REPORT PREPARED BY THE BOARD OF DIRECTORS OF ENAGÁS, S.A. FOR THE PURPOSES OF ARTICLES 297.1 b), 286 and 506 OF THE REVISED TEXT OF THE CORPORATE ENTERPRISES ACT, AS JUSTIFICATION FOR THE PROPOSAL TO AUTHORISE THE BOARD TO INCREASE THE SHARE CAPITAL WITHIN A PERIOD OF FIVE YEARS UNDER THE TERMS OF ARTICLE 297.1 b) WITH THE POWER TO EXCLUDE THE PRE-EMPTIVE SUBSCRIPTION RIGHT, PURSUANT TO ARTICLE 506, WITH A LIMIT OF TEN PERCENT OF THE SHARE CAPITAL AT THE TIME OF AUTHORISATION. THIS PROPOSAL IS PRESENTED AS ITEM 7 ON THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED FOR MARCH 30 AND 31, 2022, ON FIRST AND SECOND CALL RESPECTIVELY.

1. Purpose of the Report

The Board of Directors of Enagás, S.A., at its meeting of February 21, 2022, and in compliance with the provisions of articles 286 and 506 of the Consolidated Text of the Corporate Enterprises Act ("LSC"), has prepared the following report justifying the proposal to authorise the Board of Directors to pass a resolution to increase the share capital in accordance with article 297.1 b) of the LSC, in one or more share issues, to a maximum amount equivalent to half of the capital in existence at the time of the authorisation, and within five years of the date of the General Meeting's resolution. The authorisation includes the power to exclude the shareholders' pre-emptive subscription rights to acquire new shares, with a limit of ten per cent of the share capital at the time of the authorisation. Therefore, this report is also issued for the purposes of article 506 of the LSC in order to justify the proposal for the delegation of this power.

The General Shareholders' Meeting held on March 31, 2017 authorised the Board to increase the capital pursuant to article 297 1 b) of the LSC. As the authorisation's five years of validity have passed, it is now appropriate to proceed to its renewal, leaving the authorisation conferred by the 5th resolution of the Ordinary General Shareholders' Meeting of March 31, 2017 without any effect in its unused part.

2. Justification of the proposal

Article 297.1 b) of the LSC provides that the General Shareholders' Meeting, subject to the requirements set for the amendment of the Articles of Association, may delegate to the Directors the power to increase the capital, in one or more share issues, by the amount they deem appropriate, without having to consult the General Shareholders' Meeting in advance. Under no circumstances may the capital increases exceed half of the Company's share capital at the time of the authorisation. Furthermore, they must be carried out through cash contributions within a maximum period of five years from the date of the General Meeting's resolution. As a result of the delegation of power, the Directors are entitled to reword the article of the Articles of Association relating to the share capital, after the increase has been agreed and completed. Article 286 of the LSC, referred to in article 297.1 b) of the same Act, provides that the Directors shall prepare a written report justifying the proposal.

The market requirements for companies, and particularly listed companies, provide that the companies' governing and administrative bodies may avail themselves of the possibilities provided by the regulatory framework for companies in order to be able to address, in a timely and effective manner, the needs that arise during the normal course of business of a large corporation. However, it is often impossible to anticipate the Company's capital requirements or the delays and increased costs of having to hold a General Shareholders' Meeting before being able to carry out a capital increase, thus hindering the Company's ability to respond to challenges with the timeliness and speed required of the market. Therefore, the Board of Directors believes that it is in the best interests of the Company and the business to allow the Board to increase the share capital and provide the Company with new equity without having to hold a General Meeting, which incurs additional costs and delays. The General Shareholders' Meeting of March 31, 2017 adopted a resolution to facilitate the above. However, since five years have elapsed since its adoption, the resolution is about to expire. The Board of Directors believes that it is in the Company's best interest to be able to maintain this legal instrument for raising equity.

Furthermore, article 506 of the LSC provides that, in listed companies, when the General Shareholders' Meeting delegates the power to carry out capital increases to the Directors, the latter may also be granted the power to exclude the shareholders' pre-emptive subscription rights in relation to new share issues when this is in the Company's best interests. The notice of the General Shareholders' Meeting, in addition to indicating the proposal to delegate the power to carry out capital increases to the Directors, shall also include the proposal to exclude the shareholders' pre-emptive subscription rights. After the General Shareholders' Meeting has been called, a Directors' report justifying the proposal to delegate the above power shall be made available to the shareholders. In the capital increase agreement based on the delegation made at the meeting, the Directors' report and, if applicable, the voluntary report issued by an accounts auditor other than the Company's auditor must refer to each specific capital increase. This is unless the Directors provide justification to act otherwise; if they do so, the corresponding independent expert's report must be provided. For transactions not exceeding twenty percent of the share capital, the face value of the shares to be issued, plus, if applicable, the amount of the issue premium, must correspond to the fair value that is presumed, pursuant to the provisions of Article 504.3 of the LSC, in the market value established by reference to the stock market price, provided that it is not more than ten percent lower than the said stock market price. The Directors' report and, if applicable, the aforementioned accounts auditor's report will be made available to the shareholders and communicated to the first general meeting held after the resolution to increase the share capital.

The proposal provides for the delegation of the power to exclude pre-emptive subscription rights when the Company's interest so requires, up to a maximum aggregate nominal amount equal to 10% of the share capital at the date when the resolution is adopted. Although Article 504 of the LSC allows the delegation of the power to exclude the pre-emptive subscription right to reach 20% of the share capital at the time of authorisation, the resolution proposed to the General Shareholders' Meeting limits this to 10% of the share capital as provided by the LSC. With this limitation, the proposal goes beyond the provisions of Recommendation 5 of the CNMV's Good Governance Code for Listed Companies, as well as the provisions of the LSC.

The above delegation is justified by providing the necessary flexibility in relation to those resolutions concerning share capital increases. The Board of Directors considers that this additional possibility, which significantly increases the room for manoeuvre and the response capacity enabled by the delegation of the power to increase the share capital pursuant to article 297.1 b) of the LSC, is justified by the greater flexibility and agility it provides, and which is sometimes required in current financial markets in order to take advantage of the times when the markets are more favourable. Exclusion of the pre-emptive subscription right helps to reduce the costs of the operation and obtain better financial conditions in the interest of the Company.

In any event, it is stated that the proposed resolution does not in itself constitute a share capital increase. It is merely a power delegated to the Board of Directors by the General Shareholders' Meeting, the exercise of which will be at the discretion of the Board based on the circumstances at the time of making the decision and always in compliance with the provisions of the relevant legal regulation. In the event that the Board of Directors decides to make use of the power to exclude the pre-emptive subscription right in relation to a specific capital increase that it may resolve to carry out when using the authorisation granted by the General Shareholders' Meeting, the Directors' report and, if deemed appropriate, the accounts auditor's report referred to in articles 308 and 506 of the LSC must be prepared. These shall be made available to the shareholders on the Company's corporate website and communicated to the first General Shareholders' Meeting to be held after the adoption of the resolution to increase the capital.

The powers delegated under the proposal are conditional upon the fact that all of the capital increases agreed by the Board of Directors, including those carried out following the powers delegated herein, those carried out pursuant to other authorisations of the General Meeting and those granted by the latter for the issue of convertible bonds at the meeting of May 27, 2021, do not exceed the limit of half of the current share capital provided for in article 297.1 b) in fine of the LSC or 10% of the total share capital in the event that the issuance of convertible securities excludes the shareholders' pre-emptive subscription rights. This authorisation to increase the share capital includes the power to issue and put into circulation, in one or more share issues, the shares representing the capital that are required to carry out the increase, and to amend the wording of the article of the Articles of Association relating to the capital amount. Furthermore, the proposal includes the request, when applicable, for permission to trade the shares issued by the Company under this delegation of powers on official or non-official, organised or non-organised, Spanish or foreign secondary markets, enabling the Board of Directors to carry out the necessary formalities and actions at the competent bodies of the Spanish or foreign securities markets for the listing of the shares. Finally, it is proposed that the Board of Directors be expressly empowered to delegate, in turn, the powers covered by this proposed resolution.

3. Proposed resolution

Therefore, the following resolution is laid before the General Meeting:

Item 7

Authorisation of the Board of Directors to decide to increase the share capital in the terms and within the limits of Articles 297.1 b) and 506 of the Corporate Enterprises Act, one or several times, in an amount equal to a maximum of half of the existing capital at the time of the authorisation, within a period of five years from the resolution of the Meeting, leaving the unused part the authorisation conferred by resolution 5 of the Ordinary General Shareholders' Meeting of March 31, 2017 without effect; as well as to exclude, if applicable, the pre-emptive subscription right up to a limit of 10% of the share capital at the time of this authorisation.

“To authorise the Board of Directors as broadly as is legally necessary to increase the share capital on one or more occasions and at any time under the terms and within the limits set forth in Article 297.1.b) of the LSC, within a period of five years from the date of adoption of this resolution and up to half of the current share capital. Those increases that are agreed in exercise of this authorisation and those that may be agreed pursuant to other authorisations that the General Shareholders’ Meeting has granted or may grant to the Board of Directors count jointly for the purposes of this limit.

The capital increases covered by this authorisation will be carried out through the issue and circulation of new shares, with or without a premium, which will be paid for by monetary contributions. When not expressly provided for, the Board of Directors may determine the terms and conditions for capital increases as well as the characteristics of the shares, and it is free to offer the new unsubscribed shares within the deadline(s) for the exercise of the pre-emptive subscription rights. The Board of Directors may also provide that, when not fully subscribed, the share capital will be increased only by the amount of the subscribed shares, and proceed to reword the article of the Articles of Association relating to the share capital.

For capital increases carried out pursuant to this authorisation, the Board of Directors is expressly authorised to exclude, in whole or in part, the pre-emptive subscription rights in accordance with article 506 of the LSC. The power to exclude the pre-emptive subscription rights agreed by the Board in the exercise of the above delegation of powers or others agreed or that may be agreed by the General Meeting is conditional upon it not exceeding, in total, 10% of the Company’s current share capital.

The Company will request, where applicable, the listing on official or non-official secondary markets, organised or non-organised, in Spain or abroad, of the shares issued by virtue of this authorisation, enabling the Board to carry out the necessary formalities and actions at the competent bodies of the Spanish or foreign securities markets for listing the securities.

The Board of Directors is expressly empowered to delegate, in turn, the powers provided under this proposed resolution.

The authorisation to increase the capital conferred on the Board of Directors by a resolution of the General Shareholders’ Meeting of March 31, 2017 is hereby rendered ineffective.”

And for all appropriate legal reasons, it is hereby stated that the Company’s Board of Directors prepares this report at its meeting held on February 21, 2022.

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