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

p. Expense recognition

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

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

q. Corporation tax

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

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

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

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

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

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

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

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

- › Enagás Transporte, S.A.U.
- › Enagás GTS, S.A.U.
- › Enagás Internacional, S.L.U.
- › Enagás Financiaciones, S.A.U.
- › Enagás-Altamira, S.L.U.

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

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

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

r. Earnings per share

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

s. Consolidated cash flow statements

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

- › Cash flows: inflows and outflows of cash and cash equivalents, which are non-current, highly liquid investments that are subject to an insignificant risk of changes in value.
- › Operating activities: the Group's ordinary operating activities and any other activities that cannot be classified as investing or financing activities.
- › Investing activities: the acquisition or disposal of non-current assets and other investments not included in cash and cash equivalents.
- › Financing activities: activities that result in changes in the size and composition of equity and liabilities that are not operating activities.

4. REGULATORY FRAMEWORK

a) Revenue from regasification, storage and transport.

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

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

FIRST PERIOD OF 2014

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

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

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

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

- › Transport.
- › Regasification, including the loading of LNG tanks and the transfer of LNG to tankers.
- › Placing of the heels for LNG tanks, of cushion gas in underground storage facilities and of the minimum linepack for gas pipelines (see Note 3.c).
- › Technical System Management.
- › Own consumption of natural gas.
- › Sales of condensates at the Gaviota storage facility.
- › Interest applicable to the remuneration received under the settlement system.
- › Regasification and transport shrinkage incentive.
- › Overall incentive for availability.

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

SECOND PERIOD OF 2014

The fundamentals of the new remuneration framework are as follows:

- › The principle of economic and financial sustainability of the gas system is established, which will be a guiding principle for the actions taken by Public Administrations and other parties involved with the gas system. Any legislative measure relating to the industry that represents an increase in cost for the gas system or a reduction of revenue must include an equivalent reduction in other cost items or an equivalent increase in revenue that ensures the balance of the system. This will definitively rule out the possibility of accumulating a deficit. This principle is reinforced by the establishment of restrictions on the appearance of temporary annual mismatches, establishing the corrective mechanism of mandatory automatic revisions of tolls and fees that will be applied if certain thresholds are exceeded. The thresholds introduced allow for deviations deriving from one-off circumstances or volatility affecting gas demand which, as such, may be reversed in the following period without the need to modify the tolls and fees, while guaranteeing that mismatch levels that could place the system's financial stability at risk cannot be reached. The temporary mismatches that arise at or after the time this Royal Decree-Law enters into force will be financed by all of the members of the settlement system based on the collection rights that are generated, without exceeding the aforementioned thresholds. This economic and financial sustainability principle for the system must be understood such that the revenues generated through the use of the facilities satisfy all system costs. The regulated remuneration methods in the natural gas sector take into consideration the costs necessary to carry out the activity by an efficient and well-managed company under the principle of performing the activity at the lowest cost for the system.
- › Six-year regulatory periods are established to determine the remuneration for the regulated activities, thereby providing regulatory stability to those activities. The first regulatory period ends on 31 December 2020. Starting on 1 January 2021, the subsequent regulatory periods will consecutively enter into force and each one will last six years. Every three years, adjustments may be made to the remuneration parameters within the system, including the unit reference values per customer and sales, operating and maintenance costs, productivity improvement factors, etc., in the event that there are significant variances in the revenue and cost items.
- › The remuneration system for the transportation, regasification and storage facilities is established under uniform principles, generally adapting to the net value of the asset as a basis for calculating the remuneration for the investment made. Variable remuneration based on transported, regasified or stored gas is included based on the type of the asset and any automatic revision procedure covering remuneration values and parameters based on price indexes is eliminated.
- › Accumulated deficit at 31 December 2014. The amount relating to the accumulated deficit in the gas system at 31 December 2014 will be determined in the final settlement for 2014. The members of the settlement system will be entitled to recover the annual amounts relating to that accumulated deficit in the settlements in the subsequent 15 years, recognising an interest rate in accordance with market conditions (see Notes 8.1 and 10).
- › The remuneration consists of a fixed rate for facility availability and a variable rate for supply continuity. The fixed facility availability rate includes the operating and maintenance costs for each year, depreciation and financial compensation calculated by applying the financial remuneration rate determined for each regulatory period to the annual net value of the investment. Including the variable rate for supply continuity in the facility remuneration allows system costs to be adjusted in the event of a change in demand, balancing the differences between revenues and system costs in addition to transferring part of the

demand variance risk from the final consumer to the owner of the facilities. This rate is based on the total change in national consumption of natural gas in the calculation year compared with the preceding year in the case of transportation facilities, the change in demand for regasified gas at all plants in the system in the case of regasification facilities and the change in useful gas at storage facilities. The supply continuity remuneration is distributed among all facilities based on the weighting of their replacement value compared to all of the facilities participating in the activity, and those values are calculated by applying the unitary investment values in force in each year. Operating and maintenance costs increased by a coefficient determined by the number of years in which a facility exceeds its regulatory useful life are established as fixed remuneration once the useful regulatory life of the facilities has ended, and in those cases in which the asset continues in operation and no amount whatsoever accrues as remuneration for the investment made.

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

a.1.1. Remuneration for investment costs comprises:

- › **Value of recognised assets.** The recognised values for the assets under the preceding remuneration framework are maintained. For facilities commissioned before 2002, the remuneration is calculated based on the carrying amount of the assets after the revaluation of 1996 (Royal Decree-Law 7/1996), less grants received to finance these assets. An annual update rate based on the adjusted average of the consumer price index (CPI) and the industrial price index (IPRI) is applied to the difference. For new facilities brought into service since 2002, the standard value of each investment set by the regulator is used, while those investments that entail expansion are measured at actual cost. Investments in underground storage are also measured at actual cost because there are no standard values. Transport facilities brought into service from 2008 are valued at the average of the standard value and actual cost. Regasification facilities put into service since 2006 are valued at actual cost plus 50% of the difference between standard value and actual cost, up to the maximum standard value.
- › **Remuneration for depreciation of system assets.** The depreciation rate relating to the useful life of the asset is applied to the investment recognised to give the amount of revenue for this item. The new framework maintains the useful lives of the assets, except for the gas pipelines that entered into operation before 2008, whose useful life for remuneration purposes has been increased from 30 to 40 years.
- › **Financial remuneration for the value of the investment.** The calculation applies a financial remuneration rate to the non-discounted net value of the assets. The first regulatory period runs between 5 July 2014 and 31 December 2020 and the remuneration rate for transportation, regasification and basic storage assets that are entitled to remuneration from the gas system will be the average yield on 10-year government bonds in the secondary market applied among owners of non-segregated accounts in the 24 months before the entry into force of the legislation, plus a spread of 50 basis points.
- › **Remuneration of fully depreciated assets.** Once the regulatory useful life of each asset ends, and if the item continues in operation, the remuneration that will be accrued by

that facility for the investment made, depreciation and financial remuneration will be zero.

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

This parameter will have the following values:

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

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

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

a.2) Remuneration for Continuity of Supply (RCS) is calculated jointly for each of the activities: transportation, regasification and underground storage.

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

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

- › The transportation pipeline network facilities will take into consideration the change in total national demand for gas, excluding supplies through satellite plants and with the following maximum and minimum demand limits: 410 TWh and 190 TWh.
- › The change in total demand for gas from all regasification plants in the gas system is taken into account with respect to regasification plants, with the following maximum and minimum limits applied to gas outflows: 220 TWh and 50 TWh.
- › The change in the useful gas stored at 1 November in the relevant year is taken into account for storage facilities, including the portion of cushion gas that is mechanically extractable and with the following maximum and minimum gas storage limits: 30 TWh and 22 TWh.

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

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

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

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

b) Revenue from technical system management (TSM)

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

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

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

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

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

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

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

d) Settlement system

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

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

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

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

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

f) Revenue for gas purchases for internal consumption.

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

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

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

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

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

g) Settlement of the accumulated deficit.

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

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

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

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

- › The amount relating to the accumulated deficit in the gas system at 31 December 2014 will be determined in the definitive settlement for 2014, and the members of the settlement system will be entitled to recover the annual amounts relating to that accumulated deficit in the settlements in the subsequent 15 years, recognising an interest rate in accordance with market conditions. Until this definitive settlement is published, the value of the deficit will not be known and cannot start to be recovered. Since the definitive settlement for 2014 is not expected to be known before 2016, it will start from that time and this deficit will be recovered over the subsequent 15 years (see Note 8).
- › The Royal Decree-Law and the Law stipulate that the mismatches that may be revealed starting in 2015 will be recovered over the subsequent five years after the definitive settlements are available, and an interest rate with equivalent market conditions is also recognised.

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

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

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

h) Implementation of the regulatory framework

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

1. Supranational regulations

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

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

2. Spanish regulations

BASIC REGULATION

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

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

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

REMUNERATION AND TOLLS

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

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

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

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

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

TARIFF OF LAST RESORT

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

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

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

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

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

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

TECHNICAL MANAGEMENT RULES

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

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

UNDERGROUND STORAGE

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

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

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

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

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

AUCTION FOR THE ACQUISITION OF OPERATING AND HEEL GAS

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

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

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

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

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

PROCEDURES FOR ASSIGNING CAPACITY AND CONGESTION MANAGEMENT

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

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

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

ESTABLISHMENT OF STRATEGIC RESERVES

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

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

OTHER PROVISIONS

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

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

Law 32/2014 of 22 December, on metrology.

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

Resolution of the Presidency of the Congress of Deputies of 16 October 2014, ordering the publication of the validation agreement for Royal Decree-Law 13/2014, of 3 October.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax reform through i) Law 27/2014 of 27 November, on Corporation Tax, ii) Law 26/2014, amending the Personal Income Tax act, the Non-resident Income Tax Act and other tax legislation; iii) Law 28/2014, amending the VAT Act, the Law amending the tax aspects of the Economic System for the Canary Islands, the Excise Duties Act and Law 16/2013. The main aspects are described in Note 21.

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

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

5. INTANGIBLE ASSETS

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

2014

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

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

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

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

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

2013

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

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

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

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

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

- › SL ATR 2.0, in the amount of 10,095 thousand euros.
- › 2014 commercial systems in the amount of 1,599 thousand euros.
- › Adaptation to the Long-term CAM/CM European legislation in the amount of 503 thousand euros.
- › Maintenance Management System 2.0, for 463 thousand euros.
- › Measurement Systems in the amount of 569 thousand euros.
- › ATR management systems in the amount of 760 thousand euros.
- › Transmission portal in the amount of 170 thousand euros
- › Software to enhance the Transportation and Production Systems and underground storage facilities in the amount of 241 thousand euros.
- › Software to develop IT and Data Centre infrastructure in the amount of 1,060 thousand euros.
- › Competition Centre Software in the amount of 445 thousand euros.
- › Corporate Post Platform Development Software in the amount of 770 thousand euros.
- › Security Master Plan in the amount of 551 thousand euros.
- › SAP/BPC migration in the amount of 361 thousand euros.
- › European information and communications platform systems in the amount of 350 thousand euros.
- › Certification of new SAP components in the amount of 259 thousand euros.
- › IT infrastructure software in the amount of 258 thousand euros.
- › Supplier management 2014-2015 in the amount of 206 thousand euros.

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

2014

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

2013

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

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

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

6. PROPERTY, PLANT AND EQUIPMENT

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

2014

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

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

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

Carrying amount	Saldo inicial ^(*)	Altas o Dotaciones	Aumentos o disminuciones por traspasos	Salidas, bajas o reducciones	Saldo final
Land and buildings	135,243	1,423	(47,211)	(531)	88,924
Plant and machinery	5,103,120	(273,252)	86,921	(17,614)	4,899,175
Other installations, tooling and furnishings	23,924	(2,452)	-	(33)	21,439
Prepayments and work in progress	579,677	75,030	(86,921)	(9,155)	558,631
Government grants	(248,580)	16,690	-	569	(231,321)
Total Property, plant and equipment	5,593,384	(182,561)	(47,211)	(26,764)	5,336,848

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

2013

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2014

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

2013

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

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

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

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

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

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

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

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

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

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

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

Grants related to assets charged to the income statement in 2015 amount to approximately 13.609 thousand euros. The detail of the temporary allocation of the outstanding balance at 31 December 2014 is:

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

Regasification plant – Port of Musel

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

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

In accordance with the provisions of article 57.1 of Law 30/1992 of 26 November, on the Legal System for Public Administrations and the Common Administrative Procedure, actions taken by Public Administrations subject to Administrative Law are presumed to be valid and are effective as from the date on which they are issued. Since no competent administrative or jurisdictional body had decided to suspend the execution of the challenged action, there are no legal reasons to understand that the Resolution of the Directorate General of Energy and Mining Policy of 29 December 2008, granting Enagás prior administrative authorisation to build a plant to receive, store and regasify liquefied natural gas at the Port of Musel has ceased to be valid. To the contrary, it continues to be fully valid and effective especially considering that the filing of the appeal for reversal against the ruling issued by the Madrid High Court of Justice is incompatible with a final ruling, in accordance with Article 91.1 of Law 29/1998 of 13 July, on Administrative Appeal Jurisdiction.

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

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

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

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

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

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

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

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

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

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

7. INVESTMENT PROPERTIES

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

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

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

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

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

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

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

As is indicated in Note 3.e, the land has been measured using the cost model. However, as indicated above, the Company's directors do not currently have a determined use for the land and therefore its recoverable value is calculated at its fair value less the necessary selling costs.

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

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

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

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

The Company insures its assets so no significant losses occur, on the basis of best market practice and according to the nature and characteristics of the investment properties.

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

8. FINANCIAL ASSETS

8.1 Composition and breakdown

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

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

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

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

Investments carried under the equity method

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

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

2014

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

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

2013

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

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

Loans

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

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

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

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

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

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

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

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

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

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

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

- The concession for the Castor underground storage facility granted by Royal Decree-Law 855/2008 of 16 May, was cancelled.
- The facilities associated with that concession have been put into hibernation and no injecting or extraction of natural gas is taking place with respect to the subterranean geological structures that form part of the underground storage.

- › Enagás Transporte, S.A.U. was assigned the administration of those facilities for the sole purpose of performing the operations that are necessary during that hibernation to maintain and operate them with the priority objective of guaranteeing the security of the facility for people, assets and the environment and ensure compliance with applicable legislation.
- › The cost of maintaining and operating the facility will be paid by Enagás Transporte, S.A.U. charged against revenue from tolls and fees from the gas system.
- › The Royal Decree-Law recognises the value of the investment made by the holder of the terminated concession, which amounts to 1,350,729 thousand euros, and requires Enagás Transporte, S.A.U. to pay this amount to the holder of the terminated concession.
- › As a result of the payment obligation assumed, Enagás Transporte, S.A.U. will hold the right to collect from the gas system the amount paid to the holder of the terminated concession plus the financial remuneration that the Royal Decree-Law expressly recognises, charged against the monthly invoicing for gas system access tolls and fees for 30 years.
- › The Royal Decree-Law contains the provisions necessary to ensure the full effectiveness of this collection right and indicated that this collection right will be freely available to Enagás Transporte, S.A.U. or its subsequent holders and, therefore, may be fully or partially assigned, transferred, discounted, pledged or used as collateral in favour of third parties, including asset securitisation funds or other Spanish or foreign special purpose vehicles or entities. The assignment of the collection right will be effective vis-à-vis the gas system, which will make the related payments to the new holder.

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

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

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

8.2 Impairment losses

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

9 INVENTORIES

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

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

10 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

"Deferred tax assets" at 31 December 2014 basically include VAT receivable by the Group, as VAT borne is higher than VAT accrued, partly because Enagás Transporte, S.A. acts as a tax warehouse.

This heading also includes corporation tax refundable (see Note 21).

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

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

11 CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

12 EQUITY

12.1 Share capital

The share capital of Enagás S.A. amounted to 358,101 thousand euros at year-end 2014 and 2013, and was represented by 238,734,260 shares, each with a par value of 1.5 euros, all of the same class. The shares have been fully subscribed and paid and are admitted for trading on the Spanish Stock Exchange, including the Spanish computerised trading system (the continuous market).

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

It should be noted that after the publication of Additional Provision Thirteen of Law 34/1998 on the Oil and Gas Industry, in force since the Oil and Gas Act (Law 12/2011) was enacted on 27 May, it is stipulated that "no individual or company may directly or indirectly hold more than 5% of Enagás, S.A.'s shares or exercise more than 3% of the voting rights at this parent. Such shares may not be syndicated for any purpose". Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in said parent company of over 1%. These restrictions do not apply to direct or indirect shareholdings held by public-sector enterprises. Such equity interests may not be syndicated for any purpose".

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

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

Among the most significant changes in the shareholder composition in 2014, it must be highlighted that Kutxabank, S.A. ceased to hold a significant interest in Enagás from 16 June 2014:

- › On 10 March 2014, Kutxabank, S.A. reported to the CNMV the sale of 0.020% of the share capital of Enagás, and its stake fell from 5% to 4.98%.
- › Kutxabank, S.A. then reported to the CNMV the sale of 4.962% of the share capital of Enagás on 16 June 2004, and ceased to be a significant shareholder in Enagás at that time.
- › Kutxabank, S.A. maintains a 0.018% stake in the share capital of Enagás

The Enagás Group has no treasury shares.

12.2 Reserves

LEGAL RESERVE

Under the Spanish Limited Liability Companies Law, an amount equal to 10% of the profit for the year must be earmarked for the legal reserve until such reserve represents at least 20% of share capital.

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

At the end of 2014 and 2013 this reserve was fully funded in the amount of 71,620 thousand euros (included under the heading "Reserves" in the accompanying consolidated balance sheet), as it had reached the percentage required by the Spanish Limited Liability Companies Law with the proposed distribution of 2003 profits.

12.3 Profit distribution proposal from the parent company

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

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

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

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

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

The aforementioned interim dividend was paid on 19 December 2014.

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

12.4 Total dividends paid

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

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

12.5 Adjustments due to changes in value

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

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

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

HEDGING TRANSACTIONS

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

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

2014

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

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

2013

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

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

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

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

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

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

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

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

12.6 Non-controlling interests

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

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

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

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

13. EARNINGS PER SHARE

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

Accordingly:

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

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

14. PROVISIONS AND CONTINGENT LIABILITIES

14.1 Provisions

The directors consider that the provisions recorded in the accompanying consolidated balance sheet adequately cover the Group's exposure to the lawsuits, arbitration and other proceedings described in this Note, and therefore do not expect these proceedings to give rise to additional liabilities. Given the nature of the risks covered by these provisions, it is not possible to make a reasonable estimate as to the timing of any payments which may arise.

The discounting of provisions is recognised with a charge to "Finance costs" in the accompanying consolidated income statement.

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

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

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

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

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

14.2 Contingent liabilities

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

- › Litigation between the company Enagás Transporte, S.A.U. and Gas Natural Fenosa Comercializadora, S.A. due to the denial of the request to reduce the contracted capacity at network facilities. Enagás Transporte, S.A.U. has obtained a favourable decision from the CNMC that declares the negative feasibility response to be valid. This decision is being challenged at court by Gas Natural Comercializadora, S.A. The maximum amount of the claim totals 4,743 thousand euros..
- › Imbalance of Natural Gas caused by the failure to comply with the Winter Plan. Enagás GTS, S.A.U. maintains an appeal in progress totalling 226 thousand euros.

15. FINANCIAL LIABILITIES

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

Classes	Non-current financial instruments							
	Bank borrowings and finance leases		Bonds and other marketable securities		Derivatives and other financial liabilities		Total	
Categories	2014	2013 ^(*)	2014	2013 ^(*)	2014	2013 ^(*)	2014	2013 ^(*)
Non-current financial liabilities	1,621,347	1,651,643	2,040,968	1,829,824	21,748	22,138	3,684,063	3,503,605
Trade payables ^(**)	-	-	-	-	216	332	216	332
Derivatives (Note 18)	-	-	-	-	50,812	22,414	50,812	22,414
Total	1,621,347	1,651,643	2,040,968	1,829,824	72,776	44,884	3,735,091	3,526,351

Classes	Current financial instruments							
	Bank borrowings and finance leases		Bonds and other marketable securities		Derivatives and other financial liabilities		Total	
Categories	2014	2013 ^(*)	2014	2013 ^(*)	2014	2013 ^(*)	2014	2013 ^(*)
Current financial liabilities	116,216	158,132	813,888	318,448	2,462	866	932,566	477,446
Trade payables ^(**)	-	-	-	-	235,808	247,132	235,808	247,132
Derivatives (Note 18)	-	-	-	-	10,675	5,415	10,675	5,415
Total	116,216	158,132	813,888	318,448	248,945	253,413	1,179,049	729,993

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

(**) The heading Current trade payables include amounts payable to the tax authorities.

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

2014

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

2013 (*)

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

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

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

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

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

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

Thousands of euros				
Change in interest rates				
	2014		2013	
	0.25%	-0.25%	0.25%	-0.25%
Change in fair value of borrowings	10,100	(10,100)	32,400	(32,700)

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

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

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

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

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

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

Bank borrowings

Movements in this heading in 2014 were as follows:

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

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

Financing highlights in 2014 include:

› In January 2014, the Assembly of bondholders approved the "Consent Request" to eliminate the guarantee provided by Enagás Transporte, S.A.U. for the bond issue maturing in 2017. In February 2014, authorisation from Instituto de Crédito Oficial (hereinafter ICO) was obtained to assign the debt held by Enagás Transporte, S.A.U. to Enagás, S.A. for a total amount of 745 million euros.

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

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

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

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

Bonds and other marketable securities

Movements in this heading in 2014 were as follows:

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

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

Financing highlights in 2014 include:

- On 27 March 2014, the company Enagás Financiaciones, S.A.U. issued 8-year bonds in the amount of 750 million euros with an annual coupon of 2.50%, secured by Enagás, S.A. The pay-out date was 11 April 2014.
- On 13 May 2014, the company Enagás Financiaciones, S.A.U. renewed the Euro Medium Term Note (EMTN) program in the amount of 4,000 million euros and registered with the Luxembourg Stock Market in 2012, for which the company Enagás, S.A. was the guarantor.
- On 13 May 2014, Enagás, S.A. renewed a Euro Commercial Paper (ECP) programme for up to 1,000 million euros, which was listed on the Irish Stock Exchange in 2011. Banco Santander is the programme arranger and will act as dealer along with another nine designated dealer banks. At 31 December 2014, the amount drawn down from the program totalled 230,000 thousand euros (281,500 thousand euros at 31 December 2013), and there were additions in 2014 for a nominal amount of 977,000 thousand euros and re-payments totalling 1,028,500 thousand euros.

Other financial liabilities

The heading "Other" mainly includes:

- The heading Debits and other payables, in the account Derivatives and other, includes the loan from the General Energy Secretariat, which forms part of the aid envisaged in the National Energy Programme granted by the Ministry of Industry, Tourism and Trade within the framework of the National Plan for Scientific Research, and Development and Technological Innovation (2004-2007). This loan is associated with the "Project for the electricity generation system at the Almendralejo compressor station" being carried out by Enagás Transporte, S.A.U. The total amount of the loan granted is 3,265 thousand euros, of which 466 thousand euros was repaid in both 2014 and 2013. At 31 December 2014, 765 thousand euros was classified as non-current and 466 thousand euros was recognised under current items.
- This heading also includes the loan from the General Energy Secretariat, which forms part of the aid envisaged in the National Energy Programme granted by the Ministry of Industry, Tourism and Trade within the framework of the aforementioned plan. This loan is associated with the "Project for design and development of a high pressure gas meter calibration facility" being carried out by Enagás Transporte, S.A.U. The total amount of the loan granted was 1,100 thousand euros. At 31 December 2014, the outstanding amount totalled 455 thousand euros, of which 327 thousand euros is recognised as non-current and 128 thousand euros is recorded under current items.

- This heading also includes another loan from the General Energy Secretariat as part of the aid envisaged in the aforementioned plan by the Ministry of Industry, Tourism and Trade. This loan is associated with the "Project for the Huelva power generation plant" being carried out by Enagás Transporte, S.A.U. The total amount of the loan granted was 3,598 thousand euros. At 31 December 2014, the outstanding amount totalled €3,227 thousand, of which €2,731 thousand is recognised as non-current and €496 thousand is recorded under current items. These loans are repayable in 10 years, with a three-year grace period, and at a cost of 0.25%: the cost of the guarantees provided.

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

16. OTHER NON-CURRENT LIABILITIES

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

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

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

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

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

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

17. RISK AND CAPITAL MANAGEMENT POLICY

17.1 Qualitative information

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

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

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

Among the most relevant tasks the following are notable:

- › The business units and/or corporate areas, as owners of the risk, are responsible for managing the risks inherent to their activity through the establishment of action plans and adequate control measures. They are also responsible for identifying and evaluating risks, as well as for defining maximum risk thresholds in accordance with the objectives set by the company and the strategic plan.
- › The corporate risk unit develops the specific policies and rules for risk management, defines the Company's strategy in this area and performs an aggregate measurement of the Group's risk position.
- › The Sustainability Committee drives the implementation of the risk management system and proposes actions in response to breaches of internal regulations and/or conflicts arising in connection with risk management.

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

Credit risk

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

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

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

Interest rate risk:

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

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

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

Exchange rate risk

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

Liquidity risk

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

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

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

17.2 Quantitative information

a) Interest rate risk:

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

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

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

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

b) Exchange rate risk

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

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

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

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

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

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

17.3 Capital management

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

The Enagás Group considers the level of consolidated leveraging, which is defined as the quotient resulting from dividing net consolidated assets (understood to be the sum of net financial debt and consolidated equity) by net consolidated financial debt, to be the financial position monitoring indicator.

Financial leveraging at 31 December 2014 and 2013 is as follows:

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

(*) The value of the obligations is included at amortised cost

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

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

2014

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

2013 (*)

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

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

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

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

(**) In this change the accrued unpaid interest and other fees is recorded for these derivative financial instruments.

Cash flow hedges

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

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

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

Fair value hedges

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

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

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

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

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

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

Hedges of a net investment in a foreign operation

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

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

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

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

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

19. TRADE AND OTHER PAYABLES

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

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

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

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

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

As a result of the passing of Law 15/2010, laying down measures to combat late payment in commercial transactions, the Enagás Group amended contract conditions in relation to payment terms within their business operations to bring them into line with the new law.

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

	Payments made and payments outstanding at year-end			
	2014		2013 ^(*)	
	Amount	%	Amount	%
Paid within the legal term	393,483	99%	372,483	88%
Other	3,866	1%	48,517	12%
Total payments in the year	397,349	100%	421,000	100%
Weighted average payment days	33		31	
Late payments which at year end were outstanding by more than the legal limit	5,284		8,249	

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

The figures shown in the table above regarding supplier payments refer to payments of a commercial nature owed to suppliers of goods and services so that they include data relating to the items comprising "Trade and other payables" within current liabilities in the consolidated balance sheet.

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

With respect to the heading "Payments outstanding by more than the legally-stipulated term at year end", totalling 5,284 thousand euros (8,249 thousand euros at year-end 2013), note that a sum of 1,428 thousand euros (1,034 thousand euros at year-end 2013) is due to payments blocked by the Group on the basis that the related supplier had failed to meet one or more of their contractual obligations or relating to performance withholdings not due or sums withheld for legal purposes.

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

20. DEFINED CONTRIBUTION PLANS

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

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

21. TAX MATTERS

21.1 Tax return

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

21.2 Tax receivables and payables

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

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

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

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

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

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

21.3 Reconciliation of accounting profit to taxable profit

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

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

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

(**) The main items in the account "Consolidation adjustments" relate to the elimination of the dividends received by Enagás Internacional and Enagás Transporte distributed to companies that do not form part of the consolidated tax group.

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

21.4 Income tax recognised in equity

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

2014

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

2013

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

21.5 Reconciliation of accounting profit to the corporation tax expense

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

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

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

21.6 Breakdown of the corporation tax expense

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

2014

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

2013 (*)

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

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

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

21.7 Deferred tax assets and liabilities

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

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

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

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

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

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

Article 7 of Law 16/2012 of 27 December 2012, adopting several fiscal measures designed to consolidate the State finances and boost economic activity, introduced the limitation on tax deductible depreciation with regard to corporation tax. This limitation means that companies that do not comply with the requirements established in sections 1, 2 or 3 of article 108 of the Consolidated Corporation Tax Law can deduct the book depreciation/amortisation of property, plant and equipment, intangible assets and investment properties in the tax periods that commence in 2013 and 2014 up to a limit of 70% of that which would have been taxdeductible if that percentage had not been applicable, in accordance with sections 1 and 4 of article 11 of that Law. However, the book depreciation/amortisation that is not taxdeductible may be deducted on a straight-line basis over 10 years or over the useful life of the asset concerned, starting in the first tax period that commences in 2015. Based on this legislation, the deferred tax created in this respect in 2014 totalled 24,905 thousand euros, equivalent to 83,018 thousand euros in the tax base (in 2013 the deferred tax created totalled 26,499 thousand euros, equivalent to 88,330 thousand euros in the tax base).

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

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

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

However, on 31 March 2012, Royal Decree-Law 12/2012 of 30 March was published and it eliminated the accelerated depreciation tax incentive for investments made after the publication of this Royal Decree. In any event, the amounts pending application with respect to the investments made up until 31 March 2012 may benefit from this incentive, up to a limit of 40% of the tax base for those relating to the period 2009-2010, and of 20% for those relating to the period 20011-2012.

Based on the above, in the settlement of corporation tax for 2013, the Enagás Group applied that tax incentive and made a negative adjustment to the tax base totalling 6,163 thousand euros,

which gave rise to a deferred tax liability totalling €1,849 thousand euros. In 2014, deferred tax was applied in this respect totalling 16,643 thousand euros, through the relevant positive adjustment to the tax base totalling 55,478 thousand euros.

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

The Company also proceeded to recognise the items covered by Transitional Provision Thirty-Seven of Law 27/2004 on Corporate income tax under "Outstanding deductions and other items". This transitional provision establishes that taxpayers that are subject to the tax rate set in article 29.1 of this Law and that were subject to the depreciation/amortisation limitation established in article 7 of Law 16/2012 of 27 December, establishing several tax measures to consolidate public finances and to encourage economic activity, will be entitled to a deduction to tax payable in the tax period commencing in 2015, consisting of 2% of the amounts making up the tax base for that tax period, and of 5% in the tax period commencing in 2016 and successive years as a result of the depreciation/amortisation not applied in the tax periods 2013 and 2014.

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

21.8 Years open for inspection and tax audits

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

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

The directors consider that all applicable taxes have been duly paid so that even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the treatment applied, the resulting potential tax liabilities, if any, would not have a material impact on the accompanying consolidated financial statements

21.9 Tax Reform

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

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

These laws will enter into force on 1 January 2015.

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

- › The progressive decline in the tax rate from 28% in 2015 to 25% in 2016 and subsequent years.
- › The Company also proceeded to recognise the items covered by Transitional Provision Thirty-Seven of that law, by virtue of which taxpayers that are subject to the tax rate set out in article 29.1 of this Law, as is the case of Enagás, and which were subject to the depreciation/amortisation limitation established in article 7 of Law 16/2012 of 27 December, establishing several tax measures to consolidate public finances and to encourage economic activity, will be entitled to a 5% deduction of the amounts making up the tax base for that tax period as a result of the depreciation/amortisation not deducted in the tax periods 2013 and 2014. This deduction will be 2% in the tax periods commencing in 2015.

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

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

	Thousands of euros
	2014
Restatement of deferred tax assets	
with an effect on the consolidated income statement	(2,520)
with an effect on consolidated equity	(272)
Total	(2,792)
Restatement of deferred tax liabilities	
with an effect on the consolidated income statement	60,664
with an effect on consolidated equity	1,189
Total	61,853
Total effect on the consolidated income statement	58,144
Total effect on consolidated equity	917

22. REVENUE

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

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

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

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

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

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

23. EXPENSES

An analysis of Group expenses is provided below:

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

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

23.1 Staff costs

The detail of staff costs is as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

23.2 Other operating costs

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

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

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

23.3 Other disclosures

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

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

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

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

(2) Other assurance services related to the audit: Virtually all of this amount corresponds to the work required to review the effectiveness of the internal control over financial reporting systems and other review work performed in connection with the information to be disclosed to the regulatory bodies, mainly the CNMV (securities markets regulator) and the CNMC (energy authority) as well as reviews of corporate transactions completed by the Enagás Group in 2014.

24. NET FINANCIAL LOSS

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

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

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

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

25. BUSINESS AND GEOGRAPHICAL SEGMENTS

25.1 Segmentation criteria

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

25.2 Segments by geographical areas

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

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

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

25.3 Main business segments

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

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

- › Gas transport: Core activity which consists of the movement of gas through the Group's transport network, composed of gas pipelines for the primary (with maximum design pressure equal to or higher than 60 bars) and secondary (with maximum design pressure of between 60 and 16 bars) transport of gas to distribution points, as owner of most of the Spanish gas transport network.
- › Regasification: The gas is transported from producer countries in methane tankers at 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 salt water vaporisers, transforming it into gas. The natural gas is then injected into gas pipelines and transported throughout the Spanish mainland.
- › Storage: The Enagás Group operates the following underground storage facilities: Serrablo, located between the towns of Jaca and Sabiñánigo (Huesca), Gaviota (an off-shore facility) located close to Bermeo (Vizcaya), and Yela (Guadalajara).

b) Technical System Manager activity

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

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

c) Unregulated activities

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

25.4 Bases and methodology for segment reporting

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

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

Segment information is set out below:

INCOME STATEMENT	Thousands of euros									
	infrastructures		Technical system operation		Deregulated activities		Adjustments		Total Group	
	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)
Operating revenue	1,213,737	1,294,155	13,680	13,084	89,261	132,380	(89,497)	(177,760)	1,227,181	1,261,859
Depreciation and amortisation	(295,264)	(305,886)	(7,070)	(4,172)	(15,972)	(17,197)	3,406	(1,712)	(314,900)	(328,967)
Operating profit (loss)	636,598	655,567	(10,818)	(10,203)	(34,349)	7,586	(1,814)	(3,218)	589,617	649,732
Finance revenue	3,086	6,598	202	458	397,121	421,401	(388,322)	(404,281)	12,087	24,176
Finance costs	(90,927)	(110,661)	(208)	(388)	(103,892)	(52,817)	68,661	39,458	(126,366)	(124,408)
Income tax expense (receivable)	(108,245)	(163,351)	3,106	3,042	14,545	2,890	2,967	929	(87,627)	(156,490)
Profit (loss) after tax	438,434	387,766	(7,717)	(7,098)	297,977	380,344	(322,161)	(357,829)	406,533	403,183
BALANCE SHEET	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)	2014	2013 (*)
Total assets	6,742,402	6,373,001	48,530	55,236	3,007,720	4,744,515	(2,086,793)	(4,129,254)	7,711,859	7,043,498
Capital expenditure	113,050	179,811	13,865	13,546	9,662	20,614	-3,583	-6,197	132,994	207,774
Non-current liabilities (**)	538,034	629,298	15	0		18,468		8	537,392	647,774
Deferred tax liabilities	314,319	385,451	-	-	3,607	15,337	75	-	318,001	400,788
Provisions	167,664	166,560	15	0	3,884	3,131	-8,223	8	163,340	169,699
Other non-current liabilities	56,051	77,287	-	-	-	-	-	-	56,051	77,287
Current liabilities (**)	166,309	170,611	43,595	37,167		56,097		(16,743)	235,808	247,132
Trade and other payables	166,309	170,611	43,595	37,167	31,233	56,097	(5,329)	(16,743)	235,808	247,132

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

(**) Does not include financial liabilities

26. ENVIRONMENTAL INFORMATION

The Group's efforts to protect the environment and its biodiversity, to boost energy efficiency, lower 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.

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

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

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

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

In 2014, environmental action totalling 8,573 thousand euros was undertaken, together with investments in balance sheet assets (9,286 thousand euros in 2013). Environmental expenses incurred by the Company in 2014 totalled 2,183 thousand euros (924 thousand euros in 2013) and are recorded under "Other operating costs".

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

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

27. GREENHOUSE GAS EMISSION ALLOWANCES

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

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

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

- ▶ Serrablo, Yela and Gaviota underground storage sites
- ▶ The LNG storage and regasification plants at Barcelona, Cartagena and Huelva.
- ▶ The compressor stations in: Algete, Almendralejo, Almodóvar, Bañeras, Córdoba, Crevillente, Sevilla, Haro, Paterna, Tivissa, Zamora, Zaragoza, Alcázar de San Juan and Lumbier.

In addition, in 2014, the assignment was received for the Villar de Arnedo compressor station.

All of the rights assigned to the company Enagás Transporte, S.A.U., definitively and free-of-charge,

for its facilities total 985,915 rights for the period 2013 to 2020, of which 167,557 are for 2014 and 143,836 relate to 2013.

Within the Group, the rights assigned for 2014 and 2013 were valued at 4.52 euros/right and 6.61 euros/right, respectively, the spot price on the first business day of 2014 and 2013 as per RWE Trading GMBH, which implies an addition for the year of 790 thousand euros and 1,247 thousand euros, respectively.

The Enagás Group consumed 434,761 greenhouse gas emission allowances in 2014 (321,719 in 2013).

In the first quarter of 2014, the Enagás Group submitted its emission reports, verified by the accredited agency (AENOR), to the pertinent regional governments, which validated said emissions.

In 2014, the Enagás Group did not arrange any futures contracts relating to greenhouse gas emission allowances nor are there any contingencies related to provisional penalties or measures under the terms established by Law 1/2005.

28. RELATED PARTY TRANSACTIONS AND BALANCES

28.1 Related party transactions

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

Balances with Group companies that have not been eliminated during the consolidation process relate to:

- › Receivables totalling 4,649 thousand euros at 31 December 2014 (1,738 thousand euros at 31 December 2013) (see Note 10).
- › Payables totalling 1,991 thousand euros at 31 December 2014 (1,021 thousand euros at 31 December 2013) (see Note 19).
- › Loans to Group companies totalling 115,217 thousand euros at 31 December 2014 (17,086 thousand euros at 31 December 2013) (see Note 8).

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

2014

Income and expense	Thousands of euros				Total
	31-12-2014				
	Significant shareholders	Directors and senior management	Group employees, companies or entities	Other related parties	
Expenses:					
Finance costs	-	-	-	1,480	1,480
Services received	-	-	10,098	1,597	11,695
Other operating expenses	-	1,083	-	-	1,083
Total expenses	-	1,083	10,098	3,077	14,258
Income:					
Finance revenue	-	-	2,759	2	2,761
Services rendered	-	-	14,873	-	14,873
Gains on derecognition or disposal of assets	-	-	106	-	106
Total income	-	-	17,738	2	17,740

2013

Income and expense	Thousands of euros				Total
	31-12-2013				
	Significant shareholders	Directors and senior management	Group employees, companies or entities	Other related parties	
Expenses:					
Finance costs	78	-	-	5,538	5,616
Services received	-	-	10,644	2,384	13,028
Other operating expenses	-	-	-	-	-
Total expenses	-	1,046	-	24	1,070
Total Gastos	78	1,046	10,644	7,946	19,714
Income:					
Finance revenue	-	-	1,137	2,069	3,206
Services rendered	-	-	11,468	-	11,468
Total income	-	-	12,605	2,069	14,674

2014

Other transactions	Thousands of euros				Total
	Significant shareholders	Directors and senior management	Group employees, companies or entities	Other related parties	
31-12-2014					
Financing agreements: loans and capital injections (lender)	-	-	115,217	-	115,217
Guarantees and surety provided (Note 31)	-	-	233,903	-	233,903
Guarantees and sureties received	-	-	-	153,078	153,078
Commitments acquired (Note 31)	-	-	54,907	-	54,907
Dividends and other benefits paid	39,785	-	-	-	39,785

2013

Other transactions	Thousands of euros				Total
	Significant shareholders	Directors and senior management	Group employees, companies or entities	Other related parties	
31-12-2013					
Financing agreements: loans and capital injections (lender)	-	-	17,086	-	17,086
Financing agreements: loans and capital injections (borrower)	-	-	-	100,000	100,000
Guarantees and surety provided (Note 31)	-	-	83,997	-	83,997
Guarantees and sureties received	1,017	-	-	11,080	12,097
Dividends and other benefits paid	50,992	-	-	-	50,992

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

Of the transactions indicated in the preceding table, this related party incurred 1,480 thousand euros in financial expenses (including the financial expenses deriving from interest rate hedges) and 153,078 thousand euros in guarantees and surety received.

This bank also carried out the following transactions with the Enagás Group:

- › The Enagás Group maintains financing through a multi-currency club deal that has not been drawn down at 31 December 2014. This related party represents 9.63% of the total banks that have participated in this financing source for this transaction.
- › This related party assumed 50.94% of the financing of the Castor underground storage facility transaction detailed in Note 4.
- › Finally, in the bond issue carried out by Enagás Financiaciones, S.A.U. on 27 March 2014 (see Note 15.1), this related party participated as an active book runner.

During 2013, Banco Sabadell complied with the aforementioned definition of "related party". The Company maintained non-current borrowings from the bank totalling 100,000 thousand euros, which were recorded as bank borrowings in the heading "Non-current liabilities".

29. DIRECTOR AND SENIOR MANAGEMENT COMPENSATION

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

2014

	Salaries	Attendance fees	Other components	Pension plans	Insurance premiums	Termination benefits
Directors	2,016	1,083	145	13	31	-
Senior management	2,241	-	104	52	26	-
Total	4,257	1,083	249	65	57	-

2013

	Salaries	Attendance fees	Other components	Pension plans	Insurance premiums	Termination benefits
Directors	1,888	1,046	77	10	79	-
Senior management	2,231	-	96	50	79	2,122
Total	4,119	1,046	173	60	158	2,122

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

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

Executive Directors and Senior Management form part of the group covered by the mixed group insurance policy for pension commitments. Of the bonus paid in 2014, Executive Directors received 276 thousand euros (297 thousand euros in 2013) and Senior Management received 325 thousand euros (257 thousand euros in 2013).

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

Directors	Thousands of euros	
	2014	2013
Antonio Llardén Carratalá, (Executive Director) ¹	1,737	1,670
Marcelino Oreja Arburúa (Executive Director) ²	552	423
Sociedad Estatal de Participaciones Industriales (Significant-shareholder appointed director)	72	76
Mr. Sultan Hamed Khamis Al Burtamani (Significant-shareholder appointed director)	32	37
Jesús David Álvarez Mezquíriz (Independent Director)	76	72
Dionisio Martínez Martínez (Independent Director) (*)	26	113
José Riva Francos (Independent Director) (*)	21	77
Ramón Pérez Simarro (Independent Director)	76	72
Martí Parellada Sabata (Independent Director)	80	76
Teresa García-Milá Lloveras (Independent Director) (*)	20	76
Miguel Ángel Lasheras Merino (Independent Director) (*)	20	76
Luis Javier Navarro Vigil (Non-executive Director)	76	76
Isabel Sanchez García (Independent Director) (*)	20	72
Jesús Máximo Pedrosa Ortega (Significant-shareholder appointed director)	76	51
Rosa Rodríguez Díaz (Independent Director)	70	44
Ana Palacio Vallelersundi (Independent Director) (**)	60	-
Isabel Tocino Biscarolasaga (Independent Director) (**)	60	-
Antonio Hernández Mancha (Independent Director) (**)	60	-
Luis Valero Artola (Independent Director) (**)	53	-
Gonzalo Solana González (Independent Director) (**)	57	-
Total	3,244	3,011

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

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

1. The remuneration received by the Executive Chairman has been the same since 2008. Any variations were due to measurement of the same payments in kind or to different sums of the same insurance premiums. The increase in the remuneration of the Executive Chairman in 2014 with respect to 2013 was exclusively due to changes in the criteria for measurement of payments in kind introduced by Law 16/2012 of 27 December. Payments in kind were the same in both years. The increase was partially offset by a smaller sum of the same insurance premiums.

In 2014, the Executive Chairman received fixed remuneration of 960 thousand euros and a variable remuneration of 576 thousand euros, as approved by the Board; he also received Board meeting attendance fees of 64 thousand euros (fixed remuneration plus attendance fees), and 137 thousand euros in other remuneration in kind. His combined pay came to 1,737 thousand euros. In addition, he was provided with a life insurance policy, with total premiums in the year of 29 thousand euros, and 10 thousand euros was contributed to his pension scheme. The Group has outsourced its pension commitments with its directors through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death and employment disability. The Executive Chairman is part of the group covered by this policy: of the total premium paid in this regard during the year, 169 thousand euros corresponded to the Executive Chairman.

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

30. OTHER DIRECTOR DISCLOSURES

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

Ownership interests in companies that have the same, similar or complementary corporate purpose that have been reported to the Group by directors at 31 December 2014 and 2013 are as follows:

2014

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

2013

Board member	Company	No. of shares	% shareholding
Luis Javier Navarro Vigil	BP, PLC	712	0.000%
Jesús Máximo Pedrosa Ortega	Iberdrola	3,382	0.000%
Jesús Máximo Pedrosa Ortega ⁴	Iberdrola	7,472	0.000%

3. Through the investment company Asfis of which he is a Joint and Several Director with a 60% stake.

4. Through the investment company Asfis of which he is a Joint and Several Director with a 60% stake.

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

Positions held or duties performed by Group directors at companies whose corporate purpose is the same, similar or complementary disclosed to Enagás, S.A. at 31 December 2014 and 2013, are as follows:

2014

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

2013

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

No activities that are the same, similar or complementary to those of Enagás, S.A. other than those listed above, are carried out by directors, be it for their own account or for the accounts of others.

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

31. COMMITMENTS AND GUARANTEES

At 31 December 2014, the Group had provided guarantees to third parties deriving from its business activities of 61,843 thousand euros (57,538 thousand euros in 2013). It has also extended financial guarantees for a total of 450,000 thousand euros (470,000 thousand euros in 2013) to secure the loans granted by the European Investment Bank.

The Enagás Group guarantees the obligations of Group companies at 31 December 2014 up to a maximum of 233,903 thousand euros (83,997 thousand euros at 31 December 2013) (see Note 28.1).

The Enagás Group maintains firm investment commitments totalling 54,907 thousand euros relating to TAP projects (€16,000 thousand) and to GSP projects (38,907 thousand euros), to be paid during 2015. At 31 December 2013, the Enagás Group did not maintain firm investment commitments.

Finally, the Enagás Group maintains financing that has been granted, but not drawn down, for associates in the approximate amount of 158,927 thousand euros.

Directors estimate that no significant liabilities will arise in addition to those recognised in the accompanying consolidated balance sheet as a result of the transactions described in this note.

32. JOINT VENTURES AND ASSOCIATES

Information on the joint ventures, jointly controlled operations and associates in which the Enagás Group had interests at 31 December 2014 is set out in the table below:

Company	Country	Business	Type of control	Type of business	% of voting rights controlled by the Enagás Group	Thousand euros ⁽²⁾		
						Carrying amount	Dividends received	
Gasoducto Al-Andalus, S.A.	Spain	Gas transport	Joint control	Joint arrangement	66.96%	66.96%	23,744	8,114
Gasoducto de Extremadura, S.A.	Spain	Gas transport	Joint control	Joint arrangement	51.00%	51.00%	9,732	4,490
Bahía de Bizkaia Gas, S.L.	Spain	Storage and re gasification	Joint control	Joint venture	40.00%	40.00%	44,334	8,400
Altamira LNG, C.V. subgroup ⁽⁴⁾	Netherlands (4) /Mexico	Holding company/ Regasification	Joint control	Joint venture	40.00%	40.00%	41,218	5,680
Gasoducto de Morelos, S.A.P.I. de C.V.	Mexico	Gas transport	Joint control	Joint venture	50.00%	50.00%	14,576	-
Morelos EPC, S.A.P.I. de C.V.	Mexico	Engineering and construction	Joint control	Joint venture	50.00%	50.00%	3	-
GNL Quintero, S.A.	Chile	Regasification	Joint control	Joint venture	20.40%	20.40%	136,645	10,597
Terminal de Valparaíso, S.A. ⁽¹⁾	Chile	Holding company	Joint control	Joint venture	51.00%	51.00%	136,386	10,597
Cia. Transporte Gas Canarias, S.A. (Gascan)	Spain	Storage and re gasification	Joint control	Joint venture	41.94%	41.94%	3,535	-
EC Soto La Marina SAPI de CV	Mexico	Natural gas compression	Joint control	Joint venture	50.00%	50.00%	9,150	-
EC Soto La Marina EPC SAPI de CV	Mexico	Engineering and construction	Joint control	Joint venture	50.00%	50.00%	2	-
Transportadora de gas del Perú, S.A.	Peru	Gas transport	Significant influence	Associated	20.00%	20.00%	337,556	8,202
Gasoducto del Sur Peruano, S.A.	Peru	Gas transport	Joint control	Joint venture	25.00%	25.00%	26,577	-
Trans Adriatic Pipeline (TAP) ^(3 and 4)	Switzerland ^(3 y 4)	Gas transport	Significant influence	Associated	16.00%	16.00%	56,443	-
Comparer Mandatorio de Gas del Amazons, S.A.C.	Peru	Operation and maintenance	Joint control	Joint venture	30.00%	30.00%	12,325	-
Tecgas	Canada	Holding company	Joint control	Joint venture	30.00%	30.00%	1	-
EC Soto La Marina EPC SAPI de CV	Mexico	Operation and maintenance	Joint control	Joint venture	50.00%	50.00%	2	-

(1)The company GNL Quintero, S.A. is an investee company of Terminal de Valparaíso S.A. (40%), and in turn Enagás Chile holds 51% of Terminal de Valparaíso S.A. Accordingly, the indirect stake held by Enagás Group in GNL Quintero, S.A. is 20.40%. The dividend is distributed by GNL Investee.

(2) For those companies whose local currency is different than the euro (Note 2.4.f), the carrying amount of the financial investment is shown in historic euros. The euros relating to the dividends received are converted at the exchange rate at the time of the transaction.

(3) This company has three permanent establishments in Greece, Italy and Albania.

(4) Both companies are investees together with other international industrial partners. Its activity consists of the development and operation of infrastructure projects, such as the case of the Altamira re gasification plant already in operation and the TAP trans-Adriatic gas pipeline (declared to be a project of common interest by the European Union).

The main aggregates in the individual financial statements for joint ventures and associates of Grupo Enagás, S.A. at 31 December 2014 are also set out below: individuales de los negocios conjuntos y asociadas del Grupo Enagás, S.A. a 31 de diciembre de 2014:

Balance sheet aggregates

Company	Investee information ⁽¹⁾								
	Assets			Equity		Liabilities			
	Non-current	Current		Other integral profits	Other equity	Non-current		Current	
		Cash and cash equivalents	Other current assets			Financial liabilities	Other liabilities	Financial liabilities	Other liabilities
Gasoducto Al-Andalus, S.A.	44,256	9,155	5,680	-	55,485	-	-	-	3,606
Gasoducto de Extremadura, S.A.	19,167	10,747	3,512	-	31,098	-	-	-	2,328
Bahía de Bizkaia Gas, S.L.	276,272	34,159	11,343	(5,610)	75,041	208,160	23,626	14,732	5,825
Altamira LNG, C.V. subgroup	328,681	13,751	14,359	(749)	135,567	131,800	4,273	26,824	59,076
Gasoducto de Morelos, S.A.P.I. de C.V.	190,027	24,388	15,779	(3,736)	22,892	162,372	-	-	48,666
Morelos EPC, S.A.P.I. de C.V.	606	20,023	8,710	-	9,014	-	-	-	20,325
GNL Quintero, S.A.	811,613	113,889	19,602	-	103,173	756,479	58,248	17,511	9,693
Terminal de Valparaiso, S.A.	286,598	-	86	-	286,402	-	-	-	282
Cia. Transporte Gas Canarias, S.A. (Gascan)	8,555	3	18	-	(2,161)	-	182	6,731	3,824
EC Soto La Marina SAPI de CV	65,683	7,680	15,947	-	6,912	-	618	1	81,779
EC Soto La Marina EPC SAPI de CV	1,883	6,447	7,912	-	(2,738)	-	-	154	18,826
Transportadora de gas del Perú, S.A.	1,176,537	218,560	62,693	1,350	372,476	897,053	100,838	7,004	79,069
Gasoducto del Sur Peruano, S.A.	111,244	8,954	322,623	-	94,850	-	334,108	-	13,863
Trans Adriatic Pipeline, A.G.	321,810	32,870	7,990	30	161,060	-	182,680	-	18,900
Comparer Mandatorily de Gas del Amazons, S.A.C.	2,237	9,434	14,340	-	2,715	-	1,282	-	22,014
Tecgas	-	111,625	-	-	111,625	-	-	-	-
EC Soto La Marina EPC SAPI de CV	-	4	-	-	4	-	-	-	-

(1) The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements.

(2) For those companies whose local currency is not the euro (Note 2.4.f), the balance sheet figures have been converted at the year-end exchange rate.

Income statement aggregates

Company	Thousands of euros							Net
	Investee information ⁽¹⁾							
	Income statement						Other income and expense	
	Revenue	Amortisation	Interest income	Interest expense	IS			
Gasoducto Al-Andalus, S.A.	30,781	(7,380)	18	-	(5,131)	(6,617)		11,671
Gasoducto de Extremadura, S.A.	20,335	(3,303)	28	-	(3,587)	(5,381)		8,092
Bahía de Bizkaia Gas, S.L.	38,972	(7,361)	-	(10,062)	(3,014)	(18,527)		8
Altamira LNG, C.V. subgroup	62,725	-	-	-	-	(47,795)		14,930
Gasoducto de Morelos, S.A.P.I. de C.V.	-	-	-	-	-	(6,021)		(6,021)
Morelos EPC, S.A.P.I. de C.V.	53,867	-	-	-	-	(50,096)		3,771
GNL Quintero, S.A.	154,966	-	-	-	-	(131,597)		23,369
Terminal de Valparaiso, S.A.	20,646	-	-	-	-	-		20,646
Cia. Transporte Gas Canarias, S.A. (Gascan)	-	(5)	-	(503)	248	(311)		(571)
EC Soto La Marina SAPI de CV	-	-	-	-	-	(12,472)		(12,472)
EC Soto La Marina EPC SAPI de CV	35,805	-	-	-	-	(38,189)		(2,384)
Transportadora de gas del Perú, S.A.	404,400	-	-	-	-	(323,920)		80,480
Gasoducto del Sur Peruano, S.A.	-	-	-	-	-	-		-
Trans Adriatic Pipeline, A.G.	-	(363)	-	(381)	3,706	(24,682)		(21,720)
Comparer Mandatorily de Gas del Amazons, S.A.C.	97,449	-	-	-	-	(95,642)		1,807
Tecgas	28,194	-	-	-	-	(3)		28,191
EC Soto La Marina EPC SAPI de CV	-	-	-	-	-	-		-

(1) The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements.

(2) For those companies whose local currency is not the euro (Note 2.4.f), the income statement figures have been converted at the accumulated average exchange rate for the year.

The main aggregates in the individual financial statements for joint ventures and associates of Grupo Enagás, S.A. at 31 December 2013 are also set out below::

Balance sheet aggregates

Company	Investee information ⁽¹⁾									
	Assets			Equity		Liabilities				
	Current			Other integral profits	Other equity	Non-current		Current		
	Non-current	Cash and cash equivalents	Other current assets			Financial liabilities	Other liabilities	Financial liabilities	Other liabilities	
Gasoducto Al-Andalus, S.A.	51,061	2	8,049	-	55,931	-	-	-	-	3,181
Gasoducto de Extremadura, S.A.	22,256	9,037	3,132	-	31,809	-	-	-	-	2,616
Bahía de Bizkaia Gas, S.L.	258,717	35,756	13,046	(310)	96,925	169,123	18,733	7,183	-	15,865
Altamira LNG, C.V. subgroup	300,183	10,108	16,596	(944)	117,724	137,445	10,251	21,421	-	40,990
Gasoducto de Morelos, S.A.P.I. de C.V.	108,559	31,953	12,243	-	24,906	88,531	-	-	-	39,318
Morelos EPC, S.A.P.I. de C.V.	123	1,281	21,997	-	4,346	-	-	-	-	19,055
GNL Quintero, S.A.	782,365	36,950	84,667	(85,569)	118,671	775,434	48,439	32,034	-	14,973
Terminal de Valparaiso, S.A.	269,315	-	9	-	269,314	-	-	-	-	10
Cia. Transporte Gas Canarias, S.A. (Gascan)	8,315	6	3	-	(1,590)	-	182	6,748	-	2,984
EC Soto La Marina SAPI de CV	16,776	627	2,041	-	4,615	-	-	-	-	14,829
EC Soto La Marina EPC SAPI de CV	-	241	14,837	-	(112)	-	-	-	-	15,190

(1) The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements

(2) For those companies whose local currency is not the euro (Note 2.4.f), the balance sheet figures have been converted at the year-end exchange rate

Income statement aggregates

Company	Thousands of euros						
	Investee information ⁽¹⁾						
	Income statement						
	Revenue	Amortisation	Interest income	Interest expense	IS	Other income and expense	Net
Gasoducto Al-Andalus, S.A.	31,088	(7,380)	12	(71)	(5,193)	(6,338)	12,118
Gasoducto de Extremadura, S.A.	21,198	(3,303)	18	-	(3,773)	(5,336)	8,804
Bahía de Bizkaia Gas, S.L.	51,077	(18,004)	47	(8,921)	(3,401)	(12,053)	8,745
Altamira LNG, C.V. subgroup	64,115	(11,729)	90	(592)	(11,844)	(25,841)	14,199
Gasoducto de Morelos, S.A.P.I. de C.V.	-	(2)	-	-	(599)	(633)	(1,234)
Morelos EPC, S.A.P.I. de C.V.	62,736	-	-	(2)	(1,882)	(56,461)	4,391
GNL Quintero, S.A.	152,536	(26,259)	2,092	(46,218)	(14,083)	(30,744)	37,324
Terminal de Valparaiso, S.A.	7,498	-	-	-	-	-	7,498
Cia. Transporte Gas Canarias, S.A. (Gascan)	-	(12)	-	(791)	347	(481)	(937)
EC Soto La Marina SAPI de CV	-	-	10	-	12	(49)	(27)
EC Soto La Marina EPC SAPI de CV	13,242	-	-	(14)	19	(13,366)	(119)

(1) The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements.

(2) For those companies whose local currency is not the euro (Note 2.4.f), the income statement figures have been converted at the accumulated average exchange rate for the year.

At 31 December 2014 and 2013, the reconciliation of the carrying amount of joint ventures against the total value of investments in companies consolidated on an equity basis is as follows:

Financial Year 2014	Initial value of the financial investment	Dividends	Capital and reserves		Measurement adjustments		Total investment in equity consolidated companies
			Profit/(loss) for the year	Reserves	Translation differences	Hedging transactions	
Investments carried under the equity method	682,108	(53,042)	11,160	38,087	63,311	(988)	740,636

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

Financial Year 2013	Initial value of the financial investment	Dividends	Capital and reserves		Measurement adjustments		Total investment in equity consolidated companies
			Profit/(loss) for the year	Reserves	Translation differences	Hedging transactions	
Inversiones contabilizadas por método de participación ^(*)	236,477	(20,164)	14,879	23,208	(12,268)	12,501	254,633

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

On 15 October 2014, the company Terminal de LNG de Altamira, S. de RL de CV received an official notice from the National Water Commission (hereinafter "CONAGUA") imposing a significant administrative fine, compared with the company's revenues, for the failure to measure a component of discharged seawater (DQO: Oxygen Chemical Demand) in 2008 and 2009; and for the alleged environmental contamination of the seawater used in the regasification process.

On 27 November 2014, an appeal was filed against that official notice with the Directorate General for Legal Matters at CONAGUA. Based on the technical design of the terminal, the consideration is that the allegation relating to the environmental contamination of the water during the regasification process is unfounded since in the terminal the water does not enter into contact with LNG, or with any other substance, and therefore no contamination can take place during the regasification process, as has been accredited through the opinion of an independent expert.

Legal advisors consider that in this stage of the procedure there is a high probability of success, which would increase in a subsequent phase if the Company has the possibility of involving the courts and exercising a nullity action before the Federal Tax and Administration Court of Justice since, in addition to being able to present those initial arguments, a judicial body that is independent from CONAGUA would resolve the litigation. As a result, no provision whatsoever has been recorded in this respect at 31 December 2014.

33. EVENTS AFTER THE REPORTING PERIOD

- ▶ On 14 January 2015, Enagás Transporte, S.A.U. concluded an agreement with a fund managed by Deutsche Asset & Wealth Management to acquire 30% of BBG (in which Enagás already holds a 40% stake) and 30% in Saggas. These companies are the owners of the Bilbao and Sagunto regasification plants, respectively. BBG, the Seller, Enagás Transporte, S.A.U. and EVE subsequently concluded a new purchase agreement on 21 January 2015, making the preceding agreement null and void and agreeing that Enagás Transporte, S.A.U. would acquire 10% in BBG, and EVE 20%. Notwithstanding the above, these acquisitions are subject to the relevant approval from the regulatory authorities, which has yet to be resolved at the date on which these consolidated financial statements were prepared.
- ▶ On 6 February 2015, Enagás Financiaciones, S.A.U. issued bonds in the Euromarket in the amount of 600 million euros, secured by Enagás, S.A., as part of its Guaranteed Euro Medium Term Note Programme debt issue programme (EMTN programme), registered with the Luxembourg Financial Sector Oversight Committee (CSSF) on 13 May 2014. This issue matures on 6 February 2025 and has an annual coupon of 1.25% and an issue price of 99.08. Part of the Bonds have been swapped for 282,300 thousand euros of the bonds issued in October 2012 for a total amount of 750,000 thousand euros with a coupon of 4.25% and maturing on 5 October 2017. These latter bonds were also issued by Enagás Financiaciones, S.A.U. and secured by Enagás, S.A.
- ▶ On 28 January 2015, Enagás Transporte, S.A.U. concluded an agreement with Unión Eléctrica de Canarias Generación, S.A.U. and Sociedad para el Desarrollo Económico de Canarias, S.A. to acquire 47.18% and 10.88% of the stake that those shareholders held, respectively, in Gascan. Under this transaction in which Enagás Transporte, S.A.U. would wholly own Gascan, the provisions of Law 17/2013, State Administration, of 29 October would be met to guarantee the supply and increase competition in island and non-mainland electrical systems. Therefore the ownership of the regasification plants that are planned for the Canary Islands must be held by the business group that forms part of the natural gas Technical Management System (Enagás GTS, S.A.U., wholly owned by Enagás, S.A.). The total amount of the transaction, which covers both the price of the shares and the participating loans of those shareholders, totals 8,989 thousand euros.

No events having a material impact on the Group's consolidated financial statements have occurred between 31 December 2014 and the date of authorising the accompanying consolidated financial statements for issue.

34. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDIX I – SUBSIDIARIES OF THE ENAGÁS GROUP AT 31 DECEMBER 2014

Company	Country	Activities	%	% of voting rights controlled by the Enagás Group	Share capital
Enagás Transporte S.A.U.	Spain	Regasification, storage and transport of gas	100	100.00%	532,089,120 euros
Enagás GTS S.A.U.	Spain	Gas Technical System Management	100	100.00%	7,282,864 euros
Enagás Internacional, S.L.U.	Spain	Holding company	100	100.00%	91,903,613 dollars
Enagás Financiaciones, S.A.U.	Spain	Financial management	100	100.00%	90,000 euros
Enagás Altamira, S.L.U.	Spain	Holding company	100	100.00%	8,888,273 dollars
Enagás Transporte del Norte S.L.	Spain	Gas transport	90	90.00%	38,501,045 euros
Enagás Chile, S.P.A.	Chile	Holding company	100	100.00%	23,243,152 dollars
Enagás México, S.A.	Mexico	Holding company	100	100.00%	1,040,696 dollars
Enagás Perú, S.A.C.	Peru	Holding company	100	100.00%	1,040,597 dollars

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

DIRECTORS' REPORT OF THE ENAGÁS GROUP

I.- Group performance in 2014

Net profit rose 0.8% to 406,533 thousand euros compared with last year.

Revenue totalled 1,206,192 thousand euros.

The Enagás Group carries out its business operations primarily in Spain, where it develops and operates virtually all of its assets. In 2014, the Group leveraged its extensive track record developing and operating regasification plants and transmission networks around the world to make a number of international business investments and acquisitions in 2014.

In respect of operations in Spain, throughout 2014 the Group fully maintained its basic natural gas regasification and storage facilities and it increased the natural gas basic transport network, servicing demand at all times.

Total transmitted natural gas demand reached 397 TWh in 2014.

The total activity of the Spanish gas system (conventional, electrical, exports, tanker loads and transit to Portugal) totalled 393 TWh in 2014, 1.4% less than in 2013. This variance is fundamentally explained by the effect of temperatures, which were exceptionally high during the year and due to the decline in natural gas powered cogeneration. Taking into account the differences in temperature, demand would have increased by around 2% compared to 2013.

Demand for natural gas in transit in the system (exports, tanker loading and gas in transit to Portugal) increased by 40% in 2014. Specifically, loading of LNG tankers at regasification plants set a new record of 60TWh, up 89% compared with the previous year.

Investments in 2014 in property, plant and equipment and intangible assets amounted to 625 million euros, of which 147 million euros relate to regulated assets in Spain and 478 million euros relate to international investments.

On 31 December 2013, Order IET/2446/2013, of 27 December, was published in the Spanish Official State Gazette. This Order establishes the tolls and fees for third-party access to gas facilities and the remuneration of the regulated activities, establishing the fixed assets entitled to remuneration at each company in relation to their transport, regasification, storage and distribution activities, as well as the parameters for calculating the related variable remuneration.

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

There are therefore two regulatory periods in 2014. During the first period, the framework based on Law 34/1998 was applicable and was in force between 1 January until 4 July in accordance with Order IET/2446/2013 mentioned above, and during the second regulatory period, the remuneration established in Law 18/2014 was in force between 5 July until 31 December 2014.

Enagás reduced the CO₂ emissions caused by its transport network and subterranean storage facilities by 11% and 29%, compared to 2013. The improvement of the energy efficiency of its

facilities allows the ratio of self-consumption to be improved by 27% compared to the gas loaded on tankers and by 34% with respect to the operating time below the technical minimum at the regasification plants.

The capital and reserves of the Enagás Group stood at 2,218,514 thousand euros at year end, while equity amounted to 2,260,316 thousand euros.

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

At 31 December 2014, 81% of net debt was fixed-rate, while the average time to maturity of the debt at 31 December 2014 was 5.3 years.

In 2014, the Group continued to expand and enhance its regasification, transport and storage facilities to bring them into line with demand forecasts.

In this respect, the following significant actions carried out were:

- › Martorell – Figueres gas pipeline
- › Gaviota drilling tower and wells
- › Revamping of the dock at the Barcelona Plant.
- › Power generation at the Barcelona plant.
- › Third storage tank in the Bilbao plant.
- › Expansion of position D-16 at the Llanera plant, plus a regulating valve.
- › Regulating and metering stations at various points of the basic grid
- › Expansion work at various points of the basic grid
- › Expansion of the Llanera-Otero gas pipeline connection.
- › Cushion gas for the Yela storage facility.

Overall, at the end of December 2014, the Enagás Group's gas infrastructure comprising the basic natural gas network consisted of the following:

- › Almost 10,314 kilometres of gas pipelines throughout Spain.
- › Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara) and Gaviota (Vizcaya).
- › Four regasification plants in Cartagena, Huelva, Barcelona and Gijón.
- › The Group additionally owns 40% of the BBG regasification plant (Bilbao), 40% of the Altamira regasification plant (Mexico) and 20.4% of the Bahía de Quintero regasification plant (Chile)
- › Since March 2014, the Enagás Group owns 20% of the company Transportadora de gas del Perú, whose assets make up the Natural Gas Transportation Pipeline System between Camisea and Lurín and the Liquefied Natural Gas Transport pipeline between Camisea and Costa.

It should also be indicated that the Enagás Group also holds a 30% stake in COGA, the company responsible for operating and maintaining the gas transport infrastructure in Peru.

The following two events that took place in 2014 should be noted with respect to the development of new international projects:

- › On 30 June 2014, the consortium formed by the Enagás Group and Odebrecht was the successful bidder for the South Peru Pipeline project which was put out to tender by the Government of Peru and Enagás holds 25% of the total project.
- › In September 2014, the company acquired 16% of the shares in the Trans Adriatic Pipeline (TAP) project.

II.- Main business risks

The Enagás Group is exposed to various risks intrinsic to the sector, the market in which it operates and the activities it performs, which could prevent it from achieving its objectives and executing its strategies successfully.

The main risks associated with the Group's business activities are classified as follows:

1. Strategic and Business Risk

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

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

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

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

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

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

2. Operational risk

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

Each year, the Enagás Group identifies the control and management activities that allow it to adequately and appropriately respond to these risks. The control activities that have been defined include our personnel training and capacities, the application of certain internal policies and procedures, maintenance plans and the definition of quality indicators, the establishment of limits and authorizations, and quality, prevention and environmental certificates, etc., that allow the likelihood of the occurrence of these risk events to be minimized.

To mitigate the negative economic impact that the materialization of some of these risks could have on the Enagás Group, a series of insurance policies have been obtained.

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

3. Credit and counterparty risk

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

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

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

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

The pertinent counterparty risk management information is disclosed in Note 17 to the consolidated financial statements.

4. Financial risk

The Enagás Group is subject to the risks deriving from the volatility of interest and exchange rates, as well as movements in other financial variables that could affect the Company's liquidity.

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

Exchange rate risks relate to debt transactions denominated in foreign currency, income and expenses relating to companies whose functional currency is not the euro and the effect of converting the financial statements of those companies whose currency is not the euro during the consolidation process. Exchange rate risk management at the Enagás Group pursues a balance between the flows relating to assets and liabilities denominated in a foreign currency at each of the companies. The possibility of obtaining exchange-rate hedges to cover the volatility affecting the collection of dividends is also analyzed at each opportunity for international expansion.

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

The financial risk management policy is detailed in Note 17 to the consolidated financial statements.

5. Criminal liability risk

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

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

6. Reputational risk

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

The Group has implemented a reputational risk self-assessment procedure which uses qualitative measurement techniques. This process contemplates the potential reputational impact that materialisation of any of the risks listed in the model (operational, business, financial and counterparty risk) could have, or as a result of strictly reputational events arising from the action, interest or opinion of a third party.

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

III.- Use of financial instruments

In February 2008, Enagás Group Board of Directors approved an interest rate hedging policy devised to align the Group's financial cost with the target rate structure set under its Strategic Plan.

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

IV.- Outlook

The natural gas market is mature. The Spanish gas sector is dependent on the stream of regulations emanating from the European Union. The Enagás Group, which generates most of its revenue from the regulated business in Spain, is committed to Europe's new energy policy objectives. To this end, it is working intensively to help make sure that these regulatory developments prove as effective as possible, factoring in the characteristics of the internal market, and that they are properly integrated into the Spanish framework.

Net profit is expected to increase by 0.5% compared with 2014.

The Enagás Group is considering making investments in 2015 of 430 million euros, 50% of which is intended to go towards new international acquisitions and 50% towards regulated assets in Spain.

V.- Research and development

The technological innovation initiatives carried out by the Group in 2014 comprised assessing, developing and testing new gas technologies with the aim of increasing and improving the competitiveness of natural gas in various applications, focusing particularly on projects of strategic value for the Group.

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

a) Production (LNG). The uncertainty associated with the energy balance at plants has been determined in a minimal technical situation, together with its effect on the shrinkage ratio. Further knowledge has been gained regarding the energy flows involved with loading tankers and their influence on measurement differences. The Group also participated in the new revision of the "LNG Custody Transfer Handbook". The Group has also implemented the "LNG Tanker Quality" application at Enagás plants to automatically determine the average quality of the LNG transferred. It has also continued with the marketing of the MOLAS2012 software and a comparison has been performed of the chromatographs of the Plants with LCE in the loading/discharging of tankers, tanks and transfer to the network.

b) Transport. The Group collaborated with a European project to adopt a common position with respect to the quantitative evaluation of gas leaks in gas transport facilities and studies have been performed at the European level of the development of Power to Gas technology, evaluating operating and financial repercussions that could result from the injection of moderate amounts of hydrogen into the natural gas network. A Spanish project also commenced to design natural gas production plants based on hydrogen produced through electrolytes using the excess from renewable energies and the CO2 content of biogas.

c) Storage. The impact of the new dew point and hydrocarbon limits that are established by the new European legislation on AASS and measurement equipment.

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

e) Safety. Work proceeded on various projects and studies related to the analysis of risks involving gas pipelines and Enagás facilities. As an example, the Safety and Quantitative Risk Analysis of the AASS in Serrablo, and that for all of the EECC and the pipelines and positions in Castilla la Mancha. A method for analysing risks relating to parallel pipelines was developed and participation in the development of important international databases continued.

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

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

h) Other matters. Concluding of an agreement with the Spanish Metrology Centre for the recognition of the Zaragoza LACAP as a Collaborating Laboratory. The Group has also collaborated with different regulatory preparation groups relating to gas and biomethane quality, in accordance with the M400 and M475 mandates of the European Union, and the measurement of natural gas.

VI.- Transactions with treasury shares

The Group did not buy or sell treasury shares in 2014.

VII.- Additional information

This additional disclosure is included to comply with article 116 bis of Spain's Securities Market Act 24/1988, of 28 July).

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

Capital structure of the parent company:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
03-05-02	358,101,390.00	238,734,260	238,734,260

All the shares are of the same class.

b) Restrictions on the transfer of securities.

There are no restrictions on the transfer of securities.

c) Significant direct and indirect shareholdings

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

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

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

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

(**) Through:

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

Significant shareholdings of directors holding voting shares in the company:

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

(*) Through:

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

d) Any restrictions on voting rights

Additional Provision 31 of the Oil and Gas Act 34/1998, of 7 October, in force since the enactment of Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that:

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

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

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

- a) Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that governing body.
- b) Partners and those with which one of them exercises control over a dominant company in accordance with article 4 of Securities Market Act 24/1988, of 28 July.

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

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

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

That same **Additional Provision Thirty One, section 3**, states that:

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

Meanwhile, **article 6 bis of the Company’s Articles of Association** (“Limitations to ownership of share capital”), establishes that:

“No individual or body corporate may hold a direct or indirect interest in the shareholder structure of the company responsible for technical system management of more than 5% of the share capital, nor exercise voting rights in such company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly possess equity holdings in the latter of more than 5%, may not exercise voting rights in Enagás, S.A. in excess of 1%. These

restrictions do not apply to direct or indirect interests held by public-sector enterprises. Under no circumstances may share capital be syndicated.

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

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

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

e) Agreements between shareholders

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

f) The rules governing the appointment and replacement of board members and the amendment of the articles of association

Bylaw provisions affecting the appointment and replacement of board members:

Article 35.– Composition of the Board.

The Company shall be governed and managed by the Board of Directors, which shall represent the Company collegiately, both in and out of court. Its representation shall extend, without any limitation of power, to all acts embodied in the corporate purpose.

The Board of Directors shall be composed of a minimum of 6 members and a maximum of 15, appointed by the General Meeting.

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

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

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

The following cannot be Directors or, if applicable, natural-person representatives of a body-corporate director:

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

Article 37.- Posts.

The Board of Directors shall appoint its Chairman.

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

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

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

Regulations governing the organisation and functioning of the Board of Directors**Article 3.- Quantitative and qualitative composition.**

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

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

- a) Internal or Executive Directors: directors who perform senior management functions or are employed by the company or its Group. If a director performs senior management functions and, at the same time, is or represents a significant shareholder or one that is represented on the Board of Directors, he/she shall be considered internal or executive for purposes of the present Regulations.

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

- b) Non-executive directors: These directors shall in turn fall into three categories:

b1) Significant-Shareholder Appointed Directors: directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than

said amount, as well as those who represent said shareholders.

b2) Independent Directors: directors of acknowledged professional prestige who are able to contribute their experience and knowledge to corporate governance and who, since they do not belong to either of the two preceding categories, meet the conditions set forth under article 9 of the present Regulations. The number of independent directors shall represent at least one third of all directors.

b3) Other Non-executive Directors: Non-executive Directors who are not Significant-Shareholder Appointed Directors and cannot be classified as Independent Directors in accordance with article 9 of these Regulations.

In exercising its powers of co-option and proposal to the General Shareholders' Meeting to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, Independent Directors represent a broad majority over Executive Directors and that among Non-executive Directors, the relationship between Significant-Shareholder Appointed Directors and Independent Directors should match the proportion between the capital represented on the board by Significant-Shareholder Appointed Directors and the remainder of the Company's capital.

The following cannot be directors or, if applicable, natural-person representatives of a body-corporate director:

- a) Natural persons or bodies corporate who hold the post of director in more than 5 (five) companies whose shares are admitted to trading on national or foreign markets.
- b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group.
- c) Directorships may not be exercised by natural persons or bodies-corporate that exercise control or rights in a company carrying out functions of production or sale of natural gas, or by any other natural persons or bodies-corporate the presence of whom or which on the Board, pursuant to the legislation applicable to the Oil and Gas sector, may affect the Company's status as technical transmission operator.

Article 8.- Appointment of Directors.

1.- Directors shall be appointed by the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions of the Spanish Limited Liability Companies Law and the Company's Articles of Association.

2.- Candidates must be persons who, in addition to satisfying the legal and statutory requirements of the post, have acknowledged prestige and appropriate professional knowledge and experience to perform their tasks.

Proposals for the appointment of Directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a report from the Appointments, Remuneration and Corporate Responsibility Committee. When the Board of Directors does not agree with the Committee's recommendations, it must explain its reasons and duly record them in the minutes.

3.- Selection procedures must be free of any implied bias against female candidates. The Company shall make an effort to include women with the target profile among the candidates for Board positions.

Article 9.- Appointment of Independent Directors

Independent Directors are defined as directors appointed for their personal and professional qualities who are in a position to perform their duties without being influenced by any connection with the Company, its significant shareholders or its management. As such, under no circumstances may the following be classified as Independent Directors:

- a) Past employees or Executive Directors of Group companies, unless three or five years have elapsed, respectively, from the end of the employment relationship.
- b) Those who have received some payment or other form of compensation from the Company or its Group on top of their directors' fees, unless the amount involved is not significant. Payment shall not include for the purposes of the provisions of this article, dividends or pension top-ups paid to the director in connection with his or her former professional or employment relationship, so long as their settlement is unconditional in nature and the Company paying them cannot arbitrarily choose to suspend, modify or revoke their payment, unless the director is in breach of his or her obligations.
- c) Partners, now or in the past three years, in the external auditor or the firm responsible for the audit report, during the said period, of Enagás, S.A. or any other within its Group.
- d) Executive directors or senior officers of another company where an executive director or senior officer of Enagás, S.A. is an external director.
- e) Those having material business dealings with Enagás, S.A. or some other in its Group or who have had such dealings in the preceding year, either on their own account or as the significant shareholder, director or senior officer of a company that has or has had such dealings. Business relationships shall be defined as relationships whereby the Company serves as a provider of goods or services, including those of a financial nature, or as an advisor or consultant.
- f) Significant shareholders, executive directors or senior officers of an entity that receives significant donations from Enagás, S.A. or its Group, or has done so in the past three years. Patrons or trustees of any foundation that receives donations shall not be included under this section.
- g) Spouses, or partners maintaining an analogous affective relationship, or close relatives of one of the company's executive directors or senior officers.
- h) Any person not proposed for appointment or renewal by the Appointments, Remuneration and Corporate Responsibility Committee.
- i) Those standing in some of the situations listed in a), e), f) or g) above in relation to a significant shareholder or a shareholder with board representation. In the case of the family relations set out in letter g), the limitation shall apply not only in connection with the shareholder but also with his or her proprietary directors in the investee company. Significant-Shareholder Appointed Directors disqualified as such and obliged to resign due to the disposal of shares by the shareholder they represent may only be re-elected as independents once the said shareholder has sold all remaining shares in the company.

A director with shares in the company may qualify as independent, provided he or she meets all the conditions stated in this article and the holding in question is not significant.

Article 10.- Duration of post 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 an Independent Director is proposed for re-election, the circumstances making this Director's continuity in the post advisable must be justified. Independent Director should not stay on as such for a continuous period of more than 12 years.

Article 12.- Cessation of Directors.

- 1.- Directors shall leave their post after the first General Shareholders' Meeting following the end of their term of appointment and in all other cases in accordance with the law, the Articles of Association and these Rules and Regulations.
- 2.- Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, in the following cases:
 - a) When they are affected by instances of incompatibility or prohibitions laid down in Law, in the Articles of Association, and in these Regulations.
 - b) When they are in serious breach of their obligations as directors.
 - c) When they may put the interests of the company at risk or harm its name and reputation. If a director is indicted or an order is issued to initiate a trial against him/her for a crime specified under article 213 of the Spanish Limited Liability Companies Law, the Board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide where or not the director should be called on to resign.
 - d) When the reason for which they were appointed as directors no longer exists.
 - e) When Independent Directors no longer fulfil the criteria required under article 9.
 - f) When the shareholder represented by a Significant-Shareholder Appointed Directors sells its entire interest. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced proportionately.

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

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

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

Bylaw provisions affecting the amendment of the Articles of Association:

Article 26. – Special quorum.

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

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

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

The powers delegated to the Executive Chairman, MR. ANTONIO LLARDÉN CARRATALÁ, by Enagás' Board of Directors, were granted in the public deed dated 9 February 2007 executed before the Notary Public of Madrid Pedro de la Herrán Matorras, with number 324 in his notarial archive and is recorded in Volume 20,090, Book 0, File 172, Section 8; Sheet M-6113; Entry 668 of the Madrid Companies Register.

On 25 March 2014 the Board of Directors of Enagás, S.A. delegated to MARCELINO OREJA ARBURÚA the powers that the Board of Directors considered had to be delegated to the Chief Executive Officer within statutory limits, in accordance with article 43 of the Company's Articles of Association and article 19 of the Board Regulations. These powers, were granted in the public deed dated 28 May 2014 executed before the Notary Public of Madrid

Mr. Pedro de la Herrán Matorras, with number 1,306 in his notarial archive and is recorded in Volume 32,018, Book 0, File 5, Section 8, Sheet M-6113, Entry 777 of the Madrid Companies Register.

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

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

"To empower the Board of Directors, as broadly as is legally necessary, so that, in accordance with article 297.1(b) of the Spanish Limited Liability Companies Law, it may, at any time, increase share capital, in one or more transactions, within a period of five years as of the date of this General Meeting by a maximum amount of 179 million euros through the issuance of new shares, with or without voting rights or issue premium, and with consideration for such new shares being monetary contributions, entitling the Board to set the terms and conditions of the capital increase and the characteristics of the shares; freely offer the

new unsubscribed shares with a period or periods of preferred subscription; establish that, in the event of incomplete subscription, the capital shall be increased only in the amount of the subscriptions made; and provide new wording for the article of the Company's Articles of Association governing share capital."

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

No agreements of this kind exist.

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

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

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

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

VIII.- The average payment period to suppliers.

The Group's average payment period for suppliers is 33.01 days and the maximum period established in the late-payment legislation is not exceeded. The Company carries out a series of defined control activities within its Financial Reporting Internal Control System that mainly consist of the performance of regular monitoring of accounts payable to suppliers, compliance with the conditions established in agreements with them and the analysis of the status of those accounts in order to reduce the average payment period for suppliers.

IX.- Events after the balance sheet date

On 14 January 2015, Enagás Transporte, S.A.U. concluded an agreement with a fund managed by Deutsche Asset & Wealth Management to acquire 30% of BBG (in which Enagás already holds a 40% stake) and 30% in Saggas. These companies are the owners of the Bilbao and Sagunto regasification plants, respectively. BBG, the Seller, Enagás Transporte, S.A.U. and EVE subsequently concluded a new purchase agreement on 21 January 2015, making the preceding agreement null and void and agreeing that Enagás Transporte, S.A.U. would acquire 10% in BBG, and EVE 20%. Notwithstanding the above, these acquisitions are subject to the relevant approval from the regulatory authorities, which has yet to be resolved at the date on which these consolidated financial statements were prepared.

On 6 February 2015, Enagás Financiaciones, S.A.U. issued bonds in the Euromarket in the amount of 600 million euros, secured by Enagás, S.A., as part of its Guaranteed Euro Medium Term Note

Programme debt issue programme (EMTN programme), registered with the Luxembourg Financial Sector Oversight Committee (CSSF) on 13 May 2014. This issue matures on 6 February 2025 and has an annual coupon of 1.25% and an issue price of 99.08. Part of the bonds have been swapped for 282,300 thousand euros of the bonds issued in October 2012 for a total amount of 750,000 thousand euros with a coupon of 4.25% and maturing on 5 October 2017. These latter bonds were also issued by Enagás Financiaciones, S.A.U. and secured by Enagás, S.A.

On 28 January 2015, Enagás Transporte, S.A.U. concluded an agreement with Unión Eléctrica de Canarias Generación, S.A.U. and Sociedad para el Desarrollo Económico de Canarias, S.A. to acquire 47.18% and 10.88% of the stake that those shareholders held, respectively, in Gascan. Under this transaction in which Enagás Transporte, S.A.U. would wholly own Gascan, the provisions of Law 17/2013, State Administration, of 29 October would be met to guarantee the supply and increase competition in island and non-mainland electrical systems and therefore the ownership of the regasification plants that are planned for the Canary Islands must be held by the business group that forms part of the natural gas technical management system (Enagás GTS, S.A.U., wholly owned by Enagás, S.A.). The total amount of the transaction, which covers both the price of the shares and the participating loans of those shareholders, totals 8,989 thousand euros.

No events having a material impact on the Group's consolidated financial statements have occurred between 31 December 2014 and the date of authorising the accompanying consolidated financial statements for issue.

ENAGÁS GROUP

On 23 February 2015, the Board of Directors of Enagás, S.A. authorised the consolidated financial statements and directors' report for the year ended 31 December 2014, 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 Limited Liability Companies Law and article 37 of the Code of Commerce.

DECLARATION OF RESPONSIBILITY. For the purposes of article 8.1 b) of Royal Decree 1362/2007, of 19 October, the undersigned directors state that, to the best of their knowledge, the consolidated financial statements, prepared in accordance with applicable accounting principles, present fairly the equity, financial position and results of the Group and that the Group's directors' report includes a fair analysis of the performance and results of the businesses and the position 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 consolidated financial statements or directors' report.

Chairman

Mr. Antonio Llardén Carratalá

Directors

Mr Sultan Al Burtamani
Sociedad Estatal de Participaciones Industriales-SEPI
(Representad by Mr. Federico Ferrer Delso)
Ms. Isabel Tocino Biscarolasaga
Mr. Luis Javier Navarro Vigil
Mr. Ramón Pérez Simarro
Mr. Luis Valero Artola
Mr. Jesús Máximo Pedrosa Ortega

Secretary to the Board

Mr. Rafael Piqueras Bautista

Chief Executive Officer

Mr. Marcelino Oreja Arburúa

Mr. Jesús David Álvarez Mezquíriz
Ms. Ana Palacio Vallelersundi

Mr. Gonzalo Solana González
Mr. Martí Parellada Sabata
Mr. Antonio Hernández Mancha
Ms. Rosa Rodríguez Díaz