Annual Report

2009

Index

Letter from the Chairman -1.1-

Dear shareholders,

It gives me great pleasure to be writing to you once again, to tell you about the Company's achievements and results in 2009.

The year has been marked by a serious financial and liquidity crisis, which has had serious effects on the Spanish economy, with a pronounced impact on business activity and the labour impact. However, the year has been an especially important one for Enagás. For the third year running we have met all our commitments, despite the difficult scenario and with no changes to employment levels in the Company.

Net profit in 2009 was 15.1% higher than the figure reported in 2008, amply surpassing the strategic objective of 8.6% set at the start of the year.

The total dividend for the year expected to be approved at the next General Shareholders' Meeting should therefore increase by this same amount, in line with the Company's shareholder remuneration policy.

The strict application of the Efficiency and Cost Containment Plan for 2008-2010 has helped to reduce operating costs by 10.7% at Enagás, and this has been key to achieving net profit targets.

Investment by Enagás in 2009 reached €901.6Mn, in line with the annual investment targets set out in the Strategic Plan. From now on we hope to continue investing at a more moderate rate, around €700Mn a year.

The value of assets put into operation reached €965Mn, another new record. The most important asset brought on stream in 2009 was the underwater pipeline to the Balearics, the largest investment in infrastructure and the most technically complex ever made by the company.

Another of the Company's successes in 2009 has been its financial policy. This year Enagás has tapped a new source of financing, having successfully carried out three bond issues for a total of some €1.15Bn, the proceeds of which cover our entire financing needs until 2012.

These issues also allow us to diversify our financing sources and maturity schedules, with an average finance cost for 2010 in the vicinity of 3.3%, below the 4.5% originally envisaged in our strategic plan.

These figures provide further proof of Enagás' sound financial position, allowing us to continue moving towards our strategic goals. This has been reflected by Standard&Poor's and Moody's credit ratings for the company, which were unchanged in 2009.

One of Enagás' major achievements in 2009 has been the consolidation of our status as Transmission System Operator (TSO) for the Spanish gas industry. The regulations governing our remuneration for next year are based on the principle of regulatory stability, which is very important for the future of the Company.

On 16 December 2009 natural gas transported reached a record level of 1,885 GWh. While demand for natural gas fell by 10.5% in 2009 compared to 2008, this latest record demonstrates that the system must be constantly expanded to cater for peak demand.

The data we have suggests that gas consumption in Spain is likely to remain stable, with zero or slightly positive growth in 2010.

I would like to make special mention of Enagás' role as the Transmission System Operator, which it performs in an extremely tough environment, in an industry that is fully liberalised and amid stiff competition from the various players.

In the field of sustainability, the Company's membership of the world's leading indices, the Dow Jones Sustainability (DJSI) and FTSE4Good Indices, has been confirmed for a further year. Enagás continues to be committed to the ten principles of the United Nations Global Compact and the main activities demonstrating this are described in this report.

As was the case last year, this Annual Report has again been awarded the highest rating (A+) by the Global Reporting Initiative (GRI) and verified as AA1000, demonstrating our commitment to transparency, clarity and precision in information to meet the needs of our stakeholders.

In 2009 Enagás obtained ISO 9000 certification for the process by which it manages Third Party Access (TPA) to the grid, a further demonstration of the Company's guarantee of transparency for its customers. It was also awarded European Excellence 300+ recognition under the EFQM model, confirming the self-assessment carried out in 2008 by an in-house team of Enagás staff, made up of representatives of all the Company's operational and management units.

I would not like to conclude without commenting on the changes which have taken place in the Board of Directors in 2009. As a result of the ruling by the Spanish anti-trust regulator, Comisión Nacional de Competencia (CNC), in connection with the merger of Gas Natural and Unión Fenosa, Gas Natural was obliged to sell its holding in Enagás. Oman Oil, the Omani public holding company, acquired this stake and currently has one member sitting on the Board of Directors.

Finally, I must point out that all these achievements are thanks to the commitment and involvement of Enagás' employees, who did an excellent job, helping us to meet the challenges facing the Company in the medium and long term.

With my very best wishes,

Antonio Llardén Carratalá
Chairman

Consolidated financial data	2002	2003	2004	2005	2006	2007	2008	2009
EBITDA (€Mn)	333.7	383.0	399.1	478.4	563.6	595.5	636.2	701.3
EBIT (€Mn)	207.2	249.5	275.1	332.8	378.7	408.3	433.1	484.7
Net profit (€Mn)	110.1	142.0	158.1	191.0	216.4	238.3	258.9	298.0
Dividends (€Mn)	55.0	71.0	79.1	95.5	112.6	143.0	155.3	178.8
Pay-out	50%	50%	50%	50%	52%	60%	60%	60%
Investments (€Mn)	192.3	426.3	462.9	358.7	430.6	508.6	776.9	901.6
Net debt (€Mn)	1,253.0	1,278.7	1,421.0	1,546.5	1,779.2	1,942.7	2,351.3	2,904.0
Shareholders' equity (€Mn)	852.4	932.4	997.8	1,110.4	1,235.2	1,344.8	1,456.1	1,593.4
Assets (€Mn)	2,895.7	3,093.0	3,101.4	3,225.6	3,626.2	3,976.0	4,717.8	5,779.9
Net debt/EBITDA	3.8x	3.3x	3.6x	3.2x	3.2x	3.3x	3.7x	4.1x
Interest cover (EBITDA/interest)	8.5x	12.1x	12.3x	11.1x	11.1x	9.8x	7.9X	9.6x
Net debt/total assets	43.3%	41.3%	45.8%	47.9%	49.1%	48.9%	49.8%	50.2%
Net debt/Net debt+ shareholders' equity	59.5%	57.8%	58.7%	58.2%	59.0%	59.1%	61.8%	64.6%
Average cost of debt	3.9%	2.9%	3.0%	3.4%	3.6%	4.3%	4.7%	3.3%
ROE after tax (*)	13.4%	15.9%	16.4%	18.1%	18.5%	18.5%	18.5%	19.5%
ROCE after tax (**)	6.9%	7.5%	7.7%	8.5%	8.7%	8.8%	8.5%	8.2%
Headcount (31 December)	884	878	904	907	944	985	1,008	1,046

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

Financial ratings	2002	2003	2004	2005	2006	2007	2008	2009
Standard & Poor's	A+	A+	AA-	AA-	AA-	AA-	AA-	AA-
Moody's	A2	A2	A2	A2	A2	A2	A2	A2

Key figures -2.8-

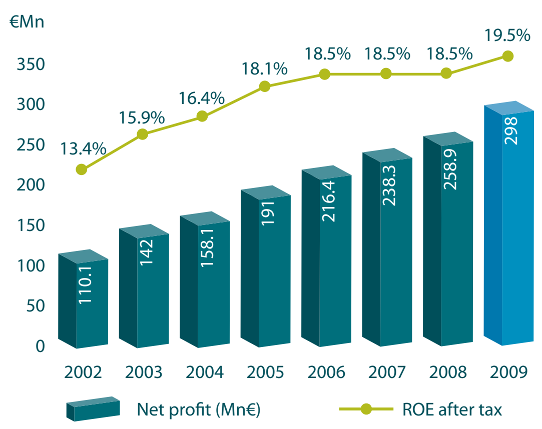
Stock market data	2002	2003	2004	2005	2006	2007	2008	2009
Share price (Dec 31) (€)	5.80	8.60	12.20	15.80	17.62	19.99	15.56	15.43
Dividend (€)	0.23	0.30	0.33	0.40	0.47	0.60	0.65	0.75 *
Capitalisation (€Mn)	1,384.5	2,052.8	2,912.1	3,771.5	4,205.9	4,771.6	3,714.7	3,682.5
No. of shares (Mn)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7

Distribution of the 2009 gross dividend of €0.75 per share is subject to approval at the General Shareholders Meeting.

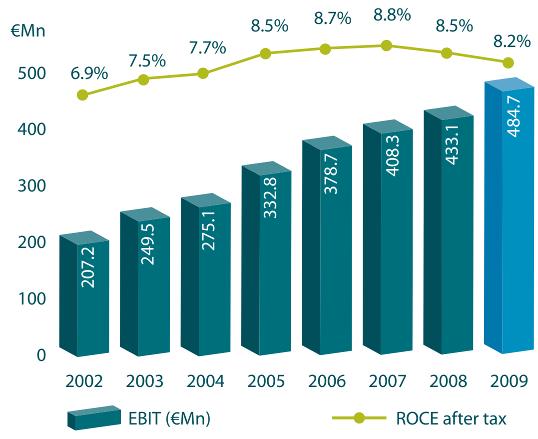
Demand for gas transported (GWh)	2002	2003	2004	2005	2006	2007	2008	2009
Total demand	243,038	275,238	319,600	375,894	391,435	408,431	449,389	401,855

Infrastructure	2002	2003	2004	2005	2006	2007	2008	2009
Transportation network								
Km. of gas pipeline	6,383	6,522	7,158	7,538	7,609	7,655	8,134	8,884
Regasification plants								
LNG storage capacity (m^3)	560,000	560,000	710,000	987,000	1,287,000	1,287,000	1,437,000	1,437,000
Vaporisation capacity (m^3(n)/h)	2,100,000	2,250,000	2,700,000	3,450,000	4,050,000	4,200,000	4,350,000	4,650,000
Underground storage facilities								
Extraction capacity (Mm^3(n)/h)	10.3	12.5	12.5	12.5	12.5	12.5	6.9	6.9
Injection capacity (Mm^3(n)/h)	8.4	8.4	8.4	8.4	8.4	8.4	4.0	4.4

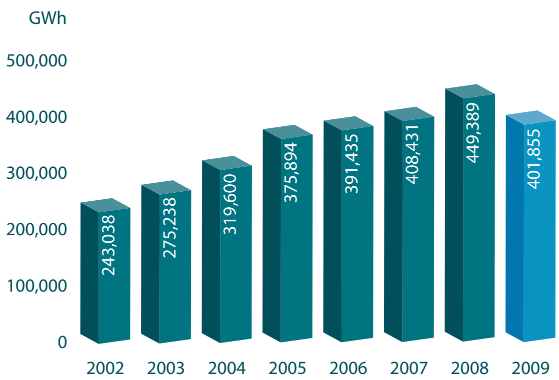
Net profit



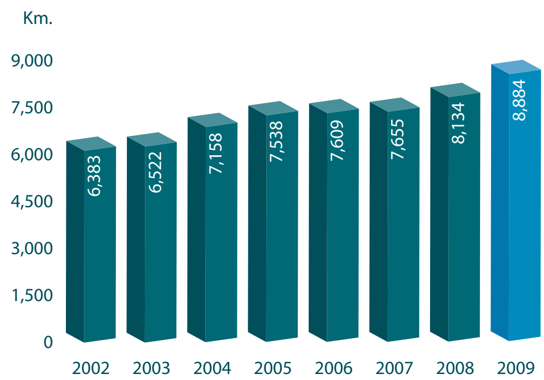
EBIT



Gas demand growth

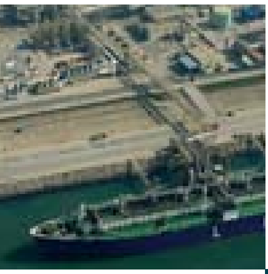


Km. of gas pipeline



Enagás infrastructures

Profile and areas of activity



3.1.

Enagás today -2.1, 2.2, 2.3, 2.5, 2.6, 2.7-

"Enagás' mission, in its role as carrier and technical operator, is to ensure that the Spanish gas system works correctly, guarantee the security of supply and encourage competition in a transparent and non-discriminatory manner.

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

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

Enagás has been Spain's leading high pressure gas transportation, regasification and storage company since it commenced operations in 1972.

Enagás was appointed the Technical System Operator of the Gas System pursuant to Royal Decree-Law 6/2000 of 23 June. Its core remits in this role are to guarantee continuity and security of supply of natural gas and efficient coordination between access points, storage facilities, and transportation and distribution networks. In addition, to reinforce its autonomy as Technical System Operator, the Company has segregated the activities it performs as System Operator from those it performs as gas transporter and manager of its own network, creating a separate unit which is responsible for technical management of the Spanish gas system.

Royal Decree-Law 6/2009, of 30 April, appointed Enagás sole transporter for the primary natural gas transport trunk network in Spain.

To ensure security of supply in the Spanish gas system, Enagás works to develop new infrastructures and extend those which already exist.

In the course of 2009 Enagás invested €902Mn, and brought into service investment projects worth more than €965Mn, record figures for the Company.

The most important asset brought on stream in 2009 was the underwater pipeline to the Balearics, the largest investment in infrastructure and the most technically complex ever by the company.

Other major projects started in 2009 were the new El Musel regasification plant in Gijón and the underground storage facilities for natural gas in Yela, Guadalajara.

Profile and areas of activity

Enagás: Infrastructures at 31 December 2009		
Gas pipeline network	Km	8,884
Compression stations	nº	14
Installed capacity at compression stations	HP	509,470
Gas regulation and metering stations	nº	421
Regasification plants	nº	3
Transport centres	nº	46
LNG storage tanks	nº	14
LNG storage capacity	m^3	1,437,000
Vaporisation capacity	$m^3(n)/h$	4,650,000
Underground storage facilities	nº	1
Maximum injection/production at underground facilities	$Mm^3(n)/d$	4.4/6.9
Main control centre	nº	1

Enagás: Corporate information	
Name of the company	Enagás S.A.
Address of head office	Paseo de los Olmos, 19 28005 Madrid
CIF (tax ID number)	A-28294726
Chairman	Antonio Llardén
Website	www.enagas.es
Contact phone numbers / E-mail	
General information	(+34) 902 443 700 contacta@enagas.es
Investor Relations	(+34) 91 709 93 30 investors@enagas.es
Technical System Operator	(+34) 902 199 710 gts@enagas.es

Enagás TSO: Operating information	
Demand for natural gas in 2009 (Domestic market) (% change 2008)	401,855 GWh (-10.6%)
Supplies	74% LNG, 26% natural gas

Enagás: Financial and stock market information 2009	
Total revenues (% change 2008)	€901.5Mn (+4.8%)
EBITDA (% change 2008)	€701.3Mn (+10.2%)
Net profit (% change 2008)	€298.0Mn (+15.1%)
Net debt	€2,904.0Mn
Rating (S&P/Moody's)	AA-/A2
Shareholders' equity	€1.59Bn
Dividends (Pay-out)*	€178.8Mn (60%)
Market cap 31 Dec. 2009	€3.68Bn
Shareholder structure	5% SEPI, 5% Bancaja Inversiones, 5% Cajastur, 5% Oman Oil Holdings Spain S.L, 5% Sagane Inversiones, 5% BBK, 1% REN, 69% Free float
Main market listings	Ibex 35, Dow Jones Sustainability Index, FTSE 4 Good
No. of employees	1,046

(*) Subject to approval by General Shareholders' Meeting 2010.

Board of Directors -2.3-

Name of Director	Seat on the Board	Type of Director	Audit and Compliance Committee	Appointments and Remunerations Committee
Antonio Llardén Carratalá	Chairman	Executive	–	–
Bancaja (represented by José Luis Olivas Martínez)	Deputy Chairman	Propietary (Bancaja)	Member	–
Jesús David Álvarez Mezquíriz	Director	Independent	–	–
Bilbao Bizkaia Kutxa (Represented by Joseba Andoni Aurrekoetxea Bergara)	Director	Propietary (BBK)	–	Member
Sagane Inversiones, S.L. (Represented by Carlos Egea Krauel)	Director	Dominical (Sagane Inversiones, S.L.)		
Said Al Masoudi	Director	Propietary (Oman Oil Holdings Spain S.L.)		
Teresa García-Milá Lloveras	Director	Independent	–	Member
Miguel Ángel Lasheras Merino	Director	Independent	–	–
Dionisio Martínez Martínez	Director	Independent	–	Chairman
Luis Javier Navarro Vigil	Director	External	Member	–
Martí Parellada Sabata	Director	Independent	Chairman	–
Peña Rueda, S.L.U. (Representada por Manuel Menéndez Menéndez)	Director	Propietary (CIC, S.L., Cajastur)	–	–
Ramón Pérez Simarro	Director	Independent	–	Member
José Riva Francos	Director	Independent	–	–
SEPI (Sociedad Estatal de Participaciones Industriales)	Director	Propietary (SEPI)	Member	–
Antonio Téllez de Peralta	Director	Independent	Member	–
Rafael Piqueras Bautista	Secretary	–	Secretary	Secretary

Management Committee

Name	Type
Antonio Llardén Carratalá	Chairman
Juan Pons Guardia	Strategy and Regulation General Manager
Ramón Sánchez Valera	Infrastructures and TPA General Manager
Antonio García Mateo	Engineering, Technology and Purchasing General Manager
Diego de Reina Lovera	Chief Financial Officer
Erundino Neira Quintas	Corporate Resources Manager
Rafael Piqueras Bautista	General Secretary
Javier González Juliá	Chief Operating and Technical System General Managing Officer

Governance Bodies

Chairman
Antonio Llardén Carratalá
(Executive)

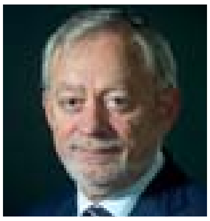
Deputy Chairman
Caja de Ahorros de Valencia, Castellón y Alicante –BANCAJA– (Propietary. Represented by José Luis Olivas Martínez)

Director
Jesús David Álvarez Mezquíriz (Independent)

Director
Bilbao Bizkaia Kutxa –BBK–. (Propietary. Represented by Joseba Andoni Aurrekoetxea Bergara)

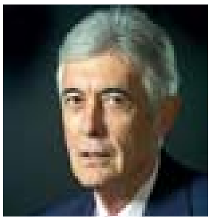
Director
Said Al Masoudi (Propietary. Proposed by Oman Oil Holdings Spain S.L.)

Director
Teresa García-Milá Lloveras (Independent)



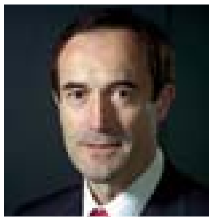
Director
Miguel Ángel Lasheras Merino (Independent)

Director
Dionisio Martínez Martínez (Independent)

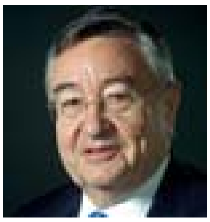


Director
Luis Javier Navarro Vigil (External)

Director
Martí Parellada Sabata (Independent)

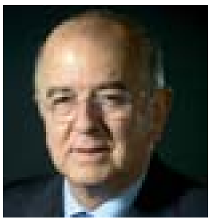


Director
PEÑA RUEDA, S.L.U. (Propietary. Proposed by CIC, SL –Cajastur–. Represented by Manuel Menéndez Menéndez)



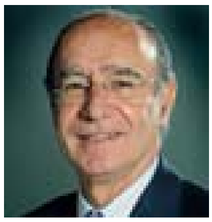
Director
Ramón Pérez Simarro (Independent)

Director
José Riva Francos (Independent)



Director
Sagane Inversiones, S.L. (Propietary. Represented by Carlos Egea Krauel)

Director
Sociedad Estatal de Participaciones Industriales –SEPI–. (Propietary. Represented by Enrique Martínez Robles)



Director
Antonio Téllez de Peralta (Independent)

Secretary of the Board
Rafael Piqueras Bautista


enagas

Enagás in 2009

4.1.

Milestones 2009 / challenges 2010

Milestones 2009

2 January
2008 interim dividend
Enagás paid a gross dividend of €0.26 per share from 2008 earnings.

30 April
Royal Decree-Law 6/2009, of 30 Abril, appointed Enagás sole transporter for the primary natural gas transport trunk network in Spain.

1 June
Acquisition of 5% of Enagás's share capital by Oman Oil Holdings Spain
Enagás was informed Oman Oil Holdings Spain, S.L.U. had acquired Gas Natural SDG's 5% shareholding in Enagás, which it was forced to sell pursuant to a ruling by the Spanish anti-trust regulator, Comisión Nacional de Competencia (CNC).

8 June
Moody's ratifies Company's rating
The ratings agency Moody's has confirmed the long-term A2 rating of Enagás, its short-term Prime 1 credit rating and its stable future outlook.

22 June
First bond issue by the Company
The Company launched two issues of plain vanilla bonds of €500Mn each. Of the two issues, one entailed 3-year bonds with an annual coupon of 3.25%, and the other 6-year bonds with an annual coupon of 4.375%. With the funds raised from these issues, on 10 July the Company was able to repay the €1Bn syndicated loan due in January 2010 ahead of schedule.

30 June
The world's largest methane tankers could begin docking at Enagás' regasification plant in Cartagena from this summer
Since summer 2009 the Cartagena plant has been the first Enagás site prepared to unload LNG from methane carriers of up to 263,000 m3 capacity. Until now, the berth only allowed entry of tankers of up to 140,000 m3 capacity.

From left to right, Juan Pons, Strategy and Regulation General Manager of Enagás and Andrew Charles Lane, Director of BP.

2 July
2008 interim dividend
Enagás paid a gross dividend per share of €0.390641 in addition to the interim dividend paid in January 2009, also out of 2008 earnings. As a result, the total gross dividend for 2008 was €0.650641 per share, equal to a pay-out of 60%.

3 September
Agreement with BP for the purchase of 25% of Bahía de Bizkaia Gas (BBG)
Enagás signed a contract with BP to buy a 25% shareholding in the Bahía de Bizkaia (BBG) regasification plant for €65Mn, inclusive of debt.
The deal is subject to approval by the CNE, the Spanish energy commission, and by the anti-trust authorities.

4 September
The dome on the eighth tank at the Barcelona plant successfully raised
This manoeuvre is one of the milestones in the construction of an LNG storage tank. The dome is made of carbon steel and weighs 700 tonnes. It is raised by pumping in two large masses of air at 700 m^3/min, which apply gentle pressure at the base of the dome. As the dome has a very large surface area, the upward pressure lifts it from the ground and it rises at a speed of approximately 100 mm/min.

4 September
Enagás' membership of the Dow Jones Sustainability Index World (DJSI) is ratified
The Dow Jones index recognises the world's leading companies in sustainable practices and has awarded Enagás "silver class" status.

7 September
Enagás awarded European Excellence EFQM 300+ recognition
The European Foundation for Quality Management (EFQM) model enjoys great international prestige and proposes a working framework which can be used to evaluate the progress of an organisation towards excellence, understood as outstanding performance in management.

9 September
Enagás participates in CDP reporting initiative
The Carbon Disclosure Project (CDP) is an initiative which dates from 2000 and represents over 475 institutional investors from around the world, with assets valued at over $55Bn. They compile information about climate change regarding over 2,500 of the world's leading companies, and have set up the world's largest database on greenhouse gas emissions by companies.

22 September
The first cubic metres of gas reach Palma de Mallorca when the Península-Baleares gas pipeline comes on line.
The underwater gas pipeline to the Balearic Islands is Enagás' most ambitious project ever for several reasons: it is the largest investment ever by the Company in a gas pipeline; this project was extremely difficult from a technical standpoint; and it entails the longest underwater section of any pipeline in Spain.

22 September
The Chairman of Enagás takes possession officially of the site for the future El Musel plant in the port of Gijón
The Chairman, Antonio Llardén, was presented by the Gijón Port Authority with the land reclaimed from the sea on which the new El Musel regasification plant is to be built.
The plant will have two tanks and occupy 22 hectares. Enagás will invest approximately 400 million euros in the construction of the plant, which is expected to become operational in 2012.

23 September
Enagás obtains ISO 9000 certificate for its management of Third Party Network Access (ATR)
Enagás had already obtained this certification for its measurement procedures in 2006 and this award extends the certification to the other processes involved in Third Party Network Access management.

2 October
Open Season
For the first time the Open Season is jointly organised by France and Spain for the allocation and development of interconnection capacity between the two countries.
Via the Open Season interconnection capacity was made available in two corridors: West (capacity available from 2013) and East (capacity available from 2015).

27 October
Private bond placement
The Company carried out a private placement of €147.5Mn of bonds with a Japanese subsidiary of AFLAC, the North American insurance company, with a maturity of 30 years (Enagás having an option for early redemption at 10 years) and bearing a floating rate indexed to the 6 month Euribor rate.

26 November
Standar&Poor's ratifies Company's rating
The ratings agency confirmed the long-term AA- rating of Enagás, its short-term A-1+ credit rating and its stable future outlook.

1 December
European Network of Transmission System Operators for Gas (ENTSOG) set up
On 1 December the European Network of Transmission System Operators for Gas (ENTSOG) was set up in Brussels.

16 December
Record level of natural gas transported in the Spanish gas system (1,885 GWh)
Demand in Spain rose to 1,837 GWh and exports totalled 48 GWh.

18 December
The first ship from Yemen unloads at the Huelva plant
The ship, the *Maersk Marib,* which unloaded at the Huelva plant, is the second to have been loaded at the Yemen LNG plant. This shipment marks the opening of a new supply portfolio for distributors in Spain, diversifying the sources of supply to the gas system.

The Chairman of Enagás takes possession of the site for the future El Musel plant in the port of Gijón.

22 December
2009 interim dividend
Enagás paid a gross dividend of €0.283 per share from 2009 earnings.

28 December
Order ITC/3520/2009, of 28 December, established remuneration for regulated gas sector activities in 2010, and tolls and fees for third-party access to gas facilities.
It includes new unit costs for investment and operation applicable to transmission facilities brought into operation after 1 January 2008.

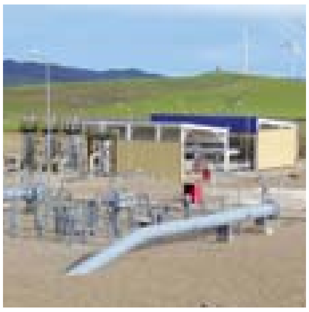
31 December
Double record of investment and assets put into operation in the year
In 2009 the Company achieved all-time best figures for investment made and assets brought on stream. In both cases the figure exceeded €900Mn, well above market expectations.

31 December
Domestic demand for natural gas fell by 10.6% in 2009
The world economic situation and its impact on the Spanish economy has led to a downturn in the growth of demand for natural gas. The contraction has affected the conventional sector (-8%) and supplies of gas for power generation (-14.2%).

Challenges 2010

10% growth in regulated income

- Consolidation of the purchase of 25% of the BBG Regasificación Plant



Increase in net profit and EBITDA around double digit level

- 2008-2010 Efficiency and Cost Containment Plan to stay in place
- Excellent financial resources, in terms of maturity and cost
- Average cost of debt 3.3%

€700Mn in investment

- Streamlining permits and authorisation
- Projects valued at €500Mn to be brought on stream

Consolidation of Enagás as sole transporter for the primary network via the acquisition of assets meeting three basic criteria:

- Regulated assets
- Acceptable profitability
- Not exceeding the level of indebtedness envisaged by the Company

Development and presentation to all the Company's stakeholders of the 2010 – 2014 Strategic Plan, focusing on tight control of operating and finance costs, increasing profitability and earnings, sustainable over time. We plan to achieve this without losing sight of the Company's main aim as carrier and technical operator, which is to ensure that the Spanish Gas System works correctly, guaranteeing the security of supply and encouraging competition in a transparent and non-discriminatory manner.

Development of other areas of business related to our core activity, ensuring in all cases the low risk profile and sustained growth which characterise the Company's development

Creation of the Secondary Capacity Market to allow agents to negotiate in a continuous market

Second stage of Open Season to develop a new link between Spain and France (MIDCAT)

Participation by Enagás as TSO in development of compulsory planning for gas and electricity sectors for 2012 to 2020 as stipulated in current regulations

Review of the remuneration scheme for regasification plants and underground storage

4.2.

Report on activities

Enagás is responsible for the technical management of the Spanish gas system and is the transmission company which owns the majority of the natural gas network facilities. The Company is responsible for the technical management of the primary network and the secondary transmission networks.

The purpose of the Spanish Technical System Operator is to guarantee continuity and security of supply and correct coordination between access points, storage, transport and distribution. This coordination must be transparent, objective and independent.

Supervision and control of the Spanish gas system is carried out uninterruptedly from the Main Control Centre in Madrid.

The Centre receives information in a concentrated format, including all the parameters involved in natural gas transport, so that pertinent instructions can be given if the values of the parameters vary beyond preset limits or any anomaly is detected in the functioning of the network.

Data input is effected via a remote control system, on three levels, to ensure the highest standards of continuity:

- On the lowest level are 504 remote control stations which pick up field signals. When these have been collated they are transmitted to Data Concentration Centres (DCCs).
- On the intermediate level are the Data Concentration Centres, which also act as Regional Control Centres. Their functioning does not necessarily require the physical presence of technical staff. Enagás has 11 such centres in Spain.
- On the highest level is the Main Control Centre. Equipped with the most advanced IT systems it also has modern tools for simulation, planning and assistance in the operation of the network of gas pipelines, to ensure that the gas system functions efficiently.

Enagás also has a Reserve Centre to guarantee effective control in the event of any serious incident or anomaly in the computer systems of the Main Centre.

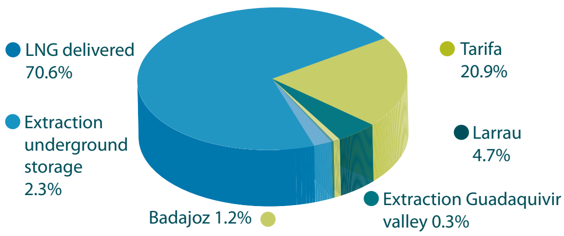
To support the system Enagás has a 7,749.6 km fibre optic network and digital transmission systems to provide ring and alternative communications so that data can be transferred to any point in the network.

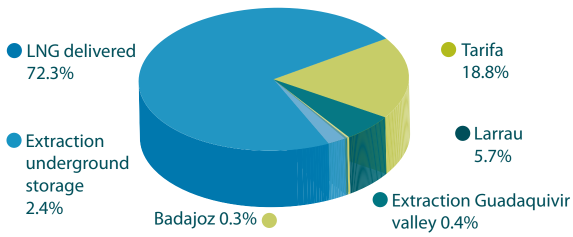
Demand for natural gas in 2009

In 2009 demand for natural gas in Spain was 401,855 GWh, 10.6% lower than the figure for 2008. This contraction has taken place both in the conventional sector (domestic and commercial and industrial) and in supplies of gas for power generation.

Demand for natural gas in 2009

Unit: GWh	2008	2009	% Chg
Domestic market	**449,389**	**401,855**	**-10.6%**
Domestic conventional	261,921	241,062	-8.0%
Electricity sector	187,468	160,793	-14.2%
Exports international connections	2,145	11,564	+439.1%
Exits - Guadalquivir Valley	1,441	1,495	+3.7%
Regulated transport activity	**452,976**	**414,914**	**-8.4%**
Transport Maghreb-Europe pipeline to REN	28,318	21,939	-22.5%
Total Exits	**481,294**	**436,853**	**-9%**





The Autonomous Community in which demand was greatest in 2009 was Catalonia, followed by Andalusia and Valencia. The Autonomous Community with the highest figures in the domestic and commercial market was Madrid, followed by Catalonia and Castilla-León.

Demand for natural gas fell in all the Autonomous Communities except Asturias, where a 17% increase was recorded as a result of the incorporation of the Soto de Ribera combined cycle thermal plant.

In 2009 the figure for conventional demand was 241,062 GWh, 8% down on 2008. This fall is the result of the decline in industrial activity in nearly all sectors, the most seriously affected being construction, chemicals, metal, paper, car manufacturing and textiles, although textiles had been undergoing a progressive decline for some years.

Consumption of natural gas for power generation has also fallen, with a cumulative decline of 14.2%. This was largely due to the drop in demand for power generation in Spain, the increase in special regime generation and higher hydro output compared to the year before, so that gas supplied fell from 187,468 GWh in 2008 to 160,793 in 2009.

Likewise, according to information provided by Red Eléctrica Corporación, there was a fall in demand in the electricity sector in the peninsula of 4.6% compared with 2008 figures.

Because of the fall in power consumption and the increase in renewable energy, the thermal gap shrank by 18% in 2009. This has led to a lower total consumption in combined cycle plants using natural gas and in coal-fired power generation.

Combined cycle thermal plants, which produce 29% of all electricity in Spain, were the technology most extensively used in 2009. The gas transported to meet the need of these stations totalled 158,802 GWh. Added to the 1,992 GWh used by biofuel-fired thermal plants, a total of 160,793 GWh was consumed, representing 40% of total Spanish demand for natural gas, compared to 41.7% in 2008, and attesting to their increasingly pivotal role in the development of the sector.

Combined cycle thermal plants are largely driving the integration of renewable energies because only they and hydro power can hook up or unhook the capacity required to adjust for fluctuations in wind generation in just a few hours so that overall demand for power can be met.

In 2009 installed capacity in natural gas combined cycle plants rose by 569 MW so that by the end of the year 55 units of 400 MW were in operation. Consumption by biofuel-fired thermal plants fell slightly, from 2.9 TWh in 2008 to 2 TWh in 2009.

This year saw a sharp 5.4-fold jump in natural gas exports to France and Portugal compared to 2008.

Exports to France via Larrau have increased 4.3-fold and via Irún 7.1-fold, while exports to Portugal via Badajoz have risen 11.9-fold, figures which clearly demonstrate the interest in international expansion of the suppliers operating in the Spanish gas system.

Supply of natural gas in 2009

In 2009 412,239 GWh of natural gas were supplied, 10% less than in 2008. 74% was supplied as liquefied natural gas (LNG) and the remaining 26% as natural gas (NG) via the Larrau, Tarifa and Badajoz international connections.

In 2009 sources of supply have continued to be highly diversified, with gas coming from 11 different countries, thus increasing security of supply.

The breakdown of sources for liquefied natural gas was similar to 2008, although there was a fall in the figure for Nigeria and an increase in supplies from Oman. Algeria accounted for the highest proportion of LNG, followed by Nigeria, Qatar, Egypt, and Trinidad and Tobago.

The volume of natural gas fell by 21 TWh, the total being 16% less than in 2008. Substantial reductions were seen in Algerian gas entering via the Maghreb gas pipeline (19% lower than in 2008) and the Badajoz international connection (75% down on 2008 figures).

Source of supply

Unit: GWh	2008		2009	
	GWh	%	GWh	%
Algeria **NG** Algeria **LNG**	98,275 56,814	34%	79,561 60,415	34%
Qatar **LNG**	53,611	12%	50,098	12%
Oman **LNG**	7,820	2%	23,106	6%
Nigeria **LNG**	86,676	19%	57,891	14%
Egypt **LNG**	56,986	12%	47,057	11%
Norway **NG**	11,478	3%	15,773	4%
France **NG**	22,296	5%	23,956	6%
Lybia **LNG**	6,090	1%	8,252	2%
T&T **LNG**	50,053	11%	42,021	10%
Yemen **LNG**	–		1,048	0.3%
Equatorial Guinea **LNG**	945	0.2%	–	
Others **LNG**	1,107	0.2%	–	
Spain **NG**	1,334	0.3%	1,715	0.4%
Portugal **NG**	5,415	1.2%	1,346	0.3%
Total	**458,901**	**100%**	**412,239**	**100%**

Input into the system

	Unit: GWh	2008	2009	% Chg
NG	Tarifa	98,275	79,561	-19.0%
	Larrau	22,296	23,956	+7.4%
	National	1,334	1,715	+28.5%
	Tuy	–	–	
	Badajoz	5,415	1,346	-75.1%
	Total NG	**127,321**	**106,578**	**-16.3%**
LNG	Barcelona plant	77,100	72,392	-6.1%
	Cartagena plant	47,316	44,043	-6.9%
	Huelva plant	61,814	58,542	-5.3%
	Bilbao plant	56,811	48,422	-14.8%
	Sagunto plant	66,915	65,507	-2.1%
	Mugardos plant	21,624	16,754	-22.5%
	Total LNG	**331,580**	**305,661**	**-7.8%**
	TOTAL SUPPLY	**458,901**	**412,239**	**-10.2%**

Deliveries by source in 2009

Nº deliveries in 2009	Nigeria	Algeria	Egypt	Qatar	T&T	Oman	Norway	Lybia	Yemen	Total
Barcelona	16	54	4	34	6	1	2	13		130
Cartagena	4	7	15	17	7	1	1	14		66
Huelva	13	56	8	2	10	1	7	1	1	99
Bilbao	13	2	1	1	21	10	6			54
Sagunto	9	37	26	9	1	11	1	6		100
Mugardos	10	3		2	5	1				21
Total	**65**	**159**	**54**	**65**	**50**	**25**	**17**	**34**	**1**	**470**
Average volume delivered (GWh)	890	380	870	770	840	920	930	240	1,050	650

The Spanish Gas System in 2009

During the year Enagás has continued to strengthen the Spanish gas system's infrastructures. This has involved work on regasification plants, gas pipelines and compression stations.

Enagás transport network

By the end of 2009 Enagás' transport network consisted of 8,884 km of pipelines designed to be operated at maximum pressures of 72 and 80 bar, 14 compression stations with total installed power capacity of 509,470 HP, 421 regulation and metering stations, and 46 transport centres at locations throughout mainland Spain. The transport centres are grouped in three units: North, South and East, from which maintenance, operating and control activities relating to the gas pipeline network are carried out.

The main facilities brought into operation in 2009 were:

Increase in capacity of Northern Axis

The Lemona-Haro pipeline and the extension of the Haro compression station have played a vital part in improving transport from the Basque country.

These reinforcements, together with the incorporation of the Navarre Compression Station, have improved security of supply in the Ebro valley, making it possible to increase import capacity via the Larrau international connection to 100 GWh/day.

This link also makes it possible to increase exports, thus reducing the minimum balance for incoming gas as defined in the international agreements covered by the ERGEG South Gas Regional Initiative “Development of existing interconnections between Spain and France by 2010/2011” and “Development of a new interconnection between France and Spain by 2013/2015”.

Connection with Medgaz

In 2009 the Almeria-Lorca and Lorca-Chinchilla overland pipelines and the Lorca connection have been brought into operation. These pipelines are linked to the new Medgaz international connection in Almeria, which will become operational in 2010 and will play a major role in supplying the Spanish gas system, increasing security of supply.

Mainland – Baleares gas pipeline

The underwater gas pipeline to the Balearic Islands is the longest of Spain's three underwater gas pipelines and is the most ambitious project Enagás has undertaken in terms of the investment required (€490Mn, the highest figure ever for a gas pipeline) and the enormous technical difficulties involved.

The Mainland-Balearics pipeline will be connected to the transverse axis (Alcázar de San Juan-Montesa). This will in turn form a T-junction with the Almeria-Chinchilla line, which will carry gas coming from Algeria via the future Medgaz pipeline.

The pipeline is 270 km long and runs overland for 68 km from Montesa (Valencia) to Denia (Alicante), where a compression station will be built. The second part of the pipeline runs underwater for 145 km, connecting Denia and Ibiza, with a further 125 km section running to Mallorca.

Enagás has invested approximately €490Mn in the project, awarding over 50 contracts to different suppliers to ensure the successful completion of the project. SAIPEM-FCC was responsible for the main construction work on the underwater section and ELECNOR for valve positions.

Work on installing the pipeline began in 2007 and was completed in 2009. Natural gas was available in Mallorca for the first time on 23 September 2009, with normal supplies being established from 8 November.

The underwater pipeline was laid by the Castoro Sei pipelay barge and a fleet of support tugboats, including the *Crawler*, which carried out welding operations on the different sections of the pipeline, and the *Far Sovereign*, which undertook trenching and back-filling work at the Mallorca and Denia landfalls. Other vessels used were the *Tertnes*, to rectify freespans, and the *Nordic Giant*, for dredging work off the coast. A tugboat was needed to position the *Castoro Sei's* anchors, a vessel to carry out an oceanographic study of the sea bed, and another ship to transport the pipes. The other vessels making up the fleet were a support vessel to monitor alignment and another ship to carry employees.

The construction of the pipeline has had minimal visual and environmental impact, since none of the pipeline is above ground.

According to the Spanish Electricity and Gas Infrastructure Plan for 2008-2016, the Balearics underwater pipeline will also reach Menorca.

Forecasts for gas demand in the Balearics in coming years suggest that consumption in 2011 will reach 1.5 bcm per year. The Balearics pipeline is designed to allow for consumption of 4 bcm and this can be increased to 6 bcm if source pressure is increased.

Combined cycle plants, an essential part of the Spanish system, are being adapted in Palma de Mallorca to run on natural gas. The introduction of natural gas in the Balearic Islands will bring about a reduction of 225,000 tonnes in CO_2 emissions each year, reducing dependence on coal-fired thermal plants and helping to combat pollution and climate change.

Enagás regasification plants

Enagás has three regasification plants at present, in Barcelona, Cartagena and Huelva. In September, the Company signed an agreement with BP to buy a 25% stake in the Bahía de Bizkaia Gas (BBG) regasification plant. The deal has received the green light from the Spanish regulator, the CNE, and is pending approval by the anti-trust authorities.

Enagás is expanding its three regasification plants with a view to strengthening the supply infrastructure in mainland Spain and ensuring that it is able to continue diversifying its sources of natural gas supply.

Infrastructures/plant capacities

BARCELONA PLANT	
No. tanks	6
Storage capacity	540,000 m^3 LNG
Emission capacity	1,950,000 m^3 (n)/h
Berthing	30,000 m^3 LNG 140,000 m^3 LNG

CARTAGENA PLANT	
No. tanks	4
Storage capacity	437,000 m^3 LNG
Emission capacity	1,350,000 m^3 (n)/h
Berthing	40,000 m^3 LNG 250,000 m^3 LNG

HUELVA PLANT	
No. tanks	4
Storage capacity	460,000 m^3 LNG
Emission capacity	1,350,000 m^3 (n)/h
Berthing	140,000 m^3 LNG

The most significant improvement to the regasification plants in 2009 was the increase in the nominal vaporisation capacity of the Barcelona plant (from 1,650,000 m^3(n)/h to 1,950,000 m^3(n)/h). This marks the culmination of the process of reinforcing the transport system from Catalonia, consisting in replication of the Barcelona-Tivissa pipeline, the enlargement of the Tivissa and Arbós compression stations, and the increased regasification capacity of the plant.

- El Musel regasification plant (Gijón)

In 2009 the site in the El Musel port where the Company's fourth regasification plant is to be built was officially transferred to Enagás.

This facility will have a storage capacity of 300,000 m^3 of LNG, divided into two 150,000 m^3 tanks, and emission capacity of 800,000 m^3(n)/h. It will also have docking facilities for the new larger methane carriers which can hold up to 250,000 m^3 of LNG.

This new strategic infrastructure will involve investment of around €375Mn. When it becomes operational it will improve security of supply in the region and provide an additional contribution to the gas system as a whole, bringing natural gas to the main consumer centres in the centre and north of Spain.

Its design and construction incorporate the latest technology designed to equip it with the most advanced and efficient safety and monitoring systems. The result is a modern, clean, safe and efficient plant.

Underground storage facilities

In Spain there are two natural gas underground storage facilities: Serrablo and Gaviota, both former natural gas deposits, now depleted. The Serrablo gas field, owned by the Company, is located between Jaca and Sabiñánigo (Huesca). Gaviota is an offshore storage facility owned by Repsol YPF and located close to Bermeo (Vizcaya).

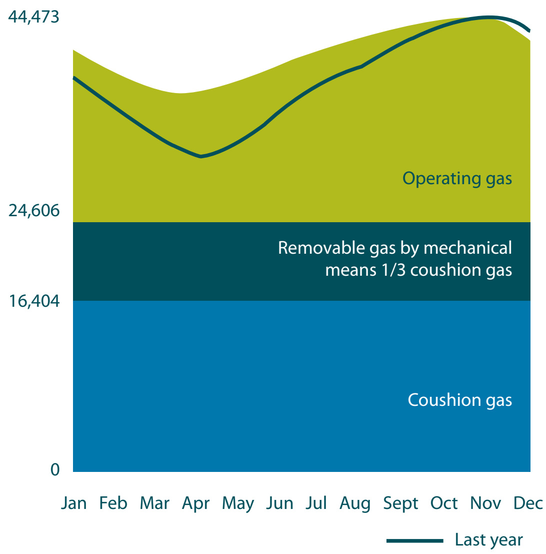
Work is now in progress on the new Yela underground storage facility (Guadalajara). The Ministry of the Environment gave its approval for the scheme in December 2008 and government authorisation was granted in April 2009.

In 2009, cumulative extraction from the underground storage facilities (Serrablo and Gaviota) was 10,265 GWh, while total injection was 7,549 GWh, giving a year-end balance of -2,686 GWh.

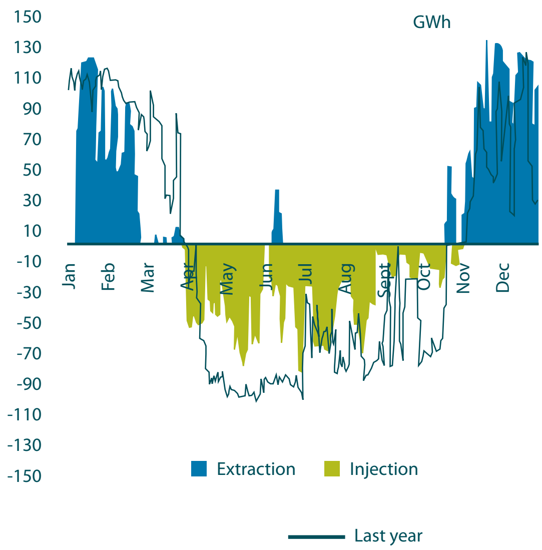
Underground gas storage inventories

GWh	2008	2009
Capacity UGS	**44,473**	**44,473**
Total inventories	**41,016**	**38,331**
Not removable coushion gas (2/3)	16,404	16,404
Removable coushion gas (1/3)	8,202	8.202
Operating gas	16,411	13,725
% operating gas filling	83%	69%
Coushion gas	**24,606**	**24,606**
Useful gas	**24,613**	**21,927**
% useful gas filling	88%	78%

Inventories



Injection / Extraction



Extraction in the first quarter was 4,040 GWh, a relatively low figure compared with previous years. Fall in demand was partly offset by the smaller amounts extracted by suppliers, compared with their initial estimates.

The injection period began in April and ended on 29 October, by which time the storage facilities were almost completely full.

In late October 2009 the winter 2009-2010 extraction season began, with a total of approximately 6,000 GWh being extracted by the end of the year.

In 2009, at the Serrablo underground storage facility a new turbo-compressor was brought into operation in the Jaca-17 well, replacing the existing motor-compressors and increasing injection capacity. A new control system has also been installed and a methanol regeneration plant brought into operation.

Technical innovation and development (EC9)

During the year Enagás undertook a number of technological innovation and development projects, centring largely on improvements in energy efficiency applied to facilities and to processes. These are described in the Master Plan for Energy Saving and Efficiency, approved in 2009 (see section 9.3.2: Energy efficiency in Enagás).

Other innovative projects were also developed in 2009, their objective being to reduce design and operating costs for the Company's facilities and make general improvements to its operations:

- **Technological development project to improve ball valves with cryogenic applications.** This was a joint project by Poyam (an Enagás supplier) and Enagás Production Management in which a system referred to as Double Block and Bleed (DBB) was developed. It allows a single valve, rather than two, as had been the case previously, to be installed in high pressure stand-by lines which are intended for future extensions in regasification plants, ensuring the same standard of air-tightness. This development permits substantial cost savings.

- Construction in the Enagás central laboratories in Zaragoza of a turbine calibration bank for measuring flow. As this works with high pressure natural gas, the reliability of the readings will be considerably improved. This facility, the first of its type in Spain, has involved investment of over €5Mn and will cater for the calibration of turbines up to 24 inches in diameter. The project is now in the final testing stage.

- **Reducing uncertainty in the measurement of energy contained in natural gas and in liquefied natural gas (LNG).**

- **LNG samples.** In 2009 facilities to reduce uncertainty in measuring the energy from the LNG unloaded from methane carriers at our plants were developed and completed, including all the necessary mechanical equipment, instruments and software.

- **Power generation at the Almendralejo compression station:** the project consists of a tail cycle with 3.6 MW peak generating power, which makes use of the residual heat in the exhaust gases from the turbines driving the compressors to produce electricity.

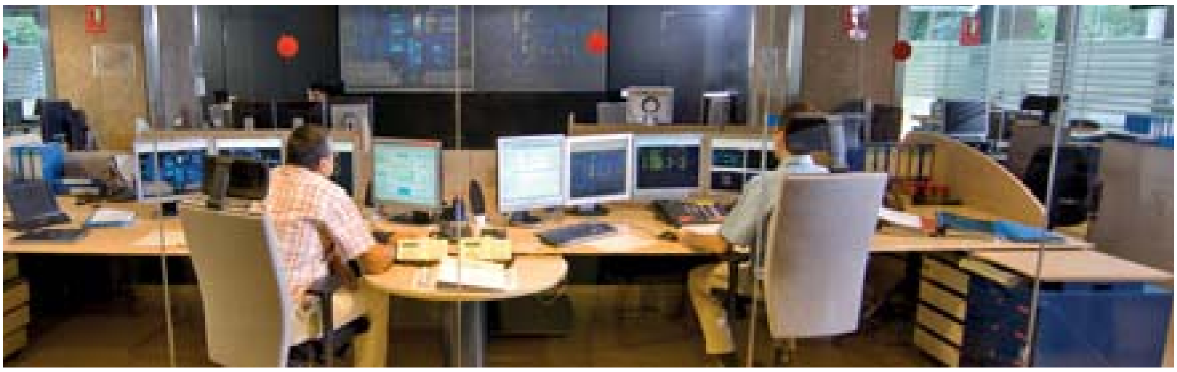
- **Tools to predict gas demand in the electricity sector.** An algorithm has been developed to estimate demand for natural gas from the electricity sector (combined cycle) according to the different conditions affecting it.

- **MOLAS project.** An algorithm for performing calculations to simulate the behaviour of LNG when it is being transported by methane carriers, so that its characteristics can be known before it is unloaded, facilitating the work of the LNG plants.

- **Noise simulation software.** Development of an IT tool to simulate the emission, dispersion and absorption of noise from different sources in LNG plants and compression stations, so that measures to attenuate it can be taken.

Enagás has a central laboratory unit in Zaragoza with various laboratories (gas metering, instruments, analysis) which provide Enagás, companies in the sector and external clients with services for calibration, technical support and maintenance of quality and gas volume/energy measurement systems.

The Company also carries out studies and tests designed to advise and draw up technical reports and procedures for the different divisions in the Company, other companies and organisations related to the sector.



4.3.

Finance

Revenue

In 2009 the Company's regulated revenue was €866.8Mn, an increase of 6.6% over the previous year.

Revenue from non-regulated activities was €15.4Mn, other operating revenue was €14.1Mn and revenue from the disposal of fixed assets totalled €5.1Mn.

Total revenue for the year was €901.5Mn.

Operating expenses

Enagás' operating costs in 2009 were reduced by 10.7% from 2008, reflecting the efforts made to control costs. This reduction is especially significant in a year when the Company's asset base grew by around 20%.

Operating cash flow (EBITDA) and operating profit (EBIT)

EBITDA totalled €701.3Mn, 10.2% higher than the 2008 figure. This positive trend reflects the good results for operating costs against a background of increased earnings, leading to improvement in the EBITDA margin on regulated revenue from 78.3% in 2008 to 80.9% in 2009.

Depreciation of fixed assets during the year was €216.6Mn, 6.7% higher than in 2008. As a result, EBIT advanced 11.9% in the year to €484.7Mn.

ROCE (EBIT/Average net debt+average shareholders' equity) at 31 December 2009 was 8.2%, compared to 8.5% in 2008, a fall brought about mainly by the substantial volume of assets brought into operation during the year, especially in the second half. As these assets begin to mature we can look forward to a recovery in this important indicator.

ROE for 2009 was 19.5%, as against 18.5% the previous year.

Financial expense

Net financial expense for the year was €61.2Mn, 8.6% lower than in 2008 as a result of the average cost of debt falling to 3.31%, considerably less than the 4.70% recorded in 2008.

The EBITDA interest cover ratio at the end of 2009 was 9.6x compared with 7.9x a year earlier.

Net profit

The healthy growth in earnings has contributed to a net profit for 2009 of €298Mn, 15.1% higher than the €258.9Mn recorded in 2008, a result amply exceeding the strategic target of 8.6% set at the beginning of the year.

Investment

Enagás invested €901.6Mn in 2009, a new record high for the Company.

As a result assets put into operation during the year also reached a record level: €965.3Mn, up from €591.2Mn in 2008.

Financing: (EC4)

Operating cash flows adjusted for changes in working capital totalled €534.3Mn, which was 13.4% higher than the 2008 figure. The increase was a result of the 10.2% rise in EBITDA and successful management of working capital during the year.

Cash flows generated were used mainly to finance investments (€901.6Mn) and pay dividends (€222.9Mn).

Accordingly, at 31 December 2009, the Company's net debt was €2.90Bn, up from €2.35Bn at year-end 2008.

The net financial debt to total assets ratio was 50.2% at year-end, slightly higher than the previous year's figure of 49.8%. Leverage (net debt/net debt + equity) stood at 64.6%, up from 61.8% in 2008, as a result of heavier investment in 2009.

Capital grants recognised in income in 2009 came to €20.5Mn and correspond essentially to the EU structural funds assigned to the Gas Infrastructure Operational Programme. (EC4):

- Spanish government subsidies: €3.0Mn (14.7% of all subsidies applied to earnings)
- Subsidies from the Autonomous Communities: €1.6Mn (7.7% of all subsidies applied to earnings)
- FEDER subsidies: €15.9Mn (77.6% of all subsidies applied to earnings)

Debt structure

At 31 December 96% of debt was long-term and 60% fixed rate, in line with long-term Company policy of contracting most debt at fixed rates.

The most significant financial operation carried out by Enagás in 2009 was the two simple bond issues for €500Mn each, maturing in 3 and 6 years.

The operation took place in June and was completed successfully on 6 July. The funds obtained from the bond issue were used for early repayment of a syndicated loan for the same amount maturing in January 2010. The operation has allowed Enagás to overcome considerable uncertainty regarding difficulties in capital markets when refinancing a debt on this scale.

Six financial institutions assisted Enagás in the design of the issue and its distribution among investors. The issue was placed after a roadshow by Enagás with a number of presentations in Spain

and the rest of Europe. The operation was an unqualified success, with applications from investors exceeding the value of the issue tenfold.

The operation has enabled Enagás to extend the average life of its debt considerably and has established a three year period in which there will be no substantial need for financing.

The three-year bonds have an annual coupon of 3.25% and were issued at 99.963% of their face value.

The six-year bonds have an annual coupon of 4.375% and were issued at 99.809% of their face value.

In September Enagás carried out an issue of bonds with a 30 year maturity for a total of ¥20Bn (€147,5Mn), taken up entirely by the Japanese subsidiary of AFLAC, the American Life Assurance Company.

Financing strategy

The operations described above mark the culmination of Enagás' financing strategy for the availability of funds over different periods, using the different instruments available. At 31 December 2009 Enagas' financing stood as follows:

- Very long-term financing with the AFLAC bonds.
- Long-term financing with ICO and EIB loans.
- Medium-term financing through the issue of simple bonds and other loans.
- Short-term financing with credit facilities.

Liquidity

Liquidity, in terms of undrawn financing, was €1.62Bn at year-end, which will allow us to finance our investment needs for the next three years without the need to tap the capital markets.

After the refinancing of the syndicated loan described above, the Company will not have to enter into any significant refinancing operations until 2012.

Dividend policy

The Company's dividend policy has not been changed in 2009 and pay-out is 60% of net profit. In 2009, however, there was a change in the date on which the interim dividend for the year was paid. Payment was made on 22 December instead of in early January as had normally been the case in the past.

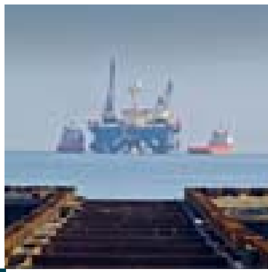
Rating agencies

The main ratings agencies all confirmed Enagás' credit ratings in 2009.

Standard & Poor's produced its annual report in November, confirming the Company's rating and outlook.

In its report, Standard & Poor's highlights the limited regulatory risk to which Enagás is exposed, as well as the importance of its investment plan to the development of the country's energy sector and the Company's conservative financial policy, with a high level of liquidity. The agency also notes that Enagás should maintain a robust financial and operational profile despite the sharp increase in the volume of investments planned for the coming years.

Moody's held its rating for Enagás at A2. In its report in June it stresses the Company's strategy of focusing on regulated activity in Spain and its strong financial structure, in line with an A2 rating. Standard & Poor's ("AA-" long-term and "A-1+" short-term) and Moody's ("A2" long-term and "Prime-1" short-term) once again rate Enagás as one of the safest and financially strongest companies in the Spanish energy sector and highlight the high security and low-risk nature of the Company's strategy.



4.4.

Enagás' shares in 2009 (2.9)

Performance in 2009

After a very negative first quarter the main world economies have made a notable recovery in 2009, thanks to the relaxation of fiscal and monetary policies by many governments. This was reflected in a stock market recovery from the lows seen in March.

In Spain, the Ibex 35 closed 2009 up 29.84%, at 11,940 points, slightly better than the performance of other European markets.

In this optimistic scenario, investors have opted for stocks which are more exposed to the economic cycle, penalising companies which are more defensive.

The performance of Enagás shares, which lost 0.87% over the year, has been poorer than the average for utilities, because of the Company's more defensive approach. Moreover, in the opinion of analysts, the Company has been adversely affected by weak demand for gas, which could lead to there being less need for future investment than expected.

Despite the price slippage, the share has still risen 137% since its first listing in June 2002. At the close of 2009, the share was trading at €15.425, equivalent to a year-end market capitalisation of €3.68Bn. The share reached its highest closing price for the year (€15.90) on 7 January and its lowest closing price (€10.43) on 31 March. The average share price in 2009 was €13.53.

As regards volume turnover, a total of 439.7 million shares changed hands in 2009 (a daily average of 1.2 million shares), which represents a 19.9% decrease on 2008 trading volumes.

Share capital and shareholder structure (EC4, 2.9)

At 31 December 2009, Enagás had fully subscribed, paid-in share capital totalling €358,101,390.

This capital was represented by 238,734,260 ordinary shares, each with a nominal value of €1.5, admitted to trading on all four Spanish securities exchanges and also the continuous market.

The share capital of Enagás is represented by book entries, with Iberclear and its member companies responsible for keeping the register of the Company's shares.

There was just one change in the structure of significant shareholdings in Enagás' capital in 2009.

In June Gas Natural SDG notified the National Securities Market Commission (CNMV) that it had sold its 5% holding in the share capital of Enagás to Oman Oil Holdings Spain, S.L.U., in response to the ruling by the Spanish anti-trust regulator, Comisión Nacional de Competencia (CNC) in connection with the merger of Gas Natural and Unión Fenosa.

The shareholdings of all other significant shareholders with a presence on the Board were unchanged from 31 December 2008, with Bancaja Inversiones S.A, Cantábrica de Inversiones de Cartera, S.L., (Cajastur), Sagane Inversiones S.L., Bilbao Bizkaia Kutxa (BBK) and Sociedad Estatal de

Participaciones Industriales (SEPI) all holding a 5% interest in the Company's share capital at 31 December 2009.

In addition REN (Redes Energeticas Nacionais) continued to hold 1% of Enagás' share capital.

The Company had free float of 69% at 31 December 2009. On the basis of information available to the Company, approximately 10% of free float is held by Spanish investors, while the remainder is owned by international investors located principally in the United Kingdom, the United States and continental Europe.

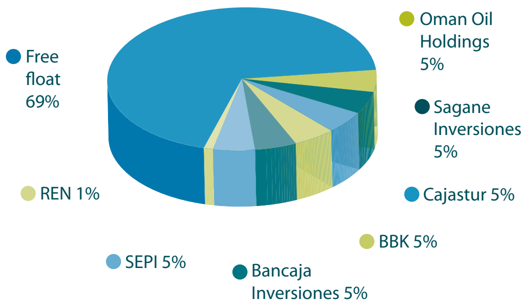
Dividends

The results achieved by Enagás in 2009 mean that the Company is able to propose the distribution of a gross dividend of €0.749 per share at the General Meeting, which, if accepted, will represent a 15.1% increase on the previous year's dividend, which is in line with growth in net profit.

On 22 December 2009 a gross dividend of €0.283 per share was paid from Enagás' 2009 earnings. This means that the Company is proposing to pay a final gross dividend of €0.466 euros for 2009 if approved.

The Company's dividend yield was 4.86% of its share price at 31 December 2009.

Share capital and shareholder structure



Stock market and financial variables per share

	2002	2003	2004	2005	2006	2007	2008	2009
No. of shares (millions)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7
Capitalisation (€Mn)	1,384.5	2,053.1	2,912.6	3,771.5	4,206.5	4,771.6	3,714.2	3,682.5
Price at 31 December (€)	5.80	8.60	12.20	15.80	17.62	19.99	15.56	15.425
High (€)	6.49	8.68	12.20	16.00	21.14	21.67	21.25	15.90
Low (€)	5.11	5.79	8.19	11.46	15.16	15.86	10.32	10.43
Average (€)	5.73	7.13	9.44	13.66	17.42	18.27	17.28	13.53
Days quoted	128	250	250	256	254	253	255	254
Share volume (millions)	304.5	223.3	255.7	425.8	443.6	771.2	548.8	439.7
Turnover (€Mn)	1,903.5	1,574.5	2,416.2	5,710.8	7,742.4	13,950.3	9,719.4	5,976.8
Net earnings per share (EPS) (€)	0.46	0.59	0.66	0.80	0.91	1.00	1.08	1.25
Dividend per share (DPS) (€)	0.23	0.30	0.33	0.40	0.47	0.60	0.65	0.75*
P / E (Price / earnings ratio)	12.61x	14.58x	18.42x	19.75x	19.36x	20.03x	14.36x	12.35x

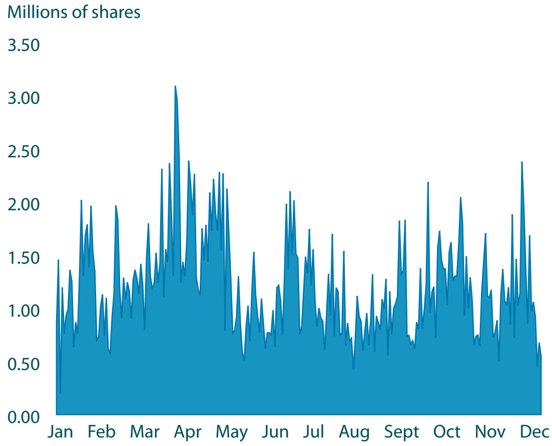
* Subject to approval of final dividend distribution at the General Shareholders' Meeting

Dividends

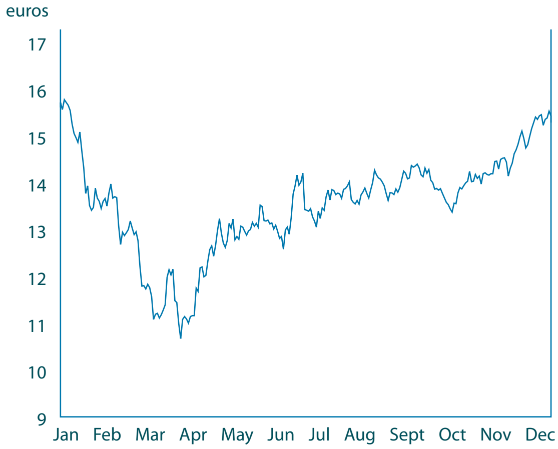
	2002	2003	2004	2005	2006	2007	2008	2009
Total amount (€Mn)	55.04	71.01	79.06	95.48	112.64	142.97	155.18	178.82
Interim (€Mn)	21.49	28.65	31.04	38.20	45.36	57.30	62.07	67.60
Final (€Mn)	33.55	42.36	48.03	57.28	67.28	85.68	93.11	111.22
Gross dividend per share (€)	0.23	0.30	0.33	0.40	0.47	0.60	0.65	0.75*
Interim (€Mn)	0.09	0.12	0.13	0.16	0.19	0.24	0.26	0.28
Final (€Mn)	0.14	0.18	0.20	0.24	0.28	0.36	0.39	0.47
% of nominal	15.30%	20.00%	22.10%	26.60%	31.33%	39.92%	43.33%	50.00%
Dividend yield*	4.00%	3.50%	2.70%	2.53%	2.67%	3.00%	4.18%	4.86%
Pay-out (%)**	50%	50%	50%	50%	52%	60%	60%	60%

* Subject to approval of final dividend distribution at the General Shareholders' Meeting
** Percentage of Net Profit distributed as dividends

Trading volume 2009



Share price performance 2009



4.5.

Regulatory developments in 2009

Third Energy Package

DIRECTIVE 2009/73/EC

Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 on common regulations for the internal natural gas market rescinds Directive 2003/55/EC.

The main changes introduced by Directive 2009/73/EC are the unbundling measures for transmission operators and greater independence and fuller powers for national regulatory authorities.

REGULATION 715/2006

Regulations on conditions for access to natural gas transmission networks, rescinding Regulation 1775/2005. There are two important new aspects:

- The creation of ENTSOG (European Network of Transmission System Operators for Gas).
- The establishment of the third party access service, principles for the mechanisms by which capacity is assigned and procedures to manage congestion and the transparency requirements of LNG plants and underground storage facilities.

REGULATION 713/2009

Regulation 713/2009 of the European Parliament and the Council of 13 July 2009 created the European agency for the cooperation of energy regulators (ACER), the purpose of which is to assist national regulatory authorities in the exercise of the community regulatory tasks carried out in member states, coordinating their work if necessary.

Modifications to the Law on Hydrocarbons

ROYAL DECREE 6/2009

The Royal Decree completes the definition of the model for gas supplies, bringing it into line with the system for electricity. Enagás, as technical manager of the system and independent carrier, is appointed sole carrier for those gas pipelines that constitute the network grid and are therefore essential for the functioning of the system and security of supply.

LAW 25/2009

Law 25/2009 of 22 December, modifying various laws to adapt them to the Law on free access to service activities and its application, modifies certain aspects of the Law on Hydrocarbons (34/1998). In particular it eliminates the regime under which authorisation is granted for the exercise of sales activity as covered by the Law on Hydrocarbons and the obligatory inclusion in the Register of suppliers and direct consumers in the electricity and natural gas markets.

Remuneration and Tolls

ORDER ITC/1724/2009

Order ITC/3802/2008, of 26 December, stipulated in its fourth final provision that on 1 July 2009 the amounts corresponding to the tolls and fees specified in the Order would be revised if significant deviations were anticipated in the balance between costs and income for the gas system in 2009.

ORDER ITC/3520/2009

Order ITC/3520/2009, of 28 December, established remuneration for regulated gas sector activities in 2010, and tolls and fees for third-party access to gas facilities.

Procedures for assigning interconnection capacity

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 24 JULY 2009

Launching the procedure (Open Season) for coordinated long-term assignation of the interconnection between Spain and France which will be available from 2013, passing through Larrau and Biriatou.

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 13 OCTOBER 2009

Launching the Open Subscription Period for the coordinated allocation of short-term contract capacity between Spain and France for the period from 1 April 2010 and 31 March 2011.

Last Resort Rate

ORDER ITC/863/2009

Order ITC/863/2009, of 2 April 2009, regulates the establishment of the auction procedure for Last Resort suppliers to purchase certain amounts of natural gas to supply to consumers entitled to acquire gas for the Last Resort Rate. The prices at which gas is auctioned will be an indicator for updating charges under the Last Resort Rate.

ORDER ITC/1251/2009

Order ITC/1251/2009, of 14 May, publishes the Agreement by the Council of Ministers on 3 April 2009, under which, from 1 July 2009, the Rate of Last Resort will only be available to customers whose annual consumption is less than 50,000 kWh and who are connected to gas pipelines whose pressure is 4 bars or less.

RESOLUTION PASSED BY DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES (DGPEM) ON 3 APRIL

Publishing the last resort supply rate for natural gas to be applied with effect from 12 April 2009.

STATE SECRETARIAT FOR ENERGY RESOLUTION OF 19 MAY

This resolution sets out operational rules for the auctioning of natural gas for the establishment of the Last Resort Rate for the period from 1 July 2009 to 30 June 2010.

STATE SECRETARIAT FOR ENERGY RESOLUTION OF 4 MAY

Establishing certain features of the auctioning of natural gas for the establishment of the Last Resort Rate for the period from 1 July 2009 to 30 June 2010.

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 10 JUNE

Establishing certain features of the auctioning of natural gas for the establishment of the Last Resort Rate for the period from 1 July 2009 to 30 June 2010.

ORDER ITC/1660/2009

Order ITC/1660/2009, of 22 June, establishes methods for calculating the Last Resort Rate for natural gas, incorporating the results of the auction procedure for the purchase of natural gas, together with international references indicative of the cost of gas supplies.

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 29 JUNE

Publishing the last resort supply rate for natural gas to be applied with effect from 1 July 2009.

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 29 SEPTEMBER

Publishing the last resort supply rate for natural gas to be applied with effect from 1 October 2009.

Underground storage facilities

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 23 FEBRUARY 2009

Details were published of the available capacity of underground storage for the basic natural gas network for the period 1 April 2009 to 31 March 2010.

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 9 MARCH 2009

Stipulating certain aspects of the auctioning process to assign underground storage capacity for the period 1 April 2009 to 31 March 2010: the dates at which auctions will take place, the estimated storage capacity to be auctioned, regulations for the auction, information and documentation from the system's technical manager, model contract, and payment of the cost of the auction.

Auction for the purchase of linepack and operational level gas

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 30 APRIL 2009

This resolution set out operational rules for the auctioning of operational and linepack gas for the period from 1 July 2009 to 30 June 2010.

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 9 JUNE

This resolution set out certain parameters for the auctioning of operational and linepack gas for the period from 1 July 2009 to 30 June 2010.

Change of Supplier Office

ROYAL DECREE 1011/2009

Royal Decree 1011/2009, of 19 June, setting out regulations regarding the Change of Supplier Office, stipulates the following, among other points:

- Matters concerning the nature, composition and functions of the Office
- Procedures for any of the members to raise discrepancies and submit suggestions or comments on draft versions of reports, statements and proposals drawn up by the Office
- The fact that access to Change of Supplier Office information is free
- The constitution of the organisation's General Meeting and Board of Directors. The organisation's financial independence is recognised, based on the fees paid by members, in proportion to their respective share of its capital
- Supervision of the work of the Change of Supplier Office and compliance with regulations and procedure regarding change of supplier, which are the responsibility of the National Energy Commission (CNE).

Incorporation of Strategic Reserves

ORDER ITC/3510/2009

Approving the quotas for the Incorporation of Strategic Reserves of Petroleum Products for the year 2010.

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 30 MARCH 2009

According to this Resolution the Strategic Oil Reserve Corporation (CORES) will publish on its website details of the minimum reserves it is obliged to hold by Royal Decree 1716/2004, of 23 July, so that all parties obliged to hold minimum reserve stocks of petroleum products can see the levels they are required to hold at any time.

Other Resolutions

ORDER ITC/885/2009

Order ITC/885/2009, dated 2 April, regulates the transfer of funds, charged under third-party access tolls to gas facilities, from the specific account of the National Energy Commission (Comisión Nacional de Energía) to the Institute for Energy Diversification and Saving (Instituto para la Diversificación y Ahorro de la Energía), in 2009, for execution of the measures pursuant to the 2008-2012 action plan, 2004-2012 energy saving and efficiency strategy (E4) and criteria for execution of the measures set forth under said plan.

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 30 NOVEMBER 2009

Approving the 2009-2010 Winter Action Plan for the operation of the gas system, establishing the exceptional operating conditions needed for the 2009-2010 winter months so as to guarantee supply in view of the increase in demand resulting from the seasonal nature of the domestic and commercial market and any sudden cold spells. Some of the measures envisaged entail possible restrictions on exports, the extraction of underground storage, and the maintenance of minimum liquid natural gas (LNG) inventories in plants.

DIRECTORATE-GENERAL FOR ENERGY POLICY AND MINES RESOLUTION OF 15 JULY 2009

This resolution modified the resolution of 25 July 2006, regulating allocation terms and conditions and the procedure to be applied for interrupting the gas system.

4.6.

Enagás management indicators

The Enagás management model includes the analysis of indicators as one of its cornerstones for achieving the levels of monitoring and control needed for the Company's activity and results.

Enagás has a Management Information and Analysis System (SIAD) through which the Company's senior management can obtain the information they need to manage the business and pursue its aims, enabling them to anticipate irregularities and issuing alerts regarding critical information.

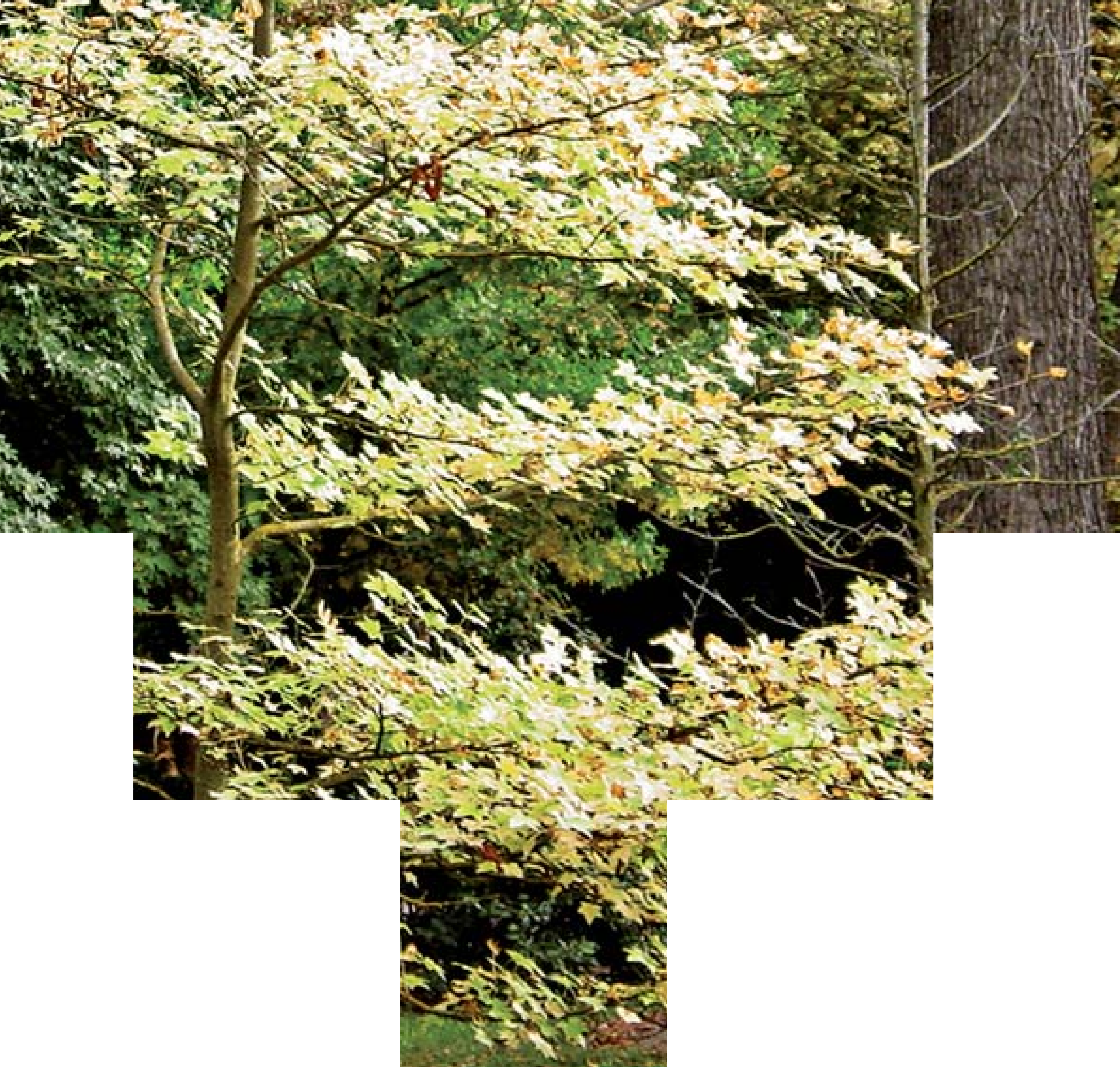
This management tool allows different departments to share information about the management of the Company, including financial indicators (operating profit, net debt, investments, etc.) and operating indicators (gas transported, capacity used, etc.) as well as macroeconomic indicators (Enagás shares, 10 year bond, euro/dollar exchange rate, etc.).

To facilitate access to information, indicators are organised according to those responsible for their analysis, there being different sets of indicators for the Chairman's office, the Management Committee and each department in Enagás, with the information being updated each month.

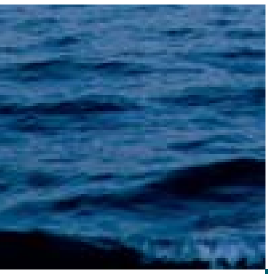
In 2009 a set of benchmarking indicators have been introduced so that key indicators for Enagás can be compared with those of other companies in the sector (net profit, ROE, etc.).

The SIAD system also facilitates preparation of all the documentation needed by the Company's principal committees (Management Committee, Sustainability Committee, etc.) including agendas and reports.

In order to have a mechanism for managing indicators in place throughout the organisation, Enagás has a business process management tool (ARIS) which allows the continuous monitoring of the main operational management indicators for each of its units, including analysis broken down by area and infrastructure.



Sustainability in Enagás



5.1.

Milestones 2009 / challenges 2010

Milestones 2009

- Completion of a project for improving dialogue with stakeholders. We have identified the most important issues for each of them through in-depth interviews with the main stakeholders.

- The Quality, Excellence and Sustainability Master Plan for 2009-2012 has been initiated. In 2009 90% of the 131 measures proposed for the year were implemented.

- Fulfilment of the Quality, Excellence and Sustainability Master Plan for 2009-2012 was made an aim of the Company. An overall set of objectives has been established including the consolidation of the global risk model and the system for controlling financial reporting.

- Effective implementation of the Enagás Business Principles (code of ethics) throughout the organisation. This has been achieved with an on-line course taken by approximately 20% of staff and through the work of the Business Principles Supervisory Committee, which is responsible for managing the consultation process and reporting irregular conduct.

- Review of the Strategic Planning process, incorporating assessment criteria related to Quality, Excellence and Sustainability.

- Enagás' presence was maintained in the Dow Jones Sustainability Index (DJSI) and FTSE4Good and it was included in the Ethibel Excellence Investment Register.

- Enagás was awarded European Excellence 300+ recognition under the EFQM model.

- Certification of the Quality Management System in the processes of infrastructure management and third-party network access under the ISO 9000:2008 standard, and renewal of certification as Technical System Operator.

- Renewal of Enagás' statement of commitment to the United Nations Global Compact.

- The 2009 Annual Report was presented using principles and content defined by the Global Reporting Initiative (GRI), obtaining the highest classification awarded by this body for the second consecutive year (A+), and verified for the first time as AA1000, demonstrating our commitment to transparency, clarity and precision in information to meet the needs of our stakeholders.

Sustainability in Enagás

300+ EFQM recognition award ceremony.

Challenges 2010

- Matters of Corporate Social Responsibility to be formally assigned to the Board of Directors' Appointments and Remuneration Committee.

- A management model for stakeholders to be developed and introduced. This is a centralised management model which establishes:

  - Measures which can lead to an improvement in the opinion of stakeholders regarding significant issues which have been identified.

  - Two-way communication channels with each stakeholder group.

  - Internal and external communication about the progress of the action plan.

- Monitoring the introduction of the Integrated Management Model for Quality, Excellence and Sustainability via the definition of a scorecard with indicators that facilitate comparison with other companies in the sector.

- Continuing to include the degree of compliance with sustainability measures when setting Company objectives.

- EFQM Report to be drawn up and evaluated according to EFQM standards to obtain the European Seal of Excellence 400+.

- Definition of a model for Knowledge Management which makes it possible:

  - To ensure that knowledge is acquired and kept up to date

  - To structure, disseminate and apply knowledge in the organisation to ensure the creation of value

  - To reduce the risk of losing critical information in the organisation

  - To ensure that processes which have achieved outstanding levels of performance maintain them

€901.6Mn
Investment

€298Mn
Net profit

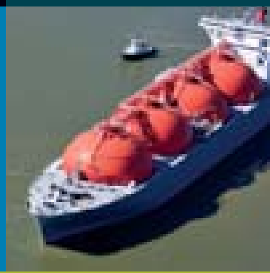
8.2 %
ROCE

€178.8Mn
Dividends

S&P (AA–, stable outlook) and Moody's (A2, stable outlook)
Ratings

€901.5Mn
Revenue

€701.3Mn
EBITDA



€2,904Mn
Net debt

KEY INDICATORS 5.2.

€0.8Mn
Social investment

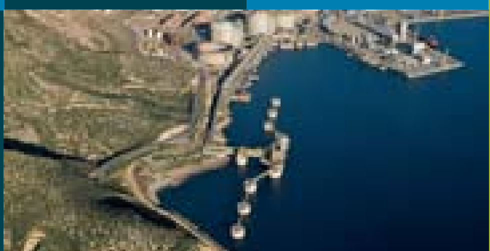
22.37 %
Women employees

0.19 %
Voluntary employee turnover

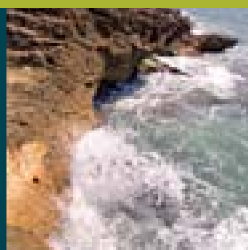
3.74 %
Rate of absenteeism

€426.28
Investment in training per employee

1,046
Employees



€35.1Mn
Environmental investment

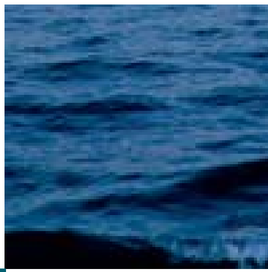


1,086.2 GWh
Total energy consumption

288,804 T CO_2 eq
GHG emissions

84,282 m^3
Consumption of water

1,363.2 T
Waste production



5.3.

Governance structure for sustainability

Enagás, committed to sustainability (4.8)

As reflected in the Company's Mission Statement, to achieve business success the Company needs to find a balance between economic growth, social cohesion and protecting the environment while at the same time taking its stakeholders' expectations into account. In the medium term Enagás aims to be a benchmark in the energy sector.

Enagás and Corporate Responsibility (4.8)

The ability to come up with fresh and effective ideas for the sustainable design that Enagás and its stakeholders want for the future is essential for the Company's business success.

Enagás has therefore included the principles of sustainability in its Management System and gradually introduced Corporate Responsibility measures reflecting its commitment to sustainability. One example is the approval of the Enagás Position on Corporate Responsibility by the Board of Directors on 30 January 2009.

As this position indicates, Enagás will build its future strategy around the following corporate challenges:

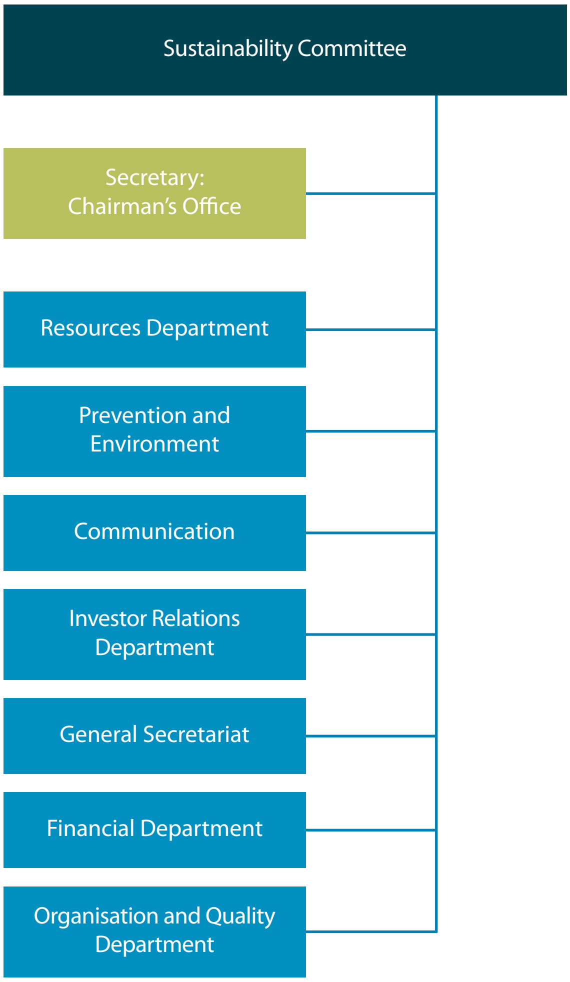
- **Service, reliability and accessibility.**
- **Transparency, ethical conduct and integrity,** through the Company's Business Principles. These can be found on the website, as can other corporate policies and positions.
- **Human capital development:** in line with the Enagás Position on Equality and the Equality Plan, approved in 2009
- **Safety:** through the Enagás Risk Prevention Policy
- **Biodiversity:** through Enagás' Position on Biodiversity
- **Climate change:** through Enagás' Position on Climate Change
- **Helping the community:** through the Enagás Position on Community Contribution

Enagás' commitment to push ahead with a sustainable management model has led to the introduction of the Quality, Excellence and Sustainability Master Plan 2009-2012 (see Section 5.5. Quality, Excellence and Sustainability Master Plan).

Sustainability governance (2.10)

At its December 2009 meeting Enagas' Board of Directors agreed to propose to the General Shareholders' Meeting a change to Article 45 of the Company's Articles of Association, to formally allocate to the Appointments and Remuneration Committee matters related to Corporate Social Responsibility and good governance, changing its name to the Appointments, Remuneration and Corporate Social Responsibility Committee.

In 2008 the Sustainability Committee was set up as the highest management body dealing with this area. It consists of an interdisciplinary working group with representatives from the following departments/units:



The functions of the Sustainability Committee are:

- To review and disseminate the Enagás Quality, Excellence and Sustainability Master Plan, ensuring that it takes the following into account: The inclusion of the three dimensions –economic, social and environmental– in Enagás strategy, the application of this strategy in objectives and programmes, supervision of the Company's Annual Report, verifying that it is drawn up in line with the GRI standard, informing stakeholders of measures taken and results achieved and providing the resources necessary to do this.

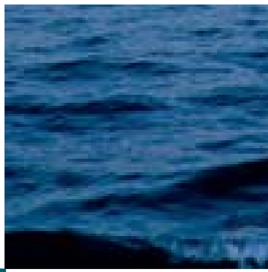
- Establishing effective dialogue between Enagás and its stakeholders, through the creation of the necessary channels of communication, ensuring that the action taken by the Company in the area of sustainability corresponds to their needs and expectations.

- Enhance the Company's reputation in the area of Corporate Responsibility through its participation in sustainability forums.

- Coordination with the Quality Committee for those initiatives that call for it, bearing in mind that one of the fundamental concepts underlying excellence in business is Corporate Responsibility.

- Keep the Management Committee informed of relevant issues dealt with, consulting them or requesting approval when appropriate.

The Sustainability Committee, which meets quarterly, may delegate certain decisions to a working group which holds meetings at shorter intervals.



5.4.

Integrated Management Model (4.8)

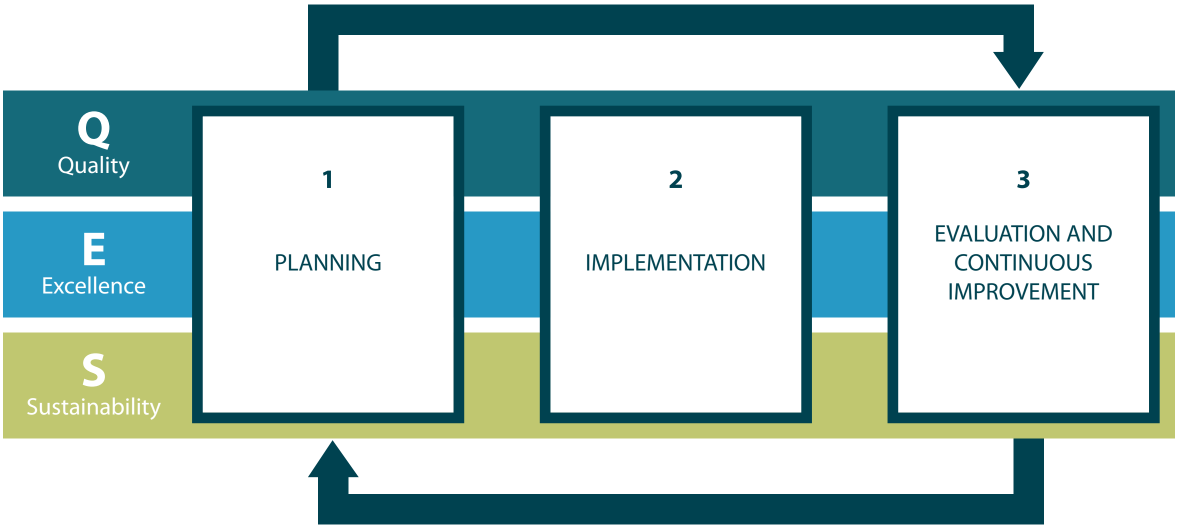
In recent years the Enagás management model has evolved progressively towards one which takes into account the needs of its stakeholders and includes in its structure critical features related to three dimensions or transversal attributes: Quality, Excellence and Sustainability.

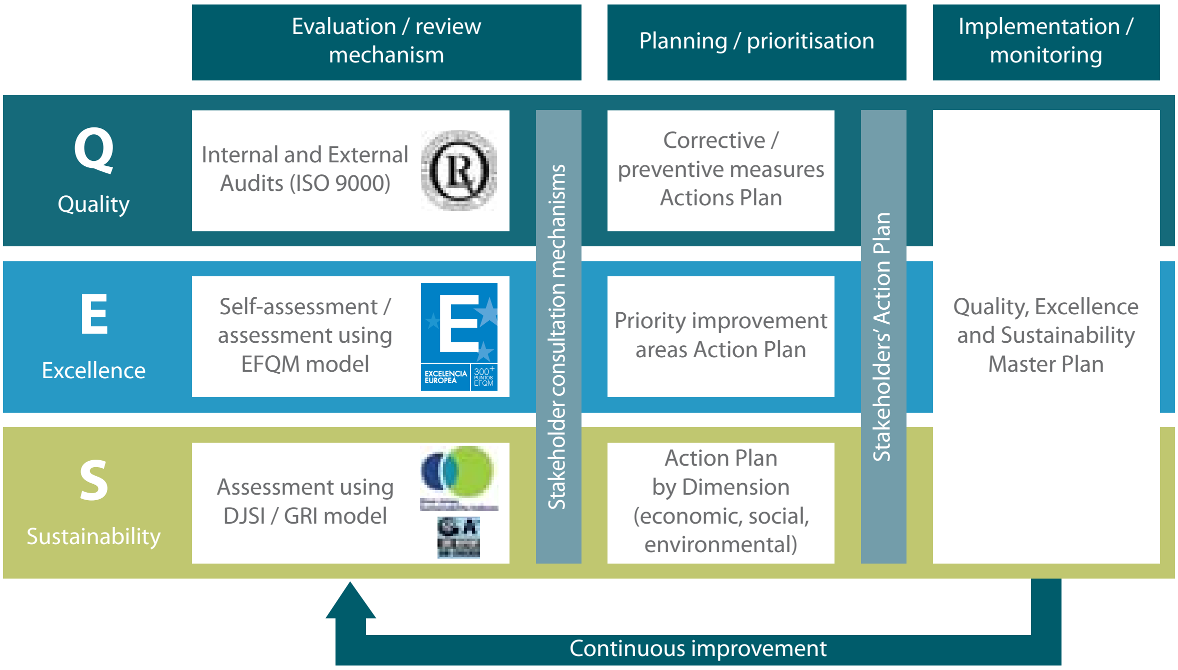
These transversal attributes are implemented in the Company in the following categories: People, Leadership and Strategy, Customers and other stakeholders, Suppliers, Society, Innovation and Knowledge Management, and Processes.

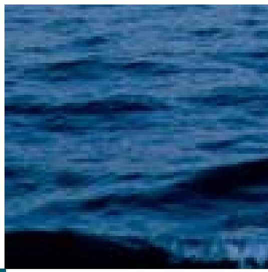
This integrated approach makes it possible to apply measures in Quality, Excellence and Sustainability which are complementary, so that we gain the maximum benefit from our efforts and resources.

Q Quality	ISO certification (GTS, ATR, DSI)	Internal and external audits	Launch of Quality Initiatives
	Joint initiatives: Quality-Excellence	■ Indicator Management Model (Processes) ■ Customer satisfaction review and monitoring ■ Roll-out of Business process management tool ■ Company training in Business and Process Management ■ Launch multi-disciplinary improvement teams	
E Excellence	EFQM seal	Internal and external EFQM evaluations	Launch of Excellence Initiatives
	Joint initiatives: Excellence-Sustainability	■ Definition of employee code of conduct ■ Employee satisfaction evaluation ■ Preparation of A+ GRI Sustainability Report ■ Identification and development of employees with potencial ■ Redesign communication channels with interest groups ■ Corporate energy efficiency plans	
S Sustainability	FTSE4GOOD	Annual check-up (DJSI Report, EFR audit, FTSE4Good report, etc.)	Launch of Sustainability initiatives

Enagás' Integrated Management Model promotes ongoing improvement, establishing mechanisms which make it possible to evaluate the success of the model in the different dimensions and categories it covers (ISO 9000 audits, EFQM self-assessment, surveys of stakeholders, DJSI assessments, etc.), identifying scope for improvements, which will be incorporated in the annual review of the Quality, Excellence and Sustainability Master Plan for 2009-2012.





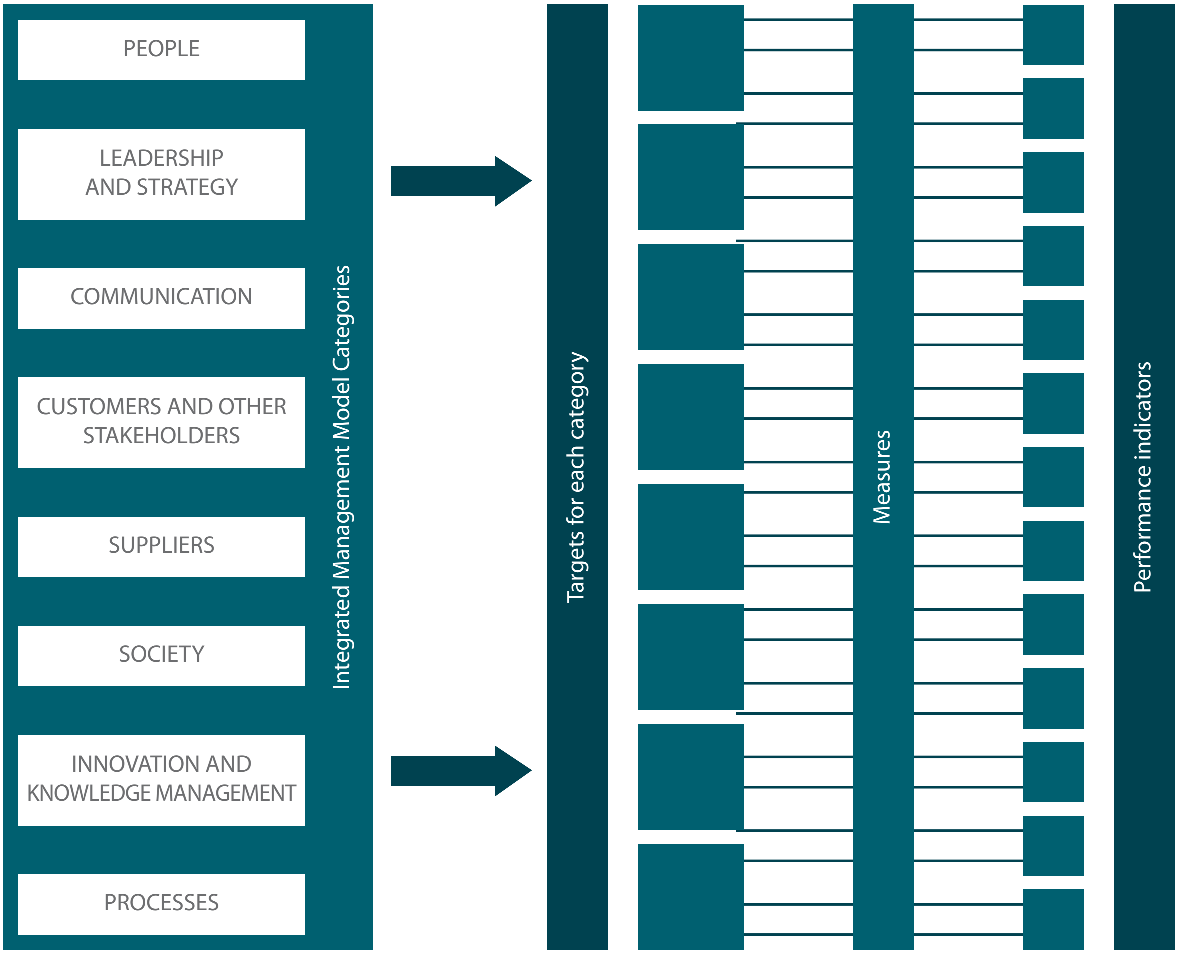


5.5.

Quality, Excellence and Sustainability Master Plan

The Quality, Excellence and Sustainability Master Plan for 2009-2012 is intended to respond in the short and medium term to opportunities detected in the scheme for ongoing improvements which is part of Enagás' Integrated Management Model.

The Master Plan incorporates the opportunities identified for each category in the model in the form of initiatives, i.e. action which can be taken, responsibilities, timescales, objectives and indicators.



The following initiatives were particularly significant in 2009:

- **People:** project to identify and manage talent, Equality Plan drawn up and approved, Enagás Training School launched, etc.

- **Leadership and strategy:** review of the structure and process for drawing up the strategic plan, including a new chapter related to Quality, Excellence and Sustainability, introduction of a system to monitor and control reputational risk, etc.

- **Communication:** development of Internal Communication Plan and creation of new channels (internal magazine *azulyverde*, electronic newsletter Ráfagas, a dedicated microsite on the intranet, etc.)

- **Customers and other stakeholders:** project to improve dialogue with stakeholders, ISO 9000 certification of business processes most closely related to customer management (TSO, TPA), and definition and implementation of indicators to monitor them, improve customer care management process, etc.

- **Suppliers:** strategic sourcing, scorecard for suppliers with CSR criteria, etc.

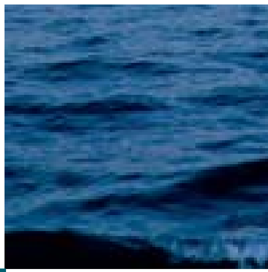
- **Society (Environment+Community):** purchase of fair trade products and from special employment centres for people with disabilities, participation in Carbon Disclosure Project, methanol recovery unit brought into operation at the Serrablo underground storage facility, etc.

- **Innovation and knowledge management:** introduction of Energy Saving and Efficiency Plan, support for the creation of groups for improvement in innovation, etc.

- **Processes:** review of the Company's scorecard, introduction of scheme to monitor process indicators via a BPM application, etc.

The commitment of Enagás management to comply with this Master Plan is reflected in its inclusion as one of the Company's objectives for 2009, with a direct impact on the variable remuneration of all staff subject to this policy.

The Quality, Excellence and Sustainability Master Plan for 2009-2012 includes over 250 specific lines of action. Of those planned for 2009, 90% have been successfully implemented.



5.6.

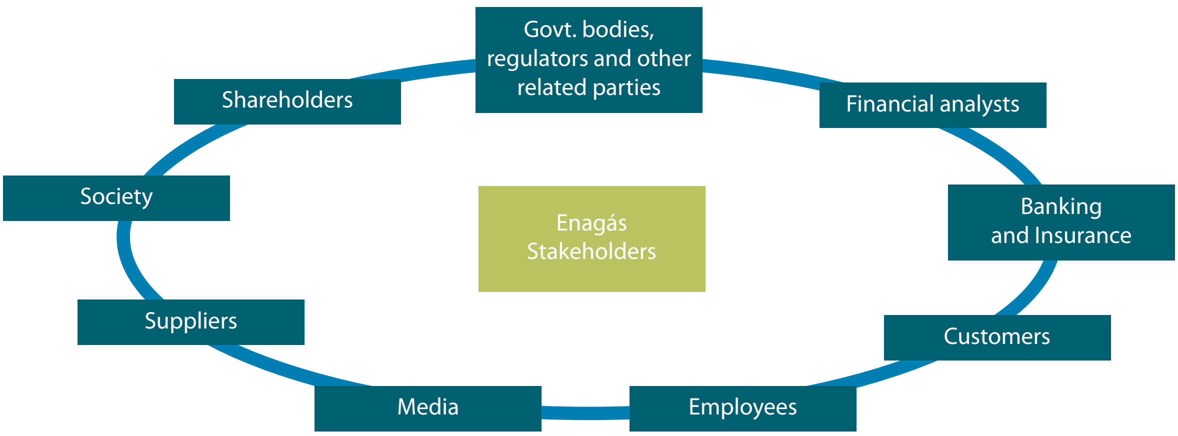
Dialogue with stakeholder groups

Relations with stakeholder groups (4.14, 4.15, 4.16, 4.17, EC1)

In 2008 Enagás carried out a study in which all the Company's departments took part which led to a preliminary classification and prioritisation of its stakeholders. It included a survey of the stakeholders identified (internal and external), focusing mainly on aspects related to Corporate Responsibility.

In 2009 work began on a project included in the Quality, Excellence and Sustainability Master Plan which is designed, among other aims, to bring about improvements in Enagas' dialogue with its stakeholders. The project falls into three stages: internal analysis of Enagas' corporate positioning in managing its stakeholders, external or comparative analysis of the positioning determined in the previous stage (by means of external interviews), and drawing up the requisite action plan.

- In the first stage an analysis was conducted of best practice or benchmarking in stakeholder management in energy sector companies. Interviews were also conducted with managers/supervisors of all Enagás departments, with a view to validating the classification and prioritisation of stakeholder groups identified in 2008 and carry out an assessment of current positioning and stakeholder group management.
- In the project's second stage 27 interviews took place with representatives of the different stakeholder groups (selected according to the significance of their relationship with Enagás and their knowledge of the Company) in order to identify and evaluate the key issues for these groups and compare the findings with perceptions inside the organisation.



- Finally, after examining the differences between the internal and external assessments, a specific Action Plan was defined with a view to improving Enagás' current positioning in the relevant areas, as envisaged in the Quality, Excellence and Sustainability Master Plan for 2009-2012. The Action Plan is based on the following objectives:

  - To introduce a centralised model for dealing with Enagás stakeholders, assigning responsibility for promoting this model to a unit which is to develop a general system for handling relations with stakeholders and coordinate the action plans drawn up subsequently with all Enagás departments.

  - To set up a system of channels and tools to manage feedback from all stakeholders, in addition to those already in place.

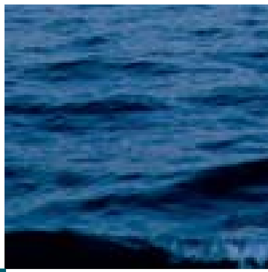
  - To establish measures which can lead to an improvement in opinions of Enagás' positioning regarding significant issues identified in stakeholder groups.

  - To establish mechanisms for regular communication, both internal and external, about significant progress in the action plan.

Channels of communication

In order to improve relations with stakeholders and develop dialogue with them, Enagás has identified the issues which each group considers a priority in its relations with Enagás and the channels of communication it uses.

STAKEHOLDERS	PRIORITY ISSUES	CHANNELS OF COMMUNICATION
Shareholders	Transparency Low risk Management of regulatory risk	Attention via the Investor Relations Department / Shareholder Office General Shareholders' Meeting Special section on www.enagas.es website for shareholders and investors
Government bodies, regulators and other related agencies	Confidence Transparency Compliance Successful joint activity Management of local environment Maintaining a flexible relationship based on trust Compliance Channelling communications Leadership in the EU Allocation of resources	Bilateral meetings with different organisations (Ministry for Industry, Trade and Tourism, CNE, etc.) Participation in workshops and other events concerning European regulations Participation in, cooperation with and/or representation in the following organisations and associations: the European Gas Regulation Forum, ENTSOG, the International Energy Agency (IEA), MARCOGAZ, etc. (see Section 10.2.Helping the community)
Financial analysts	Transparency Low risk Management of regulatory risk	Ongoing contact with 32 analysts Annual reviews by 3 ratings agencies Quarterly presentations of results Roadshows Special section on www.enagas.es website for shareholders and investors
Banks and insurers	Confidence Long-term alliance	Attention via Finance Department
Customers	Confidence Long-term alliance	Annual satisfaction survey Regular meetings with the main parties in the gas sector: suppliers, distributors and transporters Account managers 24/7 attention at the Main Control Centre Gas System Monitoring Committee "SL-ATR" third-party access logistics management system Special section on www.enagas.es website for gas transport and Technical System Operator SEDIGAS
Employees	Internal communication and communication with Management Training and development Equal opportunities Planning and generation of new ideas	Attention via Human Resources Department Employee satisfaction survey In-house magazine *azulyverde* *Ráfagas* electronic newsletter Enagás intranet Ethical channel (e-mail, fax, intranet forms) Family-Responsible Company mailbox
Media		Attention via Communications Department Special section on www.enagas.es website for Communications
Suppliers	Assessing experience and reliability Transparency Economic efficiency	Attention via Procurement Department Special section on www.enagas.es website for suppliers
Society	Transparency Dialogue with stakeholders	Attention via Communications Department



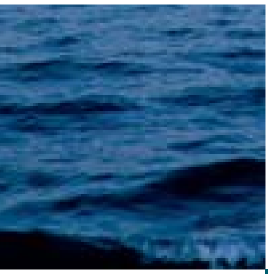
5.7.

Direct and indirect economic value

Economic value distributed (EC1)

€Mn	2007	2008	2009
Economic value generated			
Net sales	779.9	820.7	866.8
Other revenues	36.7	39.5	34.7
Total EVG	**816.6**	**860.2**	**901.5**
Economic value distributed			
Suppliers: Other operating expenses	**155.3**	**148.8**	**137.2**
Payments to suppliers	40.3	45.5	46.5
Lease and ownership expenses	64,0	36.4	36.1
Other	51.0	66.9	54.6
Company	**116.2**	**113.4**	**127.7**
Taxes	115.9	112.8	126.9
Investment in social action	0.3	0.6	0.8
Employees: Personnel expenses	**62.0**	**69.0**	**60.7**
Wages, salaries and similar remuneration	53.5	61.4	56.0
Pension contributions and provisions	2.0	2.1	2.1
Other social security expenses	14.2	14.2	15.8
Healthcare insurance	1.5	1.4	1.4
Canteen services / subsidised food	1.3	1.5	1.5
Capital expenditure	-10.5	-11.6	-16.1
Capital providers	**200.6**	**222.3**	**240.0**
Dividends paid to shareholders (*)	143.0	155.3	178.8
Financial expense	57.6	67.0	61.2
Total EVD	**534.1**	**553.4**	**565.7**
Economic value retained			
Reserves	95.3	103.6	119.3
Depreciation and amortisation	187.2	203.1	216.6
Total EVR	**282.5**	**306.7**	**335.9**
Other indicators			
Investment	508.6	776.9	901.6

(*) Distribution of the 2009 gross dividend is subject to approval at the General Shareholders Meeting.



5.8.

Business Principles

Scope of Enagás' Business Principles

Enagás is fully aware that the confidence of its stakeholders depends on its ability to remain profitable in the medium and long term, conducting its business on ethical and sustainable lines.

Enagás' Business Principles constitute guidelines to ensure correct professional conduct on the part of employees and also involve all the Company's stakeholders.

Business principles

- Compliance with and ongoing adjustment to applicable regulations
- Conflicts of interest and loyalty to the Company
- Internal control and prevention of fraud
- Commitment to people
- Relations with business partners
- Commitment to society and the environment
- Communication, community involvement and corporate image

To ensure efficient implementation of the Enagás Business Principles relevant management procedures were also approved. These procedures regulate the functioning of the ethical channel and have created the Business Principles Supervisory Committee as a collegiate body to which the Audit and Control Committee delegates management of the process of notification and consultation concerning matters related to this area.

Concerning corporate governance Enagás has Regulations concerning the Organisation and Functioning of the Board of Directors, available on its website, which stipulate the composition, objectives, functions and rules of the Board of Directors. Among other matters they cover: conduct in connection with privileged information, guidelines for the purchase and disposal of shares in Enagás and Group companies, the regulation and treatment of conflicts of interest which may arise in connection with Enagás, relations between the Company and related parties, the price regulation policy followed by Enagás and its subsidiaries, and general compliance with stock market regulations.

These regulations are applicable to the members of the Board of Directors, Managing Directors, members of the Management Committee, and other staff involved in stock market operations or with access to privileged information.

Supervision and regulation of the Business Principles

The Business Principles Supervisory Committee (BPSC) includes representatives from the main departments with responsibilities in this area: the Resources Department (including Industrial Relations), General Secretariat (including Internal Audit) and the Communications Department.

The BPSC has been assigned the following functions:

- To oversee the correct functioning of the communication channels set up with Enagás personnel for matters related to the Business Principles.
- To deal with communications received, passing them to the relevant Enagás unit and overseeing the process until it is concluded.
- To inform the Management Committee and the Board of Directors about compliance with the Business Principles, making any recommendations considered necessary to improve their content, facilitate understanding or ensure compliance with them.
- To foster knowledge of the Business Principles among Enagás staff, its stakeholders and other third parties outside the Company.

In 2009 three queries or suggestions for improvement were received via the ethical channel mailbox. One of these has been taken up and will be dealt with through initiatives which were already under way, while the other two were deemed not admissible because they were not related to the Business Principles. The senders' confidentiality was respected in all cases and the information requested sent in response to all consultations.

	CHANNEL USED			
TOTAL	Mailbox (canaletico@enagas.es)	Confidential letter to member of BPSC	Fax to Chairman of BPSC	Intranet forms
3	3	0	0	0

	TYPE OF COMMUNICATION	
TOTAL	Query / Suggestion fpr improvement	Notification of irregular conduct
3	3	0

	TYPE OF COMMUNICATION	
TOTAL	Admissible	Not admissible
3	1	2

Dissemination of the Business Principles

Enagás' Business Principles and the management procedure associated with them are posted on the Company intranet. Since they were approved a number of measures have been taken to ensure familiarity with them.

In 2009 these measures were completed with an on-line course on Enagás' Business Principles which was taken by approximately 20% of Enagás staff. (SO3)

In the area of human rights and as part of the roll out of Enagás' Equality Plan, training and awareness raising sessions have also been held, dealing with Equality, Work-life Balance and Diversity, organised jointly with the Juan XXIII Foundation. (HR3)

To extend commitment to the Business Principles to the Company's other stakeholders, the document setting them out is available on the Enagás website. An e-mail address is also available for queries and notifications (canaletico@enagas.es).

In the special section for suppliers on the Enagás website there is a link to the Business Principles, so that they may consult them. (HR8)

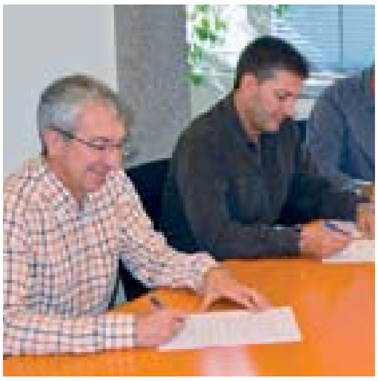
This initiative is in addition to the clause regarding compliance with the Company's Corporate Responsibility policy introduced in commercial contracts and in the Company's General Terms and Conditions of Contracting in 2008. The clause is included in all contracts signed in 2009.

The clause stipulates that the Contractor/Supplier recognises and agrees to comply with Enagás' corporate responsibility policy and to respect the principles of the United Nations Global Compact and the Universal Declaration of Human Rights in the performance of its activities, whether these be carried out by its own personnel or by contracted parties. This clause also authorises Enagás to carry out audits to verify the degree of compliance with these corporate responsibility requirements, with the supplier accepting any corrective or preventive measures that may be imposed. (HR8)

Staff with training in the prevention of corruption (SO3)	**2009**
Total number of employees (a)	1,046
Number of employees trained in the prevention of corruption (b)	209
Percentage of employees trained in the prevention of corruption (b/a)	20

Staff with training in human rights (HR3)	**2009**
Training in human rights (hours)	1,337
Staff attending	351
Percentage of staff undergoing training in human rights	33.56%

Enagás Commitments

enagas




GOOD GOVERNANCE AND CORPORATE INTEGRITY

PEOPLE

CUSTOMERS

GOVERNMENT BODIES

ENAGÁS COMMITMENTS

SUPPLIERS

SHAREHOLDERS

SOCIETY

ENVIRONMENT

COMMITMENT TO PEOPLE

MILESTONES 2009

- Approval of protocol for prevention of and measures to deal with any cases of workplace harassment
- Approval of the Equality Plan
- Inauguration of the Enagás Training school (21 courses, 2,500 hours training, 180 students, 36 in-house trainers)
- Enagás accredited as Family-Responsible Company
- Introduction of plan to improve internal communications in Enagás
- Talent Project: identifying and evaluating in-house potential

CHALLENGES 2010

- Improvements to performance review process
- Renew Family-Responsible Company accreditation and qualify for level B - Proactive (801-1,450 points)
- Survey on working climate to be launched
- Consolidation of technical and business courses at Enagás Training School
- Launch of training structure and programmes for Training School Managers

OUR APPROACH

Enagás considers questions such as the loyalty, satisfaction and commitment of staff as essential intangible assets for the Company's development and growth. These aspects can be seen in:

- **Staff identifying with the organisation**
- **Ability to attract and develop talent**
- **Health and safety in the workplace**
- **Management of diversity, equality of opportunity and work-life balance**
- **Development of a good framework for labour relations**
- **Support for training and professional development**

KEY INDICATORS 2009

41.11
Training hours per employee

22.37%
women

3.74%
Rate of absenteeism

8.7
Accident rate with sick leave (Enagas staff and construction contract staff)

0.19%
Voluntary employee turnover

€426.28
Investment in training per employee

0.31
Index of seriousness of work-related accidents (Enagas staff and construction

1,046
Employees

6.1.

Commitment to people

People management model

The importance of people for achieving Enagás' objectives

Enagás' human capital is the key to its performance, and its employees' professional development is therefore crucial to the management of the Company and its results.

Over recent years, Enagás has continually reviewed its human resources management model. This model focuses on developing employees' knowledge and potential, as well as encouraging an appropriate work-life balance.

Enagás aims to foster work-life balance among its employees via various initiatives that enable it to further develop the Family-Responsible Company model (a model that earned it Fundación+Familia certification in 2007).

The Company also keeps open the usual channels of dialogue with its employees' representatives. This dialogue was stepped up a gear in 2009 for the negotiation of the next Enagás collective wage agreement.

Ethical commitment to employees -4.12, 4.13-

Enagás is aware that the trust of its shareholders, customers, providers and external partners, and of society in general in the areas where it operates, depends on the integrity and responsible conduct of all its employees in all aspects of their work. The Company has therefore established a set of Business Principles. These are based on the Company's Mission and Values, as well as strict compliance with applicable legislation and internal rules, and establish guidelines for employees' professional conduct.

In 2009 a protocol for prevention of and measures to deal with any cases of workplace harassment was approved and included in the Company's Business Principles. It sets out procedures for identifying harassment and conduct that could create an intimidating, offensive or hostile working environment with guidelines on resolving these problems of discrimination.

The Business Principles were also strengthened in 2009 with the approval of the Equality Plan. It is designed to ensure women and men are treated equally and have equal opportunities. Non-discriminatory principles must be applied in all the Company's actions across all areas and in all the policies, procedures and measures implemented in the management of Enagás' Human Resources (see Section 6.3. Equality Plan).

These initiatives demonstrate Enagás' ongoing commitment established over many years with regard to respect for human rights and freedoms, in accordance with internationally accepted codes of conduct such as the Universal Declaration of Human Rights, the ILO Tripartite Declaration, the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact, to which Enagás has been affiliated since 2003, progress on which is detailed in Appendix 5 to this report (Contents of Global Compact).

HR management indicators

Enagás' management model is monitored using indicators for each of the Company's Departments.

These indicators are updated monthly and are structured at Department level, with those which are strategic for the Company being reflected at Management Committee level.

The Resources Department is responsible for updating all the indicators relating to the management of people. These indicators allow the monitoring of issues related to the Equality Plan (ratio of men to women, paternity/maternity leave granted, etc.), work-life balance (number of workers switching to part-time contracts, percentage of parents in the workforce, etc.), salaries and social benefits (participants in the pension plan, members of medical schemes, etc.), contracting (workforce, turnover, temporary contracts, etc.), and training (hours, cost, etc.).

In terms of distribution by organisation unit, the greatest percentage of workers are attached to the Infrastructures and Third-Party Access Department, which includes all employees involved in the development and maintenance of Enagás infrastructures.

There has been little change to the distribution by organisation unit over the year, with a 10% increase in the workforce of the Technical System Operation Department. This growth came about in response to demands from regulatory bodies, in particular with regard to Planning issues, and the setting up of a Reserve Control Centre (CCR) to guarantee effective control of the Spanish gas system in the event of an interruption in service at Enagás' Main Control Centre (CPC).

Enagás is firmly committed to a policy of permanent contracting. At the end of 2009, 96.9% of its staff were in permanent employment while just 3.1% were on temporary contracts. 98% of employees are full-time. -LA1-

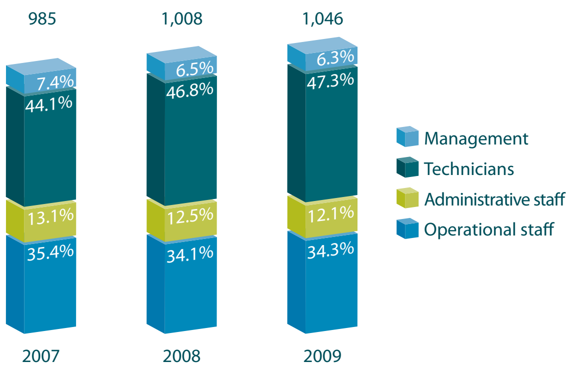
Human capital as the basis for value creation in Enagás

Enagás workforce

Enagás workforce at 31 December 2009 was 1,046, an increase of 38 (3.8%) on the previous year.

Technicians make up the largest professional category in Enagás, accounting for 47.3% of the total workforce at the end of 2009, reflecting its increasingly technical profile over recent years.

Total staff and breakdown by professional category -LA1-



Breakdown of employees by professional category, age and gender -LA2, LA13-	Management		Technicians		Administrative staff		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
< 25 years				1			12	1
26-35 years	3	1	80	60	1	10	72	7
36-45 years	15	4	115	35	4	25	117	2
46-55 years	18	1	112	18	18	41	104	3
> 55 years	21	3	68	6	11	16	41	

Turnover and absenteeism rates -LA2-	2007	2008	2009
Total turnover: Total permanent contracts terminated/total workforce (%)	1.7%	5.3%	1.7%
Rate of absenteeism	5.3%	5.5%	3.7%

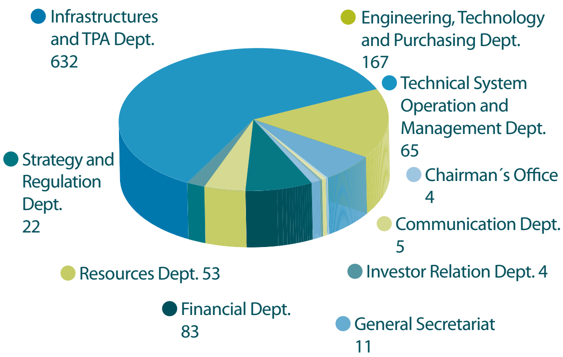
NOTE: The figures reported in the 2008 Report are not comparable as they included both permanent and temporary contracts terminated as a proportion of the average workforce.

Turnover and absenteeism by sex and age -LA2-	Sex		Age Group				
	Women	Men	< 25 years	26-35 years	36-45 years	46-55 years	> 55 years
Turnover in numbers: Permanent contracts terminated	4	14		2	3	1	12
Total turnover: total contracts terminated/total workforce (%)	0.4%	1.3%		0.2%	0.3%	0.1%	1.1%

Turnover at 31 December 2009 was 1.7%, returning to levels even lower than those of 2006 and 2007 (turnover rose to 5.3% in 2008 due to the termination of employment of a group of 28 employees aged 61 or over).

Enagás encourages the development of a stable, high quality workforce, which has a direct impact on staff loyalty. This is clearly reflected in the high average length of service (15.6 years) and low rate of voluntary turnover, around 0.2% in 2009, lower than at the end of 2008. Furthermore, no staff were dismissed during 2009.

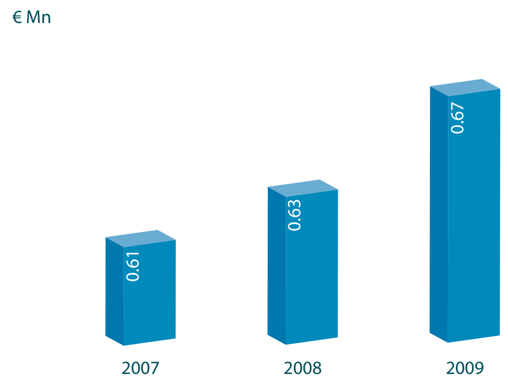
Workforce composition by organisational unit (Number of employees) -LA1-



Operating efficiency

Major investments and the coming on-stream of new infrastructures in 2009, together with low growth in staff numbers (3.8%), have led to significant improvements in the operating efficiency of the workforce compared with 2008:

Operating cash flow per employee (6.5% increase)



Right to freedom of association and union representation

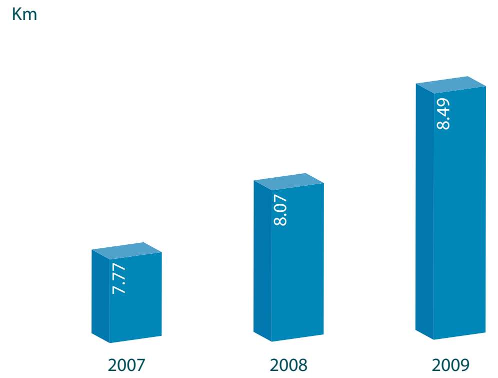
Main measures with regard to the right to freedom of association and union representation -HR5-

Enagás' employees are free to exercise their right to affiliate themselves with a trade union promoting and protecting their financial and social interests (Article 1 of the Organic Law on Trade Union Freedom, or LOLS).

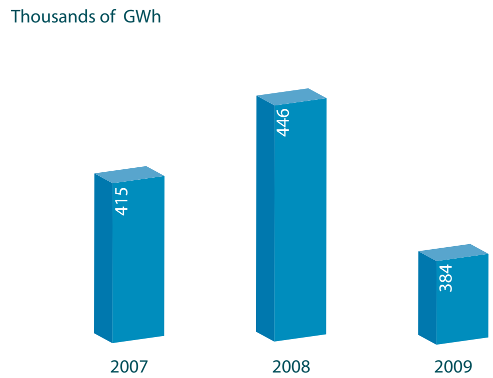
Trade union membership and participation in union activities will not result in discrimination at work or in working conditions. To this end, the Enagás Collective Agreement establishes that any company agreement or resolution that contravenes this right shall be null and void (Article 64).

The terms and conditions of employment agreed in the collective wage agreement have force of law and apply to all Enagás employees, irrespective of contract type. Expressly excluded from the scope of application of the collective wage agreement, however, are all members of senior management, directors, heads of unit, plant managers, project managers and all employees belonging to the technical professional category who have agreed to such exclusion on the proposal of senior management (Article 1).

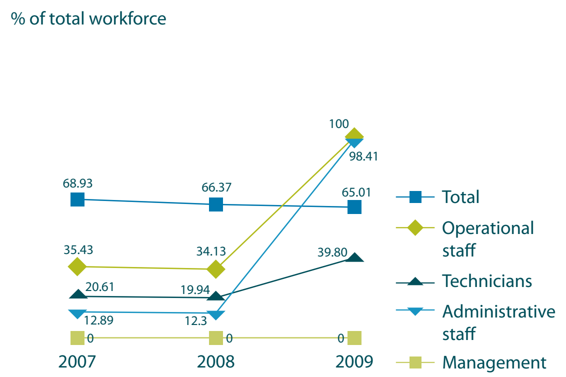
Km. of gas pipeline per employee (up 5.2%)



Demand for gas transported per employee (down 14% due to significant decrease in demand for gas transported vs. 2008)



Changes in staff covered by the collective wage agreement (LA4)
Staff covered by collective bargaining agreement by professional category



The employee or the Company may unilaterally opt to reinstate said employees within the scope of the Agreement.

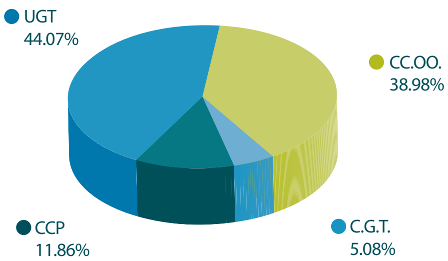
In addition, Enagás' Business Principles establish the general framework of measures necessary in the event of conduct that could jeopardise employees' rights.

At 31 December 2009, 65% of Enagás' staff were covered by the Company's collective wage agreement. The slight decline in the percentage of staff covered by the agreement in recent years is primarily due to the increasingly technical profile of the workforce, which has led to the recruitment of experienced technical staff being excluded from the agreement.

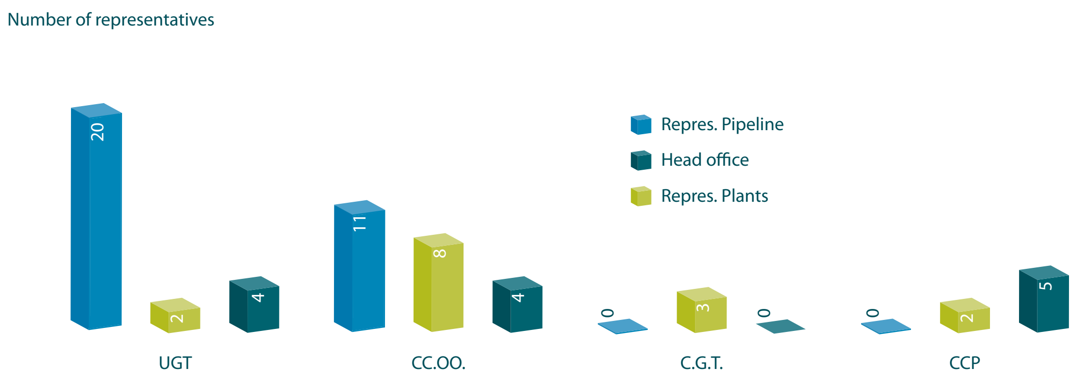
The collective wage agreement currently in force gives delegates of the trade unions representing more than 10% of staff the right to take part in meetings of the Joint Committees set up under the agreement and joint management-worker occupational health and safety bodies. -LA5-.

The employee representatives have the right to receive information, prior to execution, on any corporate plan that could materially affect employee interests, although no minimum notice period is specified for the Company (Article 5) -LA5-.

Map of union representation -LA5-



Union representation by site -LA5-



Remuneration policy

Employees included within the scope of the collective agreement are subject to the salary conditions and review processes established by the agreement, subject to an annual evaluation of each employee's performance.

The remuneration model for staff not covered by the collective wages agreement consists of two elements:

- Variable remuneration determined via a management-by-objectives scheme.
- Fixed remuneration at market rates with an annual performance-based review (see Section 6.4.2. Developing people).

In 2009, the standard entry level wage of an Enagás employee was twice the minimum cross-profession wage in Spain. There has been no significant change in this ratio in the past three years. -EC5-

Equality plan

Enagás' position on equality

Factors affecting modern society and the labour market, such as globalisation, immigration, rising numbers of women in the workforce, changing social values and new technologies pose many challenges. Enagás therefore considers it vital to provide a working environment based on trust and mutual respect, where diversity, integration and the recognition of individual merit are among the key identifying features of the Company.

Enagás fosters equality based on the following principles:

- Meticulous compliance with prevailing legislation
- Equal opportunities and fairness
- Work-life balance
- Extension of the principles of equality to the value chain

The percentage of female employees has grown steadily over the past three years, with an increase of 6.3% in 2009, compared with a 3.8% overall expansion in the workforce.

At 31 December 2009 women represented over 22% of the workforce.

At 31 December 2009, women were best represented in the administrative professional category and less well represented among operational staff, although it is among technicians and in management that the proportion of women has increased most in recent years.

The difference between the average salary of men and women at Enagás is due solely to the low level of female representation in the management (13.6%) and operational (3.6%) categories and to the fact that new female recruits tend to join the company at middle management level and are not yet represented on the Management Committee.

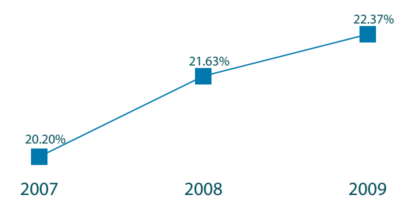
Equality plan

In 2009, Enagás approved an Equality Plan and a protocol for prevention of and measures to deal with any cases of workplace harassment was established and included in the Company's Business Principles introduced in 2008.

The post of Equality Plan Manager was created, reporting to the Industrial Relations Unit. This person is responsible for the management, administration

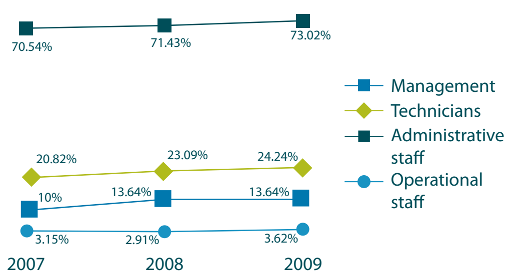
Number of female employees (LA1)

% of total workforce



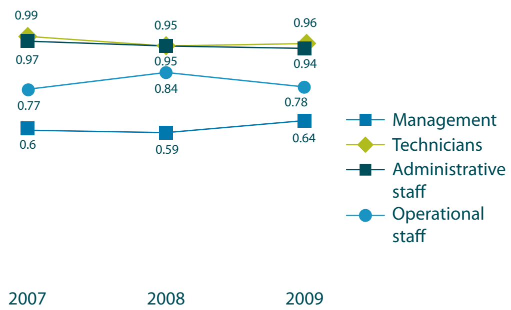
Change in male / famale ratio by professional category (LA13)

Percentage of women vs. men



Average male / female salary ratio by professional category (LA14)

Average female salary vs. male



Signature of the Equality Plan with the Unions representatives

and monitoring of the Plan's targets and for keeping the relevant Monitoring Committee informed.

The protocol for prevention of and measures to deal with workplace harassment define the steps for identifying sexual or gender harassment in order to resolve these problems of discrimination, guaranteeing the rights of the victims. Enagás has expanded the Protocol to include the established legal requirements (sexual and gender harassment) and also bullying or mobbing.

The Protocol has been included in Section 6.4 of the Business Principles: Commitment to people, with guidelines to conduct regarding respect, integrity and cooperation. Measures to deal with harassment are regulated in accordance with the management procedures associated with the Business Principles.

Employees have been informed about the Equality Plan and the Harassment Protocol via a number of articles published on the Company's intranet and in its internal magazine (azulyverde). Training and awareness raising sessions have also been held on issues of equality, work-life balance and diversity. The sessions, which were jointly organised with the Juan XXIII Foundation, were attended by 351 employees (33.6% of the workforce) including:

- The members of the Management Committee
- The staff of the Resources Department
- Line supervisors
- Employee representatives
- New employees whose future role may include the management of teams

No incident of discrimination was confirmed in 2009. The Business Principles Supervisory Committee received via ethical reporting channels two reports during the year regarding issues of discrimination. These were investigated by the Committee and found to be groundless (for more information see the Business Principles section). -HR4-

Integration of disabled people in the workplace

In 2008, Enagás signed an agreement with the Juan XXIII Foundation which is still in force, aimed at helping disabled people into employment and, through sponsorship programmes, complying with the 2% statutory target on employment of people with disabilities.

As a socially responsible company that voluntarily assumes the social and environmental concerns of the wider society, Enagás works with the Juan XXIII Foundation to improve the quality of life of people with learning disabilities, contracting goods and services supplied by its Special Employment Centre and making donations to programmes to help disabled people into employment.

Via this collaboration Enagás contributes to the integration of disabled people into society and the workplace .

Enagás' work with the Foundation in 2009 included contracting a catering service and hiring training rooms for the awareness raising sessions on equality, work-life balance and diversity held as part of the implementation of the Company's Equality Plan.

Enagás also sponsored the construction of a training centre, to be known as the "Sala Enagás", where training in personal and social skills, including IT, crafts, music and theatre will be given.

Talent management

Attracting and retaining talent in Enagás

A key element of Enagás' human resources strategy, which is reflected in its Mission and Values statement, is that developing staff is a strategic activity to be carried out and encouraged within the organisation.

The talent management initiative launched in 2008 was maintained throughout 2009. This initiative is designed to identify professionals showing potential over the short, medium and long term, to ensure the retention of individuals whose contribution makes a real difference to the organisation, whether because of exceptional management abilities or their knowledge of the business, while facilitating generational succession and the professional development of employees.

This initiative is operational at all levels of the organisation, although particular attention is paid to staff occupying posts identified as critical within the Company. An exercise to evaluate potential was carried out during the year and work begun on establishing the bases of Enagás' new development, training and succession plans.

Developing people

To this end, Enagás has introduced a performance review system for senior or middle management not covered by collective agreements (42.9% of staff at 31 December 2009). These reviews are a key determinant of their career advancement and fixed remuneration.

Number of employees receiving performance and career development reviews in the period (LA12)	**2007**	**2008**	**2009**
Total number of employees (a)	985	1,008	1,046
Number of employees receiving performance and career development reviews in the period (b)	662	674	702
Percentage of employees receiving performance and career development reviews in the period (b/a)	67.2%	66.9%	67.1%

For staff covered by collective wage agreements, it has introduced an annual review system linked to career development that encourages personal development and provides incentives for personal effort and contributions to achieving the Company's goals. At 31 December 2009, 80.1% of the staff covered by the collective agreement were included in this evaluation system.

In total, therefore, at year-end 67.1% of the Enagás workforce was covered by one of the performance review systems, a percentage little changed from the 2008 level of 66.9%. -LA12-

Enagás has also introduced a management-by-objectives (MBO) model that enables it to align its employees' performance targets with the challenges faced by the Company by setting objectives that are applicable at both departmental and individual level.

The Human Resources Department coordinates and supervises implementation of the management-by-objectives model throughout the Company, where it is applied to all personnel not covered by collective agreements and has a direct bearing on the variable components of their salary.

The Enagás remuneration model has consideration of equality and non-discrimination built into it, such that any differences between the salaries of different individuals are due solely to their positions in the organisation, levels of experience, length of service and creation of value.

Employee satisfaction

Enagás' Management Model for Quality, Excellence and Sustainability requires that employee job satisfaction is regularly measured.

A survey ("in-your-view") was sent out to all employees in 2008, with a 67% response rate. It allowed strong points and areas for improvement from the employees' point of view to be identified.

Based on the results of this survey, and other needs identified by the Company, the following measures were put in place as part of the 2009-2012 Quality, Excellence and Sustainability Master Plan:

- nternal communication and communication with Management: development of new channels such as an internal magazine *(azulyverde)*, electronic newsletter *(Ráfagas)*, and internal communications micro-site on the intranet, etc.

- Training and development: inauguration of the Enagás Training School, initiative to review and identify talent, etc.

- Equal opportunities: approval of the Equality Plan, protocol for prevention of and measures to deal with workplace harassment, etc.

- Planning and generation of new ideas: review of the Strategic Plan drafting process, review of the Management by Objectives process, etc.

Enagás' training policy

The importance of training in Enagás' HR policy

Enagás considers that its employees, with their wide-ranging technical skills and knowledge of the Company's business as a gas transporter and as Technical System Operator for the Spanish gas system, are its most important asset.

Enagás is therefore firmly committed to staff development through training programmes that cover all aspects of management, the Company and its people:

Management
- Skilled management of training
- Focus on the internal customer
- Providing solutions for the needs of the business

Company
- Investment in human capital
- Improving the management and dissemination of internal knowledge
- Company culture

People
- Employability of Human Resources
- Ongoing professional developmentt
- Managing talent and fostering equality

An important measure in this area was the inauguration of the Enagás Training School in 2009, beginning with training courses for technical staff and managers (see section 6.6. Enagás Training School).

Enagás training strategy

Enagás is committed to being increasingly proactive in its search for new training programmes and development methodologies to meet its employees' needs and provide a quality service.

In 2009, therefore, the Company reviewed its Global Training Process. A methodology for managing training was established, focusing on quality in all areas of activity, defining a specific system for preparing and delivering courses in the Training School. This methodology will be progressively applied to all training courses.

Enagás' management model for training includes the drafting of an annual Training Plan covering the following aspects:

- Meeting and continually adapting to the needs of the business and to technological changes in infrastructures, ensuring personnel have the necessary skills to perform their jobs.
- Compliance with legal and regulatory requirements and the standards defined in the Management Systems.
- Company culture as a means of ensuring that Enagás' Values, Business Principles and other issues related to Corporate Social Responsibility are assimilated throughout the organisation
- Management training and professional career development to retain and foster in-house talent.

The activities covered by the Training Plan are classified as follows:

- Quality, Excellence and Sustainability
- Management (business and skills)
- Languages
- IT (systems and technology)
- Prevention and the Environment
- Technical Skills
- Higher Studies and Management Development

As part of the Management Training School programme, Enagás has signed a sponsorship agreement with the IESE business school, setting up management training programmes for the Company's senior and middle management which will begin in 2010.

Training Plan progress and performance

The Training Plan, which is reviewed annually, includes training activities that cover not only the technical requirements of participants' jobs, but also business, management and personal skills designed to enhance employees' professional development. -LA10, LA11-

Enagás training School

The training activities carried out in 2009 included:

- Management Development Programmes
- Development programme for middle managers and technical staff, focusing particularly on infrastructure operations
- Inter-personal skills (communication, motivation, delegation, etc.), with an emphasis on the communication skills of senior and unit managers.
- Languages

Training activities are organised in response to training needs and those of the people at which they are aimed. The following training formats are used: -LA10, LA11-

- Face-to-face
- Distance *(e-learning)*
- Mixed

Depending on the training needs detected and the courses available in the market, Enagás employees participate in open courses (external training) or courses specifically designed for the Company (in-house training).

In-house training plays an important role in Enagás, representing 86.3% of the hours training received and 74.7% of training expenses incurred in the year. -LA10-

Enagás also provides in-house training to interns on aspects of their work (processes, tools and IT applications used in their Unit), complementing their university studies. -LA10-

Training hours by professional category (LA10)	**2007**			**2008**			**2009**		
	Total employees (a)	Hours of training (b)	(b / a)	Total employees (a)	Hours of training (b)	(b / a)	Total employees (a)	Hours of training (b)	(b / a)
Management	73	4,229	57.9	66	5,612	85	66	3,170	48.0
Technicians	434	21,850	50.3	472	25,601	54.2	495	29,782	60.2
Administrative staff	129	2,467	19.1	126	2,504	19.9	126	1,956	15.5
Operational staff	349	6,696	19.2	344	4,687	13.6	359	8,086	22.5
Total	985	35,242	35.8	1,008	38,404	38.1	1,046	42,994	41.1

Training indicators (LA10)	2007	2008	2009
Training hours per employee	35.8	38.1	41.1
Investment per employee (€)	384.2	394.1	426.3
Number of courses	216	166	201
Number of beneficiaries	1,618	1,228	1,599
Total Investment (€)	375,255	400,997	445,884
Total training hours	35,242	38,404	42,994

Note: The figures for total investment and investment per employee reflect the total amount spent, without deducting the allowances granted by the Tripartite Foundation.

No. of hours training by area (LA10)	2007	2008	2009
Quality, Excellence and Sustainability	2,976	340	168
Management	2,830	4,275	6,392
Languages	11,549	13,008	8,893
IT	680	1,817	1,103
Prevention and the Environment	3,033	4,810	12,239
Technical skills	3,448	6,550	8,465
Higher Studies and Management Development	9,828	7,022	5,632
Administrative skills	898	582	102

Note: Quality, Excellence and Sustainability have been treated separately, while Prevention and the Environment have been treated together, as they have been reclassified for internal management purposes. This has resulted in significant changes on previous years' figures.
Overall training in the Company's management systems (Quality, Excellence and Sustainability, Prevention of work related risks and the Environment) has increased by over 100%.

Enagás Training School

The Enagás Training School is an initiative with its origins in a number of projects spearheaded by the company's senior management, such as the Quality, Excellence and Sustainability Master Plan, together with a renewed focus on training and people development.

The School's main aim is:

To foster and consolidate the **development** and ongoing **training** of our employees, bringing their needs into line with the Company's strategy, with critical business processes and with Enagás' values

The Training School's main premises are located in the San Fernando Transport Centre in Madrid where it has rooms and workshops where courses can be held.

The Training School is not just a physical location, it is also a systematic approach to the organisation and provision of training using a unified methodology. Some training activities are, in fact, held in other locations, using the School's methodology and structure.

Key features of the approach are:

- Taking advantage of in-house knowledge and experience to teach others.
- Investing in the personal development of Enagás' employees (motivation, retaining talent).
- Common methodology for organising and delivering courses.
- Focus on business needs and employee satisfaction.

A range of courses are offered by the School:

- For technicians and operatives
- Business
- Safety and Environment
- Information systems
- Administrative staff
- Management

Internal communication

Internal communication: Key to obtaining the commitment of Enagás' employees

Internal communication is vital for ensuring the Company's employees feel fully involved.

It is a tool for encouraging a sense of commitment and identification with the Company, making employees feel part of Enagás' achievements and advances in all areas of the business.

The employee satisfaction survey carried out in 2008 identified internal communication, in particular communication with Management, as an area for improvement. An Internal Communication project was therefore set up in 2009, to analyse the existing state of communications in Enagás by surveying a representative sample of employees.

The study concluded that:

- Downward communication is very good regarding operational issues, but limited in other areas.
- Upward communication is very good regarding operational issues, but there is little opportunity for teams to participate in decision-making processes and there is no system for collecting opinions from the teams.
- Horizontal or peer-to-peer communication is good.
- There is insufficient communication between teams, with a certain sense of isolation or compartmentalisation in the organisation.

An Internal Communication Strategy was approved in 2009 aimed at addressing the needs identified in this study.

PHASE 1 **Information and the information culture**	**STREAMLINED, EFFECTIVE CHANNELS AND PROCESSES:** Quantity, quality, transparency, timeliness and fairness of information. **CULTURE AND HABIT OF INFORMING AND KEEPING INFORMED:** Constant supply and demand of information.
PHASE 2 **Leadership, alignment, integration, motivation**	**STREAMLINED AND EFFECTIVE HIERARCHICAL CHANNELS, VERBAL COMMUNICATION:** Leaders with drive who communicate openly and constantly, focused on strategy, forming teams and motivating.
PHASE 3 **Teamwork, dialogue and participation**	**TEAM SPIRIT:** Integrated teams that interact with a common mission: Enagás. **DIALOGUE AND PARTICIPATION:** An open organisation where information flows in all directions and measures and decisions are based on the active participation of all involved.

Internal communication plan

The first phase of the Internal Communication Strategy was rolled out in 2009 with the launch of an Internal Communication Plan, with the following objectives:

- To raise awareness and generate a culture and habit of communication.
- To increase the quantity of information provided, make the provision of information more systematic, and to create and consolidate information channels and processes.
- To support and raise awareness of the Company's projects.
- To review and, where necessary, unify existing channels and content.

Some of the most important milestones in the year were:

May 2009

Constitution of Internal Communication Committee. This committee meets quarterly, with members designated by the Company's Management Committee and drawn from across the organisation. The members' role is to foster and promote communication between their teams and with their immediate surroundings from the specific viewpoint of their own areas and interests, to constantly listen and provide feedback, to propose ideas for improvement and encourage use of the channels and measures implemented. Three meetings of the Internal Communication Committee were held in 2009.

June 2009

The first fortnightly electronic newsletter was sent out. This bulletin, entitled Ráfagas, is intended to provide constant, up-to-date information. All kinds of news items are included and the format consists of short, expandable news stories. A total of 12 issues were published in 2009.

July 2009

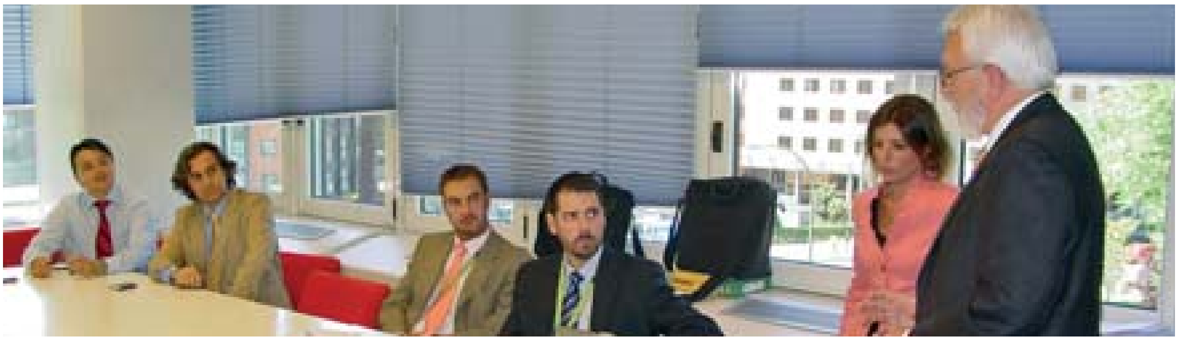
Launch of the first issue of the internal magazine *azulyverde*. The magazine is published quarterly. Its main objective is to inform employees about major current issues in the Company and to help them to get to know more about the different people working throughout the organisation, profiling people in different jobs working in all parts of Spain.

Communication campaign to raise awareness of Enagás' work-life balance and equality project, with the slogan "+ que palabras" ("more than words"). The campaign involved two posters, five special monthly newsletters, two double page reports in the *azulyverde* magazine, and two further one page reports, plus a publicity banner on the internal communications site.

September 2009

New Internal Communication *micro site* launched bringing together the press releases and bulletins published and an electronic version of the magazine. The site includes contact information for the Internal Communications team and a survey tool to facilitate upward communication.

Launch of an internal marketing campaign called "Tú Cuentas" ("Share it"). The campaign included a range of communication tools including a Users Guide to Internal Communication. General guides for employees were sent out, with more detailed versions for supervisors. The main purpose of this guide is to create a culture of communication, explaining its benefits, offering advice on more effective communication and the best and most efficient way to use the channels available. Over 1,000 guides were delivered in 2009 and the campaign also included two double page reports and another full page report in the magazine with around 100 posters distributed to offices and a banner posted on the Internal Communication web site.



Internal Communication Committee meeting

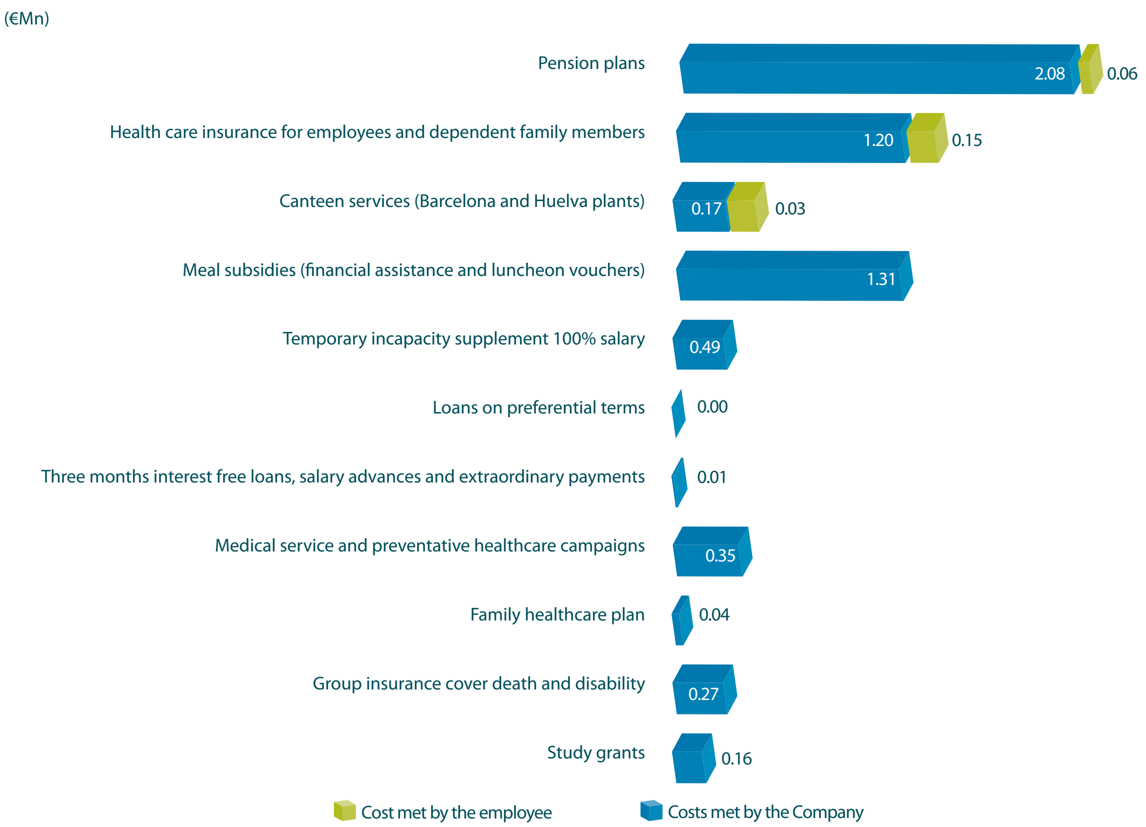
Fundación + Familia and Madrid local government authority visit to Enagás

Employee services

Benefits provided to employees (LA3)	% of workforce taking advantage of benefits
Pension plans: for all employees with at least two years' service with the Company	89.5%
Health care insurance for employees and dependent family members	97.8%
Canteen services (Barcelona and Huelva plants)	14.8%
Meal subsidies (financial assistance and luncheon vouchers)	85.2%
Temporary incapacity supplement of 100% of salary	100%
Loans on preferential terms*	2.7%
Three months interest free loans, salary advances and extraordinary payments**	3.1%
Medical service and preventive healthcare campaigns	(see 6.10.3. Workplace health and safety)
Family support plan	(see 6.9. Work-life balance)
Group insurance providing cover in the event of death or disability: for all employees with less than two years' service in the Company and certain other groups	12.0%
Study grants**	52.2%

*NOTE: Only for employees not covered by the collective agreement. Percentage calculated for total employees not covered by the collective agreement.
**NOTE: Only for employees covered by the collective agreement. Percentage calculated for total employees covered by the collective agreement.

Breakdown of costs associated with social benefits provided by the Company (LA3)



Work-life balance

Enagás is fully aware of social concerns about and the need to establish a new culture that allows people to balance their working commitments and personal lives, without compromising their career development.

In 2007, Enagás was accredited as a Family-Responsible Company by the Fundación +Familia in recognition of its commitment to policies that foster a work-life balance among employees.

Family-Responsible Company Certification provides a benchmark for companies and is intended to recognise companies that implement measures designed to promote work-life balance. It is the first accreditation system of its type in the European Union.

The accreditation of the system for managing Family Responsibility means the company must make a clear commitment to continually improve its work-life balance policies.

In 2009 Enagás was also commended (second prize) in the Large Companies category of the National Alares Awards for Balancing Work, Family and Personal Life awarded each year by the Alares Foundation.

Enagás considers work-life balance to be a strategic factor for business competitiveness. The Company has held awareness raising sessions on equality, work-life balance and diversity as part of the implementation of its Equality Plan.

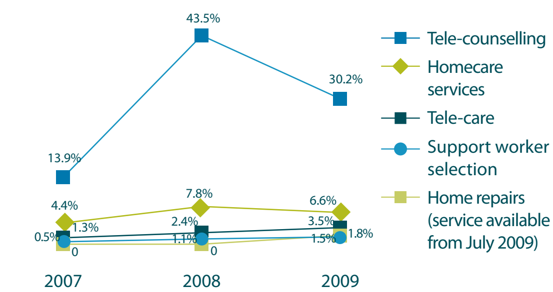
Enagás has also entered into a cooperation agreement with the Juan XXIII Foundation under which the Foundation shares with Enagás the benefits of its knowledge in the field of learning disabilities, providing help and advice to workers who have persons with disabilities under their care through its Family Support and Family Respite Programmes.

A total of 54 measures to promote work-life balance are currently in place at Enagás, embracing the following areas: -LA3-

- Quality employment
- Flexible working hours
- Support for employees' families
- Professional development
- Equal opportunities

Alares 2009 National Awards.

Use of family support services by employees (LA3, LA8)



Enagás also offers a family support programme providing for the social and care needs of employees and their immediate families, i.e. parents, spouses and children, whether or not they live at the same address. This programme is available throughout Spain and the services it offers include: recruitment services, telecare, homecare services and telephone counselling. -LA3-

Health and safety at work

Policy on prevention of occupational risks

For Enagás, workplace efficiency and safety, the health of its employees and respect for their working environment are strategic management factors essential to achieving its financial and social objectives, as set out in its Risk Prevention Policy.

This Policy has been assimilated across the organisation thanks to the commitment of senior management and communication, training and information programmes aimed at workers.

The revised Risk Prevention Policy was approved in 2009, including a commitment for all staff and contractors to comply with and ensure others comply with all requirements on the prevention of occupational risks. The revised policy also included a specific policy on serious accidents in regasification plants.

Managing health and safety at work

Occupational Risk Prevention Management System -LA7-

Enagás has an occupational risk prevention management system, as defined in its occupational risk prevention policy. This system is subject to internal and external audits and includes occupational risk prevention management system manuals setting out the processes, standards and instructions applicable to this area. -LA7-

The OHSAS 18001 (Occupational Health and Safety Assessment Series) certification obtained in 2008 was renewed in 2009 for the Company's three regasification plants.

The occupational risk prevention management system was also implemented in the Transportation Department in 2009 and it is expected that OHSAS 18001:2007 certification will shortly be awarded.

Work also began on integrating the occupational risk and environmental management system procedures compatible with ISO 14001/2004 and OHSAS 18001:2007 in order to eliminate the duplication of efforts and broadening the scope of the procedures to cover the entire Company while strengthening the use of the system as a structured, logical tool for preventive action.

Continuous improvement of the Occupational Risk Prevention Management System

In 2009, the Company began auditing the occupational risk prevention management system by Area (geographically clustered centres), making it possible to audit thirteen centres (two Areas for each of the three Transportation Units) compared with nine in 2008. The three regasification plants and the Serrablo underground storage facility were also audited.

OHSAS 18001 monitoring audits were also carried out, together with regulatory safety checks at all facilities where applicable.

Regular audits of the contractors working regularly at the regasification plants were also implemented in 2009. This initiative will be extended to cover all the Company's major contractors in 2010, to ensure that they comply with legal requirements and those of Enagás' management system.

Finally, in 2009, work was done on the development of an IT application that will allow the management of all the preventive measures carried out by the Company both to comply with applicable occupational risk prevention legislation and under the OHSAS 10800:2007 certified management system.

Health and Safety Committees -LA6, LA9-

To exercise employees' rights of consultation and participation established in section V of the Spanish Law on Occupational Risk Prevention, the representatives of Enagás employees have appointed dedicated risk prevention officers in the manner and number established in Article 35 of said law. These officers are given the basic training in risk prevention (50 hours) necessary to enable them to exercise the duties and powers accorded them under the above law. -LA6-

At a local level, each work centre has workplace risk prevention representatives and health and safety committees which meet to discuss issues related to risk prevention: -LA6-

- In the Transportation Department area heads and risk prevention and environmental technicians meet with risk prevention representatives.
- Health and Safety Committees meet in the regasification plants, consisting of two risk prevention representatives and two management representatives, as required by law, with the head of the risk prevention unit attending in an advisory capacity.
- Head Office also has a Health and Safety Committee comprising three risk prevention officers and three management representatives.

The agreements reached at these meetings are published in minutes as agreed by both parties. -LA9-

Enagás also has an Intercentre Health and Safety Committee, a regional body to which the risk prevention officers and health and safety committees at each work centre report. -LA6-

- As in 2007 and 2008, 100% of employees were represented by Health and Safety Committees in 2009. -LA6-

Two formats were used for communication between management and workers on risk prevention issues: "Suggestions on preventing risks" and "Communication to workers of serious and imminent risks". Major improvements were also made during the year to the company's intranet, giving information and making up-to-date and relevant documentation on occupational risk prevention available to all employees, together with an electronic suggestions box to allow them to participate directly in proposing improvements and asking questions about the issue. -LA9-

Workplace health and safety

Emergency, safety and self protection plans -LA7-

Emergency simulations were performed in the regasification plants, compression stations, the Serrablo underground storage facility, Head Office and the Gasometer building, activating the corresponding emergency plans and giving staff information on said plans. (LA7)

A number of emergency plans were updated in 2009, most notably the Communication Manual for crisis situations, the Transportation Department's action plan for emergencies and incidents, and the corresponding self protection plans for the regasification plants, Head Office and Gasometer, setting out a coordinated approach to the measures to be taken by all staff in emergency situations.

Training in health and safety at work -LA7-

Enagás' training procedure was reviewed in 2009, unifying in a single procedure a range of activities that were in place across the Company, with a significant level of training provided through the following courses on health and safety issues: -LA7-

Health and safety training provided (LA7)

General safety course	Intended to give employees the basic knowledge needed to carry out their day-to-day work in the safest and most healthy way.
General offices course	Introduces participants to the main risks associated with administrative work, identifying the causes of risks and how to avoid accidents and possible harmful effects on health.
General hygiene and ergonomics course	Focuses on chemical products (risks handling, safety documentation), manual load handling, the use of computer monitors, personal protective equipment, noise and lighting.
General construction works course	Provides basic knowledge on working safely and in healthy conditions on building sites (general works measures, machinery and ancillary equipment), associated risks (particularly in trench works) and personal and collective safety equipment.
First aid course	Gives employees basic skills in providing first aid in emergency and disaster situations, recognising situations of risk and measures for preventing common accidents.
Back care and posture training	All staff have begun to receive training this year intended to help prevent, alleviate or cure back pain caused by poor posture at work.

Dealing with accidents/incidents -LA7-

Enagás has a procedure in place for reporting, investigating and analysing incidents and accidents that occur at its work centres and sites in order to ascertain the causes of the incident and thus implement corrective measures to prevent a recurrence. -LA7-

These procedures constitute the basis for various guidelines relating to action to be taken in the event of an incident/accident, reporting and investigating such incidents/accidents and keeping statistical records of accident rates.

There have been no fatal accidents among Enagás employees since 2007. However there was one fatal accident in 2007 and one in 2009 among contractor personnel. -LA7-

The fatal accident in 2009 occurred during the construction of the Yela underground storage facility where Enagás is acting as a developer rather than as a contractor. -LA7-

A total of 19 accidents resulted in sick leave in 2009, the same number as in 2007 and an increase from 16 in 2008. Most of the accidents were due to physical strains.

Total days lost in 2009 fell significantly compared with 2008 from 496 to 149 -LA7-

Encouraging healthy habits

The role of the Enagás Medical Service is to safeguard and improve levels of employee health.

A significantly high proportion of Enagás' employees (78.77%) attended voluntary annual medical check-ups in 2009.

Accident frequency index (LA7)	**2007**	**2008**	**2009**
Frequency of accidents resulting in sick leave for own staff	12	9.6	11.2
Overall frequency of accidents resulting in sick leave (Enagás staff and construction contract staff)*	8.3	6.9	8.7

Accident severity index (LA7)	**2007**	**2008**	**2009**
Severity of accidents resulting in sick leave for own staff	0.5	0.3	0.1
Overall frequency of accidents resulting in sick leave (Enagás staff and construction contract staff)*	1.3	0.1	0.3

Rate of occupational diseases and lost days (LA7)	**2007**	**2008**	**2009**
Rate of occupational diseases	0	0	0
Rate of lost days	69.6*	59.6	17.6

NOTE: *In 2007 lost days included only business days, with the number of absentee days being counted from the day after the accident. From 2008 lost days were counted on the basis of calendar days.

Main medical service initiatives (LA8)	2009
Care programme	
No. consultations	1,769
Vaccination campaigns	
Flu vaccination	225
Tetanus vaccination	13
Preventive campaigns	
High blood pressure	299
Cardiovascular risk	815
Prostate cancer	310
Health screening	
Medical check-ups	824
Head Office and Gasometer	303
Plants and transportation centres	512

Health and safety in the value chain

Compliance with prevailing occupational health and safety legislation -PR1-

The Enagás Risk Prevention Management System includes a procedure that sets out the work needed to identify and verify compliance with the legal prerequisites and technical standards applicable to the Company's activities.

To ensure the commitment of the contractors that work with Enagás to preventing occupation risks, purchasing procedures include requesting contractors to complete a list of occupational risk prevention requirements in order to be considered for the contract.

Incidents of non-compliance were down significantly on 2008 (60% fewer resulting in payment of a fine or penalty and 70% fewer resulting in alerts or warnings).

Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services (PR2)	2007	2008	2009
Incidents of non-compliance that resulted in payment of a fine or penalty	4	5	2
Incidents of non-compliance that resulted in alerts / warnings	8	20	6
Incidents of non-compliance with voluntary codes	0	0	0
Total	12	25	8

As regards the new Regulations of the European Parliament and the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), pursuant to Commission Regulation (EC) No. 987/2008, of 8 October 2008, "amending Regulation (EC) No 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) as regards Annexes IV and V", natural gas and biogas are exempted from the obligation to register (annex V, paragraphs 7 and 12). -PR1-

Assessment of health and safety impact of services -PR1-

The Enagás Risk Prevention Management System also includes procedures and guidelines for identifying and evaluating risks in all life cycle stages of its facilities (planning, commissioning, emergency shutdowns, maintenance and decommissioning), as well as external risks of a technological or natural type. -PR1-

These procedures and guidelines establish the system to be used to evaluate risk that should subsequently enable the Group to draw up preventive action plans, by providing sufficient information on risk detection and measurement, causes, order of priority for corrective actions and improvements, regular monitoring activities and identification of training and information needs. -PR1-

Information provided to customers and end users -PR3-

Enagás has specific procedures for the provision of information on all its activities. For example, as required under the regulations governing gas fuel networks and connections, the route of gas pipelines must be clearly signalled by signposts or another similar method. To comply with these regulations, Enagás has drawn up general internal specifications of the details to be included on signposts: the source of the pipeline, its diameter, the kilometre point at which the post is located, and a contact telephone number. The signposts are placed at regular, predetermined intervals, so that the route of the pipeline can be tracked along its entire length.

The routes of the Company's pipelines are also marked by underground tape warning of their presence, which also conforms to general project specifications.

As Technical System Operator, in 2008 Enagás obtained ISO 9001/2000 certification for its quality management system, which incorporates procedures for disclosing information to customers and end users. The TPA Management department also obtained ISO 9001 certification in 2009 for its quality management system for third-party network access, which applies the processes and subprocesses set out in the Processes Map, including the application for access, contracting, programming, operation, measurement, reading, distribution, balances, and billing.

Product information to be provided to distributors (PR3)	YES	NO
The source of the components of the product or service	X	
Content, particularly in terms of substances that may have an environmental or social impact	X	
Safe use of the product or service	X	
Elimination of the product and social / environmental impact	X	

When natural gas is transported in tankers, the provisions of the Royal Decree on hazardous goods apply. These require an exchange of information between the carrier and Enagás, entailing presentation of consignment notes, product safety sheets, etc. -PR3-

Enagás is also required to draw up monthly balance statements for all distributors that include daily-level detail. For this purpose, its information systems must always be up-to-date in terms of distributors' gas inventories, balances, etc. -PR3-

Case study

Enagás Training School

In 2009 the Training School began to run courses, geared to the main requirements for technical and business training suggested by customer divisions.

The Training School pursues one of the Company's main objectives, which is to share knowledge.

Enagás' own staff (managers, unit heads and technical staff from different sections) share their knowledge and train learners. This is undoubtedly one of the School's strong points: its ability to tap the technical and business expertise of Enagás professionals.

In the last quarter of 2009, since it opened, 21 courses have been held, given by 36 in-house trainers and attended by 178 participants.

These figures are expected to increase progressively in 2010-2011, as more training projects are undertaken and the School's facilities are improved.

COMMITMENT TO CUSTOMERS

MILESTONES 2009

- Open Season 2013. Enagás has been made responsible for the Joint Allocation Office (managing applications from 33 companies in 11 countries and assigning 99.5% of the Larrau interconnection)
- Better handling of problems via Service Manager platform
- Improvements to TPA logistics (e.g. new monthly schedule for agents by area, area imbalances)
- ISO 9001 certification for all customer management processes
- Improvements to structure and content of Enagás website (e.g. new daily report on physical state of system at midnight, operational plan posted by 2pm every day, information on Open Season, customer satisfaction survey results published)
- 7% and 12.2% increases in customer satisfaction levels with Enagás GTS and Enagás transport business respectively
- The first year since 2005 recording an increase in the cistern loading service, with an all-time record in Huelva because of demand from solar-thermal and agro-industry facilities
- Improved rates of self-supply, losses and containment of measurement differences at 0.07%
- Long-term sales and contracting of 100% of available capacity from the Badajoz international connection
- Opening of Secondary Market for Larrau International Connection
- First year with no complaints about delays to ships

CHALLENGES 2010

- Enagás improvement plan for TPA logistics (e.g. automating self-supply records)
- Secondary Capacity Market to allow agents to negotiate in a continuous market
- Introduction of n+1 distribution system with Enagás GTS internal information, to achieve information continuity and improve agents' effectiveness
- New Enagás website content: improvements to Enagás GTS (e.g. new flow snapshot) and transport business sections (new portal allowing direct restricted communication with customers)
- A 3% improvement on previous year's results in customer satisfaction surveys for Enagás transport business and continue upward trend for Enagás GTS
- Make Enagás contracting process more efficient, streamlining process, simplifying documentary support for contracts and developing electronic contracting and billing services
- Benchmark study of sector companies focusing on customer satisfaction and publication of results

OUR APPROACH

The Company's commitment to customers is based on two key undertakings:

- **Increasing customer satisfaction, taking account of their expectations and opinion of the Company's services with a view to improving service**
- **Greater transparency and impartiality, applying an integrated management model based on quality, excellence and sustainability, which confirms these values and makes information which is relevant to customers more readily available**

KEY INDICATORS 2009

4.9 / 6 Level of satisfaction among transporters and distributors with service provided by Enagás as TSO	**4.6 / 6** Level of customer satisfaction with service provided by Enagás transport service	**452** TPA contracts	**4.5 / 6** Level of satisfaction among sales companies with service provided by Enagás as TSO	**4.7 / 6** Level of customer satisfaction with customer care provided by Enagás transport service	Over **5,000** requests for TPA have been dealt with since the publication of Royal Decree 949/2001
6,860 Calls answered in Main Control Centre	**19,440** Transactions on the secondary gas market, for a volume of 714,430 GWh, equivalent to 172% of demand for gas transported	**70,400,000** Transactions handled by TPA logistics	**785** Requests for TPA dealt with	**15,743** Visits to website	**66%** Use of contracted capacity in Enagás plants

6.2.

Commitment to customers

Commitment to quality customer service

Enagás believes that its commitment to quality customer service hinges on the involvement of the entire organisation. This commitment is reflected in Enagás' management model which, in line with the Company's policy of continuous improvement, has been implemented to comply with the ISO 9001 standard. ISO 9001 certification was obtained in 2008 for its activities as Technical System Operator, and for its infrastructure management and third-party network access activities in 2009.

In response to the findings of its survey of customers of its transportation business, in 2009 Enagás implemented a new incidents management procedure supported by a new IT application that facilitates follow-up and communication with the customer.

Similarly, in its activities as Technical System Operator and following quality audits performed, Enagás has improved the incidents follow-up and handling process, incorporating into the management tool a document trail function for the lifetime of the incident. An indicator has also been added to the Enagás indicator model for its activities as TSO to measure the effectiveness of the process (average number of days to resolve incidents).

Enagás has also taken part in a benchmarking project with other companies in the energy sector with the aim of designing a common customer satisfaction survey model that will establish a standardised structure and points scale, making comparison of the results obtained by the different companies easier.

Customer care

Our customer profile

Enagás' customers are the major domestic and multi-national energy companies that distribute natural gas in Spain:

BP Gas España S.A., Carboex S.A., Céntrica Energía SLU, Cepsa Gas Comercializadoras, S.A., E-ON Generación S.L., Electrabel España S.A., Endesa Energía S.A., Galp Energía España S.A.U., Gas Natural Comercializadora S.A., Gas Natural Servicios SDG, GDF SUEZ Comercializadora S.A., Hidrocantábrico Energía S.A.U., Iberdrola S.A., Ingeniería y comercialización de gas S.A., Naturgas Energía Comercializadora SAU, Nexus Energía S.A., Shell España S.A., Unión Fenosa Gas Comercializadora S.A., Unión Fenosa Comercial, EDF Trading Limited, Elektrizitäts-Gesellschaft Launfenburg España S.L., Eléctrica de la Ribera del Ebro, Essent Energy Trading Iberia, S.L. and Sonatrach Gas Comercializadora S.A.U.

The company GDF-SUEZ Energía España became a customer of Enagás in 2009.

ISO 9000 certification for infrastructure management and TPA activities Awards.

Product and service catalogue -2.2-

In accordance with current legislation, Enagás provides the following third-party access services (classified by infrastructure type):

- Regasification plants
  - Ship offloading
  - Regasification
  - LNG storage
  - LNG tank loading
  - LNG loading (transfer) in methane tankers

- Gas pipelines
  - Natural gas transport
  - International natural gas transport

- Underground storage facilities
  - Natural gas storage

- Physical connections to the network
  - Establishment of connection points to distribution networks and other transport networks
  - Development of direct gas pipelines

Contracted and available capacity

At the end of 2009, around 59% of the capacity available at Enagás entry points was contracted, with 54% contracted under long-term bookings and just 5% under short-term bookings (less than two years). The market for short-term bookings was extremely active in 2009, with a total of 377 contracts concluded, accounting for 70% of the total. Capacity used at Enagás plants in 2009 was 66% of contracted capacity. Capacity available at Enagás plants in 2009 was 42% of total capacity offered.

Enagás' three plants produced more than half of the total output of the Spanish gas system. There was a particularly significant increase in bookings at the Huelva regasification plant due to exports to Portugal and the growing cisterns business. The Badajoz international connection is 100% contracted for the long term, mainly to supply two combined cycle gas turbine stations in Portugal.

Daily updates of nominal, contracted and available capacity, broken down by entry points, regasification facilities, transportation facilities and underground storage, can be consulted on the Company's website.

Customer communication channels

Enagás uses a range of channels to maintain contact with its customers and to monitor satisfaction levels:

- Regular meetings: To facilitate direct communication with customers and collect suggestions for improvements to the service.

- Account managers: Each account manager is responsible for attending to his/her transportation business customers (access applications, contract handling, resolving queries about interpretations of the legislation, etc.). Communication takes place by telephone, e-mail, face-to-face meetings and via the TPA Logistics system.

- Incident handling system: Enagás has set up a tool to handle any type of incident arising within the normal operation of the Spanish gas system that affects its transportation business customers.

- Main Control Centre: Enagás supervises the operations of the Spanish gas system from this centre, providing a 24/365 response to emergency situations and calls from customers regarding operations. Most incidents are directly detected as the centre receives on-line alerts via its SCADA control system. Other incidents are reported from outside the system (third parties, control centres, safety officers, etc.) Incident reports that actually affect Enagás' operations are entered in the ORION operations support application. In 2009 the company received 6,860 calls.

- Spanish Gas System Monitoring Committee: Established under article 9.7 of the Regulation on the Technical Management of the System as the body responsible for supervising the operation of the Spanish gas system, coordinating the activities of the different parties involved in the system and preparing reports on operational plans covering specific periods and other aspects pertaining to the supervision of the system. The Committee meets every two months and is attended by representatives of the Directorate-General of Energy Policy and Mines, attached to the Ministry of Industry, Tourism and Trade, the National Energy Commission, the Electricity System Operator and gas suppliers, transporters and distributors (see section 12.1. Dialogue with regulatory and government bodies).

- Enagás' website: A great deal of work is being done to improve the website, with new content and functions added in 2009 and further improvements to be made in 2010. The TSO section of the website received 15,743 visits between 1 June and 31 December 2009.

- TPA logistics system (SL-ATR): This system allows fluid, real time communication between the various parties involved in the Spanish gas system and supports the management of the entire gas cycle: application for capacity, programming and nominations, viability responses, the underground storage rights market, measurements, gas quality, distribution, balances and billing.

As Technical System Operator, Enagás is responsible for maintaining the SL-ATR system, ensuring it is accessible and the information provided is up-to-date, guaranteeing its security and confidentiality, while respecting the principles of transparency, objectivity and non-discrimination, in compliance with detailed protocol PD04 of the Gas System Technical Management Standards.

The system is currently used for communication purposes by 15 transport companies, 31 distribution companies, 38 supply companies, the Ministry of Industry, Tourism and Trade, the National Energy Commission and Enagás as TSO.

Some 411 users (80 belonging to Enagás) effected 70,400,000 transactions via the TPA logistics system in 2009.

Customer satisfaction

Results of customer satisfaction survey -PR5-

Enagás carries out an annual survey of the levels of satisfaction of its transport business customers and as Technical System Operator, holding dedicated meetings with the most important respondents to present the findings and resulting action plan.

In September and October, customers were surveyed on their satisfaction with Enagás' service as Technical System Operator. Distributors and transporters were included in the survey for the first time this year (17 questionnaires were sent out and 13 responses received), giving the service an overall rating of excellent (4.9 out of 6), with consistent scores across all areas, in particular with regard to the professionalism and accessibility of Enagás staff. -PR5)

With regard to services provided to supply companies (11 responses received out of 15 questionnaires sent out), customers gave an overall rating of excellent (4.5 out of 6), although improvements are desirable in the area of Distribution and Balances, affected by issues related to the upgrading of IT systems. Especially pleasing scores were obtained for personnel (5.2), operations management (4.8), billing (5.2) and performance of the Gas System Monitoring Committee (5.2). -PR5)

Enagás' improvement plan for 2009 defined for its activities as Technical System Operator included a target of increasing the overall satisfaction level of supplier companies by 5%. The actual improvement achieved was 7%. Other measures implemented under this plan (reorganisation and provision of additional information on the website, improvements to TPA logistics system processes, etc.) have improved transparency and accessibility to information, leading to significantly better scores in all areas of satisfaction except that of "distribution and balances".

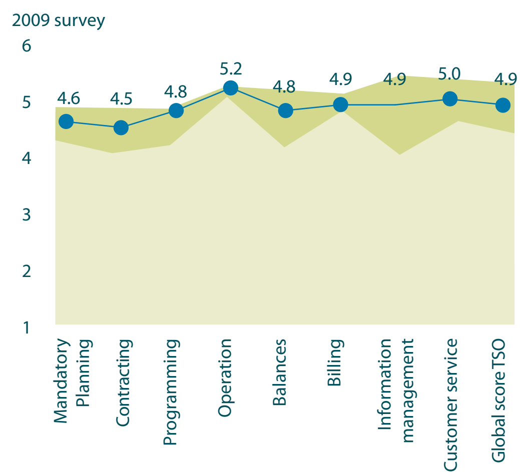
A survey of Enagás' transportation business customers was carried out in January 2009 (21 responses received out of 22 questionnaires sent out) showing an improvement on the previous year, with a 12.2% improvement in the score for services provided -PR5).

- The score for customer care was close to very good (4.73%) with a particularly good score for accessibility of personnel.
- Customers rated the service provided as good (4.61) with consistent scores across the areas, and a particularly high score for billing. In addition, each service was rated on four specific aspects (Reliability, Transparency, Accessibility and Flexibility), with reliability coming out as the most important element.

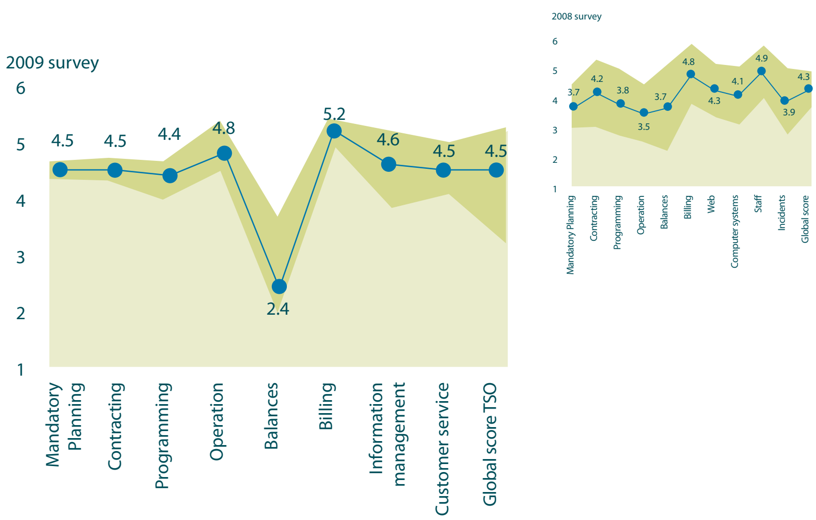
Enagás' improvement plan for 2009 defined for its transportation activities included a target of increasing the overall satisfaction level of customers across a range of areas:

- The overall score for customer care provided improved by 4.65% thanks to a number of measures including the introduction of account managers, improved information on the website and better customer relations channels. The score for response to incidents improved by almost 9% fo-

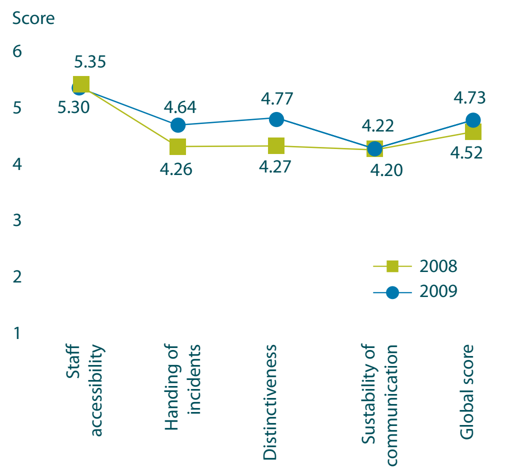
2009 survey of transporters' and distributors' satisfaction with Enagás as TSO (PR5)



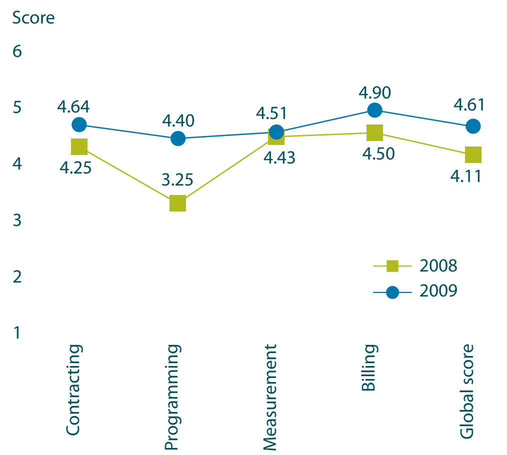
2009 survey of suppliers' satisfaction with Enagás as TSO (PR5)



Results of customer care survey of Enagás' transportation business customers (PR5)



Results of customer service survey of Enagás' transportation business customers (PR5)



llowing the implementation of the new procedure and IT system.

- The overall score given to services provided went up by 12.17% as a result of efforts to improve programming (up 35.38%) and contracting and billing (9% improvement).

Assimilating customers' views in our products and services

When drawing up plans to improve customer satisfaction, Enagás considers both the results of the annual surveys and information received through its various channels of communication.

One of the main targets of Enagás improvement plan for its activities as System Technical Manager of the Spanish gas system is "transparency and knowledge of the network", including:

- Enagás GTS system: improving the website and the TPA logistics system (automating self-supply records, emissions and N+2 distribution querying, record extraction, etc.)
- Allocation processes: improving the information available on the website on the status of the allocation process for the interruptible service and underground storage capacity.
- Operations processes: holding meetings with each supplier entering over 1,500/5,000 Gwh/year (target/critical) to carry out a joint analysis of

system access feasibility, programming, operations, distribution and balances.

- System development processes: holding meetings with each supplier entering over 1,500/5,000 Gwh/year (target/critical) to carry out a joint review of contributions to the 2012-2020 Mandatory Planning document, system capacity and feasibility studies. Meetings will also be held with transporters and distributors as part of the review process for the 2012-2020 Mandatory Planning document.

Enagás' improvement plan for its transportation activities include:

- Developing electronic contracting and billing services.
- Developing and implementing a "Bulletin Board" type secondary market for transactions in line with current regulations.
- Developing the customer portal in the transportation business website with new general content, a capacity manager and a services calculator/simulator.
- Implementation of management manuals at connection points with distributors, other transporters and direct customers.
- Launch of the 2015 Open Season to develop the Biriatou and Midcat project.
- Implementation of an order handling system for the LNG cistern loading service.
- Development of an Action Plan for Measurement to improve current measurement difference ratios and inauguration of a high pressure calibration laboratory.
- Joint development work on the use of BIOGAS with the regulatory authorities and the Institute for Energy Diversification and Saving (IDAE).

Case study

Improvements to Enagás website

In response to the results of customer satisfaction surveys in 2008 and to increase transparency and provide easier access to the information requested by the Company's customers, new features have been introduced in the website. They include:

- Quick access to new developments, including a special section on the website's home page, which is automatically updated and provides links to the latest Enagás GTS developments, so that users can locate them quickly.
- Access to average monthly quality figures for gas by municipality, including a new interactive application which allows users to view and export data, varying the period from a single month to all the months in the year.

Better handling of problems via Service Manager platform

In response to the findings of its survey of customers of its transportation business, in 2009 Enagás implemented a new IT application to handle incidents reported by Enagás' transportation customers (suppliers and distributors) which:

- Standardises and simplifies the current incidents handling process.
- Identifies current and future needs not covered by the present system to guarantee a stable and consistent process.
- Makes use of information derived from customers' queries and incident reports.

The use of this tool will help to identify and monitor incidents, improving both the speed and quality of responses. It will also standardise incident handling enabling integration with other Company applications and allow customers to check on the web portal the status of their incident reports and the time their resolution is expected to take.

COMMITMENT TO SUPPLIERS

MILESTONES 2009

- Enagás has awarded contracts for approximately €540Mn, including two major strategic projects (Yela underground storage (Guadalajara) - €71.5Mn and El Musel plant (Gijón) - €137.4Mn)
- Development of a model for strategic sourcing, analysing the positioning of 107 families of products and services, to determine the best procurement and contracting strategies for each of them

CHALLENGES 2010

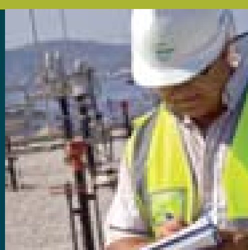
- Ensuring the correct functioning of contracting processes to facilitate the Enagás Investment Plan
- Better knowledge of suppliers, with the support of the Achilles company, in the following areas:
  - Management of risks associated with each supplier
  - Definition of CSR assessment criteria
- Improving communications with suppliers via the website, with a view to giving them better service and cutting response times

OUR APPROACH

Suppliers and contractors play a key role in the Enagás value chain as they provide the goods and services we need for our business. Enagás considers it has the following commitments to suppliers and contractors:

- **Establishing relations which are mutually beneficial**
- **Applying Enagás' commitments throughout the supply chain**
- **Guaranteeing the provision of goods and services**
- **Ensuring that contractors apply occupational safety standards**

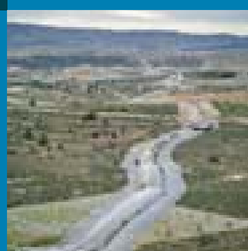
KEY INDICATORS 2009



83.8%
Percentage of total supplies sourced in this country

2,122
Approved suppliers

94.5%
Percentage of total works and services contracted in this country



6.3.

Commitment to suppliers

Corporate purchasing and supplies model

Enagás believes that a relationship of mutual trust with contractors, suppliers and partner companies in general is indispensable to the exercise of Enagás' activities, the achievement of its business objectives and to guarantee the quality of its services in the medium and long term.

The major investments made in recent years have been possible thanks to the work of everyone in the Company and have demonstrated how well its corporate purchasing and supplies model works.

This model is governed by Law 30/2007 of 30 October on Public Sector Contracts, which covers companies operating in the regulated market and is designed to ensure that the contracting process with contractors, suppliers and partner companies is secure and guarantees quality. In compliance with this law, Enagás' contracting processes include prior selection of suppliers based on their technical capacity to undertake the work required and their quality standards.

The process begins by defining the requesting unit's technical requirements in accordance with Enagás' contractual standards. An invitation to tender is sent out to those accredited suppliers that have the capacity to supply the goods or service.

A technical evaluation is carried out of the tenders received, after which the price bids are opened and the contract awarded to the best tender in terms of technical quality and price.

The contract documentation issued to the supplier covers all relevant aspects of the tender process and must be signed and accepted by both parties.

As part of its commitment to continuous improvement, Enagás has carried out a review of its purchased products and services portfolio in order to optimise the contracting process.

On the basis of this study it has classified the products and services into 107 "families", which will help to improve the purchasing and contracting strategies involved.

A number of major agreements were signed in 2009:

- Framework Agreement with ABB for the upgrading of Enagás' SCADA IT system. The new SCADA system will take fourteen months to install and will have a useful life of at least five years.
- Contract with Felguera-IHI/FCC for the construction of LNG storage tanks over 36.5 months.
- Extension of the main maintenance contracts (integrated maintenance of plants and the basic pipeline network) in order to provide the supplying companies with stable business.

The two most important projects awarded by Enagás in 2009 were:

- The Yela underground storage project (Guadalajara): contracts totalling €71.5Mn with 84 orders awarded to 64 different suppliers, of which 88% are domestic companies with a total order value of €38.19Mn, and 7% are local Guadalajara companies (€0.09Mn).

- The El Musel Regasification Plant (Gijón): contracts totalling €137.4Mn with 58 orders awarded to 44 different suppliers, of which 91% are domestic companies with a total order value of €136.25Mn, and 7.5% are local Asturian companies (€0.6Mn).

Supplier accreditation criteria

Enagás has a procedure for accrediting suppliers so that they may be included in its purchasing process and tender for contracts. To be approved as an Enagás supplier, they must submit to an evaluation process, which looks at aspects including: -HR1-

- Whether the candidate company is able to satisfy the established technical, quality, environmental and safety requirements.

- Whether the candidate company has sufficient resources to supply the quantities stipulated in orders and to conclude the projects, works or contracted services within the delivery period or stipulated time frame.

- Whether these requirements have been maintained within parameters considered acceptable by Enagás for an extended period of time.

- Respect for the principles of the United Nations Global Compact and the Universal Declaration of Human Rights.

At Enagás, all negotiations with contractors must respect human rights and public liberties and be carried out in accordance with internationally recognised standards of conduct. These include the Universal Declaration of Human Rights, the ILO Tripartite Declaration, the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact. -HR2-

Companies that wish to supply goods or services to Enagás can communicate with the Company via its website, where a pre-accreditation questionnaire is available.

After reviewing the information provided, Enagás contacts suppliers that comply with its requisites, commencing the accreditation process.

Depending on the criticality of the goods or services provided, prior to establishing a commercial relationship with Enagás suppliers and contractors must submit to an evaluation in accordance with the Company's internal procedures. This includes a review of technical, corporate and financial information, and of the company's quality, safety and environmental management record. The suppliers employment practices are also checked to ensure that they comply with the principles of the United Nations Global Compact and the Universal Declaration of Human Rights.

Enagás obtains the information required for this evaluation from the pre-accreditation questionnaire and from information and documentation provided by the supplier when it is registered on the REPRO supplier registry system, managed by the Achilles company.

In 2009, Enagás had a total of 2,122 accredited suppliers, 971 (around 46%) of which it placed orders with.

Major suppliers and contractors that have undergone screening on human rights and action taken (HR2)	**2007**	**2008**	**2009**
Total major suppliers and contractors*	31	51	61
Percentage of contracts that include human rights criteria or investigations	0	0	14
Percentage of contracts rejected or additional conditions imposed	0	0	0

(*) These 61 suppliers are classified in Segment A on the basis of the most important orders placed in 2009.

Orders placed by Enagás (EC6)	Domestic suppliers		International suppliers (rest of Europe)		International suppliers (rest of world)	
	Works & Services	Goods	Works & Services	Goods	Works & Services	Goods
Number of orders	831	862	29	79	7	1
Value of orders (thousand euro)	402,396.4	85,300.5	22,825.5	16,456.0	507.7	3.8
% (of total value)	94.5	83.8	5.4	16.2	0.1	0.0037

NOTE: Some suppliers are classified as domestic as the order was placed with their Spanish representatives, although the goods were manufactured elsewhere in Europe (Phoceene, Cuñado, Sidsa).

Most of the works and services contracted by Enagás were with Spanish companies (94.5%), principally because all the projects undertaken by Enagás were within Spain's borders -EC6-.

In the case of goods supplied, 83.8% of purchases were also made on the Spanish market. – EC6 -

Integrating suppliers in Enagás' Sustainability Model

Enagás encourages and promotes cooperation, on equal terms, with those suppliers and contractors that conform to the most rigorous social, environmental and ethical standards.

To encourage the involvement of Enagás' suppliers in the Company's sustainability policy, at the end of 2008 a clause was inserted in supplier contracts stipulating that the contractor or supplier recognises and agrees to comply with Enagás' corporate responsibility policy and to respect the principles of the United Nations Global Compact and the Universal Declaration of Human Rights in the performance of its activities, whether these be carried out by its own personnel or by contracted parties. -HR1, HR2, HR8-

In 2009, 100% of contracts awarded were accepted with this clause. -HR1, HR2-

To ensure suppliers are fully informed about Enagás' Business Principles and its Position on Corporate Responsibility, specific links have been included in the suppliers section of the Company's website.

Investment agreements including human rights clauses and which were subject to checks (HR1)	2007	2008	2009
Total major contracts (a)	38	64	18
Number of investment agreements including human rights clauses and which were subject to checks (b)	0	7	18
Percentage of investment agreements including human rights clauses and which were subject to checks (b/a)	0	11	100

Suppliers area on the website

Enagás has a dedicated suppliers area on its Company website which provides a number of services:

- Pre-accreditation questionnaire: This is the first point of contact for companies that wish to be a supplier or contractor for Enagás. The company provides the information required for Enagás to evaluate its proposal, and if this evaluation is favourable, to continue with the accreditation process.
- Contracting area: Enagás' contracting policy is set out, with links to its Business Principles, Position on Corporate Responsibility, Environmental Policy and Corporate Responsibility Clause.
- Supplier mailbox: This is a communication channel that allows the supplier to quickly and easily post queries relating to the contractual documentation in the accreditation and contracting process and in the resolution of problems.

The use of the website as the most efficient channel of communication for suppliers has been encouraged in 2009 and the internal process for receiving, checking and replying to queries sent to the suppliers mailbox has been improved through the designation of responsible officers and the setting of maximum response times for each type of query.

Over 300 queries were received in the accreditation mailbox and more than 100 in the supplier mailbox in 2009.

Case study

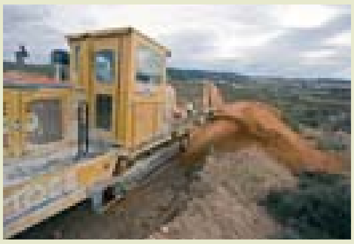
Corporate Responsibility criteria for the evaluation of suppliers

Enagás is taking part in an initiative led by Achilles and Forética, together with the leading companies in the energy sector, designed to include criteria related to Corporate Social Responsibility in the classification system used by the RePro suppliers database.

The system makes it possible to assess suppliers according to 4 CSR parameters, leadership, dialogue, management and communication, through a questionnaire which includes questions related to each of these areas.

This initiative is in line with Enagás' policy of applying CSR criteria to the supply chain. Important steps taken in recent years include the approval of the Corporate Responsibility Policy, the inclusion of the CR clause in contract conditions and the inclusion of sustainability criteria in the approval of suppliers.

This new initiative will allow the Company to develop its management model, incorporating CSR criteria in its rating of suppliers.



ENVIRONMENTAL COMMITMENT

MILESTONES 2009

- Methanol recovery unit brought into operation at the Serrablo underground storage facility, leading to 849 tonne reduction in "water with methanol" waste.
- Pilot project to generate electricity from residual thermal energy at the Almendralejo compressor station (power output estimated at 23,000 Mwh/year)
- Water consumption by transport centres down by 23.5% compared to average for 2003-2007
- Approval of Enagás Plan for Energy Saving and Efficiency, incorporating the introduction of new technology and new procedures and encouraging energy efficient practices
- Energy audits at Barcelona, Huelva and Cartagena plants providing an analysis of measures for energy efficiency
- Roll-out of Green Datacenter Strategic Plan (2010-2012) with an estimated €37,000 per year in energy savings

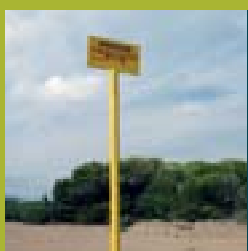
CHALLENGES 2010

- Formulation of the Strategic Plan for the Environment and Risk Prevention 2010 - 2012
- Improving the system for reporting environmental indicators by publishing them at four-monthly intervals on the Enagás website, including information on:
  - GHG emissions (CO2 + CH4), self supply of natural gas, power and water consumption, waste generation
  - Newly published environmental legislation of interest
  - Compliance with programme of environmental measurement
  - Environmental incidents
- Defining and drawing up the environmental indicators requested by the Ministry for Industry, Trade and Tourism based on the Energy Plan for the Power and Gas sectors
- Assessment of environmental hazards in regasification plants so that they can be identified and ranked to ensure coverage in the event of environmental damage
- Application of standards for European EMAS certification, with more demanding requirements than the current ISO 14001 Environmental Management System, to provide even stronger guarantees of the reliability of the information given through verification, registration, publication and dissemination of the verified environmental declaration
- Raising employee awareness of environmental issues through regular campaigns

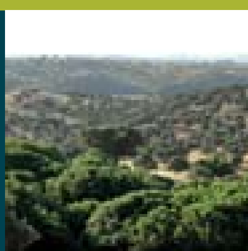
OUR APPROACH

Enagás is aware of the environmental impact of its activities in the areas where it operates. Protection of the environment and biodiversity, the fight against climate change, and helping the communities in which it operates are therefore an essential part of the Company's activities.

KEY INDICATORS 2009



1,363.2 T
Waste generated



288,804 T CO_2 eq
GHG emissions ($CO_2 + CH_4$)

84,282 m³
Consumption of water

€35.1
Environmental investment

10,589 km²
area restored

63.5 km²
area replanted

887.27 GWh
self supply of natural gas

6.4.

Environmental commitment

Environmental management model

Main impacts of Enagás on the environment

Environmental protection and conservation are a priority in the Company's activities. Enagás therefore incorporates the principles of environmental protection and preservation in all its industrial and economic development activities.

Enagás' engineering and construction activities and those related to regasification, storage and natural gas transportation have a series of environmental impacts and these are monitored thoroughly so that they can be kept at minimum levels.

The main environmental impacts cause by construction and engineering are as follows: -EN12-

- Impact on vegetation of opening up pipeline routes
- Impact on wildlife due to development and destruction of habitats
- Soil damage and pollution due to movement of earth
- Water damage and pollution where pipelines cross water courses
- Atmospheric impact of emissions of solid particles and noise

The main environmental impacts caused by regasification, storage and natural gas transportation are: -EN12-

- Emissions of greenhouse and other gases
- Noise generation and emissions
- Wastewater dumping
- Spills and soil pollution
- Waste production

Environmental Strategic Policy and Plan

Environmental Policy

Enagás' action plan is shaped by its commitment to protecting the environment, which is a factor in all business decisions, with the company striving to balance industrial and economic progress with respect for the environment.

Environmental Strategic Plan

The Third Environmental Strategic Plan was approved in 2005, covering the period to 2010. It is reviewed annually to check progress on its execution and add new goals and lines of action.

Enagás, in the performance of all its activities, is committed to protecting the environment and combating climate change.

In addition to the objectives set in the Environmental Strategic Plan, the various organisational units have defined their own voluntary environmental objectives.

The following measures were taken regarding regasification plants: -EN5-

- Energy audits at the Barcelona, Huelva and Cartagena plants

- At the Barcelona plant: elimination of chromatograph venting into the atmosphere and reduction in waste from paint and extinguisher dust

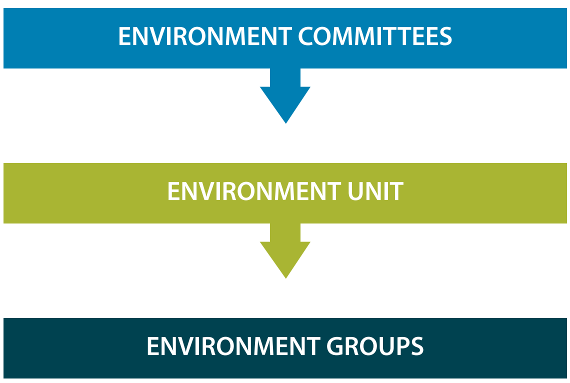
- At the Huelva plant: improvements in energy efficiency and reduction in waste earth and stone contaminated with hazardous substances

- At the Cartagena plant: improved performance of waste treatment unit and installation of methane emission measurement system in venting line

- At the Cartagena plant boil-off gas recovery capacity has been increased by the installation of a new compressor with twice the capacity of the current ones, and the existing reliquifier has been replaced with a new higher capacity one so that flare emissions can be reduced.

Enagás' environmental organisational structure

Enagás' environmental management is a responsibility the entire company shares and it has an organisational structure to implement its Environmental Management System and supervise its functioning. It consists of the following levels:



Enagás' environmental management systems

Enagás has built environmental protection into the Company's strategic policy and programmes through the implementation of an environmental management system certified under quality standard UNE-EN-ISO 14001 at the following facilities:

- Huelva regasification plant. Certified since May 2000.

- Barcelona Regasification plant. Certified since December 2000.

- Serrablo underground storage facility. Certified since December 2000.

- Transportation department. Certified since December 2000.

- Cartagena regasification plant. Certified since July 2001.

- Innovation and Development Unit. Certified since August 2002.

In April 2009 the scope of the certification of the Transportation Department was extended. The old detachments were included as audited and certified transportation centres, which had not previously been the case.

In 2009 UNE-EN-ISO 14001:2004 environmental management certification was renewed for all certified facilities and extended to the compression stations at Zaragoza and Alcázar San Juan. The Orense centre has been closed and is no longer covered by this certification.

Implementation of environmental preventive measures

At the start-up stage of all construction and engineering projects an environmental impact study is produced, which is used to identify the best possible location for the planned installation, with a view to minimising the environmental impacts of the work and the facility's subsequent operation. All protective and corrective measures identified as being needed in the planning phase are implemented during the construction phase. To this end, the Company establishes an environmental monitoring programme that provides a time schedule for these corrective measures, which are implemented under the on-site supervision of an environment specialist.

In the case of natural gas regasification, storage and transportation, environmental issues related to the project are identified and evaluated to determine those which have or may have significant environmental impact. The assessment takes into account normal and abnormal operating conditions and emergency scenarios.

The environmental issues identified as significant are considered when environmental objectives and targets are set and preventive measures established.

Indicators of environmental performance

Enagás reviews and analyses the impact of its activities on the environment via environmental performance indicators, taking the following into account:

- Management of energy consumption (see Section 9.3. Climate Change and Energy Efficiency)
- Greenhouse gas emissions (se Section 9.3. Climate Change and Energy Efficiency)
- Effects on biodiversity of construction and operations and biodiversity management (see Section 9.4. Managing Biodiversity)
- Management of consumption of water and auxiliary materials
- Non-greenhouse gas emissions
- Noise generation and emission
- Wastewater dumping
- Spills and waste management
- Environmental costs and investment

To determine and assess environmental indicators, data from operational facilities are analysed (regasification, transportation, underground storage of natural gas, and R&D), except in the case of the "Environmental costs and investment" indicator, for which costs and investment related to construction are also considered.

Consumption management: water and auxiliary materials

Consumption of auxiliary materials -EN1, EN2-

Since Enagás' activities do not involve productive processes per se, no raw materials are deemed to be consumed. -EN1-

In 2009 Enagás consumed the following auxiliary materials:

- Tetrahydrothiophene (THT): a natural gas odorant indispensable for gas transportation activities, the obligatory concentration being defined by current legislation.
- Methanol: used as a desiccant when new pipeline sections are brought into operation. Its use has been considerably reduced by the adoption of alternative systems, such as dry air.

- Sodium hypochlorite: used as a biocide, added to sea water in regasification plants, to prevent incrustation in sea water vaporisers, which would be detrimental to their correct functioning.
- Triethylene glycol (TEG): at the Serrablo underground storage facility a regeneration system makes it possible to keep redeploying this substance until its properties are exhausted. Its properties are verified by regular analyses.

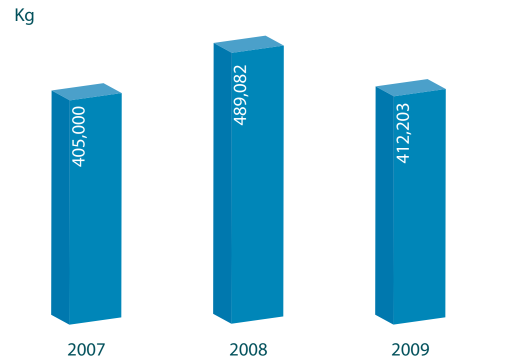
Methanol is used at the Serrablo underground storage facility to prevent hydrates forming during transportation of the gas from the wells to the plant. In 2009 the methanol recycling unit came into operation. It is obtained when water is extracted from the wells and can be almost fully recycled. -EN2-

In 2009 consumption of methanol was 372,514 litres. As a result of the introduction of the recycling unit, 82,454 litres* of methanol were recovered, equivalent to 22.1% of total methanol consumption for the Serrablo underground storage facility in 2009.

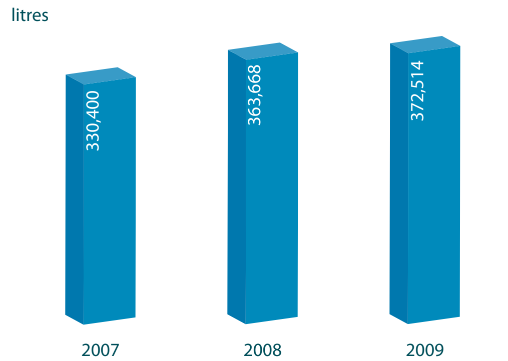
It is hoped that this percentage can be increased in future years, as improvements to the recycling unit are being undertaken, and that there will be a reduction in the amount of waste generated.

Consumption of auxiliary materials (business area: Natural gas transport) -EN1-

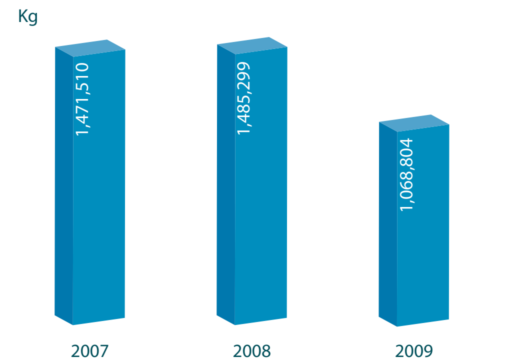
Tetrahydrothiophene (THT)



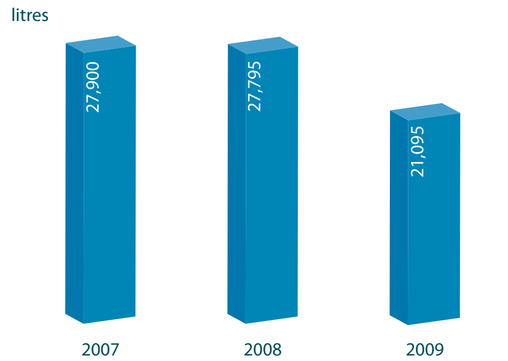
Methanol



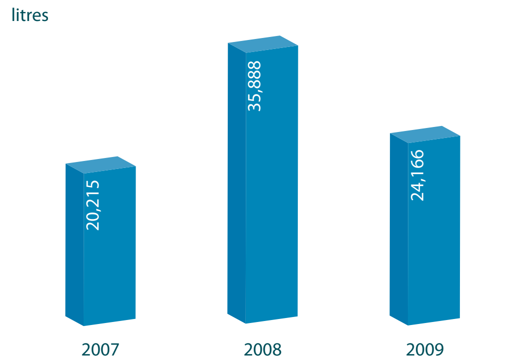
Sodium hypochlorite



Triethylene glycol (TEG)**



Oils



*Note: the Serrablo underground storage facility estimate methanol density at 0.80 g/cm^3 for the level of purity at which they operate. For 99% pure methanol the figure would be 0.79 g/cm^3.
**Note: The figures appearing in the 2008 Annual Report referred to litres, not Kg, as wrongly shown in the table.

Consumption of water -EN8, EN9-

The water used at Enagás installations is drawn from the municipal network and authorised wells.

The limits assigned each year for water withdrawn from wells were exceeded at the Algete Compression Station in 2009.

Initiatives to reduce impact -EN26-

In 2009 a target was set for the Transportation Department of a 10% reduction in water consumption across all its facilities relative to average annual water consumption for the years 2003-2007 by the end of 2010.

A plan has been drawn up for measures to reduce water consumption, according to the characteristics of each facility. They include fitting filters to taps and showers, dual flush cisterns, adjusting buoys in cisterns to reduce flush volume, and shortening automatic watering cycles. In summer 50% of watering of landscaped areas will be carried out using hoses. Notices have also been displayed in areas adjacent to taps to raise awareness of the importance of saving water.

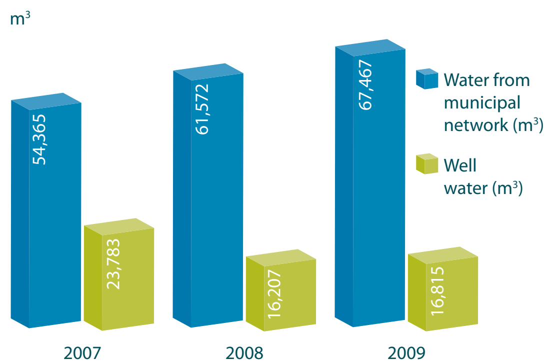
The introduction of these measures in 2009 has led to a reduction of 23.5% in water consumption compared to the annual average for 2003 – 2007. This follows a 16.4% reduction in 2008 and fully meets the target set.

Non-greenhouse gas emissions: ozone-depleting and other polluting gases

Emissions of potentially ozone-depleting substances -EN19-

The only emissions of this type released by Enagás are those resulting from possible gas escapes from air-conditioning equipment that uses the coolant R-22.

Total water intake by source -EN8-



Facilities at which well water withdrawal limits were exceeded -EN9-	Consumption of water (m³)	Limit assigned (m³)	% excess
Algete CS	1,664	1,153	44.3

Initiatives to reduce impact -EN26-

Cooling installations have been adapted to reduce the number of installations which used the coolant R-22 in 2005 by 12% each year. So far, 97% of the target figure has been achieved.

In the Transportation Department all air-conditioning units using R-22 have been replaced, except those in the Serrablo underground storage facility, which will be eliminated in 2010. A total of 16 units using R-22 have been replaced, 10 of them belonging to the Company's regasification plants. The total volume of R-22 coolant withdrawn in 2009 was 117.45 kg. -EN19-

Atmospheric emissions of other gases -EN20-

The combustion of natural gas also produces other pollutant gases: carbon monoxide (CO), nitrogen oxides (NOx) and sulphur oxides (SOx).

Each year Enagás draws up an Environmental Monitoring Programme to keep track of emissions of polluting gases from combustion. The programme involves the execution of a series of mandatory and voluntary environmental controls applied at all points of combustion. -EN20-

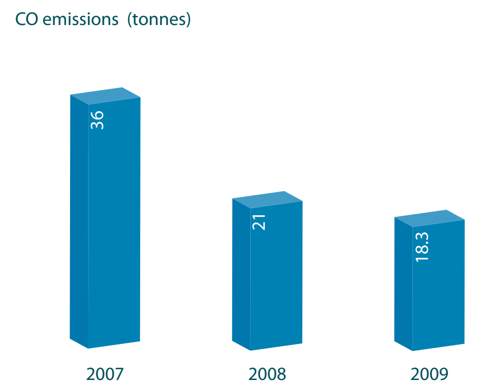
In 2009, atmospheric controls were carried out at 698 points of combustion on the basic gas pipeline network, 12 combustion points at plants and 11 combustion points at the Serrablo underground storage facility.

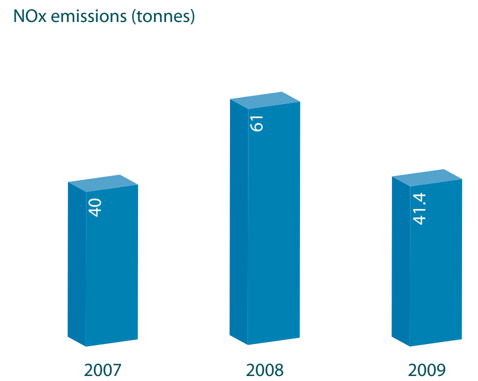
At compression stations, the Serrablo underground storage facility and regasification plants, whose integrated environmental permits call for the measurement of SOx emissions, inspections will be carried out at the intervals prescribed in these permits.

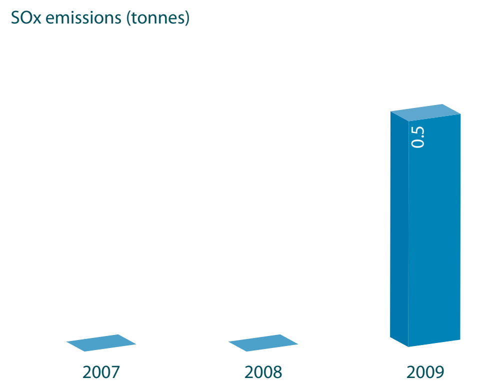
Initiatives to reduce impact -EN26-

- Maintenance work improves combustion conditions and cuts CO emissions.
- Low NOx emission systems have been installed in the new turbo-compressors at seven compression stations of the 10 envisaged, giving 70% coverage of target levels.
- A new turbo-compressor has been installed in well J-17 at the Serrablo underground storage facility, allowing NOx emissions to be cut by 63%.

Atmospheric emissions of other gases -EN20-







NOTE: Figures for CO and NOx include measurements for all facilities (plants, compression stations, the Serrablo underground storage facility and metering regulation stations in the basic gas pipeline network). For SO2, however, readings are included for those facilities that are required to measure it by their integrated environmental permits (compression stations, plants and Serrablo) and some regulating and metering stations where an authorised monitoring organisation has carried out such measurements.

Figures are based on direct measurements for the Barcelona, Cartagena and Huelva regasification plants and the Serrablo underground storage facility and average measurements for annual emissions (own monitoring and regulatory).

Noise generation and emission

The main sources of noise in Enagás facilities are:

- Regulators at regulation stations
- Compressors, pumps and other equipment in compression stations, plants and underground storage facilities.

Assessment of noise levels at facilities is key to controlling the installations' noise impact on the environment. It also enables the Company to identify those facilities at which noise reduction measures need to be implemented. -EN29-

Initiatives to reduce impact -EN26, EN29-

Work has continued on the programme of noise abatement measures at regulation and metering stations, via the installation of silencers on regulation lines and the insulation of doors and grates.

Acoustic measurements have been taken at 43 sites, with only three remaining for study in 2010. Analysis of the results shows that significant reductions in noise have been achieved in almost all of the facilities. As a result of the improvements made, 20 of the 23 locations in which noise levels were above the legal limit now meet regulatory requirements. There are thus only three sites which fail to meet the standard: Pos. 12. Reus (2.8 dB(A) above the limit at night), Pos. 9.02. Arbós (0.8 dB(A) above the limit at night), and Pos. 28x01 Tudela (2 dB(A) above the limit at night).

To attenuate noise at site position k-01, the compression stations and the Serrablo underground storage facility, a technical survey has been commissioned to determine noise levels and the possibilities of reducing them in each case.

Wastewater dumping

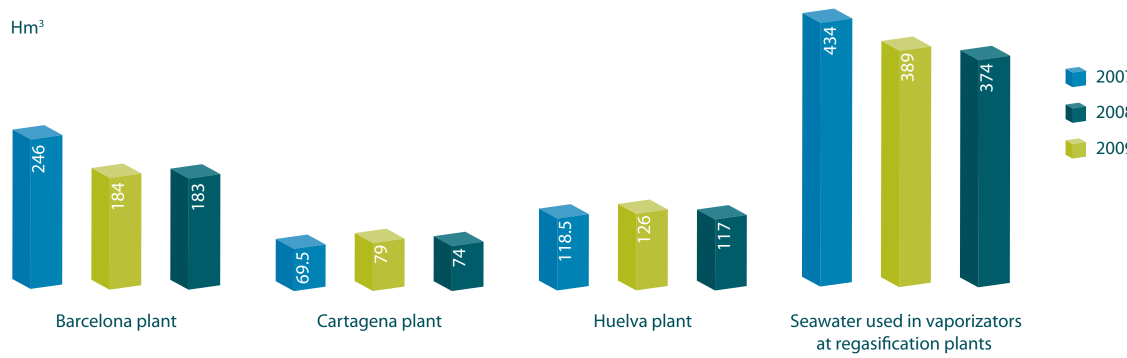
Control of wastewater dumping -EN21, EN25-

Enagás generates two types of waste water:

- Wastewater from sanitary use at regasification plants, underground storage facilities, transportation centres and compression stations, which is discharged into municipal sewage networks or purification plants at a total of 22 installations and into authorised septic tanks at 17.
- Seawater used in vaporizators at regasification plants, which is returned to the sea with its properties unaltered, the only change being a reduction in its temperature relative to the temperature of the water taken in.

Enagás does not dump any wastewater into water courses located in protected nature reserves or considered to be of particular ecological value. -EN25-

Wastewater dumping -EN21-



The total volume of seawater used at regasification plants discharged in 2009 was 374 Hm^3. -EN21-

As a result of the monitoring programmes established for 2009, 14 analyses of dumping in septic tanks at 11 transportation-network sites were carried out, and checks were performed on sanitary water and cooling-unit water used at regasification plants, in order to comply with the requirements of the relevant effluent and integrated environmental permits.

Initiatives to reduce impact -EN26-

In 2009 improvements were made to systems for the treatment and disposal of water for sanitary use at some transportation centres by eliminating, replacing or enlarging existing septic tanks.

The wastewater treatment unit at the Cartagena plant was redesigned, leading to substantially improved performance.

Modifications were introduced in certain processes and changes made to the monitoring and measurement of some parameters (flow, pH) and the dosage of reagents, while other structural reforms were also carried out (modification of buoy settings, collector wells, etc.), leading to a greatly improved system for treating discharges of water for sanitary use.

Spills and waste management

Spills and soil pollution -EN23-

Enagás applies a series of measures to prevent the chemical spills that can occur in the exercise of its activities:

- Placing containment troughs and trays beneath storage facilities or equipment containing pollutant substances
- Regular inspection of underground tanks for leakage
- Installation of dual-wall underground tanks for oil and condensate collection

In spite of these measures, small spillages do occasionally occur, for example, when replacing oil in equipment, replacing containers or when filling tanks (overflows).

In the event of spills and soil pollution the following corrective measures are applied:

- Assess damage caused by the spill
- Remove all the waste generated, label the waste and dispose of it in the area for hazardous waste

Principal accidental spills -EN23-	Spilled substance	Number	Amount (litres)
Cartagena regasification plant	oil	4	1,200
	gasoil	1	1
	hypochlorite	1	30
Huelva regasification plant	oil	1	2
Serrablo underground storage facility	oil	2	1,640
Almendralejo TP/CS	oil and gasoil	1	3

- Decontaminate the ground, removing the layer of soil affected, placing it in suitable containers to be transported to a landfill site.

- Restore the site.

- Contact the waste manager so that waste materials can be taken away and disposed of.

Take receipt of documentation concerning the incident and file it in the Centre.

If an environmental incident occurs, a report is drawn up describing the incident, indicating its scope (area affected, damage, location, etc.), analysing its causes and giving details of corrective measures applied.

Initiatives to reduce the impact of spills and soil pollution -EN26-

- Installation of dual-wall underground tanks to improve oil and condensate collection. Work has been carried out in six facilities (of the eight planned).

- Elimination or replacement of underground THT tanks by surface mounted structures to prevent soil damage and pollution in the event of any malfunction. Six of the eleven tanks in the original plan have been replaced.

Waste management -EN22-

Since 2001, Enagás' waste management system has entailed separating, storing and delivering to authorised waste managers all hazardous and non-hazardous waste produced at all its facilities, including the head office.

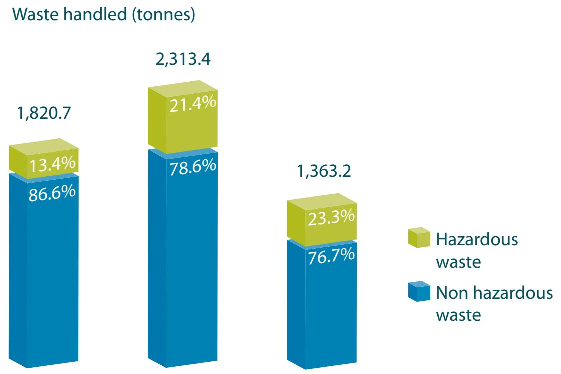
Nearly all the waste produced in the Company's generation and gas transportation activities is waste associated with storage activities. This explains the considerable annual fluctuation in the quantity and type of waste generated.

In 2009 Enagás handled a total of 1,363.2 tonnes of waste, of which 1,045.3 tonnes was hazardous waste and the remainder (317.9 tonnes) was non-hazardous waste.

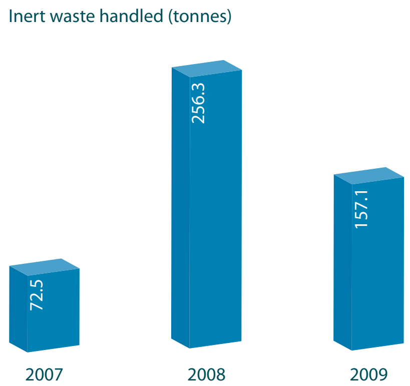
In 2009 the amount of non-hazardous waste was reduced by 35.6% compared with 2008. There was a reduction in all types of waste, especially inert waste and scrap metal.

n 2009 the amount of hazardous waste was reduced significantly (42.5% less than 2008). The main reduction has been in waste water with methanol, as a result of the introduction of a plant to treat this type of waste at the Serrablo underground storage facility.

Hazardous waste handled -EN22-

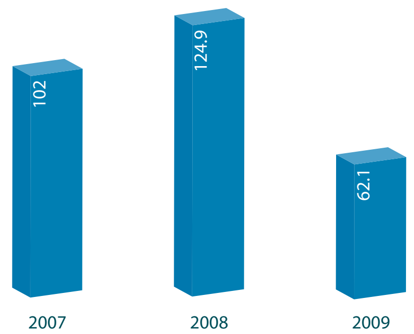


Non hazardous waste handled -EN22-

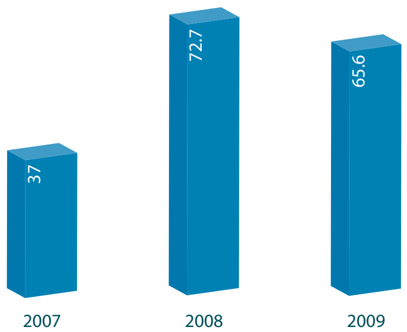


Non hazardous waste handled -EN22-

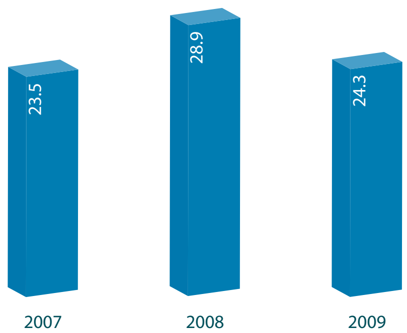
Scrap metal handled (tonnes)



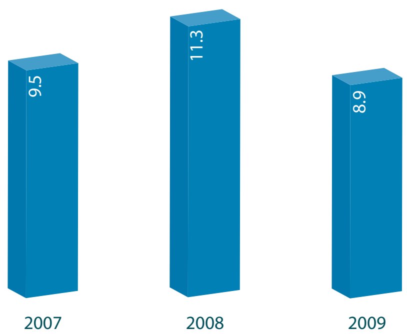
Paper and cardboard handled (tonnes)



Scrap wood handled (tonnes)

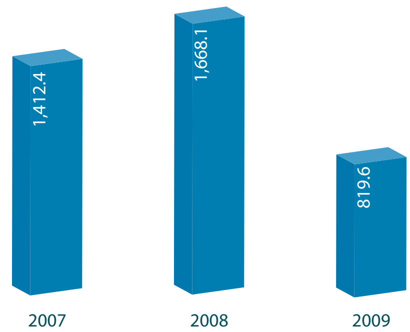


Plastic handled (tonnes)

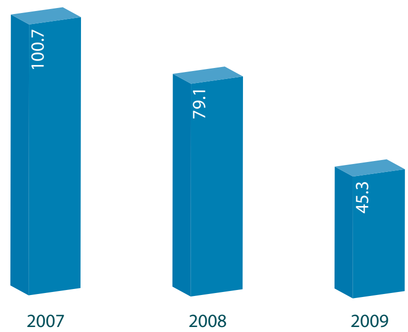


Hazardous waste handled -EN22-

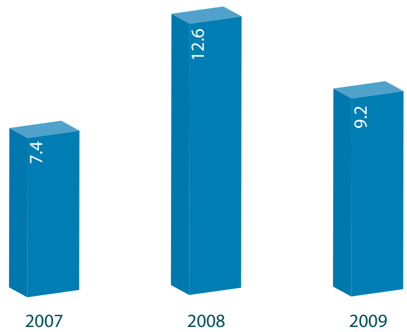
Water with methanol handled (tonnes)



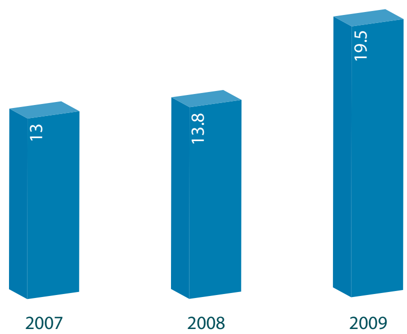
Oil/water/detergent mix handled (tonnes)



Contaminated absorbent material handled (tonnes)

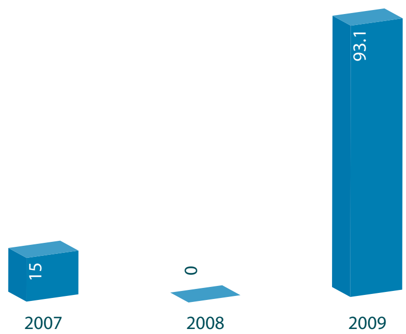


Used oil handled (tonnes)

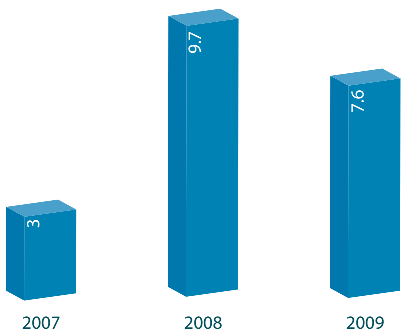


Hazardous waste handled -EN22-

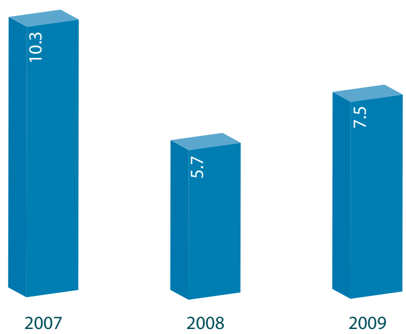
Triethylene glycol (tonnes)



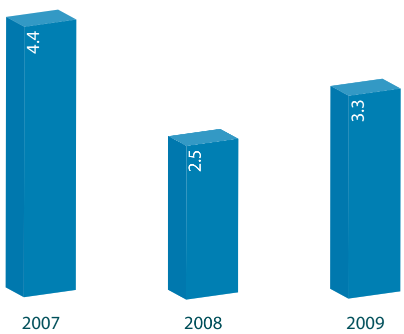
Empty metal can waste handled (tonnes)



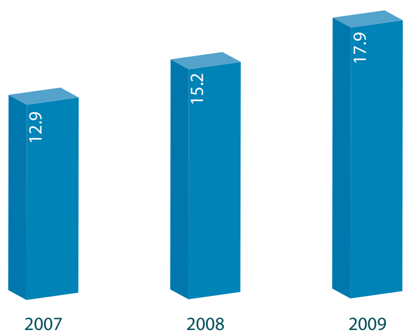
Spent batteries handled (tonnes)



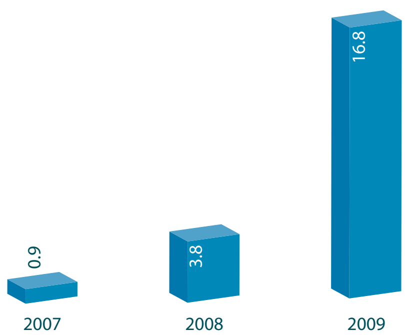
Empty plastic container waste handled (tonnes)



Electrical and electronic waste handled (tonnes)



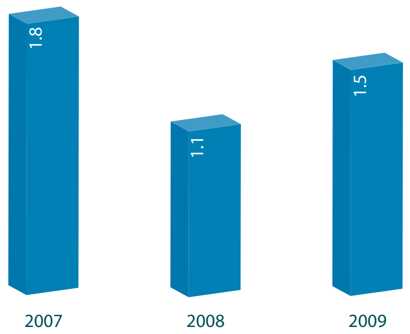
Contaminated gravel handled (tonnes)



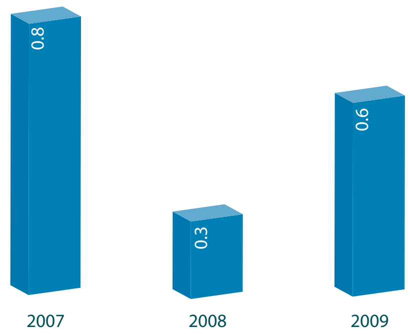
NOTE: Solvent-Antifreeze (tonnes) handled: 2007: 1.9 - 2008: 0.9 - 2009: 0.2.

Hazardous waste handled -EN22-

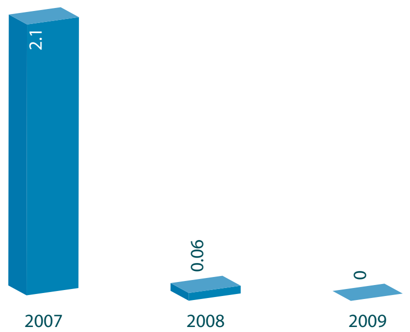
Oil filters handled (tonnes)



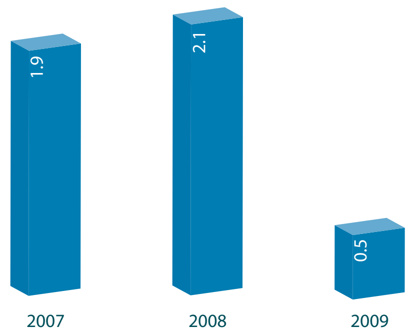
Swarf with lubricant handled (tonnes)



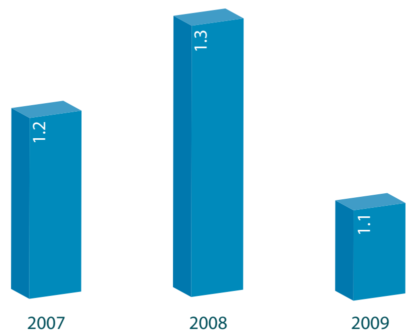
Hydrocarbon waste handled (tonnes)



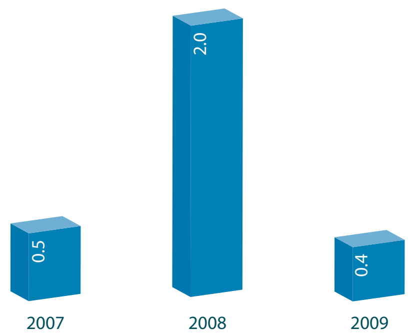
Paints handled (tonnes)



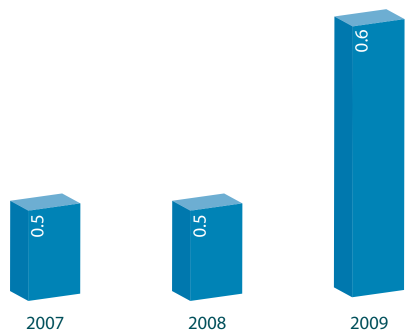
Used light bulbs handled (tonnes)



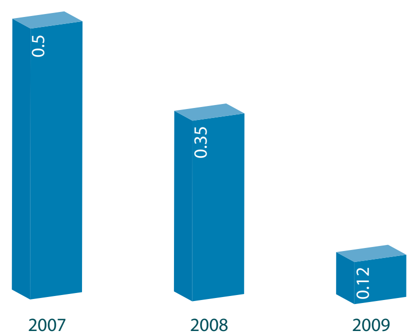
Aerosols handled (tonnes)



Used batteries handled (tonnes)



R-22 coolant handled (tonnes)



NOTE: In the last three years no transformers with PCBs have been processed.

Destination of non-hazardous waste handled in 2009

Type of waste	Destination	2007 (%)	2008 (%)	2009 (%)
Inert industrial waste	Disposal	29.6	51.8	49.4
Scrap metal	Recovery/Recycling	41.7	25.3	19.5
Paper and cardboard	Recovery/Recycling	15.3	14.7	20.6
Wood	Recovery/Recycling	9.6	5.8	7.6
Plastics	Recovery/Recycling	3.9	2.3	2.8

Destination of hazardous waste handled in 2009

Type of waste	Destination		
	2007	2008	2009
Water with methanol	Recovery	Recovery	Physical-chemical treatment
Contaminated absorbent material	Recovery/Disposal	Recovery/Disposal	Recovery/Disposal
Used oil and oil mixes	Regeneration/Recovery	Regeneration/Recovery	Regeneration/Recovery
Spent batteries	Recovery/Disposal	Recovery/Disposal	Disposal
Electrical and electronic scrap	Recycling	Recycling	Recycling/Disposal
Contaminated container waste	Recycling/Disposal	Recycling/Disposal	Recycling/Disposal
Contaminated gravel	Disposal	Disposal	Disposal
Oil filters	Recovery/Reconditioning	Recovery/Reconditioning	Disposal
Hydrocarbon waste	Recovery	Recovery	Recovery/Physical-chemical treatment
Used light bulbs	Recycling	Recycling	Recycling/Recovery
Solvent/antifreeze	Regeneration	Regeneration	Recovery
Used batteries	Recycling/Disposal	Recycling/Disposal	Recycling/Disposal
Swarf with lubricant	Disposal	Disposal	Recovery/Disposal
Paint	Recovery	Recovery	Recovery/Disposal

Initiatives to reduce impact of waste -EN26-

In 2009 the methanol recycling unit came into operation at the Serrablo underground storage facility. Methanol is obtained when water and gas are extracted from the wells and can be almost fully recycled.

A total of 848.5 tonnes less of water with methanol was processed in 2009, a reduction of over 50% compared with 2008.

In 2009 studies of ways to minimise hazardous waste in each of the transport centres, compression stations and regasification plants were presented. The measures implemented were as follows:

- Use of alternative products
- Lengthening the working life of equipment
- Purchasing materials unpackaged, on palettes or in bulk.
- Re-use in-house of used containers.
- Reuse of discarded IT equipment.
- Dissemination of good practice in maintenance and cleaning of equipment and other operations involving the transfer of waste (Huelva plant). This measure has led to a reduction of 99.2% in gravel waste contaminated with hydrocarbons.
- Modification of conditions and requirements for contracts with suppliers (Barcelona plant). This measure has made it possible to eliminate waste from painting work on auxiliary equipment and facilities.

In 2009 in the Cartagena plant a quarterly environmental newsletter was produced, two issues of which dealt with waste management.

Environmental costs and investment

Environmental investments made by Enagás in 2009 amounted to €35.1Mn and are listed, by main applications, in the table below.

Costs incurred to ensure compliance with the environmental protection and impact mitigation principles adopted by the Company came to €0.9Mn.

Environmental expenditure (€) -EN30, EC2-	2007	2008	2009
Research and development	3,682,593	967,382	969,236
Implementation of environmental objectives	4,419,845	1,927,772	1,290,118
Environmental project studies	993,269	249,163	227,383
Archaeological studies and work	569,796	948,163	663,438
Habitat restoration	2,658,901	11,879,514	13,975,212
On-site environmental monitoring	588,609	810,002	1,093,781
Targeted and horizontal drilling	5,204,448	8,146,734	1,124,127
Other environmental improvements	1,002,022	29,715,618	15,745,186
TOTAL	19,119,483	54,644,348	35,088,481

Environmental expenditure (€) -EN30, EC2-	2007	2008	2009
Environmental management systems	165,692	220,280	152,493
Environmental controls at installations (noise, emissions and effluents)	94,990	98,496	210,553
Waste management	469,500	430,510	488,644
Execution of environmental objectives	45,703		
Environmental studies at installations	17,303		
TOTAL	793,258	749,286	851,689

Climate Change and Energy Efficiency

Enagás' Position on Climate Change

Managing issues related to climate change is one of the cornerstones of Enagás' management model. The company regards these issues to be intrinsic management variables in its business activities. The company's involvement and commitment in this area include guaranteeing the supply of natural gas as a low-carbon fossil fuel and its responsibility as a benchmark company in the regions where it operates.

Due to the nature of its activities, climate change-related issues do not pose significant risks for the company's business. Nevertheless, in its drive to be proactive, responsible and innovative, Enagás has set itself the following multidisciplinary goals:

- Promoting the use of natural gas and guaranteeing its supply in all parts of Spain.
- Promoting energy efficiency in its facilities and transportation activities.
- Cooperating with public institutions and other organisations.
- Awareness-raising activities and education.

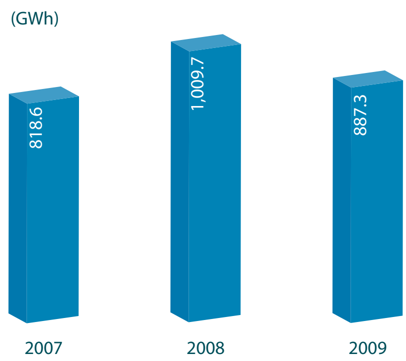
Energy efficiency in Enagás

Energy consumption

The natural gas used to fuel the plant at the Company's transportation and generation facilities accounts for the majority of Enagás' energy consumption.

The reduction in self-supply of natural gas in 2009 is mainly due to the lower levels of self-supply at the Serrablo underground storage facility and the Company's compression stations, as a result of the decline in demand for natural gas during the year.

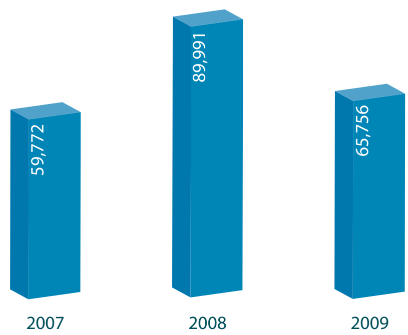
Consumption of natural gas -EN3-



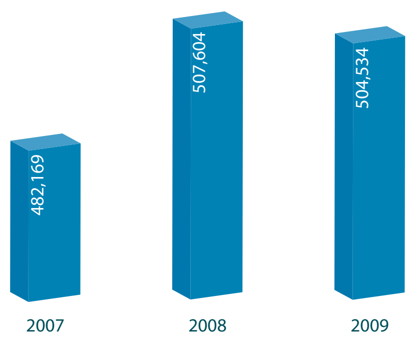
The decline in power consumption in buildings and installations in 2009, compared with 2008, reflects lower production figures as a result of the decline in demand for natural gas.

Consumption of fuel -EN3, EN29-

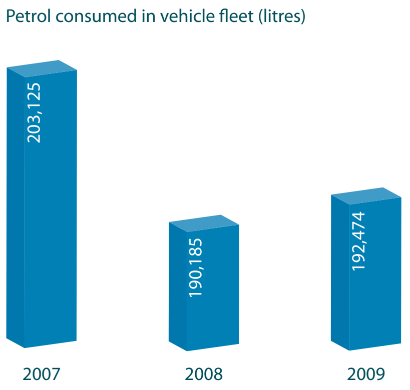
Consumption of gasoil generating units (litres)



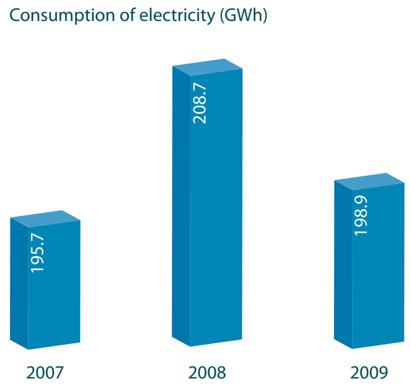
Gasoil consumed in vehicle fleet (litres)

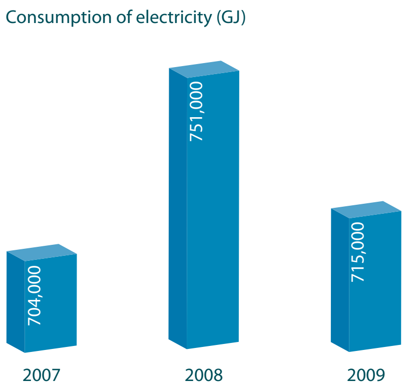


Consumption of fuel -EN3, EN29-



Consumption of electricity -EN4-





NOTE: Head Office is not included.

Enagás Plan for Energy Saving and Efficiency -EN5, EN6, EN7-

In 2009 Enagás drew up its Plan for Energy Saving and Efficiency, with the strategic objective of improving energy efficiency in the Company's activities, operations and infrastructures via the introduction of new technology and procedures and encouraging energy efficient practices. -EN5-

A procedure was also approved which establishes the basis for identifying, evaluating, monitoring and regularly updating departmental initiatives in energy saving and efficiency with a view to including them in Enagás' Plan for Energy Saving and Efficiency.

The Plan is intended to minimise the environmental impact of Enagás' activities by reducing greenhouse gas emissions and energy consumption.

The Plan involves a number of projects which can be grouped as follows:

- Measuring and monitoring energy consumption.
- Replacing equipment and systems with more efficient alternatives.
- Using new technologies and energy efficient tools.
- Using cogeneration and trigeneration systems.
- Using renewable energy sources.
- Promoting energy efficient practices and involving the whole organisation.

As part of the Plan for Energy Saving and Efficiency energy audits have been carried out at the three regasification plants and in the Head Office building, to determine their energy consumption and identify opportunities for greater energy efficiency.

The most significant energy saving and efficiency projects included in the Plan were:

- Completed in 2009:
  - Power generation from residual thermal energy that began with a pilot test at the Almendralejo compression station. It consists of a "tail-end" cycle that uses the residual thermal energy from the exhaust gases emitted by turbine compressors to produce electricity via a Rankine cycle using pentane in a closed circuit. The peak generating power of the system, which has been designed to maximise the NPV of the investment, with an attractive IRR, is 3,600 kW. It was brought into service in October 2009. It is hoped that with the system an increase of over 40% in the energy efficiency of the use of gas as a fuel can be achieved. -EN5, EN6-
  - Generating electricity at the Huelva regasification plant, as a pilot installation for generating

more than 80% of electricity consumed. Implementation of the project has not yet begun, the start of work being envisaged during 2010. The environmental authority has declared that the project does not involve a substantial change in the terms of the Integrated Environmental Permit granted to the Huelva plant. -EN5, EN6-

  - Supplying portable videoconferencing equipment to allow for simultaneous communication between regasification plants and the Head Office and thus help reduce the number of work-related journeys. -EN5, EN7-

- Initiated in 2009 and currently in progress:

  - Studies at compression stations of the suitability of the present stage configuration of the compressors. An estimated saving of €0.3Mn will be achieved as a result of economies in energy use -EN5, EN6-

  - Coordination between LNG plants and the Main Control Centre and monitoring of the emissions/power consumption ratio. It is hoped that a saving of between €0.3Mn and €0.5Mn will be achieved as a result of economies in energy use. -EN5, EN6-

In addition to the above measures the Information Systems Department has drawn up the Green Datacenter Strategic Plan 2010-2012 to optimise the use of resources, minimise maintenance costs and energy consumption, increase efficiency and reduce the impact of operations on people and the environment. -EN5-

The Plan involves establishing a medium-term strategy for the Data Processing Centre, based on three key lines of action:

- Optimising hardware architecture

- Optimising capacity

- Optimising power supply and cooling infrastructures

Other initiatives are also being studied and these may become projects in the future:

- Trigeneration in the Zaragoza Central Laboratory (making use of vented gas in the high pressure calibration bank to produce electricity and hot water and for air conditioning)

- Making use of the cooling energy provided by LNG vaporisation at the Barcelona plant

- Optimising lighting, heating and air-conditioning systems

- Promoting energy efficient practices in the organisation: reducing the number of hours in which lighting, heating and air-conditioning are used and eliminating stand-by use of office equipment

GHG Reporting system

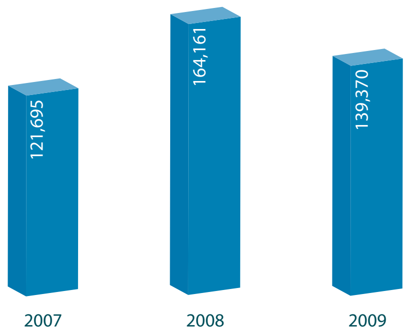
Direct emissions

CO_2 emissions in 2009 will be verified by the authorised verification body AENOR until 28 February 2010, the limit set by legislation. At a later stage they will be approved by the Autonomous Communities.

Authorisation for greenhouse gas emissions in 2009 was requested and obtained in the authorisation for the period 2008-2012, in accordance with legislation. The allocation of emissions rights was also obtained. The authorised verification body contracted by Enagás for 2009 is again AENOR, which carried out the mandatory inspections at the sites in question.

Verified direct CO_2 emissions come from combustion at the different points in the industrial facilities listed in the table below. These are boilers (type C points of combustion), turbocompressors and vaporizators (type B points of combustion). All these points of combustion use natural gas as their fuel. -EN16-

Total direct verified emissions (t CO_2 equivalent) -EN16-



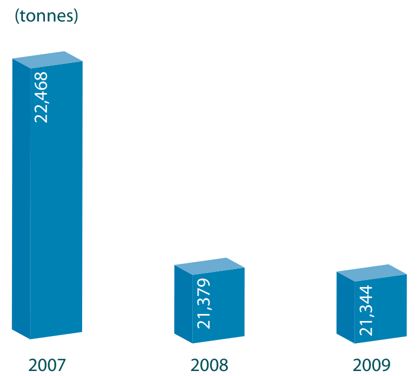
Emissions verified (t CO_2 equivalent) -EN16-	2007	2008	2009
Serrablo underground storage facility	13,101	22,245	13,811
Barcelona LNG regasification plant	1,666	1,895	2,637
Cartagena LNG regasification plant	626	151	1,227
Huelva LNG regasification plant	1,059	743	571
Algete compression station	6,595	9,895	7,070
Almendralejo compression station	39,155	44,858	40,922
Almodóvar compression station	10,661	15,529	1,303
Bañeras compression station	3,500	8,655	428
Córdoba compression station	1,196	542	2,347
Crevillente compression station	109	116	114
Dos Hermanas compression station	862	207	294
Haro compression station	10,757	19,494	10,568
Paterna compression station	273	136	340
Tivissa compression station	14,590	11,830	15,660
Zamora compression station	17,545	9,357	12,625
Zaragoza compression station	0	2,893	1,822
Alcázar de San Juan compression station	0	7,502	26,544
Lumbier compression station			1,087

In addition to the emissions which are verified, Enagás measures emissions which fall outside the scope of legislation on greenhouse gas emissions. These emissions are from boilers at regulation and metering stations and are calculated using data obtained from regular measurements carried out at these sites.

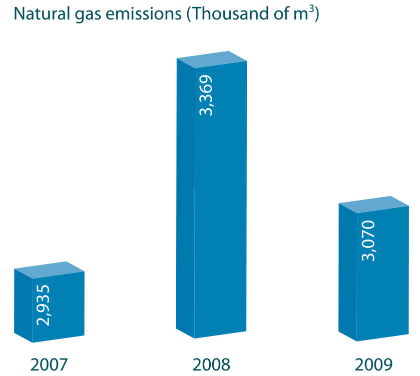
Emissions rights allocated for 2009 totalled 464,533t of CO_2 equivalent. The difference between the allocation and real emissions is mainly due to the lower demand for natural gas in Spain during the year, compared to National Energy Plan forecasts. The fall in demand for gas transported by the system led to a reduction in the use of combustion units at facilities.

Due to the nature of its industrial activities, Enagás' direct greenhouse gas emissions include methane emissions (CH_4) as well as carbon dioxide emissions.

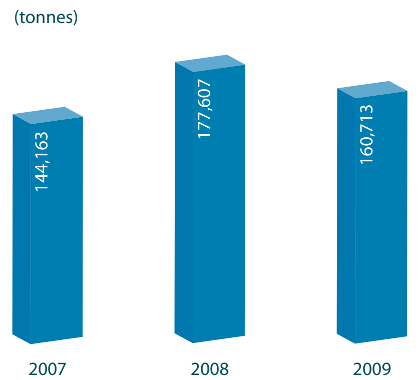
Direct CO_2 emissions from regulation and metering stations -EN16-

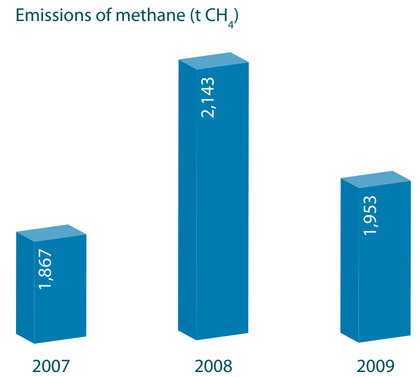


Direct emissions of methane from venting: -EN16-



Direct CO2 emissions (total from regulation and metering stations plus verified emissions) -EN16-

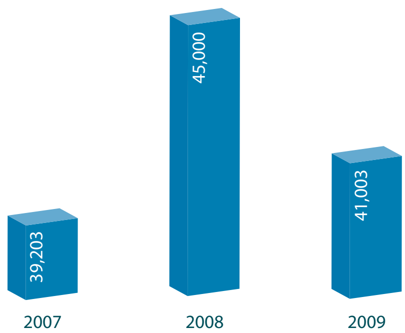




*Note: Figures for CO_2 emissions in the Reports for 2007 and 2008 included emissions corresponding to gas burnt in flaring operations at regasification plants and the Serrablo underground storage facility. These emissions have never been subject to GHG legislation, as they are considered safety features, and they have accordingly been discounted.

Direct emissions of methane from venting: -EN16-

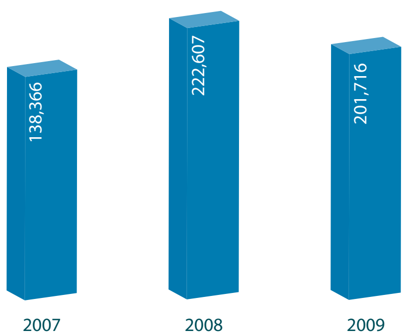
Direct emissions of methane (t CO_2 eq)



NOTE: The data for these emissions are calculated on the basis of natural gas emissions produced in the venting necessary to operate certain plants and when new stretches of pipeline are brought into service.

Total direct emissions of CO_2 and CH_4 -EN16-

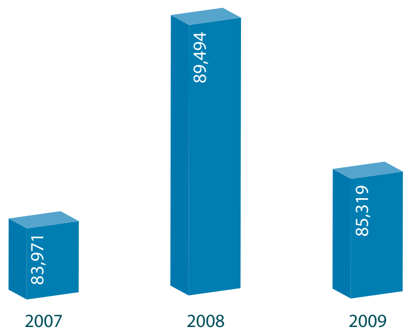
Direct emissions of CO_2 and CH_4 (t CO_2 eq)



Indirect GHG emissions

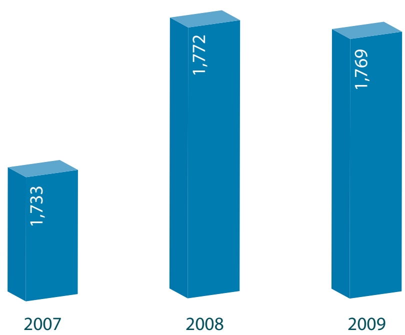
Indirect GHG emissions derived from electricity consumption: -EN17-

Indirect GHG emissions derived from electricity consumption (t CO_2 eq)



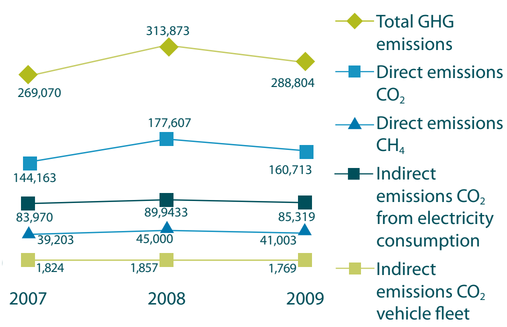
Indirect GHG emissions derived from vehicle fleet: -EN17-

Indirect GHG emissions derived from vehicle fleet (t CO_2 eq)



*NOTE: The emissions reported in the 2008 Annual Report were calculated without distinguishing between diesel- and petrol-powered vehicles. In this Report the figures have been updated, distinguishing between the two types of fuel.

GHG emissions (t CO_2 eq)

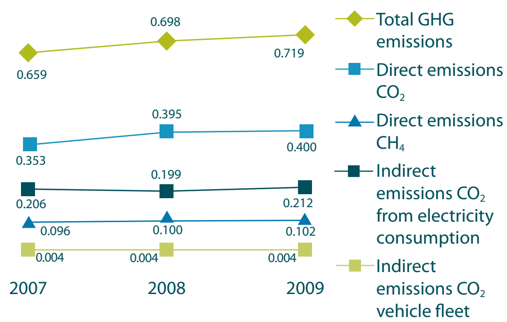


Total (i.e. direct and indirect) greenhouse gas emissions, which amounted to 288,804 t CO_2 equivalent in 2009, include carbon dioxide emissions released in combustion (except safety/emergency flares), emissions from electricity consumption, methane emissions from venting, and emissions due to vehicle use.

Eco-efficiency in greenhouse gas emissions

Although Enagás brought new infrastructures into operation in 2009 a reduction of 8% was achieved in total greenhouse gas emissions. However, as the demand for transported gas fell, eco-efficiency in Enagás' emissions was 3% lower.

Eco-efficiency in emissions (Emissions / Demand for gas)



Initiatives to reduce GHG emissions -EN18-

In 2009 electric starter motors were purchased for the compression stations to replace the existing pneumatic motors. A total of 22 turbo-compressors with electric starter systems have also been installed, thus eliminating natural gas emissions at start-up in seven of Enagás' compression stations.

Moreover, continuous venting of natural gas into the atmosphere has been discontinued at the Algete, Almodóvar, Haro, Coreses, Almendralejo, Paterna and position K.01 compression stations.

Enagás and the Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is an initiative which dates from 2000 and represents over 475 institutional investors from around the world, with assets valued at over $55Bn. It compiles information about climate change regarding over 2,500 of the world's leading companies, and has set up the world's largest database on greenhouse gas emissions by companies.

The CDP also compiles an annual report based on information submitted by the companies in a questionnaire consisting of 28 questions divided into four blocks:

- Risks and opportunities related to climate change
- Measurement of greenhouse gas emissions, their intensity, energy and emissions rights trading
- Planning and targets for reduction of greenhouse gas emissions
- Management model

Enagás' participation in the 2009 study was a critical objective for the year in the Quality, Excellence and Sustainability Master Plan for 2009-2012.

Enagás took part for the first time, in line with the practices of benchmark companies in the field of climate change and the other companies in the Ibex-35 index (100% of Ibex-35 companies participated in the 2009 CDP).

In 2009, for the second year running, the CDP has drawn up a report on Spanish companies, analysing the responses of the companies taking part. The report does not establish any kind of comparative ranking, but focuses on best practice related to climate change. Enagás received a special mention for its "analysis of risks and opportunities" related to the issue.

Post Kyoto policy

When the Kyoto protocol expires in 2012, Enagás is committed to continuing with measures to combat climate change, despite no firm quantitative agreements having been reached on the matter at the recent Copenhagen summit.

The EU is likely to go beyond its current 20-20-20 strategy and propose a 30% reduction in GHG emissions by 2020. Enagás would be in a strong position to achieve this objective as, apart from progressively improving its energy efficiency, with a slow but steady reduction in direct and indirect CO_2 emissions, it has been making substantial cuts in its emissions of methane for a number of years.

The Company plays and will continue to play an active role in international work groups conducting research into the technological feasibility of CO_2 capture and confinement. Enagás' long experience in the pipeline transmission of natural gas means it is ideally positioned to participate in this project.

In 2009 a process of independent energy audits was initiated in facilities where consumption is highest. This will conclude in 2010 and its conclusions are to be fully implemented by 2012 to further improve the Company's energy efficiency.

It is to be hoped that financial support for the most polluting activities will be withdrawn and encouragement given to the use of renewable energy or fossil energy with lower emissions, such as natural gas, via incentives for more environmentally friendly sources of energy, not only in the short term or on a more immediate level but throughout their life cycle.

COP 16, to be held in Mexico, will be responsible for consolidating these measures. The role of civil society and business will necessarily be greater than in the case of COP 15 in Copenhagen, as they will need to apply many of the measures needed to achieve the targets for cuts in emissions. On this occasion they should be legally binding and Enagás will give them its fullest support.

Managing Biodiversity

Enagás' Position on Biodiversity

Enagás shares the concerns voiced by international public opinion about the current rate of loss of biodiversity as a result of human activity and considers itself obliged to seek advanced and innovative technical and management solutions to help with its conservation. To achieve this the Company makes every effort to ensure it has accurate information about the environments in which projects are to be carried out, through advanced information systems and transparent dialogue with those most familiar with them. It also promotes projects and activities to inform and raise awareness of this issue. -EN14-

Enagás has adopted a position on biodiversity which is applicable to all the Company's activities and incorporates the following guidelines: -EN14-

- To prevent, minimise and integrate impacts in the areas affected by facilities and activities, incorporating environmental considerations in project design. It is hoped that in this way the existing biological balance can be maintained or restored in cases where it has been altered.
- To achieve advances in the search for technical solutions and innovative management techniques and in understanding the environments in which the Company undertakes its projects.
- To raise the profile of biodiversity protection so that it constitutes a variable of strategic importance in the Company's decision-making processes.
- To participate in conservation, education and awareness-raising projects.

Evaluation of impacts on biodiversity

New gas pipeline construction is the only Enagás activity which could have a significant impact on biodiversity. As it is a linear operation there is a high likelihood of it crossing a protected natural area.

The impact on biodiversity of these operations is determined by an environmental impact assessment (EIA). 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. -EN15-

In the design and construction stages and during the first years of operation preventive and corrective measures are applied to ensure that the natural environment is restored. An Environmental Monitoring Programme is in place for this purpose. -EN14-

Internal environmental audits are also performed in relation to projects in the construction stage, in order to guarantee compliance with the environmental requirements applicable in each case. -EN14-

When work has been completed and the pipeline is in operation, environmental monitoring continues to verify the suitability of the programme and the success of the preventive and corrective measures taken. -EN14-

Apart from construction, the Company's other activities do not pose any threat to biodiversity, either because of their location (regasification plants, compression stations) or the type of operation (working gas pipelines).

Enagás applies criteria for protecting the environment at the planning, design and execution stages of these projects, with particular attention to construction carried out in more sensitive environments.

If the course chosen runs through protected areas, a series of preventive and corrective measures are incorporated at the design stage, to minimise any possible adverse environmental effects in the surrounding area.

None of the projects initiated in 2009 fall within protected areas. -EN11-

Installations with installed power capacity in excess of 20 MW (regasification plants, the Serrablo underground storage facility and some of the compression stations) are subject to the IPPC Directive, which establishes integrated environmental permits as a means for defining the environmental standards that installations must satisfy whilst in operation.

Main impacts of gas pipeline construction work on biodiversity -EN12-
Impact on vegetation of opening up pipeline routes
Impact on wildlife due to invasion and destruction of habitats
Soil damage and pollution due to movement of earth
Water damage and pollution where pipelines cross water courses
Atmospheric impact of emissions of solid particles and noise

Protected area	Operations	Area affected 2007 (m^2)	Area affected 2008 (m^2)	Area affected 2009 (m^2)	BIODIVERSITY VALUE	
					Attributes of areas	Protection status
Installations in protected areas (Red Natura 2000)	Gas pipelines	32,952	308,376	0		
	Concentrated installations	0	2,800	0		
	TOTAL	32,952	311,176	0		

Projects which the Company resolved not to submit to environmental impact assessment in 2009 -EN11-
Castor gas pipeline

Projects for which Environmental Impact Statements were issued in 2009 -EN11-
Duplication of the Castelnou – Tivisa gas pipeline
Duplication of the Tivisa – Paterna gas pipeline
Algete – Yela gas pipeline
Splitting of the Cártama – Mijas gas pipeline
Duplication of the Almonte - Marismas gas pipeline
Chinchilla compression station

Integrated environmental permits issued in 2009
Chinchilla compression station (new facility)

Initiatives to reduce impact on biodiversity

Environmental Impact Assessments study the route proposed and alternatives, selecting the one which has least impact on habitats and protected areas.

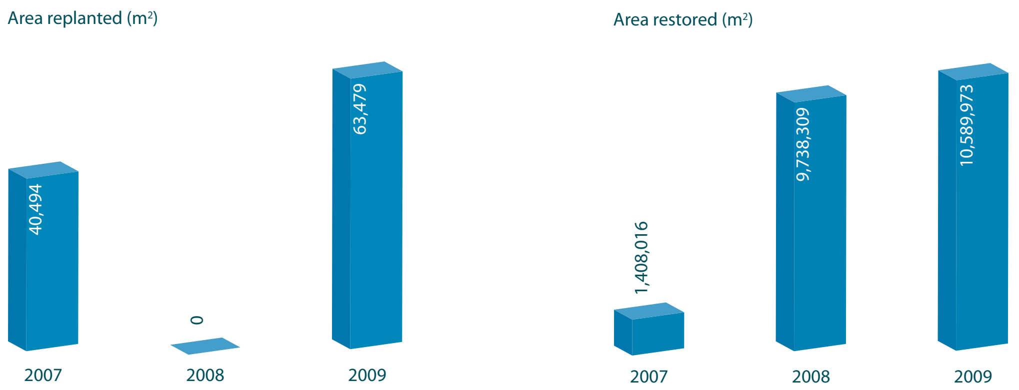
The aim of restoration and replanting in the areas affected is for them to recover the layer of plant life that was damaged. To ensure the swift recovery of the environment, native plant species are used, measures are taken to protect seedlings, which are monitored periodically, and lost specimens are replaced.

Preventive measures adopted to avoid or minimise impact on natural areas -EN14-
Using corridors belonging to other infrastructures
Using targeted drilling and locating crossing points with water courses at points with least impact
Using existing access routes to work sites
Using narrower work tracks
Modifying the route to avoid affecting species of trees which are of interest
Adjusting the work schedule to the nesting and breeding season of certain species and removing specimens to similar habitats nearby

Environmental audits of projects in 2009	**Kilometres**	**No. of audits**
Navarra compression station		1
Montesa compression station		1
Haro compression station extension		1
Splitting of the Campo de Gibraltar branch (Phase III)	17.8	1
Castellón branch	15.5	1
Lemona – Haro gas pipeline	91.3	1
URMF Almeria		1
Almería – Lorca gas pipeline	126	1
Lorca-Chinchilla gas pipeline (south section)	75.8	1
Lorca-Chinchilla gas pipeline (north section)	92	1
Montesa – Denia gas pipeline	65.2	1
Gas pipeline connection with Lorca	40.5	1
Cartagena Plan extension		1
Total	524.1	13

Corrective action taken by Enagás after the laying of gas lines -EN13-
Earth surface restored via decompacting and replacement of topsoil
Restoration of affected water courses
Replanting of affected land by sowing herbaceous species and planting trees and shrubs
Restoration of banks and slopes

Restoration of habitats -EN13-



Gas pipelines in operation subject to environmental monitoring in 2009

Project	Kilometres
Splitting of the Arbós - Tivisa gas pipeline	89.5
Totana – Murcia branch pipeline	52.4
Fuente Alamo – Lorca gas pipeline	37.6
Semicircle pipeline (Section I) in southwest Madrid	12
Semicircle pipeline (Section II) in southwest Madrid	73
Falces- Irurzun gas pipeline	58
Pajares alternative route	2
Splitting of the Campo de Gibraltar branch (Phase II)	14.4
Splitting of the Arbós - Barcelona plant gas pipeline	72
Alcázar de San Juan- Villarobledo gas pipeline	62
Villarobledo - Albacete gas pipeline	72.5
Albacete- Montesa gas pipeline	130
Total	675.5

Channels of communication on environmental issues

Enagás uses the following channels of communication to promote transparent dialogue with those who are most familiar with the environments in which projects are carried out:

- Consultation with stakeholders through the publication of information about Environmental Impact Assessments
- Environmental suggestion box on the Enagás' website, providing a direct way for any interested party to send comments to the Company
- A list of projects subject to Environmental Impact Assessments is posted on the Enagás website, together with the summary or equivalent document for these assessments.

Case Study

Protection of Posidonia Oceanica during the construction of the Mainland – Baleares Gas Pipeline

At the end of the first half of 2009 construction of the underwater gas pipeline linking the Spanish mainland and the Balearics was completed: the Denia–Ibiza–Mallorca pipeline.

As nearly the whole length of the pipeline lies under water, a series of measures were taken to mitigate any possible impact on colonies of Posidonia Oceanica, which forms underwater meadows at depths of up to 35-40 metres. The plant is native to the Mediterranean and acts as a barrier, attenuating the effect of currents and providing food and shelter for plant and animal life. For this reason it is seen as a good bio-indicator of the quality of offshore seawater.

Sample groups of Posidonia were selected at a distance of approximately 600 metres from the pipe in the meadows nearest each landfall site. Measurements were taken of a wide range of parameters, including the number of tufts, the number of leaves per tuft and the average length of the leaves, before dredging operations commenced and the state of the colony was recorded on film while work was in progress.

The study of Posidonia carried out while work was in progress at the landfall sites showed that its effects were reversible and that full recovery was feasible in the medium term through natural ecological processes and the sea's self-cleansing mechanisms. The measurements taken during construction work on the pipeline (number of tufts, average length of leaves, percentage of cover, etc.) remained constant. The length of the leaves increased in the species' spring growth period, showing that work had a limited effect on this parameter.

COMMITMENT TO SOCIETY AND THE MEDIA

MILESTONES 2009

- Greater spending by Company on social programmes (31% up on 2008)
- Introduction of new system for monitoring donations and social programmes
- Over 50 of the Company's managers trained to act as spokespersons and communicate in crisis situations
- Restructuring and improvement of Company website content, especially gas transport and TSO sections

CHALLENGES 2010

- More detailed analysis of the impact of contributions to the community
- Information sessions to strengthen relations with the communities in which Enagás is developing infrastructures
- Designing an annual communication plan which includes quantifiable objectives and putting mechanisms in place to measure progress and/or compliance more reliably
- Improving the Company website with the incorporation of new graphic content (infographics, maps, interactive graphics, etc.)

OUR APPROACH

For long-term business success it is essential for Enagás to create and maintain a business culture geared to improvements in social and economic welfare where the Company operates. Enagás is aware of the challenge this implies and regards cooperation and communication with local communities as a strategic variable of primary importance in the development of its business plans. The aim is to build up knowledge of the environments where it is active, and develop relations with local communities that are stable, strong and based on mutual trust, providing added value for the company and the community.

Enagás is also committed to transparency, veracity and rigour in all its communications to keep stakeholders and the general public informed about its activities.

KEY INDICATORS 2009

€0.8Mn
Social investment

12
press releases and notices sent to over **400** journalists

Enagás had nearly
5,000
mentions in the press

Enagás social investment in 2009 amounted to
0.28%
of net profit for the year

Nearly
100
interviews and articles by Enagás managerial staff

Over
2,000
queries and requests dealt with by e-mail

6.5.

Commitment to society and the media

Social action model

The objective of Enagás' Social Action Model is to reconcile the Company's business activities with the needs and expectations of local communities.

Social commitment activities require considerable effort in terms of diagnosis and in communicating the objectives pursued and the activities planned. To achieve this, dialogue and a joint effort by all divisions of the Company are called for, so that the action it takes is not only tailored to its business goals but is also geared to the social needs of local communities.

As set out in Enagás' Position on Contributions to the Community, its activities in this area are shaped by the following guidelines:

SOCIAL ACTION MODEL

- Economic development of the communities where the Company operates.
- Support for local development initiatives that are sustainable over time.
- Open dialogue with major stakeholders.

Enagás has an e-mail address (dircom@enagas.es) to which applications for sponsorship, patronage and cooperation can be sent. They are evaluated according to the following criteria:

- Location: Enagás' priority is to support or contribute to programmes or initiatives developed in regions where Enagás has or expects to have a direct, ongoing impact, through existing plants or facilities planned for the future.

- Social concern: priority is given to activities benefiting people, especially disadvantaged groups

In accordance with the principles of responsibility, integrity and transparency, all donations must be covered by the requisite authorisation and be properly reflected in the Company's records. -SO1-

Donations will not be made to political parties in any circumstances other than those expressly provided for in applicable legislation. -SO1-

Support will only be given to social organisations which have a good reputation and an organisational structure which guarantees that the resources allocated to them will be properly administered. -SO1-

In 2009, in line with the objective set in the Quality, Excellence and Sustainability Master Plan for 2009-2012, Enagás introduced a new system for monitoring donations and social action during the year, to ensure that they are used appropriately. A survey has been launched for the beneficiaries of social action projects to determine their perception and assessment of the management of the projects and their quality. -SO1-

Antonio Llardén, Chairman of Enagás, in the Sedigas Annual Meeting, with Antonio Peris, Chairman of Sedigas

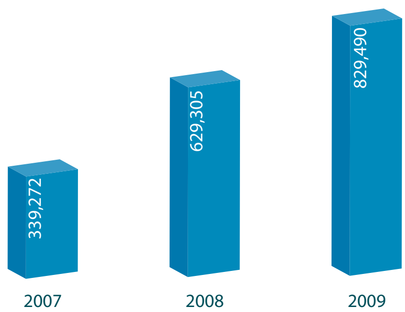
Our contribution to the community -4.13, EC8, EC9-

Our contribution to social development

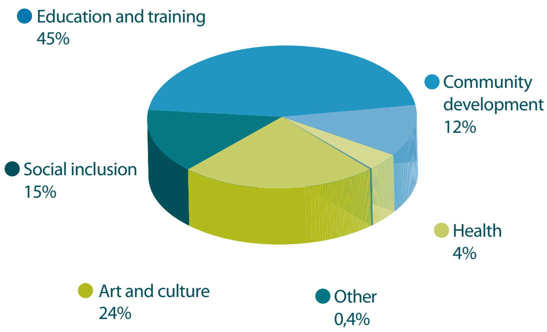
Contribution to developing society

Education and training	Social inclusion	Art and culture	Community development	Health
Institute of Business Spanish Energy Club (IV Euromediterranean Energy Forum and Age of Power study) Real Instituto Elcano Foundation New Economic Forum Barcelona Graduate School United World Colleges Instituto Petrofísico Foundation Community of Madrid Energy Foundation Various energy forums (Sedigas, Genercan, etc.)	Madrid Down Syndrome Foundation Nuevo Futuro Association Oliva Town Council (Valencia), adapted transport for disabled people Juan XXIII Foundation	Madrid Lyric Theatre Foundation Barcelona Liceo XXXVIII Music Festival (Cadaqués Town Council) Santa María La Real Foundation Brihuega Town Council (Guadalajara)	Brihuega Public Safety Volunteers Group. Adenex (Extremadura Association for the Protection of Nature and Natural Resources) Cartagena Basketball Club Costa Brava Tourist Board (Girona)	Pasqual Maragall Foundation for research into Alzheimer's and related neurodegenerative diseases. José Carreras International Foundation to combat leukaemia.

Contributions to charity (€)



Contributions to charity by area in 2009 (%)



Our contribution to economic and technological development -SO5, 4.13-

Enagás ranks among the companies that set the international benchmarks in natural gas transport, regasification and storage. Accordingly, with the aim of sharing experience on the gas industry, the Company makes cooperation with other companies and bodies a top priority in addition to contributing to national and international organisations and associations and attending conferences and forums.

INVOLVEMENT IN ASSOCIATIONS AND FORUMS

GAS SECTOR		IMPROVING MANAGEMENT	
CORES Incorporation of Strategic Reserves	**EGRG** European Gas Research Group (PC General Studies & PC Transport & Storage	**AEC** Spanish Quality Association	**Excellence in Management Club**
EASEE-gas European Association for the Streamlining of Energy Exchange gas	**GIE** Gas Infrastructure Europe	**AECA** Spanish Association of Accounting and Business Administration	**DIRCOM** Association of Communication Managers
EGIG European Gas Incident Data Group	**GIIGNL** International LNG Importers Group	**AENOR** Spanish Standards and Certification Association	**IAI** Institute of Internal Auditors
Enerclub	**IGU** International Gas Union	**AESPLA** Spanish Association of Prevention Services	**ISA-SPAIN** International Society of Automation
ENTSO-G European Network of Transmission System Operators for Gas	**MARCOGAZ** European Natural Gas Industry Technical Association	**CEN** European Standardisation Committee	**ISO** International Organization for Standardization
EPRG Electricity Policy Research Group	**PSG** Pipeline Safety Group	**CEPREVEN** Spanish Association for the Prevention of Fire Damage	**UNECE** United Nations Economic Commission for Europe
ERGEG European Regulators' Group for Electricity and Gas	**SEDIGAS** Spanish Gas Association		**AERI** Spanish Investor Relations Association
Gas Regulation Forum			

PARTICIPATION IN CONGRESSES		
24th World Gas Conference	EMART Energy	UNECE Working Party on Gas
3rd Annual European Gas Storage Conference	GLE LNG Workshop	4th World Forum on Energy Regulation
Public audience before the European Parliament (ITRE)	16th Gas Regulation Forum	

Our commitment to transparency of information in the media

Enagás' communication policy is based on transparency of information, accuracy and rigour, as well as trust in its dealings with the media. This enables the Company to publicise its activities, development and management practices and keep all its stakeholders informed.

In 2009 Enagás significantly strengthened its relationship with the media. 12 press releases were sent to over 400 journalists, the Company was mentioned nearly 5,000 times in the press, Enagás managers featured in nearly 100 interviews and articles, and over 2,000 queries were handled by e-mail.

Enagás' Communications Department has made an e-mail address (dircom@enagas.es), a dedicated phone number and a Communications section on the website available to the media and to all its stakeholder groups.

In 2009 work also continued on developing and improving the content of the Enagás website, especially on the sections dealing with Gas Transportation and Enagás as Technical System Operator. More work of this type is envisaged in future years.

Over 50 of the Company's senior and middle managers were trained to act as spokespersons and communicate in crisis situations, equipping them to represent the Company before the media, even at moments of exceptional difficulty.

The Company's Communication Manual for Crisis Situations was also updated, with a view to incorporating it in the Emergency Plans, while the Chairman of Enagás approved the General Regulations for Communication in Crisis Situations, which brings together systematic rules for the conduct of all staff in such situations.

Antonio Llardén, Chairman of Enagás, with Elena Salgado, Minister of Economy, and Miguel Ángel Moratinos, Minister of Foreign Affairs and Cooperation, in an act of the Real Instituto Elcano

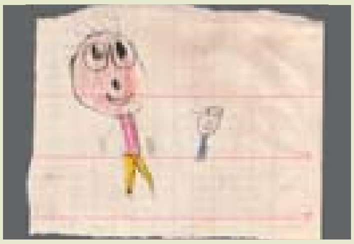
Case Study

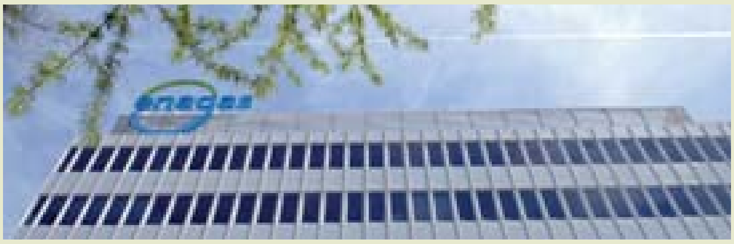
Madrid Down Syndrome Foundation: support for schools

This year, once again, Enagás has worked with the Down Syndrome Foundation in Madrid, whose aim is to encourage, develop and promote all kinds of activities intended to bring about the full integration of people with Down Syndrome and other mental disabilities at school and in society, so as to improve their quality of life.

In 2009 the Company's participation in the Foundation's School Support Programme has made it possible to provide the help and attention needed by many families, undertake programmes which make their day-to-day life easier, and open up opportunities for them to think about their future.

The programmes organised included the First Summer School, Cognitive Training (combining distance and in-person tuition), an Oral Hygiene Workshop, and a "Language and the Senses" Workshop dealing with very specific objectives and using methods adapted to the needs and ages of the pupils.





COMMITMENT TO SHAREHOLDERS

MILESTONES 2009

- Company's senior management embarked on Roadshows visiting world's main financial centres
- First Roadshow devoted to fixed income investors
- First bond issue in the history of the Company, subscribed by over 600 different investors in Spain and the rest of Europe, with demand ten times higher than the value of the issue
- Ratification of long-term credit ratings by S&P (AA- and stable outlook) and Moody's (A2, stable outlook)
- In 2009 the Company Chairman gave four webcast / conference call sessions on Enagás quarterly results, with a significant increase in the number of participants compared with 2008

CHALLENGES 2010

- Strategic review with new long-term objectives
- Financial targets for investors and analysts in 2010:
  - Investment: minimum €700Mn
  - Assets put into operation: €500Mn
  - Increase in regulated revenues, EBITDA, net profit and dividend around double digit level
- Maintaining credit ratings
- Webcast of the General Shareholders' Meeting via the corporate website
- Top management Roadshows in main financial centres, explaining new strategic plan, new Company objectives and challenges for the future

OUR APPROACH

Enagás has an active policy of information transparency with financial markets. To fulfil this commitment, it makes use of all communication channels (e-mail, free phone, fax and website portal) through which relationships between the Company, its shareholders (whether private or institutional investors) and financial analysts are established.

KEY INDICATORS 2009

260 meetings with analysts and investors

-0.87% Change in share price

60% Pay-out

Coverage by **31** financial analysts

10.2% Increase in EBITDA

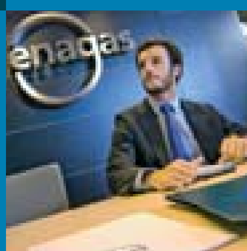
4 on-line presentations of quarterly results, with an average of **168** people connected

280 information updates from the Shareholder Office

63.3% General Shareholders' Meeting attendance

€965.3Mn Investment and assets brought on stream

15.1% Increase in net profit and dividend vs. 2008



6.6.

Commitment to shareholders

Enagás' commitment to its shareholders

Enagás' commitment to its shareholders and the fundamental importance of this stakeholder group are reflected in the Company's Mission Statement, in which the creation of value for shareholders is specified as a clear, priority objective.

The result-oriented approach and transparency, both included in Enagás' Business Principles, are directly related to the Company's model for dealing with shareholders.

Enagás is committed to maximising returns for its shareholders, working to obtain the best results for the Company while taking the expectations of other stakeholders into account. It also pursues an active policy of providing simple, transparent information about its strategy, activities and results to financial markets. To fulfil this commitment, it makes use of all the communications channels through which relations between the Company, its shareholders (whether retail or institutional investors) and financial analysts can be established and maintained.

Approach: increasing profitability and earnings, sustainable over time

In 2009, despite the considerable fall in the consumption of natural gas (10.6%), reversing the firm upward trend of the last decade, and the difficult economic situation in Spain and throughout the world, Enagás continued to improve its results, consolidated its position in the Spanish gas system and recorded new all-time highs in annual investment and assets in operation.

Investment by the Company totalled €901.6Mn, in line with the target set at the beginning of the year. A total of €965.3Mn worth of assets were brought on stream, above the annual target and a record figure for Enagás, guaranteeing future growth in revenues.

The increase in regulated income, the containment of operating costs and good financial management made it possible to achieve a net profit of €298Mn in what was a very difficult year. This is 15.1% more than the figure for 2008, considerably higher than the 8.6% growth target announced to shareholders at the start of the year.

The profit obtained in 2009 will allow the Company to propose the distribution of a gross dividend for the year of €0.75 per share to the General Shareholders Meeting. The dividend for the previous year was €0.65 per share and the increase is proportional to the increase in net profit.

The Company's share price closed the year at €15.425, a drop of 0.87%, reflecting the poor performance of utilities in general and the markets' penalisation of stocks seen as defensive.

In 2010 the Company will review its strategy, setting new long-term objectives, strengthening its visibility and commitment to creating value for shareholders.

Active, transparent dialogue

Enagás' relations with shareholders are based on transparency and active, flexible, ongoing communication, using the many channels for dialogue created specifically for this purpose.

For private investors, Enagás has established a Shareholder Information Office to respond to all information needs its shareholders may have, especially regarding the General Meeting and the distribution of dividends for the year.

Enagás provides attention to shareholders via four information channels which are always available: , a dedicated e-mail address, the free phone shareholder support line, a fax number and the corporate website.

In 2009 Enagás continued to provide institutional investors and financial analysts with information via its Investor Relations Department, constantly increasing the transparency and frequency of communication. The channels of communication most frequently used were presentations at meetings, forums and conferences, themed seminars, roadshows in the main financial marketplaces, and meetings with individuals and groups at the Company's offices. The Company's senior management has also demonstrated an increasing commitment to investor communication strategies that is very highly regarded by the financial markets.

Following the first bond issue in the Company's history, the information service for equity investors, which had been the responsibility of the Investor Relations Department since the shares were first listed in 2002, has now been extended to fixed-income investors. This Department worked closely with the Financial Department in the structuring of the bond issue and the roadshow to place the bonds in the main European financial markets.

In 2009 it maintained contact with more than 263 institutional investors and analysts and held roadshows in London, the US (New York, Boston, Philadelphia and Delaware), Zurich, Geneva, Edinburgh, Paris, Frankfurt, Amsterdam, The Hague, Lisbon, Madrid and Barcelona.

In 2009 Enagás also conducted four webcasts via its corporate website (www.enagas.es) to present its quarterly results. These attracted an average of 168 participants.

The Company's performance is tracked by a total of 31 investment analysts who, like the rest of the market, are provided with detailed, up-to-date information on its activities. Up-to-date analysts' opinions and forecasts relating to Enagás can be consulted in the Shareholders and Investors section of the Company website (www.enagas.es). At the end of 2009 the analyst consensus resulted in 16 buy, 10 hold and 3 sell recommendations, with an average target price of €17.07 per share.

Email address: accionistas@enagas.es	Freephone: 900 100 399	Fax: 91 709 93 28	Internet portal: www.enagas.es
Email address: investors@enagas.es	Telephone: +34 91 709 93 27	Fax: 91 709 93 28	Internet portal: www.enagas.es

Case Study

Direct link between Investor Relations Department and Chairman's Office

Since 2007 Enagás' Investor Relations Department has reported directly to the Chairman of the Board of Directors.

This direct link is fundamental in achieving a two-fold objective. It brings senior management closer to investors and makes Enagás' senior management and the Board of Directors more aware of investors' concerns. This scheme also makes it easier for senior managers to fulfil their commitment to participate regularly in roadshows, conferences and one-to-one meetings with investors.

The Investor Relations Department maintains contact with the Board of Directors by means of a monthly report, giving details of contact with investors and analysts and analysing the feedback received.

COMMITMENT TO PUBLIC SECTOR AUTHORITIES

MILESTONES 2009

- Approval of third gas and electricity energy package:
  - Directive 2009/72/EC on common regulations for the internal electricity market
  - Directive 2009/73/EC on common regulations for the internal natural gas market
  - Regulation 713/2009 creating the European agency for the cooperation of energy regulators
  - Regulation 714/2009 concerning conditions of access to the grid for cross-border trade in electricity
  - Regulation 715/2009 concerning conditions of access to natural gas transport networks
- Creation of ENTSOG (European Network of Transmission System Operators for Gas).
- First stage in the Open Season for the allocation and development of interconnection capacity with France as part of the South Gas Regional Initiative (S-GRI)
- Publication of Royal Decree-Law 6/2009 appointing Enagás sole transporter for the primary gas transport trunk network
- Publication of unit costs for investment and operation applicable to transmission facilities brought into operation after 1 January 2008

CHALLENGES 2010

- Second stage of Open Season to develop a new link between Spain and France (MIDCAT)
- Publication of European Pilot Framework Guideline on Capacity Allocation as part of Third Package
- Review of unit costs for underground storage facility operations

OUR APPROACH

As a Company that works almost exclusively in regulated areas of activity, Enagás works closely with the regulatory bodies. Accordingly, many of the Company's initiatives focus on providing support to these bodies and identifying the needs and expectations that will help improve the efficiency and quality of the services we provide.

6.7.

Commitment to public sector authorities

Dialogue with regulatory bodies and public sector authorities

Enagás maintains an ongoing working relationship with various regulatory bodies and public sector authorities. The most significant activities in this area in 2009 are detailed in this Section.

Ministry for Industry, Tourism and Trade

The Ministry for Industry, Tourism and Trade is the regulator responsible for approving remuneration recognised for regulated activities, tariffs, tolls and duties, and access terms and conditions for users of gas infrastructures, and for drawing up the Spanish Electricity and Gas Infrastructure Plans.

As a Company that works almost exclusively in regulated areas of activity, Enagás works closely with this Ministry.

This includes the regular filing of information on gas movements and inventories, the registration of facilities, financial information on the Company segmented by activity, and the information needed to draw up the remuneration and tariff model.

Additionally, Enagás contributes, as and when required, to the drafting of new regulations and comments on proposals issuing from the Ministry.

Finally, as part of its involvement in international forums, in particular with regard to European regulatory developments, Enagás works with the Ministry to facilitate coordinated action in their respective areas of responsibility.

National Energy Commission

The Spanish National Energy Commission (CNE) is an independent regulatory body whose remit is to ensure effective competition in the energy system and the objectivity and transparency of its operation, for the benefit of all companies operating in the system as well as for the benefit of consumers. The CNE acts as a consultative body for the government, contributes to regulatory developments and the authorisation of new facilities, and serves as binding arbitrator in disputes between the various energy system participants.

Enagás has a seat on the Hydrocarbons Consultative Committee, a CNE advisory body, both directly as Technical System Operator and indirectly as representative of the Sedigas Committee of Gas Transporters. Enagás regularly makes comments to this body which directly or indirectly influence the regulatory initiatives with which they deal.

The Company actively cooperates with the CNE, filing various regular reports on infrastructure investment, the operation of the gas system and financial information on its activities.

Enagás worked especially closely with the CNE in 2009 on the provision of figures for a study of the calculation of unit investment and operating costs for transportation facilities that came on stream after 1 January 2009. The unit values which were eventually published in Ministerial Order ITC/3520/2009 correspond to the proposals made by the CNE on the basis of this study and reflect the true costs involved.

With regard to the settlement of remuneration payable for regulated natural gas sector activities, which is an area within the CNE's remit, Enagás helps finalise the forms used to collect information and regularly submits the information needed to prepare them. It is also an active participant in inspection processes.

Enagás also takes part in the various public consultation processes launched by the CNE that affect its activities. With a view to extending and enhancing its contributions to regulatory developments at European level, Enagás maintains regular contact with various departments of the regulatory body to facilitate exchange of information and coordinated action in their respective areas of responsibility.

Like other agents in the energy sector, Enagás consults the CNE on the practical application of the regulatory framework to issues that may be open to different interpretations.

Gas System Monitoring Committee (CSSG)

The Gas System Monitoring Committee was established, pursuant to Section 9.7 of the Technical System Management Regulations, as the body responsible for:

i. Monitoring the operation of the gas system

ii. Coordinating the actions of the various system participants

iii. Producing reports on operational plans of a temporary nature

iv. Any other areas of interest for system monitoring

The Committee met six times in 2009, in January, March, May, July, September and November. The meetings were chaired and organised by Enagás as Technical System Operator. It is composed of representatives of gas system operators, the Directorate-General of Energy Policy and Mines attached to the Ministry for Industry, Tourism and Trade, the National Energy Commission and the Electricity System Operator. The meetings are attended by representatives of the Strategic Oil Reserve Corporation (CORES).

The Committee has proved to be an effective and active customer care tool, allowing Enagás in its role as TSO, to provide information on the operational state of the Spanish gas system and giving all the agents involved an opportunity to participate.

The average attendance in 2009 was over 85, growing throughout the year. The involvement of all Enagás' departments was particularly important.

Ricardo Peralta, Government Delegate to the Valencian Community, visiting the Enagás' compression station in Montesa (Valencia)

All the documentation, including minutes and reports presented, is available on the TSO section of Enagás' website.

The structure of the Committee's meetings systematically covers aspects of the Spanish gas system such as:

- New regulatory developments
- Information on the items discussed and agreements reached at meetings held by the Gas System Technical Management Standards work group and subgroups
- Monitoring the management of the gas system
- Operational monitoring of the electricity system
- New and relevant issues
- Talks from invited speakers:
  - European Associations and Institutions. Marta Margarit. Sedigas
  - The Balearics gas pipeline project. Juan Andrés Díez de Ulzurrun. Enagás
  - Damietta LNG plant. Gonzalo Fernández Viejo. Unión Fenosa Gas
  - Exploration, research and development of underground storage facilities. Rosa Mª Nieto Prieto. Enagás
  - Reflections on the integrated LNG chain. Antonio Pérez Collar. Stream Repsol-Gas Natural LNG
  - Origins of natural gas. Florencio Castillo Herrador. Fundación Gómez Pardo

European Parliament

The European Parliament shares with the Council the legislative function of the European Union and has an increasingly important role in the adoption of directives, regulations and other EU resolutions. In addition to its legislative function (joint power to reject new members and powers of censorship), the Parliament has budget control and supervisory functions.

There are at present 785 Euro MPs, each elected for five years, and 20 working committees to which the MPs are assigned. Of these committees, the Committee on Industry, Research and Energy is the one with the most influence over Enagás' activities.

Given the importance of directives, regulations and other EU resolutions for the exercise of its activities, Enagás contributes both directly and indirectly, through the associations of which it is a member, to the development of EU regulations and cooperates at various levels of the parliamentary structure.

European Commission

The European Commission is the executive body of the European Union. It is responsible for safeguarding EU treaties, submitting legislative proposals to the Council of the European Union and to the Parliament and applying the resulting resolutions, and for the day-to-day Management of the European Union.

Enagás maintains regular contact and regularly works with various members of the European Commission, in particular those attached to the Directorate General for Transport and Energy. In addition, Enagás frequently works with the European Commission, either directly or through the industry associations of which it is a member, foremost among them being GIE and ENTSOG.

The European Commission's activities with regard to energy have focused on three initiatives: the approval of the third package of electricity and gas sector measures, developing the European energy programme for recovery, and a proposed regulation on security of gas supply.

The third package of electricity and gas sector measures was proposed in 2007 and was approved on 13 July 2009. The package is designed to give new stimuli to the liberalisation of the energy sector and the creation of an internal energy market through measures such as greater harmonisation, efficiency and transparency in the terms and conditions of access to basic gas infrastructures, the creation of an Agency for Cooperation of Energy Regulators (ACER) and establishment of a European Network of Transmission System Operators for Gas (ENTSOG) that will have an active role in the development of new codes.

In 2009 the Commission also launched the European energy programme for recovery to grant funds to energy projects that make a significant contribution to the EU's economic recovery while improving security of supply and substantially reducing emissions of CO2. The final list of eligible projects was published on 9 December. Enagás has been granted €45Mn towards increasing the capacity of the Western axis of the Larrau international connection, while the French transporters GRTgaz and TIGF were granted over €175Mn to strengthen the Africa-Spain-France axis.

Finally, in July 2009 the European Commission launched a regulatory proposal to improve gas supply security within the framework of the internal gas market. The new Regulation will repeal the current Directive 2004/67/EC. It will consolidate the EU's current security of gas supply system, ensuring that all member states and their gas operators take effective, timely measures to prevent and alleviate the consequences of possible interruptions to supplies. It will also create mechanisms for cooperation between member states to enable them to deal effectively with any major disruption that may arise in the transportation of gas.

European Gas Regulation Forum

The European Gas Regulation Forum (the "Madrid Forum") was set up by the European Commission in 1999 to propose, debate and foster regulatory developments that would help establish a fully competitive single market in Europe.

The Forum is normally held twice a year (17 meetings have been held up to January 2010) and takes place at the CNE's offices in Madrid. Meetings are attended by representatives of bodies with regulatory responsibilities (European Commission, member states and third countries, national regulators and regulatory associations), transportation companies (Gas Infrastructure Europe - GIE), and associations representing system users (distribution companies, traders, consumers and other stakeholder groups).

The Madrid Forum tackled a number of issues in 2009, including the EU's third package of measures, the conclusions of the LNG Workshop organised by GLE and the European Commission, ERGEG's proposed amendment to Chapter 3 of the Appendix to Regulation 1775/2005 on the transparency requirements which transport network operators must comply with, the proposed launch of the Pilot Framework Guideline on Capacity Allocation, the future of regional initiatives and the presentation of a study of tariffs and balances requested by the European Commission.

Enagás made a major contribution to the activities of the Forum through its involvement in work groups based on the three pillars defined by the GIE, namely, pipeline transport, LNG regasification terminals and underground storage. Enagás played a direct role in issues related to LNG as a result of the re-election of the Company's Regulation Director as Chairman of the European operators of LNG plants (GLE).

Creation of ENTSOG (European Network of Transmission System Operators for Gas)

The agreement under which the European Network of Transmission System Operators for Gas (ENTSOG) was set up was signed on 1 December 2009.

ENTSOG was set up as required under Regulation 715/2009 of the European Parliament and Council, of 13 July 2009, on access conditions to natural gas transport networks.

All EU natural gas transport network operators are required to join this organisation, including Enagás.

ENTSOG will play an important role in the drafting of regulations, in order to promote the development and functioning of an internal market for natural gas and cross-border trade. It will also ensure the optimum management, coordinated operation and appropriate technical development of the European natural gas transport network. The regulations drafted, once through the public consultation stage and the comitology process (process of debate and approval by the European Commission and the EU's member states) will be directly binding on the operators with no need for ratification or publication in national legislation.

The preparatory work to define and set up ENTSOG was carried out by the GIE (Gas Infrastructure Europe) organisation over a year ago, taking place in parallel with the process to approve the new Gas Directive and the aforementioned regulations. Enagás was actively involved in all these processes.

ENTSOG will coexist with the GIE, both organisations being headquartered in Brussels. They will continue to carry out their functions representing and defending the interests of European operators of transport infrastructures (through the GTE), regasification plants (GLE) and underground storage facilities (GSE), and in particular through their active participation in and contribution to the Madrid Gas Regulation Forum, the main European forum, coordinated by the European Commission, for debating regulatory issues in the natural gas sector.

Given the range of tasks to be performed by ENTSOG, the involvement and efforts of Enagás experts will be needed to ensure that the Spanish regulatory model and operational practices in Spain are compatible with the proposals for harmonisation put forward at European level.

A total of 31 companies from 21 EU member states attended the founding meeting.

Francesca Vives, Minister of Commerce, Industry and Energy of the Balearic Islands, visiting the Castoro Sei Platform, used for laying the offshore pipeline to de Balearic Islands.

Case Study

Open Season for the allocation and development of interconnection capacity with France

In 2009 for the first time the Open Season[1] for the allocation and development of interconnection capacity between France and Spain was jointly organised by the two countries.

Although the decision to develop new infrastructures in Europe often involves Open Season processes, their application by France and Spain can be considered a pioneering venture because of the number of transporters involved (two in each country: Enagás, GRTgaz, Naturgás Energía Transporte and TIGF) and because trading capacity was agreed between four areas through a single coordinated process.

The process was designed and developed jointly by the four transporters, under the supervision of national regulators. Within Enagás three departments have played a very active role in the process (Strategy and Regulation, Infrastructures and TPA Management, and Technical System Operation and Management), while important preparatory work was done by the Planning Department and careful attention was paid to regulatory developments. The work of the TPA Management Department was particularly important in the final allocation stage, as it was responsible for managing the Joint Allocation Office, a "single window" for all the transporters to deal with traders' requests for capacity and the allocations finally made.

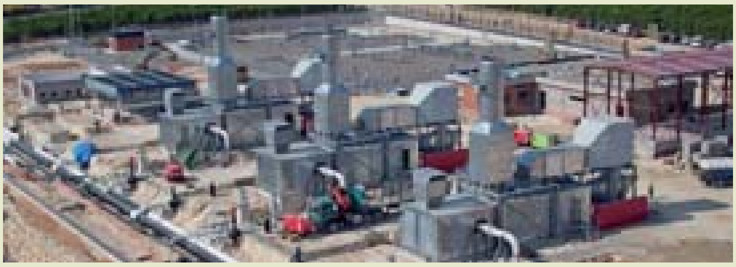
Via the Open Season interconnection capacity was made available in two corridors: West (capacity available from 2013) and East (capacity available from 2015).

The Open Season was organised in two stages. In the first stage, which took place in the second half of 2009, capacity available from 1 April 2013 was allocated, this being for the western corridor. A non-binding survey was organised for traders to indicate their capacity requirements in the eastern corridor from 1 December 2015.

The first stage, which has concluded with the decision to expand Larrau to 165 GWh/day in both directions and the contracting of all the long term capacity available at this point, can be considered a success. Demand at the border was equivalent to 200% of available capacity for South-North and 60% in the opposite direction. The latter percentage did not justify increased capacity at Biriatou, as the validation procedure imposed by the French regulator was very stringent.

During the second stage, expected to take place in the first half of 2010, capacity will be allocated for the eastern corridor. The results of the non-binding survey suggest that demand for capacity from traders will be considerable, at least from South to North. If the process is successful it will make it possible to increase export capacity by 230 GWh/day via MidCat and import capacity by up to 180 GWh/day. The overall objective of the project is to allow gas to be transported between the Iberian peninsula and the north of France thanks to the reinforcement of the Rhône axis.

These levels of capacity will allow the full integration of the Spanish system in the European network, increasing security of supply for all European countries, especially those dependent on gas from Russia.



[1] In general, Open Season refers to a coordinated process intended to gauge the market's interest in the construction of a new facility, opening a new application period in which suppliers make offers linked to the allocation of capacity in said facility. The decision to proceed with construction to meet capacity demands will depend on the results of this process.

COMMITMENT TO GOOD GOVERNANCE AND CORPORATE INTEGRITY

MILESTONES 2009

- Since July 2009 the Appointments and Remuneration Committee has been chaired by an independent Board member, as recommended in the Unified Good Governance Code
- The Shareholders' Meeting held on 27 March 2009 was attended by 63.3% of shareholders, the highest percentage ever recorded
- Membership of the Board of Directors was reduced from 17 to 16, in line with the recommendations of the Unified Code
- At a meeting held on 25 May 2009 the Board of Directors approved Enagás' policy on Corporate Governance
- In 2009 there has been a very significant reduction in the non audit fees paid to the Company's chief auditor, which now represent 27% of total fees

CHALLENGES 2010

- Matters of Corporate Social Responsibility formally assigned to Appointments and Remuneration Committee (expected to take effect from 30 April 2010)
- Board regulations to be modified to assign responsibility for supervising Business Principles to Board committees.
- Regular information updates for Board of Directors, including matters of corporate reputation and sustainability
- Assessment of the performance of the Board of Directors
- Board of Directors to be made responsible for maintenance of good relations with stakeholders
- The Board of Directors envisages the incorporation of a new female member, if the General Shareholders' Meeting on 30 April 2010 gives its approval, applying the principles of rotation and gender diversity in the Company's governing body.
- Further reductions in the non audit fees paid to the Company's chief auditor
- Approval of Enagás' formal risk policy (planned for 1 February 2010)

OUR APPROACH

For the Enagás Board of Directors, good corporate governance principles and practices are central to cementing confidence among investors and increasing value for shareholders.

KEY INDICATORS 2009

8
Independent members of the Board of Directors

16
Members of the Board of Directors

48
Recommendations in the Code of Good Governance complied with, including a further **2** in 2009

63.3%
General Shareholders' Meeting attendance

6.8.

Commitment to Good Governance and Corporate Integrity

Corporate Governance model

Good Governance Policy

Enagás considers that the business success sought by the Company requires a balance between economic growth, social cohesion and safeguarding the environment, while at the same time taking into account the expectations of its stakeholders (customers, shareholders, employees, regulatory bodies, etc.).

The Company's internal rules, such as regulations of the Board of Directors and of the General Shareholders' Meeting, have gradually been incorporating the recommendations of the Unified Code of Good Governance as well as the latest international practices.

Enagás' commitment to continuous improvement in the area of corporate governance can be seen in the approval by the Board of Directors on 25 May 2009 of a formal policy on corporate governance which was published on the Company's website. The policy is based on the following principles:

- Commitment to transparency
- Trust among shareholders and in the market
- Honesty
- Role of overseeing the Board Committees
- Proportion of Proprietary and Independent Directors
- Involvement of the Board of Directors of the Company
- Gender diversity
- Independence of the external auditor

During 2010, aspects of the Sustainable Economy Bill and the proposals of the Spanish stock market regulator (CNMV) on corporate governance will be incorporated as far as possible in Enagás' internal rules, in line with its Mission and Values and Business Principles.

The role of Enagás' Board of Directors with regard to Corporate Social Responsibility and Good Governance is ever more vital. The importance of the issue and the number of measures taken in this respect by the Company have made it necessary to assign new functions to the Appointments and Remuneration Committee.

The name of this Committee, composed mainly of Independent Directors, will change to the Appointments, Remunerations and Corporate Social Responsibility Committee, subject to the approval of shareholders at the General Shareholders' Meeting on 30 April 2010 and the subsequent modification of Article 45 of the Articles of Association.

Finally, as commented in earlier sections, the Company has established a set of Business Principles which are based on its Mission and Values, as well as strict compliance with applicable legislation and internal rules, and establish guidelines for employees' professional conduct.

Enagás' Corporate governance structure -4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.10-

Composition of the Board of Directors and nature of its members

The number of members of the Board of Directors was reduced in 2009 from 17 to 16. The commitment to ensure that at least half of its members are Independent Directors was complied with (8 out of 16) and Enagás' commitment to diversity in the Board of Directors was reflected in the appointment of a representative of the new Omani shareholder. As a result of this appointment, Enagás is in the process of adapting its procedures to remove any language and cultural barriers which may arise.

Changes in the Board of Directors in 2009:

27 March

Re-election to the Board of Salvador Gabarró Serra as Proprietary Director, at the proposal of shareholder Gas Natural SDG, S.A. for the statutory four-year period.

Re-election of Ramón Pérez Simarro as an Independent Director for the statutory four-year period.

Re-election of Martí Parellada Sabata Simarro as an Independent Director for the statutory four-year period.

7 April

Removal of Salvador Gabarró as director of the Company.

Salvador Gabarró Serra, Proprietary Director proposed by Gas Natural SDG, S.A. tendered his resignation. His resignation meant he also ceased to serve as Chairman and member of the Board's Appointments and Remuneration Committee.

Mr. Gabarró resigned so that Gas Natural SDG, S.A. could comply with the commitment given in response to the ruling of the Spanish anti-trust regulator, the Comisión Nacional de Competencia (CNC) authorising the takeover by Gas Natural SDG, S.A. of Unión Fenosa, S.A.

Composition of the Board of Directors and nature of its members

Name of Director	Seat on the Board	Type of Director
Antonio Llardén Carratalá	Chairman	Executive
Bancaja	Deputy Chairman	Proprietary (Bancaja)
Jesús David Álvarez Mezquíriz	Director	Independent
BBK (represented by Joseba Andoni Aurrekoetxea Bergara)	Director	Proprietary
Sagane Inversiones, S.L. (represented by Carlos Egea Krauel)	Director	Proprietary
Said Al Masoudi, proposed by Oman Oil Holdings Spain S.L.	Director	Proprietary
Teresa García-Milá Lloveras	Director	Independent
Miguel Ángel Lasheras Merino	Director	Independent
Dionisio Martínez Martínez	Director	Independent
Luis Javier Navarro Vigil	Director	External
Martí Parellada Sabata	Director	Independent
Peñarueda SL, proposed by CIC S.L. (represented by Manuel Menéndez)	Director	Proprietary
Ramón Pérez Simarro	Director	Independent
José Riva Francos	Director	Independent
SEPI (represented by Enrique Martínez Robles)	Director	Proprietary
Antonio Téllez de Peralta	Director	Independent
Rafael Piqueras Bautista	Secretary	

27 July

Changes in the Board of Directors

Enagás' Board of Directors approved the appointment of Said Al Masoudi as director as proposed by Oman Oil.

Joseba Andoni Aurrekoetxea replaced Xabier de Irala on Enagás' Board of Directors, representing BBK.

Independent Director Dionisio Martínez was appointed Chairman of the Appointments and Remunerations Committee.

Composition of the Audit and Compliance Committee

27 April

The Board of Directors approved the appointment of Sociedad Estatal de Participaciones Industriales (SEPI), represented by its Chairman, Enrique Martínez Robles, as a member of the Audit and Compliance Committee.

Composition of the Appointments and Remunerations Committee

25 May

Enagás' Board of Directors appointed Proprietary Director Bilbao Bizkaia Kutxa, body corporate represented by Xabier de Irala Estévez, as member of the Appointments and Remunerations Committee.

Changes in the Audit and Compliance Committee in 2009:

Name of Director	Post in the Audit and Compliance Committee	Type of Director
Martí Parellada Sabata	Chairman	Independent
BANCAJA (represented by Mr. José Luis Olivas Martínez)	Member	Proprietary
SEPI (represented by Enrique Martínez Robles)	Member	Proprietary
Luis Javier Navarro Vigil	Member	External
Antonio Téllez de Peralta	Member	Independent
Rafael Piqueras Bautista	Secretary	

Changes in the Appointments and Remunerations Committee in 2009

Name of Director	Post in the Appointments and Remunerations Committee	Type of Director
Dionisio Martínez Martínez	Chairman	Independent
BBK (represented by Joseba Andoni Aurrekoetxea Bergara)	Member	Proprietary
Sagane Inversiones, S.L. (represented by Carlos Egea Krauel)	Member	Proprietary
Teresa García-Milá Lloveras	Member	Independent
Ramón Pérez Simarro	Member	Independent
Rafael Piqueras Bautista	Secretary	

27 July

Joseba Andoni Aurrekoetxea replaced Xabier de Irala on Enagás' Board of Directors, representing BBK.

Independent Director Dionisio Martínez was appointed Chairman of the Appointments and Remunerations Committee.

Functions of the Committees

The Committees, supervised by the Board of Directors, performed a key role in 2009 in the implementation of corporate social responsibility policies, providing coordinated oversight of sustainable development policies and monitoring to ensure that the principles of transparency and parity of treatment for shareholders are upheld and that information is treated as a valuable asset.

One of the most important developments in the year was the agreement by the Board of Directors at its December meeting to propose to the General Shareholders' Meeting called for 30 April 2010 the modification of Article 45 of the Articles of Association to formally assign responsibility for corporate social responsibility issues and good governance to the Appointments and Remunerations Committee.

Audit and Compliance Committee

The Audit and Compliance Committee (Article 44 of the Articles of Association) is responsible for assessing compliance with the Internal Code of Conduct in Matters Relating to Securities Markets, the Regulations of the Board of Directors and the Company's governance regulations in general, and for making the proposals necessary for their improvement.

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

It also provides information at General Meetings on questions within the scope of its competencies, including the financial reporting process, risk exposure, and financial, social and environmental performance.

Appointments and Remunerations Committee

The Appointments and Remunerations Committee (Article 45 of the Articles of Association) is responsible for reviewing the structure of the Board of Directors, the criteria for the statutory renewal of Directors, the incorporation of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that it considers necessary.

It reports to the Board of Directors on any related-party transactions and on the measures to take in the event of non-compliance.

It also establishes remuneration criteria for the Company's Directors, in accordance with the stipulations of the Articles of Association and in line with resolutions passed at the General Shareholders' Meeting, and to ensure that remuneration is transparent.

Meetings calendar and attendance

In 2009 the governing bodies met at the following intervals:

- Board of Directors: 12 meetings (one of which was a written ballot held without a meeting)
- Audit and Compliance Committee: five meetings
- Appointments and Remunerations Committee: four meetings
- Management Committee: 23 meetings

Enagás views directors' attendance at meetings as vitally important. The remuneration policy for Directors is designed to reflect both the responsibility associated with the post and the Director's effective dedication and attendance at meetings. Remuneration criteria necessarily include the achievement of the objectives set by the Company each year under the three areas of financial, social and environmental performance.

Directors' attendance at meetings in 2009 was as follows:

Six Directors attended all the meetings in person.

Four directors delegated their vote to another director for just one meeting.

Six directors delegated their vote to another director for two or more meetings.

Remuneration of the Board of Directors

Reflecting its commitment to transparency of information, Enagás has published the remuneration received by its Board of Directors for several years, even prior to its being incorporated as Recommendation 35 of the Unified Good Governance

Code. Information on Directors' remuneration has been presented on an individual level since last year.

Directors' remuneration is transparent: The Notes to the Annual Financial Statements, which form an integral part of those Statements, and the Annual Corporate Governance report contain detailed information in this respect. Both documents can be accessed from the Company's website (www.enagas.es).

The General Shareholders' Meeting is the body authorised to determine the maximum remuneration which directors may receive and the form and criteria to be applied in the allocation and distribution of said remuneration. The Board of Directors is responsible for the final distribution of the total amount, within the limits established in the Articles of Association and subject to a prior report from the Appointments and Remunerations Committee which is responsible for establishing directors' remuneration criteria as set out in the Articles of Association and subject to the agreement of the General Shareholders' Meeting (Article 16 of the Regulations of the Board of Directors).

Directors' remuneration for 2009 is detailed below (in thousands €):

DIRECTOR	BOARD	AUDIT AND COMPLIANCE COMMITTEE	APPOINTMENTS AND REMUNERATIONS COMMITTEE	OTHER	Total
Antonio Llardén Carratalá	64			1,635	1,699
José Luis Olivas Martínez	97	11			108
Jesús Álvarez Mezquíriz	64				64
BBK	64		7		72
Carlos Egea Krauel	23	4			27
Sagane Inversiones	42		7		49
Said Al Masoudi	23				23
Teresa García-Milá Lloveras	64		11		76
Miguel Ángel Lasheras Merino	64				64
Dionisio Martínez Martínez	64		14		78
Luis Javier Navarro Vigil	64	11			76
Martí Parellada Sabata	64	17			81
Peña Rueda S.L.	64				64
Ramón Pérez Simarro	64		11		76
José Riva Francos	64				64
SEPI	64	8			73
Antonio Téllez de Peralta	64	11			76
Salvador Gabarró Serra	17		4		21
TOTAL	1,034	62	54	1,635	2,791

Code of Conduct in Matters Relating to Securities Markets

Each year Enagás carries out a range of measures to raise awareness of and ensure compliance with its Code of Conduct in Matters Relating to Securities Markets, approved by the Board of Directors on 24 July 2003 (for the purposes stipulated under Article 1 of Royal Decree 629/1993 of 3 May and in the Fourth Additional Provision of Law 44/2002 of 22 November) and later modified by the Board on 29 March 2007:

1. The Secretary of the Board maintains ongoing communication with all those persons subject to the Code. When employees are added to the list of those subject to the Code, they must send a letter to the Secretary of the Board confirming that they have received the code and are aware of the obligations to which they are subject (Article 1.3).

2. Employees included in the list for the first time must complete a form to be sent to the Secretary of the Board containing the following information:

- Any prior operation or transaction involving Enagás shares (directly or through family members, controlled companies or intermediaries)
- Any potential conflicts of interest that may exist
- Any portfolio management contracts signed In accordance with the Code of Conduct, this form must be remitted within ten to fifteen days

As an exception to the above, and in compliance with the provisions of Royal Decree 1333/2005 of 11 November, managers and directors must inform the Secretary of the Board of any transaction involving Enagás shares within 15 working days of said transaction. This is so that the Secretary of the Board may communicate the aforementioned information on their behalf to the CNMV within the legally stipulated period. The notification must include the following information:

- Name of the manager or director concerned
- Reason for the notification
- Description of the security or financial instrument (shares, options on shares, etc.)
- Nature of the operation (acquisition, disposal or other)
- Date and market on which the operation was effected
- Price and volume of the operation

3. At least once a year, the Secretary to the Board of Directors confirms the total number of shares and option rights on shares in Enagás S.A. and Group companies held by personnel subject to the Internal Code of Conduct, together with the information detailed above, by means of a circular sent to all the personnel involved (Article 2.5).

At the close of 2009:

41 people were subject to the Internal Code of Conduct
14 notifications regarding transactions were received
0 notifications of conflict of interest were received
0 notifications regarding portfolio Management contracts were received

General Shareholders' Meeting

Enagás' General Shareholders' Meeting was held on 27 March 2009 at second call, with the highest attendance ever:

Share capital	€358,101,390
Number of shares	200,536,103

Shareholders	No. of shareholders	No. of shares	% total share capital
1. Attending:	5,105	109,850,332	54.8%
In person	170	35,932,321	17.9%
By remote means	4,935	73,918,011	36.9%
2. Represented:	1,285	17,116,502	8.5%
TOTAL	6,390	126,966,834	63.3%

All the proposals included in the agenda by the Board of Directors for consideration by the General Shareholders' Meeting were approved. These included:

- Fixing the number of members of the Board of Directors at 16
- A dividend pay out of 60% of net profit
- Freezing the attendance fees paid to the Board of Directors at the previous year's rate

Good Corporate Governance practices

Implementation of the recommendations of the Unified Good Governance Code

Enagás continues to make progress on the implementation of the recommendations of the Unified Good Governance Code and carries out a detailed review each year.

In 2009, Enagás completed the implementation of Recommendation 44 of the Unified Code (which had been partially implemented in 2008). Consequently, from July:

- Both Committees are chaired by Independent Directors (the Board of Directors on 27 July 2009 approved the appointment of Dionisio Martínez Martínez as Chairman of the Appointments and Remunerations Committee while Martí Parellada Sabata, also an Independent Director, was already Chairman of the Audit and Compliance Committee)
- They are composed entirely of External Directors
- The Secretary makes the minutes of the meetings of both Committees available to the Board of Directors.

The Appointments and Remunerations Committee also made great efforts to ensure compliance with Recommendations 55 and 57 which were partially complied with the previous year.

To ensure full compliance with Recommendation 57, on 26 October 2009 the Appointments and Remunerations Committee proposed to the Board:

i. The remuneration policy for directors and senior officers.

ii. The individual remuneration and other contractual conditions of Executive Directors.

iii. The basic contractual conditions of senior officers.

Having fully complied with two new recommendations (44 and 57)

- Enagás complies with 48 recommendations
- Enagás partially complies with four recommendations
- Enagás explains its position on three recommendations
- Three recommendations are not applicable to Enagás

Report of the Audit and Compliance Committee

Report on the Activities of the Audit and Compliance Committee in 2009

Composition of the Committee in 2009

Chairman

Martí Parellada Sabata, Independent Director, from 1 January to 31 December.

Members

Bancaja (represented by José Luis Olivas Martínez), Proprietary Director, from 1 January to 31 December.

Luis Javier Navarro Vigil, External Director, from 1 January to 31 December.

Antonio Téllez de Peralta, Independent Director, from 1 January to 31 December.

Carlos Egea Krauel, independent director, from 1 January to 27 April.

Sociedad Estatal de Participaciones Estatales (SEPI), Proprietary Director, represented by its Chairman, Enrique Martínez Robles, from 27 April to 31 December.

Secretary

Rafael Piqueras Bautista

During 2009 Carlos Egea Krauel resigned and Sociedad Estatal de Participaciones Estatales (SEPI), Proprietary Director, represented by its Chairman, Enrique Martínez Robles was appointed in his place.

As provided in corporate regulations, the Committee called on a number of persons related to matters under its competence for consultation. Committee meetings were regularly attended by Enagás' Chief Financial Officer, Diego De Reina, and the head of the Internal Audit Unit, José Espejo. External auditors from Deloitte also attended Committee meetings on a number of occasions.

Activities of the Committee

The Committee met five times in 2009. The main areas on which it focused during the year are summarised below.

1.- Committee activities relating to the formulation and approval of the Enagás financial statements for 2008

As in previous years, the Audit Committee was entrusted with the task of discussing and analysing the financial statements prior to their formulation by the Board of Directors. For this purpose, the members of the Committee met with the Company's external auditor (Deloitte S.L.) in January 2009 as well as with the Chief Financial Officer and the head of Enagás' Internal Audit Unit.

Both the external auditors and the financial officers of the Company offered the Committee their views on the financial statements. Differences in accounting criteria in no case exceeded the materiality threshold above which Deloitte's opinion on the financial statements could be affected. Deloitte informed the Audit Committee that its report would be without reservations or qualifications.

The Audit Committee's examination of the 2008 financial statements resulted in the following conclusions:

- That the Annual Accounts of Enagás and those of its consolidated group presented a true and fair view of the Company's equity and earnings for the year.
- That the financial statements contained sufficient information to be clearly understood, as well as a sufficient description of the risks faced by the Company
- That the financial statements respected generally accepted accounting principles and regulations, in 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.

The Committee therefore agreed to recommend that the Board of Directors of Enagás present the financial statements. At a meeting held on 30 January 2009, the Board of Directors adopted the Committee's recommendation and presented up the financial statements in line with the terms indicated by the Committee. The annual financial statements for 2008 were approved at the General Shareholder's Meeting held on 27 March 2009.

In addition to the above, and in accordance with standard practice in previous years, the Chairman of the Committee, Mr. Parellada, took part in the Ordinary General Shareholders' Meeting held on 27 March 2009, explaining the most important aspects of the financial statements to the Company's shareholders in order to ensure that they had all the information necessary to approve them as proposed by the Board of Directors.

2.- Monitoring relationships between Enagás and its significant shareholders

The Committee continued to supervise relationships between Enagás and its significant shareholders, and no incidents worthy of mention occurred.

3.- Audit and risk control plan for 2009

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 2009, and a specific analysis of the main audit processes underway at that particular time.

This area of the Audit Committee's work is considered to be of particular importance. In 2003, with the assistance of external consultants, the Company carried out an exhaustive review of business and related risks, pinpointing the internal processes that might be affected by each of these risks. Based on the results obtained, those 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 that was approved by the Committee on 30 January 2009.

The Audit Plan implemented in the course of 2009 focused on monitoring those processes identified as priorities in the new risk model.

The Internal Audit Unit identified several non-essential weaknesses in its review of the reports and has issued recommendations it believes will help eliminate or mitigate the impact of the risks associated with certain activities forming part of this process.

The Committee also supervised the Company's project to review the internal financial reporting system together with suitable external consultants. This reporting system is intended to guarantee that the financial information prepared and published by the Company is complete and accurate. Companies listed on US stock exchanges are required to implement this system under the provisions of the Sarbanes Oxley Act and, although such a review of the financial reporting system is not compulsory for companies such as Enagás, it is considered to be good practice.

The consultants taking part in the review stated that "in general, Enagás has an appropriate level of control of its internal financial reporting system". However, there are some issues outstanding, although these did not have an impact on the 2008 financial statements. A review of compliance with this system will be carried out each year.

4.- Quarterly accounting reviews

Throughout 2009 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 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 ensuring strict control over the Company's accounting while facilitating the issue of a clean year-end report.

The Committee also reviews and approves, in line with the good corporate governance recommendations it has adopted, the financial information that the Company makes public each quarter.

It made a specific report on the financial statements for the first half-year which, on its recommendation, were approved by the Board of Directors in July.

5.- Post–balance sheet events

In the opening months of 2010, the Committee continued with its usual activities, in particular assisting the Board of Directors in drawing up the financial statements.

As in the previous financial year, the Audit and Compliance Committee has issued a prior favourable report on the 2009 financial statements which will be submitted to the 2010 General Shareholders' Meeting for approval.

At its meeting on 1 February 2010, the Committee agreed to recommend to the General Shareholders' Meeting the re-appointment of Deloitte, S.L. as auditors of the Company's financial statements.

This report was prepared and approved by the Audit and Compliance Committee at the meeting held on 1 February 2010 and was approved by the Board of Directors at a meeting held on the same day.

Risk management model

Integrated Risk Management System -1.2, 4.10, 4.11-

Integrated Risk Management System

Enagás' Risk Policy allows management to deal efficiently with the uncertainties, contingencies and opportunities that may arise, thereby improving the Company's ability to generate value in order to meet its objectives.

Enagás, S.A. is committed to having an action plan for integral risk management based on a dynamic process (inspired by the methodology of the Committee of Sponsoring Organizations – COSO II) that will enable the identification, measurement, control and management of risks facing the Company, as well as aligning the activities of its various business areas with the level of tolerance to the risk concerned.

There are two key aspects to the Integrated Risk Management Model:

- Fixing the level of acceptable risk (risk appetite) and identification, analysis and measurement of risks by each department in order to determine the corporate risk profile.
- Assigning responsibility for risk management at all levels of the Company (see Section 13.3.2 of this report).
- Establishing the corporate risk profile involves determining the level of exposure to a range of events according to their likelihood and potential impact on the Company's financial statements and other qualitative impacts.

The model enables significant risks to be identified at department level and aggregated at Company level. The strategic risks map below reflects the results of the latest review carried out on the corporate risk profile. It is updated every two years, or earlier if circumstances make it advisable.

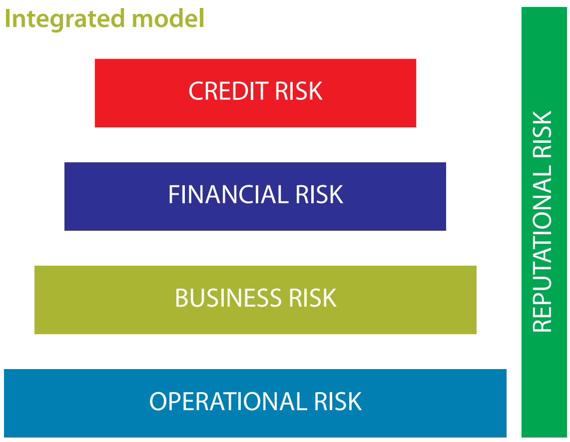
Risks are evaluated according to their impact on the financial statements and the probability of their occurring (the x and y axes on Enagás' Strategic Risk Map).

The following risk families are included in Enagás' Integrated Risk Model in accordance with the methodologies applicable to their quantitative and qualitative measurement: operational risks, credit risks, financial risks, business risks and reputational risks.

Enagás has grouped the risks in families, categories and dimensions and applied different measurement methodologies.

Enagás Strategic Risk Map (2009-2010)

Integrated model

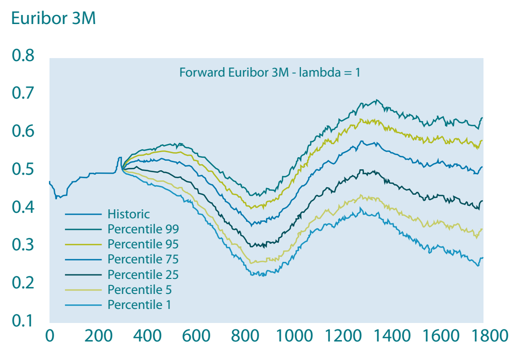


Risk families	Risk category	Dimensions	Evaluation methodology / variables used
Operational	– Infrastructures, equipment and systems – Environmental damage or to third persons – Poor quality or interrupted service – Suppliers, counterparties, outsourcers and other agents – Execution of processes and operations – Business practices – Employment practices and workplace safety – Fraud and unauthorised activities	– Events – Factors – Business areas – Effects – Controls	■ Risk self-assessment process ■ Variables used: average likelihood of occurrence, expected loss and unexpected loss (worst case) ■ Period assessed: 1 year
Business	– Regulation – Market – Competition	– Events – Factors – Business areas – Effects – Controls	■ Risk self-assessment process ■ Variables used: average likelihood of occurrence and expected loss ■ Period assessed: 1-4 years
Counterparty or credit	– Customers – Prepayments to suppliers – Debtor position with financial entities – Hedging operations	– Controls – Hedges	■ Evaluation using Monte Carlo scenario simulation method ■ Variables used: exposure, credit rating, probability of default, Loss Given Default (% unrecoverable exposure) ■ Period assessed: 1 year
Financial	– Interest rate – Liquidity	– Position – Hedges	■ Deterministic and probabilistic approaches to interest rate risk ■ Static measurement of flows from assets and liabilities in a range of scenarios. ■ Period assessed: 4 years
Reputational	– Financial performance and long-term value of investment – Expectations with regard to governance, risk management and integrity – Expectations regarding regulatory compliance – Treatment and development of personnel – Quality of customer service – Corporate Social Responsibility – Crisis management and communication	– Stakeholders – Requirement and expectations – Events – Factors – Effects – Controls	■ Risk self-assessment process ■ Variables used: likelihood of occurrence and consequences ■ Period assessed: 1-5 years

The internal audit unit coordinates risk management using an internal risk management tool that records the evaluation made of each identified risk, existing controls, management level action plans and key information for the appropriate management of the risks.

A range of tools are used based on statistical models (OPRisk Simulation for evaluation operational risk), predictive behavioural models based on simulations (the Monte Carlo method for credit and counterparty risk) and statistical measures based on defining predetermined, probabilistic scenarios (liquidity risk and interest rate risk).

Interest rate probability scenarios



Measures taken in 2009

Enagás has evaluated the effectiveness of the controls and action plans in place for the most significant operational and business risks, concluding that existing controls are adequate and incorporating other controls and/or measures to improve said controls in order to minimise risks.

Until 2008, reputational risk was treated in the Integrated Risk Model as a side-effect of other risks (credit/counterparty, financial, business, operational) but was incorporated in its own right in the model in 2009.

Regular reviews of counterparty risk have been carried out in the year leading to certain risk management measures being taken.

A stress test was also carried out, simulating an interruption to operations and non-availability of the system as a result of external forces, evaluating the potential effects of such events and existing contingency plans for dealing with them.

The types of decisions taken to manage risks are summarised below:

- Assumed risks: aspects related to the legal and regulatory framework of natural gas operations, delivery dates for the construction of infrastructures and operational risks within the limits of the operating franchises.
- Transferred risks: including interest rate risk transferred by means of hedging, pension plan and life insurance commitments to employees, insurance for material damage, loss of earnings and civil responsibility.
- Reduced risks: Enagás has implemented action plans to reduce the most significant operational risks through ISO 9001:2000 Quality Certification for its third-party access management activities and as Technical System Operator and, the adoption of best practices in issues related to the measurement and quality of gas, the preparation of a Business Continuity Plan for Enagás' activities as TSO, the provision of specific technical training in each Department to improve service quality, etc.
- Risks avoided: risks assumed by contractors in relation to the construction of infrastructures.

Risk management organisational structure and responsibilities

Assignment of roles and responsibilities for the management of corporate risks: -4.9-

The governing bodies met regularly during 2009 to deal with matters relating to the management of risks (Four meetings of the Audit and Compliance Committee and two meetings of the Management Committee). One to four reports are issued each year on risk management matters.

	Setting global risk profile	Setting level of risk acceptable to Corporate Management	Risk management and control	Approval of Corporate Management profile
Governing bodies (Board of Directors and Audit and Compliance Committee)	✔	✔		✔
Management Committee		✔		✔
Department Managers			✔	
Secretary General - Internal Audit			✔	

Sustainability-related risks

Dimension	Risk	Target	Action Plan (2009-1010)
Environmental	Environmental damage or to third persons	To reconcile industrial and economic processes with respect for the environment	– Complete process of unifying Emergency Plans for infrastructures, Communication Manual for crisis situations and GTS (System Technical Management) Emergency Action Plan (PACE). – Prioritise alarms in transport operations' distributed control systems and System Technical Management.
Social	Health, hygiene and safety Unethical business practices Regulatory and legal violations	To be a benchmark in terms of public confidence in the energy sector	– Specific training plans on the application of laws and regulatory standards – Ensure compliance of Workplace Risk Prevention system
Financial	Operational, business, financial and counterparty risks	To encourage continuous improvement and the adoption of new processes and technologies in order to reduce the costs associated with these risks	– Implementation of new, more advanced IT tools – Follow up corrective actions suggested for controls of the financial reporting system

Risk related to corruption and fraud -SO2, SO4-

Enagás includes and quantifies risks related to corruption under the heading "Fraud and unauthorised activities" in its Integrated Risk Model.

One case of external fraud was detected during the year by the Company's internal control systems, and resolved through the application of the relevant internal procedures. -SO4-

Enagás has identified a need to tackle the risk of internal fraud in greater depth and management is analysing a draft management plan to combat fraud which will involve all stakeholders, with access to reporting channels, documentation of fraud detection techniques and constant monitoring to detect fraud. -SO2-

Case Study

Introduction of a System to Monitor Reputational Risk

Enagás defines Reputational Risk as any action, event or circumstance which could affect the Company's reputation positively or negatively.

The following aspects have been taken into account in assessing this risk:

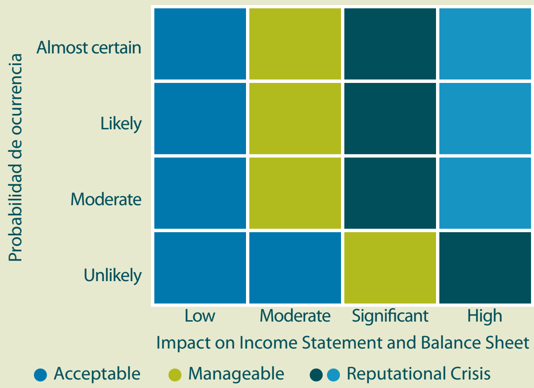
- It affects all stakeholders.
- Action taken by the Company which affects its stakeholders.
- Objectives set by the Company connected with its stakeholders.

Reputational risk may arise:

- From any of the risks established in the model (operational, business, counterparty or financial).
- From other external circumstances or events which may affect reputation.

Management of reputational risk falls into three areas:

1. Self-assessment (described below)
2. Management of a possible Reputational Crisis, understood as the occurrence of an event which endangers the credibility, image and profitability of Enagás in the short term and, if the event is handled badly, its long-term survival.
3. Crisis-Communication Manual envisaging different scenarios and action plans.



Process for self-assessment and monitoring reputational risk

Stages	KNOWLEDGE OF EXPECTATIONS	IDENTIFYING EVENTS	ASSESSMENT	REVIEW AND IMPROVEMENT	REPORTING AND OTHER MEASURES NEEDED
Aims	Knowledge of stakeholders' expectations and requirements	Identifying events and measurement scale	Assessment of reputational risk, identification of checks and indicators	Review of results and action plans	Results and conclusions

Corporate Governance

A.

OWNERSHIP STRUCTURE

For a better understanding of the model and its subsequent preparation, please read the instructions provided at the end before filling it out.

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

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

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

NO

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

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
ATALAYA INVERSIONES, S.R.L.	0	11,936,714	5.000
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	0	11,937,395	5.000
OMAN OIL COMPANY, S.A.O.C.	0	11,936,702	5.000

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	CANTABRICA DE INVERSIONES DE CARTERA, S.L. (CIC, S.L.)	11,937,395	5.000
ATALAYA INVERSIONES, S.R.L.	SAGANE INVERSIONES, S.L.	11,936,714	5.000
OMAN OIL COMPANY, S.A.O.C.	OMAN OIL HOLDINGS SPAIN S.L.U.	11,936,702	5.000

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

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	38,316	0	0.016
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	0	11,936,713	5.000
ANTONIO TÉLLEZ PERALTA	400	0	0.000
BILBAO BIZKAIA KUTXA (BBK)	0	11,936,713	5.000
DIONISIO MARTÍNEZ MARTÍNEZ	2,010	0	0.001
LUIS JAVIER NAVARRO VIGIL	10	3,986	0.002
MARTÍ PARELLADA SABATA	910	0	0.000
MARÍA TERESA GARCÍA-MILÁ LLOVERAS	1,500	0	0.001
RAMÓN PÉREZ SIMARRO	100	0	0.000
SAGANE INVERSIONES, S.L.	11,936,714	0	5.000
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	11,936,713	0	5.000

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	BANCAJA INVERSIONES, S.A.	11,936,713	5.000
BILBAO BIZKAIA KUTXA (BBK)	KARTERA 1, S.L.	11,936,713	5.000
LUIS JAVIER NAVARRO VIGIL	NEWCOMER 2000, S.L.U.	3,986	0.002

% of total voting rights held by the Board of Directors	20.020

Complete the following tables on share options held by directors.

A.4. Where applicable, list any family, commercial, contractual or corporate relationships between owners of significant shareholdings that the company is aware of, unless they are of little relevance or arise from ordinary trading or exchange:

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

Type of relationship:
Commercial

Brief description:
GUARANTEE LINE AGREEMENT. AMOUNT (IN THOUSANDS €): 12,000.

Name or corporate name of related party
CAJA DE AHORROS DE ASTURIAS

Type of relationship:
Commercial

Brief description:
INTEREST RATE HEDGING AGREEMENT (COLLAR) FOR THE PERIOD JAN 2008-JAN 2010. AMOUNT (IN THOUSANDS €): 50,000.

Name or corporate name of related party
CAJA DE AHORROS DE ASTURIAS

Type of relationship:
Commercial

Brief description:
CREDIT POLICY AGREEMENT. AMOUNT (IN THOUSANDS €): 6,000.

Name or corporate name of related party
CAJA DE AHORROS DE ASTURIAS

Type of relationship:
Commercial

Brief description:
LOAN GRANTED BY ENAGÁS. AMOUNT (IN THOUSANDS €): 30,000.

Name or corporate name of related party
CAJA DE AHORROS DE ASTURIAS

Type of relationship:
Commercial

Brief description:
PARTICIPATION OF CAJASTUR IN LOAN (CLUB DEAL) SIGNED 24/01/04 AND PAID 10/01/05, WHICH WAS REPAID EARLY ON 10/07/09. AMOUNT (IN THOUSANDS €): 65,000.

Name or corporate name of related party
CAJA DE AHORROS DE ASTURIAS

Type of relationship:
Corporate

Brief description:
PAYMENT OF FINAL DIVIDEND: 4,663; INTERIM DIVIDEND: 3,104; TOTAL DIVIDEND FOR 2008 FINANCIAL YEAR: 7,767; INTERIM DIVIDEND 2009 3.378. TOTAL DIVIDEND FOR 2009 FINANCIAL YEAR: 11,145 (ALL AMOUNTS IN THOUSANDS €).

Name or corporate name of related party
SAGANE INVERSIONES, S.L.

Type of relationship:
Corporate

Brief description:
PAYMENT OF FINAL DIVIDEND: 4,663; INTERIM DIVIDEND: 3,104; TOTAL DIVIDEND FOR 2008 FINANCIAL YEAR: 7,767; INTERIM DIVIDEND FOR 2009 FINANCIAL YEAR: 3.378. TOTAL DIVIDEND FOR 2009 FINANCIAL YEAR: 11,145.

Name or corporate name of related party
CANTABRICA DE INVERSIONES DE CARTERA, S.L.
BANCAJA INVERSIONES, S.A.

Type of relationship:
Corporate

Brief description:
PAYMENT OF FINAL DIVIDEND: 4,663; INTERIM DIVIDEND FOR 2009 FINANCIAL YEAR: 3,378; TOTAL DIVIDEND FOR 2009 FINANCIAL YEAR: 8,041.

Name or corporate name of related party
OMAN OIL HOLDINGS SPAIN S.L.U.

Type of relationship:
Corporate

Brief description:
PAYMENT OF FINAL DIVIDEND: 4,663; INTERIM DIVIDEND: 3,104; TOTAL DIVIDEND FOR 2008 FINANCIAL YEAR: 7,767; INTERIM DIVIDEND FOR 2009 FINANCIAL YEAR: 3.378. TOTAL DIVIDEND FOR 2009 FINANCIAL YEAR: 11,145.

Name or corporate name of related party
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

Type of relationship:
Commercial

Brief description:
INTEREST RATE HEDGING AGREEMENT (COLLAR) FOR THE PERIOD OCT 2008-JAN 2010. AMOUNT (IN THOUSANDS €): 50,000

Name or corporate name of related party
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA

Type of relationship:
Commercial

Brief description:
PROVISION OF CREDIT LINE. AMOUNT (IN THOUSANDS €): 6,000.

Name or corporate name of related party
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA

Type of relationship:
Commercial

Brief description:
PROVISION OF GUARANTEE LINE. AMOUNT (IN THOUSANDS €): 6,000.

Name or corporate name of related party
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA

Type of relationship:
Commercial

Brief description:
LOAN GRANTED BY ENAGÁS. AMOUNT (IN THOUSANDS €): 50,000.

Name or corporate name of related party
BILBAO BIZKAIA KUTXA (BBK)

Type of relationship:
Commercial

Brief description:
PROVISION OF CREDIT LINE. AMOUNT (IN THOUSANDS €): 12,000.

Name or corporate name of related party
BILBAO BIZKAIA KUTXA (BBK)

Type of relationship:
Commercial

Brief description:
PROVISION OF GUARANTEE LINE. AMOUNT (IN THOUSANDS €): 6,000.

Name or corporate name of related party
BILBAO BIZKAIA KUTXA (BBK)

Type of relationship:
Commercial

Brief description:
INTEREST RATE HEDGING AGREEMENT (COLLAR) FOR THE PERIOD OCT 2008-JAN 2010. AMOUNT (IN THOUSANDS €): 30,000

Name or corporate name of related party
BILBAO BIZKAIA KUTXA (BBK)

Type of relationship:
Corporate

Brief description:
PAYMENT OF FINAL DIVIDEND: 4,663; INTERIM DIVIDEND: 3,104; TOTAL DIVIDEND FOR 2008 FINANCIAL YEAR: 7,767; INTERIM DIVIDEND FOR 2009 FINANCIAL YEAR: 3,378. TOTAL DIVIDEND FOR 2009 FINANCIAL YEAR: 11,145.

Name or corporate name of related party
BILBAO BIZKAIA KUTXA (BBK)

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

NO

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

NO

Expressly indicate any amendments to or terminations of such agreements or concerted actions during the year.

Not applicable

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

Not applicable

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

At year-end:

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

(*) Through:

Total	0

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

Gain/(loss) on treasury shares during the year	0

A.9. Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting authorising the Board of Directors to purchase and/or transfer the treasury shares.

There is no mandate in force by the GSM to the Board of Directors for the purchase and/or transfer of treasury shares.

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

YES

Maximum percentage of legal restrictions on voting rights a shareholder can exercise	**3,000**

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

YES

Maximum percentage of restrictions under the company's bylaws on voting rights a shareholder can exercise	**3,000**

Description of restrictions under law or the company's bylaws on exercising voting rights

Article 6a bis ("Limitation of interest in share capital and of the exercise of voting rights") of the Company bylaws was amended at the Extraordinary General Shareholders' Meeting held 31 October 2007 to bring it in line with provisions of Act 12/2007 of 2 July.

Act 12/2007 of 2 July, amending the Hydrocarbons Industry Act (Act 34/1998 of 7 October) in accordance with Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas, provides new wording for the 20th Additional Provision of the Hydrocarbons Industry Act, which vests in Enagás, S.A. the capacity of "technical system operator" and sets ceilings on shareholdings in the Company. The wording of the 20th Additional Provision now stands as follows:

"20th Additional Provision. The Company ENAGÁS, Sociedad Anónima, shall assume the functions, rights and obligations of Technical System Manager of the gas system. (...)

No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company responsible for the technical management of the system, nor may they 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 interests held by public-sector enterprises. Under no circumstances may equity holdings be syndicated.

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

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

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

b) The partners together with whom that individual or body corporate exercises control over a controlled entity under the provisions of article 4 of Act 24/1988, dated 28 July, governing the Securities Market.

Nonetheless, both the actual ownership of the shares and other securities and the voting rights held through any certificate shall be taken into account.

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.

The 6th Transitional Provision of Act 12/2007 of 2 July provides that within four months of its coming into force, Enagás, S.A. shall bring its by laws in line with the 20th Additional Provision of Act 34/1998 of 7 October (the Hydrocarbons Industry Act). The 2nd Transitional Provision of Act 12/2007 of 2 July further prescribes:

2nd Transitional Provision. Technical System Operator. Any voting rights attaching to shares and other securities held by persons with an ownership interest in the share capital of ENAGÁS, Sociedad Anónima, in excess of the ceilings set forth in the 20th Additional Provision of the Hydrocarbons Industry Act shall be suspended as from the coming into force of this provision.

The National Energy Commission (CNE) shall have the standing to bring legal action to give effect to the restrictions imposed in this provision.

In accordance with the aforementioned legal provision, article 6a bis ("Limitation of interest in share capital and of the exercise of voting rights") of Enagás, S.A.'s bylaws stipulates the following:

No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company responsible for the technical management of the system, nor may they 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

Descripción de las restricciones legales y estatutarias al ejercicio de los derechos de voto
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 the public sector ownership. Under no circumstances may equity holdings be syndicated. Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%. For the purposes of calculating the stake in that shareholding structure, there shall apply the 20th Additional Provision Act 34/1998 of 7 October (the Hydrocarbons Industry Act)..

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

YES

Description of legal restrictions on the acquisition or transfer of share capital
In accordance with the provisions of the 20th Additional Provision of Act 34/1998, article 6 bis of the Company bylaws establishes that no individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company responsible for the technical management of the system. Under no circumstances may such share holdings be syndicated. These restrictions will not apply to direct or indirect interests held by the public sector ownership. Under no circumstances may share capital be syndicated.

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.

NO

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

B.

COMPANY MANAGEMENT STRUCTURE

B.1. Board of directors

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

Maximum number of directors	17
Minimum number of directors	6

B.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	22/04/2006	22/04/2006	VOTE AT GENERAL SHAREHOLDERS' MEETING
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	JOSÉ LUIS OLIVAS MARTÍNEZ	VICE-CHAIRMAN	09/07/2002	11/05/2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
ANTONIO TÉLLEZ DE PERALTA	–	DIRECTOR	19/09/2005	22/04/2006	CO-OPTION
BILBAO BIZKAIA KUTXA (BBK)	JOSEBA ANDONI AURREKOETXEA BERGARA	DIRECTOR	28/11/2007	25/04/2008	CO-OPTION
DIONISIO MARTÍNEZ MARTÍNEZ	–	DIRECTOR	31/05/2002	22/04/2006	VOTE AT GENERAL SHAREHOLDERS' MEETING
JESÚS DAVID ÁLVAREZ MEZQUÍRIZ	–	DIRECTOR	25/04/2003	11/05/2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
JOSÉ RIVA FRANCOS	–	DIRECTOR	31/05/2002	22/04/2006	VOTE AT GENERAL SHAREHOLDERS' MEETING
LUIS JAVIER NAVARRO VIGIL	–	DIRECTOR	09/07/2002	11/05/2007	CO-OPTION

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	17/03/2005	22/04/2005	CO-OPTION
MARÍA TERESA GARCÍA-MILÁ LLOVERAS	–	DIRECTOR	22/04/2006	22/04/2006	VOTE AT GENERAL SHAREHOLDERS' MEETING
MIGUEL ÁNGEL LASHERAS MERINO	–	DIRECTOR	22/04/2006	22/04/2006	VOTE AT GENERAL SHAREHOLDERS' MEETING
PEÑA RUEDA, S.L. UNIPERSONAL	MANUEL MENÉNDEZ MENÉNDEZ	DIRECTOR	30/04/2004	25/04/2008	VOTE AT GENERAL SHAREHOLDERS' MEETING
RAMÓN PÉREZ SIMARRO	–	DIRECTOR	17/06/2004	27/03/2009	CO-OPTION
SAGANE INVERSIONES, S.L.	CARLOS EGEA KRAUEL	DIRECTOR	27/04/2009	27/04/2009	CO-OPTION
SAID MOHAMED ABDULAH AL MASOUDI	–	DIRECTOR	27/07/2009	27/07/2009	CO-OPTION
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	ENRIQUE MARTÍNEZ ROBLES	DIRECTOR	25/04/2008	25/04/2008	VOTE AT GENERAL SHAREHOLDERS' MEETING

Total number of directors	16

Indicate any Board members who left during this period.

Name or corporate name of director	Status of the director at the time	Leaving date
SALVADOR GABARRÓ SERRA	PROPRIETARY	07/04/2009
CARLOS EGEA KRAUEL	PROPRIETARY	27/04/2009

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

EXECUTIVE DIRECTORS

Name or corporate name of director	Committee proposing appointment	Post held in the company
ANTONIO LLARDÉN CARRATALÁ	APPOINTMENTS AND REMUNERATIONS COMMITTEE	CHAIRMAN

Total number of executive directors	1
% of the board	6.250

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Committee proposing appointment	Name or corporate name of significant shareholder represented or proposing appointment
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	APPOINTMENTS AND REMUNERATIONS COMMITTEE	BANCAJA INVERSIONES, S.A.
BILBAO BIZKAIA KUTXA (BBK)	APPOINTMENTS AND REMUNERATIONS COMMITTEE	BILBAO BIZKAIA KUTXA (BBK)
PEÑA RUEDA, S.L. UNIPERSONAL	APPOINTMENTS AND REMUNERATIONS COMMITTEE	CAJA DE AHORROS DE ASTURIAS
SAGANE INVERSIONES, S.L.	APPOINTMENTS AND REMUNERATIONS COMMITTEE	SAGANE INVERSIONES, S.L.
SAID MOHAMED ABDULAH AL MASOUDI	APPOINTMENTS AND REMUNERATIONS COMMITTEE	OMAN OIL HOLDINGS SPAIN S.L.U.
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	APPOINTMENTS AND REMUNERATIONS COMMITTEE	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)

Total number of proprietary directors	6
% of the board	37.500

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director

ANTONIO TÉLLEZ PERALTA

Profile

FORMER PROFESSOR OF THE POLYTECHNIC UNIVERSITY OF MADRID. – FORMER GENERAL MANAGER OF ENAGÁS, S.A. – FORMER MANAGING DIRECTOR OF GAS NATURAL SDG, S.A. – FORMER MANAGING DIRECTOR OF CLH. – FORMER CHAIRMAN OF TERQUIMSA, S.A. – FORMER CHAIRMAN OF GRUPO COINTRA. – FORMER GENERAL MANAGER OF OPERATIONS AT GRUPO LECHE PASCUAL. – FORMER GENERAL MANAGER OF BIOCARBURANTES PENINSULARES. AND TECHNOLOGIST AT THE TECHNOLOGY CENTRE (CTR) OF REPSOL-YPF.

Name or corporate name of director

DIONISIO MARTÍNEZ MARTÍNEZ

Profile

LAWYER AND FORMER SECRETARY OF THE BOARD OF EBN BANCO DE NEGOCIOS, S.A.

Name or corporate name of director

JESÚS DAVID ÁLVAREZ MEZQUÍRIZ

Profile

CHAIRMAN OF BIOCARBURANTES PENINSULARES, S.L.; DIRECTOR OF BODEGAS VEGA SICILIA, S.A; CEO OF EULEN, S.A. AND DIRECTOR OF ENEBRO, S.A.

Name or corporate name of director

JOSÉ RIVA FRANCOS

Profile

DIRECTOR OF LOGISTA, S.A.; VICE-CHAIRMAN AND CEO OF GRUPO SUARDIAZ COMPANIES.

Name or corporate name of director

MARTÍ PARELLADA SABATA

Profile

CHAIRMAN OF COMFORSA.; DIRECTOR OF EPLICSA, DIRECTOR OF GRUPO MGO, S.A., PATRON OF THE ICO FOUNDATION AND VICE-CHAIRMAN OF THE BARCELONA ECONOMICS INSTITUTE FOUNDATION.

Name or corporate name of director

MARÍA TERESA GARCÍA-MILÁ LLOVERAS

Profile

PROFESSOR OF ECONOMICS AND DEPUTY RECTOR OF POLITICS AT THE UNIVERSIDAD POMPEU FABRA (UPF); DIRECTOR AND CHAIR OF THE AUDIT AND CONTROL COMMITTEE OF BANCO SABADELL, S.A.; MEMBER OF THE CÍRCULO DE ECONOMÍA AND MEMBER OF THE MANAGING BOARD OF THE CENTRE DE RESERCA EN ECONOMÍA INTERNACIONAL (CREI)

Name or corporate name of director

MIGUEL ÁNGEL LASHERAS MERINO

Profile

CHAIRMAN OF INTERMONEY ENERGÍA, S.A. AND WIND TO MARKET, S.A.

Name or corporate name of director

RAMÓN PÉREZ SIMARRO

Profile

FORMER GENERAL MANAGER FOR ENERGY; FORMER GENERAL SECRETARY OF ENERGY AND MINERAL RESOURCES; FORMER TECHNICAL SECRETARY GENERAL OF THE MINISTRY OF INDUSTRY; FORMER PROFESSOR OF THE UNIVERSIDAD AUTÓNOMA DE MADRID AND FORMER ACADEMIC DIRECTOR OF THE REPSOL YPF FOUNDATION

Total number of independent directors	8
% of the board	50.000

OTHER EXTERNAL DIRECTORS

Name or corporate name of director	Committee proposing appointment
LUIS JAVIER NAVARRO VIGIL	APPOINTMENTS AND REMUNERATIONS COMMITTEE

Total number of other external directors	1
% of the board	6.250

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

BP ESPAÑA, S.A.

Reasons

The shareholder (B.P. España S.A.U.) proposing the appointment as Proprietary Director on 15/11/06 sold its shareholding in the Company. However, Mr. Navarro is not considered to be an Independent Director as he maintains or has maintained a significant business relationship with the Company. Nonetheless, it was decided to classify him under the category of "Other External Directors" as he did not meet all the conditions required to be classified as an "Independent Director" as stipulated by the "Unified Good Governance Code" related to Order ECO/3722/2003 of 26 December and CNMV Circular 4/2007 of 27 December.

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

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

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

Not applicable

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

YES

Name of director

CARLOS EGEA KRAUEL

Reasons for resignation

On 27 April 2009 Mr. Egea, a Proprietary Director appointed at the proposal of SAGANE INVERSIONES, S.L., tendered his resignation. On the same date, the Board of Enagás, S.A. agreed to co-opt Mr. Egea as legal person director representing SAGANE INVERSIONES, S.L., (he had previously been a natural person director), at the proposal of SAGANE INVERSIONES, S.L., thereby maintaining his position as Proprietary Director.

At the same board meeting, the members agreed to appoint SAGANE INVERSIONES, S.L., represented by Mr. Egea, as member of the Appointments and Remuneration Committee and the resignation of Mr. Egea from the Audit and Compliance Committee.

Name of director

SALVADOR GABARRÓ SERRA

Reasons for resignation

On 7 April Mr. Gabarró, a Proprietary Director appointed at the proposal of GAS NATURAL SDG, S.A., tendered his resignation. His resignation means he will also cease to serve as Chairman and member of the Board's Appointments and Remuneration Committee.

Mr. Gabarró resigned so that GAS NATURAL SDG, S.A. could comply with the Comisión Nacional de la Competencia's ruling of 12 February 2008, authorising the transaction whereby GAS NATURAL SDG, S.A. would take control of UNIÓN FENOSA, S.A.

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

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

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

Name or corporate name	Name of listed company	Post
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	NH HOTELES. S.A.	DIRECTOR
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	BANCO DE VALENCIA. S.A.	CHAIRMAN
JOSÉ RIVA FRANCOS	COMPAÑÍA DE DISTRIBUCION INTEGRAL LOGISTA. S.A.	DIRECTOR
MARÍA TERESA GARCÍA-MILÁ LLOVERAS	BANCO DE SABADELL. S.A.	DIRECTOR

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

NO

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

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

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

a. In the reporting company:

Concept	In thousands €
Fixed remuneration	924
Variable remuneration	554
Per diems	1,155
Statutory compensation	0
Share options and/or other financial instruments	0
Other	79

Total	**2,712**

Other benefits	In thousands €
Advances	0
Loans	0
Funds and pension plans: Contributions	10
Funds and pension plans: Obligations	0
Life insurance premiums	68
Guarantees issued by the company in favour of directors	0

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

Concept	In thousands €
Fixed remuneration	0
Variable remuneration	0
Per diems	0
Statutory compensation	0
Share options and/or other financial instruments	0
Other	0

Total	**0**

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

c. Total remuneration by type of director:

Type of director	By company	By group
Executive Directors	1,621	0
External Controlling Directors	436	0
External Independent Directors	579	0
Other External Directors	76	0
Total	2,712	0

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

Total remuneration received by directors (in thousands €)	2,712
Total remuneration received by directors/profit attributable to parent company (%)	1.0

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

Name or corporate name	Post
JOSÉ ESPEJO SERRANO	INTERNAL AUDITOR
DIEGO DE REINA LOVERA	FINANCIAL DIRECTOR
ANTONIO GARCÍA MATEO	GENERAL DIRECTOR OF TECHNOLOGY, ENGINEERING AND PURCHASES
RAMÓN SÁNCHEZ VALERA	GENERAL DIRECTOR OF INFRASTRUCTURE DEPARTMENT AND THIRD-PARTY ACCESS (TPA) SERVICES
FRANCISCO JAVIER GONZÁLEZ JULIÁ	TECHNICAL SYSTEM OPERATOR DEPARTMENT
ERUNDINO NEIRA QUINTAS	DIRECTOR OF RESOURCES
JUAN PONS GUARDIA	GENERAL MANAGER OF STRATEGY AND REGULATION
RAFAEL PIQUERAS BAUTISTA	GENERAL SECRETARIAT

Total remuneration received by senior management (in thousands €)	2,450

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

Number of beneficiaries	9

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

Is the General Shareholders' Meeting informed of such clauses?	NO

B.1.14. Describe the procedures for establishing remuneration for Board members and the relevant provisions in the bylaws.

Procedures for establishing Board members' remuneration and relevant provisions in the bylaws
The process for establishing remuneration for Board members is covered in article 36 of the Company bylaws, which establishes the following: "The position of Director shall be remunerated. The General Shareholders' Meeting shall determine the total maximum remuneration to be paid to Board members, and this shall comprise a cash sum per year, or such period as determined by the General Shareholders' Meeting. When setting pay, the shareholders in general meeting may resolve that part of such pay remunerate the office of Director itself, equally for all Directors, and another part be apportioned by the Board on such basis as may be determined at the General Meeting. Directors may receive additional remuneration in the form of company shares, share options or other securities that enable the holder to obtain shares, or through other remuneration systems based on the market price value of the shares. The application of the said systems shall be presented to the General Shareholders' Meeting for approval, and the Meeting shall determine the value of the shares granted each Director, the price for the exercise of option rights, the term of duration and all other conditions deemed appropriate. Remuneration established herein shall be compatible with and independent from salaries, wages, indemnifications, pensions or compensations of any type established in general or in particular for those members of the Board of Directors who are linked to the Company through a normal labour relationship, special top management contract, or a services contract. Such relationships shall be compatible with the position of member of the Board of Directors. Board members shall be entitled to the payment or reimbursement of expenses incurred as a result of attendance at meetings and other tasks directly related to the performance of their duties, such as travel, accommodation, meals and any other which may arise." By virtue of the foregoing, Enagás has established a payment framework for Directors aimed at covering both the responsibilities involved in carrying out their duties, and effective dedication and attendance at sessions, without removing or limiting the powers of the GSM in any way. This body is responsible for determining the maximum amount to be paid to Directors and the form and criteria that must be taken into account in assigning and distributing such payment, to be effected by the Board of Directors, in accordance with guidelines established by the General Meeting. Likewise, article 16 of the Regulations of the Board of Directors stipulates that the Appointments and Remunerations Committee establish payment criteria for Company Directors, within the scope of the Company bylaws and in accordance with resolutions of the General Meeting, while the Board of Directors is responsible for final distribution of the overall sum within the limits established by bylaws for this purpose. The Board of Directors may, on an annual basis, delegate the powers conferred upon it in respect of the remuneration of Directors to the Appointments and Remunerations Committee, subject to the restrictions laid down in the bylaws. Payments to Directors will be transparent. The Notes to the Financial Statements, as an integral part of the Annual Financial Statements, shall include accurate, detailed information on the remuneration received by each member of the Board of Directors, and on the remuneration received by Executive Directors for performing senior management functions. This information will also be included in the Annual Corporate Governance Report.

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

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

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

YES

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

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

YES

Issues covered in the remuneration policy report
In accordance with the provisions of article 36 of the Company bylaws, the Company's Board of Directors each year proposes to shareholders at the General Meeting the maximum compensation that should be paid to Directors for performance of their functions, as well as the breakdown between remuneration for attendance and membership of Board Committees, remuneration for chairing said Committees and remuneration for serving as Vice-chairman of the Board. The remuneration paid to the Chairman for performance of his executive functions is approved by the Board of Directors.

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

Have external consultancy firms been used?	

Identity of external consultants

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

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

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

NO

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

APPOINTMENT OF DIRECTORS:

Pursuant to article 8 of the Regulations of the Board of Directors of Enagás, S.A.. "Directors shall be appointed by the General Shareholders' Meeting or by the Board of Directors, in conformity with the provisions contained in the Spanish Companies Act and in the Company bylaws".

Those appointed must be people who, in addition to meeting the legal and statutory requirements, have recognised prestige and the appropriate professional knowledge and experience to suitably hold the post.

Before the Board can exercise its co-opting powers, a new director must be nominated by the Appointments and Remunerations Committee. Board decisions to co-opt new directors are then submitted to the General Shareholders' Meeting for approval.

In keeping with Corporate Governance recommendations, when the Board of Directors does not agree with the Committee's proposals, it must explain the reasons for this and duly record its reasons in the Minutes.

The process of filling Board vacancies has no implicit bias against women candidates; The Company makes a conscious effort to include women with the target profile among the candidates for board places."

Special mention should be made of the specific requirements that have been established to ensure the impartiality and independence of Independent Directors appointed to the Board, which are set out in article 9 of the Regulations of the Board of Directors: "Independent Directors shall be defined as those who, appointed based on their personal and professional attributes, may perform their duties without being affected by dealings with the Company, its significant shareholders or its executives. Under no circumstances may the following persons be classified as Independent Directors:

a. Those who have been employed by or served as Executive Directors of group companies, unless three or five years, respectively, have lapsed since the termination of said relationship.

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

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

d. Those 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. Those who maintain, or have maintained in the last year, a significant business relationship with Enagás, S.A. or any other Group company, whether on his/her own behalf or as a significant shareholder, Director or senior manager of any Company that maintains or has maintained said relationship. Business relationships shall be defined as those whereby a Company serves as a provider of goods or services, including those of a financial nature, or as an advisor or consultant.

f. Those who are significant shareholders, Executive Directors or senior managers of any entity that receives, or has received during the past three years, significant donations from Enagás, S.A. or its Group. Those who are mere patrons of a Foundation shall not be included under this letter.

g. Those who are spouses, partners or relatives within the second degree of any of an Executive Director or Senior Manager of the Company.

h. Those who have not been nominated, whether for appointment or renewal, by the Appointments and Remuneration Committee.

i. Those who are found, in respect of a significant shareholder or one represented on the Board, in any of the circumstances described under a), e), f) or g). In the event of kinship as described under letter g), this limitation shall apply not only in respect of the shareholder, but also in respect of its Proprietary Directors in the investee. Those 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 Directors who hold a shareholder interest in the Company may hold the status of an Independent Director provided that he/she meets all of the conditions established under this article and, further, that his/her interest is not significant.

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

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

APPRAISAL:
Article 11 of the aforementioned Regulations establishes that "the Appointments and Remunerations Committee, responsible for evaluating the quality of work and commitment to the post 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 Shareholders' 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, Company bylaws and the present Regulations (article 12.1 of the Regulations of the Board of Directors).

The Board of Directors shall not propose the removal of Independent Directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board, based on a proposal from the Appointments Committee (article 12.3 of the Regulations of the Board of Directors).

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

In accordance with Corporate Governance recommendations, article 12 of the Regulations of the Board of Directors stipulates that:

Directors must tender their resignation if the Board deems this appropriate, in the following circumstances:

a. When they are involved in any of the legally stipulated circumstances of incompatibility or prohibition.

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

c. When they may put the interests of the Company at risk or damage its credibility and reputation. The moment a Director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Act, the Board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign.

d. When the reason for which they were appointed Executive Directors is no longer valid.

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

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

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

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.

After a Director resigns from his/her post, he/she may not work for a competitor Company for a period of two years, unless the Board of Directors exempts him/her from this obligation or shortens its duration.

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

YES

Measures for reducing risk
The Chairman of the Board of Directors exercises the functions of chief executive of the Company. As well as the functions and powers attributed to the post by law and the Company bylaws, the Chairman of the Board of Directors, as an executive, effectively directs the Company's business, in accordance with the decisions and criteria established by the General Shareholders' Meeting and the Board of Directors in their respective competencies. However, the Board of Directors' Regulations contain a detailed report on issues which must be presented to the Board; in general terms, the Board retains sole jurisdiction on operations valued at over €3 million. Similarly, Enagás, S.A.'s internal regulations on investment and tendering also reserve decision making powers for the Board for sums of over €3 million.

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

Explanation of rules
At its meeting of 29 March 2007, the Board of Directors approved an amendment to article 17 of the Regulations of the Board of Directors which establishes that, when the Chairman of the Board also serves as chief executive of the Company, the Board of Directors may empower one of the Independent Directors to ask for meetings to be convened or new items to be included on the agenda, to coordinate and report the concerns of the External Directors, and to oversee the Board's evaluation of its Chairman.

B.1.22. Are qualified majorities, other than legal majorities, required for any type of decisions?

NO

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

Description of resolution:
All resolutions

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

Type of majority	%
Resolutions shall be adopted with the vote in favour of an absolute majority of Directors present or represented, irrespective of the type of decision in question, except in the case of written ballots held without meeting	51.00

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

NO

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

NO

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

NO

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

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

YES

Maximum number of years in office	12

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

Explanation of reasons and initiatives
At the date of publication of this report, only one of a total of sixteen (16) members of the Board of Directors is a woman, María Teresa García-Milá Lloveras. Enagás, S.A. should therefore prioritise and try to increase female representation should a vacancy arise on the Board, especially for independent seats. Given the above, in 2008 the Board adopted various initiatives aimed at rectifying the gender imbalance. In particular, article 8 of the Regulations of the Board of Directors expressly incorporates the principle of equal treatment of men and women set out in the Unified Code. The new article stipulates that "the process for filling Board vacancies has no implicit bias against women candidates. The Company shall seek out and include women with the target profile among the candidates for Board places".

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

YES

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

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

Article 39 of the Company bylaws states that Directors may grant representation to other Directors, but none of the attendees may hold more than two representations or voting proxies.

Furthermore, pursuant to article 7.3 of the Regulations of the Board of Directors, representation of absent Directors may be granted by any means, with a telegram or fax to the Chairman or Secretary of the board being valid.

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

Number of Board meetings	12
Number of Board meetings held in the absence of its chairman	0

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

Number of meetings of the Executive or Delegated Committee	0
Number of meetings of the Audit and Compliance Committee	5
Number of meetings of the Appointments and Remunerations Committee	4
Number of meetings of the Appointments Committee	0
Number of meetings of the Remunerations Committee	0

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

Number of non-attendances by directors during the year	16
% of non-attendances of the total votes cast during the year	8.000

B.1.31. Indicate whether the individual and consolidated financial statements submitted for approval by the Board are certified previously.

YES

Indicate, if applicable, the person(s) who certified the company's individual and consolidated financial statements for preparation by the Board.

Name	Post
DIEGO DE REINA LOVERA	FINANCIAL DIRECTOR
ANTONIO LLARDÉN CARRATALÁ	CHAIRMAN

B.1.32. Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being submitted to 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 Regulations of the Board of Directors states that among the functions of the Board of Directors regarding the Annual Financial Statements are the following:

To present, in clear and precise terms, facilitating comprehension of their contents, the individual and consolidated Annual Financial Statements and the Management Report, after obtaining the Reports issued by the Financial Department and the relevant report issued by the Audit and Compliance Committee and the corresponding clarifications.

In presenting the Annual Financial Statements, the Board of Directors shall set out all comments or recommendations previously made by the Audit and Compliance Committee in its Report. In the event that the Annual Financial Statements differ from the prior Report issued by the Audit and Compliance Committee, the Board of Directors shall provide sufficient 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 Auditor of the Financial Statements. However, when the Board of Directors considers that its criteria must be maintained, it shall publicly explain the content and extent of the discrepancy."

Article 7, paragraph c) of the Audit and Compliance Committee Regulations states that said Committee shall "operate as a channel of communication between the Board of Directors and the Auditor, evaluating the results of each Audit, and the Management Team's responses to its recommendations, and mediating and arbitrating in cases of discrepancies between them in relation to principles and criteria to be applied in the preparation of financial statements.

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

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

NO

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

Appointment and removal procedure
Article 20 of the Regulations of the Board of Directors details the procedures for the appointment and dismissal of the Secretary of the board. The Secretary of the Board of Directors shall be appointed by the Board and shall not necessarily also be a Director. The Secretary shall exercise the functions conferred upon such position under commercial law and in these 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 and Remunerations Committee and must be approved by the Board in plenary session. The aforesaid article 25 of the Regulations also establishes that, the functions of the Appointments and Remunerations Committee shall include responsibility for "proposing the appointment and dismissal of the Secretary of the Board of Directors".

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

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

YES

Remarks
In accordance with the provisions of article 20.3 of the Regulations of the Board of Directors, "the Secretary shall also be responsible for the formal and material legality of the Board of Directors' actions and shall guarantee that its governing procedures and rules are respected and regularly revised. In particular he/she shall ensure that the actions of the Board: a. adhere to the spirit and letter of laws 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 of those Corporate Governance recommendations of the Unified Code that the Company has subscribed to".

B.1.35. Indicate the mechanisms, if any, established by the company to preserve the independence of the auditors, of financial analysts, of investment banks and of rating agencies.

To safeguard the independence of the external auditors, the Audit and Compliance Committee of the Enagás Board of Directors has been assigned, as part of its core remits, responsibility for evaluating the Company's accounting verification system, ensuring the independence of the external auditor, reviewing the internal control system, guaranteeing transparency of information, and ensuring compliance with internal conduct regulations.

In addition, it is responsible for proposing the appointment of the External Accounts Auditors to the Board of Directors, for submission to the General Shareholders Meeting, in accordance with applicable regulations, and for advising on payments to external auditors, and liaising with the latter in respect of issues that may jeopardise their independence.

It is the Board of Directors' responsibility to adopt and implement as many measures as are necessary to ensure transparency of the Company on financial markets, to encourage the appropriate setting of company and subsidiary share, to supervise, through the Audit and Compliance Committee, regular provision of public information of a financial nature and to carry out as many functions as are imposed on it by the Company's status as a listed company according to applicable legislation.

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.

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

NO

Outgoing auditor	Incoming auditor

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

NO

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

YES

	Company	Group	Total
Amount of other non-audit work (in thousands €)	250	0	250
Amount of other non-audit work as a % of total amount billed by audit firm	27.200	0.000	27.200

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

NO

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

	Company	Group
Number of consecutive years	6	6

	Company	Group
Number of years audited by current audit firm / Number of years the company accounts have been audited (%)	24.0	24.0

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

Name or corporate name of director	Corporate name of the company in question	% share	Post or duties
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	IBERDROLA, S.A.	5.736	–
BILBAO BIZKAIA KUTXA (BBK)	IBERDROLA, S.A.	6.842	–
BILBAO BIZKAIA KUTXA (BBK)	GAS NATURAL SDG, S.A.	0.110	–
LUIS JAVIER NAVARRO VIGIL	E.ON ESPAÑA	0.000	CONSEJERO
LUIS JAVIER NAVARRO VIGIL	BP ESPAÑA, S.A.	0.000	CONSEJERO
LUIS JAVIER NAVARRO VIGIL	E.ON RENOVABLES S.L.U.	0.000	CONSEJERO
LUIS JAVIER NAVARRO VIGIL	BP, PLC	0.000	–

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

YES

Details of procedure
Article 15 of the Regulations of the Board of Directors establishes that Directors shall 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 the such performance. The proposal must be communicated to the Chairman of the Board via the Secretary of the board. The Board of Directors may veto its approval when it considers that such services are unnecessary for the duties with which they are entrusted, or disagrees with the cost of the same (disproportionate in relation to the problem and assets and revenues of the Company) or believes that the said technical assistance can be adequately provided by experts and technicians from within the Company. The Company should 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.

B.1.42. 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

Details of procedure
Article 6 of the Regulations of the Board of Directors governs the procedure to ensure that Directors have the necessary information to prepare meetings of the Board of Directors with sufficient time. The aforesaid article establishes that: "Notices convening ordinary sessions shall be issued by the Chairman or the Secretary, or by the Vice-chairman on order of the Chairman, may be effected by any media, and shall include the venue at which the meeting is to be held and the agenda of the same. The convening notice, which shall be issued, except in extraordinary situations, at least three days prior to the date scheduled for the meeting, shall contain the information and documents considered relevant or appropriate to better inform Directors. The Chairman shall be empowered to establish the agenda of the meetings, although any Director may request, prior to convocation, the inclusion of the points that, in his/her opinion, should be deliberated by the Board of Directors". In practice, the convening notice shall be issued a week before the meeting and, in addition to the meeting venue and the agenda, shall include all documentation considered appropriate or relevant.

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

YES

Details of rules
Pursuant to Corporate Governance recommendations, article 12 of the Regulations of the Board of Directors establishes that Directors place their offices at the Board of Directors' disposal, and tender, if the Board deems this appropriate, their resignation, inter alia, in situations that could place the Company's interest at risk or damage its credibility and reputation. The moment a Director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Act, the Board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign.

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

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.

NO

Decision	Explanation

B.2. Committees of the Board of Directors

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

AUDIT AND COMPLIANCE COMMITTEE

Name	Post	Type
MARTÍ PARELLADA SABATA	CHAIRMAN	INDEPENDENT DIRECTOR
ANTONIO TÉLLEZ PERALTA	MEMBER	INDEPENDENT DIRECTOR
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	MEMBER	PROPRIETARY
LUIS JAVIER NAVARRO VIGIL	MEMBER	OTHER EXTERNAL
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	MEMBER	PROPRIETARY

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Post	Type
DIONISIO MARTÍNEZ MARTÍNEZ	CHAIRMAN	INDEPENDENT DIRECTOR
BILBAO BIZKAIA KUTXA (BBK)	MEMBER	PROPRIETARY
MARÍA TERESA GARCÍA-MILÁ LLOVERAS	MEMBER	INDEPENDENT DIRECTOR
RAMÓN PÉREZ SIMARRO	MEMBER	INDEPENDENT DIRECTOR
SAGANE INVERSIONES, S.L.	MEMBER	PROPRIETARY

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

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

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

Committee name

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Brief description

It should be noted that the Appointments and Remunerations Committee has no specific regulations, as it is sufficiently regulated under article 25 of the Regulations of the Board of Directors and article 45 of the Company bylaws.

The Appointments and Remunerations Committee is comprised of five members appointed by the Board of Directors, which is within the limits established in the Company bylaws and the Regulations of the Board, which set a minimum of three and maximum of five members.

It comprises mainly Independent Directors, as dictated in the Company bylaws and the Regulations of the Board. Three of the Committee's members, including the Chairman, are Independent Directors, while two are Proprietary Directors.

Pursuant to article 25 of the Regulations of the Board of Directors, the Appointments and Remunerations Committee must meet at least four times a year. In 2009, the Committee met four times.

The duties of the Appointments and Remunerations Committee are detailed in article 45 of the Company bylaws and article 25 of the Regulations of the Board of Directors and are as follows:

1. To establish payment criteria for the Company's Directors, in accordance with the stipulations of the bylaws and in line with resolutions passed at the General Shareholders' Meeting, and to ensure that payments are transparent.

2. To establish a general remuneration policy for Enagás, S.A., management personnel, justifying the same to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers, in order to ensure that the Company has the appropriate highly qualified staff for administering its business at all times.

3. To review the structure of the Board of Directors, the criteria for the statutory renewal of Directors, the incorporation of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that it considers necessary.

4. To report on the appointment and dismissal of the Secretary of the Board of Directors.

5. To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interests, in accordance with the stipulations of the Internal Code of Conduct in Matters Relating to Stock Markets.

6. To formulate and revise the criteria to be followed in the composition of the Board of Directors and for the selection of the candidates proposed for the post of Director.

7. To provide information, objectively and in the Company's interest, concerning the proposals for appointment, re-election and ratification of Directors, as well as for the appointment of members of Board Committees.

8. To freely formulate proposals to the Board of Directors regarding the Company's organisational structure, including the creation of senior management posts, in order to achieve improved and more efficient company administration.

9. To designate and dismiss senior management staff, and where necessary, approve special conditions in their contracts.

10. To approve payment of senior management, providing that this does not diverge from criteria established in the general payment policy for Management.

11. To report to the Board of Directors on any related-party transactions before Board approval of the same. Under no circumstances shall any such transaction be authorised without a prior report evaluating the transaction from the point of view of market conditions. If the transactions are ordinary, generic authorisation of the type of transaction and its conditions shall be sufficient.

12. To provide information to the Board of Directors on measures to be taken in the event of non-compliance with these Regulations or the Internal Code of Conduct in Matters Relating to Stock Markets on the part of Directors or other persons subject to the aforementioned Regulations. In performing this duty, the Appointments and Remunerations Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

Committee name

AUDIT AND COMPLIANCE COMMITTEE

Brief description

Regulations for the Audit and Compliance Committee were approved at the meeting of the Board of Directors of 19 February 2004. They are aimed at providing the committee with an organisational and operational framework that enables it to operate as an independent and transparent body, and thereby comply with the regulations contained in article 44 of the Company bylaws and article 26 of the regulations governing the organisation and operation of the Board of Directors. At its meeting of 29 March 2007, the Board amended article 26 of the Regulations of the Board of Directors to incorporate as many of the recommendations of the Unified Code as possible and thus also amended the Regulations of the Audit and Compliance Committee to bring them in line with changes made to the Regulations of the Board of Directors.

- The Audit and Compliance Committee is comprised of five members, which is within the limits established in article 44 of the Company bylaws and article 3 of the Audit and Compliance Committee Regulations, which set a minimum of three and maximum of five members, appointed by the Board of Directors. Two of the Committee's members, including the Chairman, are Independent Directors, two are Proprietary Directors, and the fifth is classified as "Other External Director".

- Article 3 of the Regulations of the Audit and Compliance Committee states that none of its members may be Executive Directors, in order to preserve the transparency and objective nature of its decisions, and the parity between Proprietary and Independent Directors must be maintained. The aforesaid article also stipulates that the Chairman of the Board of Directors and members of other committees may not sit on the Audit and Compliance Committee.

- As established in article 4 of the Committee Regulations, the term of Committee membership is the same as the term of office for a Directorship. On ceasing to be a Director, a Committee member's period of service is automatically concluded. Serving Directors may cease to be Committee members at any time the Board of Director so decides. Notwithstanding the above, the Chairman of the Committee must be replaced every four years. The Committee Chairman may be re-elected one year after leaving the post, without prejudice to his/her continuity as a member of the Committee if the Board of Directors decides that there exists sufficient reason for re-election.

The remuneration of Committee members, as provided for in article 5 of the Committee Regulations, will be approved as established in the Company bylaws and the Regulations of Board of Directors pertaining to the approval of Directors' remuneration, and shall be subject to the same disclosure obligations.

- During their period of office, Committee members shall perform the duties and adhere to the working principles stipulated in the Company bylaws, the Regulations of the Board of Directors and prevailing legislation on company Directors.

- In keeping with article 8 of its Regulations, the Committee must meet at least four times a year and the Chairman shall call as many further meetings as he/she believes are required for the Committee to complete its tasks. In 2009, the Committee met five times.

- The tasks to be performed by the Audit and Compliance Committee are set out in article 44 of the Company bylaws, article 26 of the Regulations of the Board of Directors and article 7 of the Committee Regulations.

The Committee is responsible for evaluating the Company's accounting verification system, ensuring the independence of the external auditor, reviewing the internal control system, guaranteeing transparency of information, and ensuring compliance with internal conduct regulations.

- To fulfil these objectives, in addition to the functions established by law for the Audit and Compliance Committee, the Committee shall have the following duties:

a. In relation to the financial statements:

- Overseeing the preparation process and monitoring the integrity of financial information on the Company and, where relevant, the Group, and checking compliance with regulatory requirements, the due definition of the scope of consolidation and correct application of accounting principles.

- Providing information on the annual financial statements prior to their presentation by the Board of Directors.

In its Report, the Committee includes 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 provide an explanation if it presents financial statements that differ from information previously provided by the Audit and Compliance Committee.

- 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 auditing 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, regulations and standards and asset protection measures.

The Committee has full access to Internal Auditing systems and meets regularly, in plenary session or through its Chairman, with the Internal Auditing 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 regulations, and providing information on the remuneration payable to the same and other terms and conditions of their appointment.

- Liaising with the external auditors to obtain information on any issues that could compromise the latter's independence or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in the technical audit regulations.

- Taking receipt of the external auditor's regular reports on the audit programme and results of its execution, and ensuring that senior management takes account of its recommendations.

- Serving as a channel for communications between the Auditors and the Board of Directors, evaluating the results of each audit, and the management team's responses to its recommendations, and mediating and arbitrating in the event of disagreement between the two concerning the principles and criteria to be applied in the preparation of the financial statements.

- Overseeing the execution of contracted audit work and ensuring that the auditor's opinion on the financial statements and the main contents of the Auditors' Report are written clearly and accurately.

- Providing information on non-auditing contracts between the Company and the Accounts Auditors.

Ensuring that the External Accounts Auditor is provided with access to all the information necessary for him/her to do his/her work.

d. In relation to the Company's risk map:

- Identifying and analysing, in conjunction with the internal and external auditors, the main risks to which the Company is exposed, and, in particular, those affecting its financial position.

- Producing a risk assessment report for the Board of Directors.

- Where appropriate, proposing to the Board of Directors measures required to manage, mitigate or prevent risks detected.

- Establishing 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. NOTE: More information on points e) and f) can be found in section G1) CLARIFICATION OF SECTION B.2.3.

B.2.4. Identify any advisory or consulting powers and, where applicable, the powers delegated to each of the committees.

Committee name
APPOINTMENTS AND REMUNERATIONS COMMITTEE

Brief description
TASKS 4 TO 11 LISTED IN SECTION B.2.3 OF THIS REPORT.

Committee name
AUDIT AND COMPLIANCE COMMITTEE

Brief description
TASKS 1 TO 18 LISTED IN SECTION B.2.3 OF THIS REPORT.

B.2.5. Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also indicate whether an annual report on the activities of each committee has been prepared voluntarily.

Committee name
APPOINTMENTS AND REMUNERATIONS COMMITTEE

Brief description
The Appointments and Remunerations Committee has no specific regulations, as it is sufficiently regulated under article 25 of the Regulations of the Board of Directors and article 45 of the Company bylaws.

Committee name
AUDIT AND COMPLIANCE COMMITTEE

Brief description
Regulations for the Audit and Compliance Committee were approved at the meeting of the Board of Directors held on 19 February 2004. The aim of this document was to provide the committee with an organisational and operational framework as an independent and transparent body, thereby complying with the regulations contained in article 44 of the Company bylaws and article 26 of the Regulations of the Board of Directors.

The aforementioned regulations are available for consultation at the headquarters of Enagás, S.A. and on its website at www.enagas.es or www.enagas.com.

No changes were made to the regulations of the Audit and Compliance Committee in 2009.

The Audit and Compliance committee has drafted a report on its activities, available both at the headquarters of Enagás, S.A. and on its corporate website.

B.2.6. Indicate whether the composition of the Executive Committee reflects the participation within the board of the different types of directors.

NO

If the answer is no, explain the composition of the Executive Committee
There is no Executive Committee

C.

RELATED-PARTY TRANSACTIONS

C.1. Indicate whether the board plenary sessions have reserved the right to approve, based on a favourable report from the Audit Committee or any other committee responsible for this task, transactions which the company carries out with directors, significant shareholders or representatives on the board, or related parties.

YES

C.2. List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies and the significant shareholders in the company.

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousands €)
ATALAYA INVERSIONES, S.R.L.	ENAGÁS, S.A.	Corporate. Paid to SAGANE INVERSIONES, S.L. (significant shareholder)	Dividends and other benefits paid	11,145
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGÁS, S.A.	Commercial	Finance agreements, loans and capital contributions (lender)	30,000
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGÁS, S.A.	Commercial	Finance agreements, loans and capital contributions (lender)	50,000
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGÁS, S.A.	Commercial	Guarantees and sureties	12,000
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGÁS, S.A.	Commercial	Finance agreements, loans and capital contributions (lender)	6,000
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGÁS, S.A.	Corporate. Paid to CIC, S.L. (significant shareholder)	Dividends and other benefits paid	11,145
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGÁS, S.A.	Commercial	Finance agreements, loans and capital contributions (lender)	65,000
OMAN OIL HOLDINGS SPAIN S.L.U.	ENAGÁS, S.A.	Corporate	Dividends and other benefits paid	8,041

C.3. *List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies, and the company's managers or directors.*

Name or corporate name of director or senior manger	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousands €)
BILBAO BIZKAIA KUTXA (BBK)	ENAGÁS, S.A.	Commercial	Finance agreements, loans and capital contributions (lender)	92,000
BILBAO BIZKAIA KUTXA (BBK)	ENAGÁS, S.A.	Commercial	Guarantees and sureties	6,000
BILBAO BIZKAIA KUTXA (BBK)	ENAGÁS, S.A.	Corporate	Dividends and other benefits paid	11,145
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	ENAGÁS, S.A.	Commercial	Guarantees and sureties	6,000
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	ENAGÁS, S.A.	Commercial	Finance agreements, loans and capital contributions (lender)	56,000
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	ENAGÁS, S.A.	Corporate. Paid to BANCAJA INVERSIONES, S.A. (significant shareholder)	Dividends and other benefits paid	11,145
SAGANE INVERSIONES, S.L.	ENAGÁS, S.A.	Corporate	Dividends and other benefits paid	11,145
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	ENAGÁS, S.A.	Societaria	Dividends and other benefits paid	11,145

C.4. *List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.*

Corporate name of the group company
GASODUCTO AL-ANDALUS, S.A.

Amount (In thousands €)
18,738

Brief description of the transaction
LOAN GRANTED BY ENAGÁS, S.A.

Corporate name of the group company
GASODUCTO AL-ANDALUS, S.A.

Amount (In thousands €)
6.430

Brief description of the transaction
DIVIDENDS RECEIVED BY ENAGÁS, S.A. FOR THE 2008 FINANCIAL YEAR.

Corporate name of the group company
GASODUCTO AL-ANDALUS, S.A.

Amount (In thousands €)
5,735

Brief description of the transaction
INCOME FROM PIPELINE MAINTENANCE AND FRANCHISE ROYALTIES.

Corporate name of the group company
GASODUCTO AL-ANDALUS, S.A.

Amount (In thousands €)
16,929

Brief description of the transaction
TRANSPORT CHARGES PAID.

Corporate name of the group company
GASODUCTO BRAGA - TUY, S.A.

Amount (In thousands €)
3,329

Brief description of the transaction
TRANSPORT SERVICE CHARGES PAID.

Corporate name of the group company
GASODUCTO BRAGA - TUY, S.A.

Amount (In thousands €)
11,693

Brief description of the transaction
LOAN GRANTED BY ENAGÁS, S.A.

Corporate name of the group company
GASODUCTO BRAGA - TUY, S.A.

Amount (In thousands €)
543

Brief description of the transaction
DIVIDENDS RECEIVED BY ENAGÁS, S.A. FOR THE 2008 FINANCIAL YEAR.

Corporate name of the group company
GASODUCTO CAMPO MAIOR - LEIRIA - BRAGA, S.A.

Amount (In thousands €)
4,537

Brief description of the transaction
LOAN GRANTED BY ENAGÁS, S.A.

Corporate name of the group company
GASODUCTO CAMPO MAIOR - LEIRIA - BRAGA, S.A.

Amount (In thousands €)
3,254

Brief description of the transaction
TRANSPORT SERVICE CHARGES PAID.

Corporate name of the group company
GASODUCTO CAMPO MAIOR - LEIRIA - BRAGA, S.A.

Amount (In thousands €)
1,107

Brief description of the transaction
DIVIDENDS RECEIVED BY ENAGÁS, S.A. FOR THE 2008 FINANCIAL YEAR.

Corporate name of the group company
GASODUCTO DE EXTREMADURA, S.A.

Amount (In thousands €)
3,951

Brief description of the transaction
DIVIDENDS RECEIVED BY ENAGÁS, S.A. FOR THE 2008 FINANCIAL YEAR.

Corporate name of the group company
GASODUCTO DE EXTREMADURA, S.A.

Amount (In thousands €)
41

Brief description of the transaction
LOAN GRANTED BY ENAGÁS, S.A.

Corporate name of the group company
GASODUCTO DE EXTREMADURA, S.A.

Amount (In thousands €)
8,688

Brief description of the transaction
TRANSPORT RIGHTS PAID.

Corporate name of the group company
GASODUCTO DE EXTREMADURA, S.A.

Amount (In thousands €)
4,933

Brief description of the transaction
INCOME FROM PIPELINE MAINTENANCE AND FRANCHISE ROYALTIES.

C.5. *Identify, where appropriate, any conflicts of interest affecting company directors pursuant to article 127 of the LSA.*

NO

C.6. *List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.*

Mechanisms for detecting and regulating possible conflicts of interest between Enagás, S.A. and/or its group, and its Directors, managers or shareholders are primarily set out in Enagás, S.A.'s Internal Code of Conduct in Matters Relating to Stock Markets.

The Internal Code of Conduct in Matters Relating to Stock Markets is applicable to the following persons:

- Members of the Board.
- Managing Directors and members of the Management Committee.
- Board members and, in the appropriate cases, members of the Management Committee of subsidiary or partially owned companies in which Enagás S.A. has operational control.
- People concerned with Stock Market activities.
- In general, everyone who has access to the Company's privileged or reserved information.

With regards to related-party transactions, the Company must adopt the following measures:

a. Report such transactions to the National Securities Market Commission (CNMV) every six months and include information on them in the Corporate Governance section of the notes to the Company's annual financial statements.

b. Submit them in draft form to the Board of Directors for authorisation prior to their execution, following the relevant report from the Appointments and Remunerations Committee, and assess whether they satisfy market criteria.

With respect to possible conflicts of interest, persons subject to the Internal Code of Conduct in Matters Relating to Stock Markets must act as follows:

- Inform the Board, through its Secretariat, of any possible conflicts of interest which may result from their family relationships, personal property or any other cause. Communications must be made within a fortnight 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 the adoption of any decision that may be affected by the conflict of interest with the Company.

The Appointments and Remunerations Committee is the body responsible for regulating and resolving any conflicts of interest that may arise and, pursuant to article 25 of the Regulations of the Board of Directors, is assigned the following duties:

a. Informing the Board of Directors, prior to approval, of any transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Internal Code of Conduct in Matters Relating to Stock Markets.

b. Reporting to the Board of Directors on possible transactions with related parties before Board approval of the same. Under no circumstances shall any such transaction be authorised without a prior report evaluating the transaction from the point of view of market conditions. If the transactions are ordinary, generic authorisation of the type of transaction and its conditions shall be sufficient.

c. To inform the Board of Directors on measures to be taken in the event of non-compliance with these Regulations or the Code of Conduct in Matters Relating to Stock Markets by Directors or other persons subject to the aforementioned same. In performing this duty, the Appointments and Remunerations Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

C.7. Is more than one group company listed in Spain?

NO

Identify the listed subsidiaries in Spain

D.

RISK CONTROL SYSTEMS

D.1. Give a general description of risk policy in the company and/or its group, detailing and evaluating the risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk.

The Enagás, S.A. Risk Policy allows management to deal efficiently with the various uncertainties, risks and opportunities that may arise and thus improve the Company's ability to generate value in order to meet its objectives.

Enagás, S.A. is committed to having an action plan for integral risk management thus enabling the identification, measurement, control and management of risks facing the Company as well as aligning the activities of its various business areas with the level of tolerance to the risk approved.

All initiatives aimed at controlling and mitigating risk shall follow these Basic Principles:

- Segregation and independence among risk managers and supervisors.
- Global supervision and like-for-like measurement of risks assumed by Enagás, S.A.
- Consistency: to facilitate a common and sole understanding of the risks assumed and the internal controls in place, detailed in a series of solid and consistent policies, rules and procedures, measurement methodologies and information framework across the Company, thus encouraging the development of a general internal control environment involving all its levels.
- Focus on decision-taking: to provide the various Company managers with the information required to take decisions in their area of responsibility, integrating these into the Company's existing management systems.
- Establish efficient coordination among the Company's different business areas/units to guarantee the optimum use of the knowledge and resources available.
- Transparency (simplicity, objectivity and accountability) regarding the processes and methodologies used.
- Facilitate active supervision by the Audit and Compliance Committee and the Management Committee.
- Constantly update and make improvements by regularly reviewing the risks and adopting best practices concerning risk supervision and management.

- Responsibilities: to entrust integral risk management to the Enagás, S.A. Board of Directors, management and employees, each within their area of responsibility.

  Enagás, S.A. has grouped these risks, separating them in terms of the nature of the risk and bearing in mind the different measurement methods applied, as follows:

- Operational risk: This is the possible loss of value or earnings as a result of events caused by inadequacies or failures in processes, human resources, business teams and IT systems, or due to external factors

- Business risk: This is the possible loss of value or earnings due to external factors such as regulation, the economic cycle, competition levels, demand patterns, the structure of the industry, etc. as well as the possible loss of value or earnings arising from taking incorrect decisions regarding business plans and the Company's future strategies.

- Credit or counterparty risk: This is the possible loss of value or earnings as a result of a counterparty's failure to meet its contractual obligations:

- Financial risk: This is the uncertainty concerning a portfolio's value due to exchange and interest rate fluctuations, etc., as well as the liquidity and solvency of the companies.

- Reputational risk: This is any action, event or circumstance which could negatively affect the Company's reputation.

The risks have been measured in terms of their impact and probability in quantitative and qualitative terms. Also, the necessary controls and action plans have been established to maintain these risks within the admissible thresholds.

In 2009, the heads of the various divisions and business units at Enagás, S.A. managed their risks based on a self-assessment of some of these and by permanently monitoring the control activities and the risks in relation to the Company's accepted level of risk. Therefore, each department has established, in conjunction with the Internal Audit Business Unit, and based on these reviews, various Action Plans aimed at constantly improving the risk management process.

D.2. Indicate whether the company or group has been exposed to different types of risk (operational, technological, financial, legal, reputational, fiscal…) during the year.

YES

If so, indicate the circumstances and whether the established control systems worked adequately.

Risks occurring in the year
Interruption of supply.

Circumstances responsible for this occurrence
In 2009 various significant incidences occurred in the gas infrastructures:

Operation of control systems
The control systems implemented for both the detection and operation as well as the rapid response of the maintenance teams worked correctly and supply to our customers was unaffected.

Risks occurring in the year
Fraud.

Circumstances responsible for this occurrence
A supplier falsified the origin of goods delivered to the Company.

Operation of control systems
The contract with this supplier was terminated.

Risks occurring in the year

Corporate.

Circumstances responsible for this occurrence

Certain remuneration conditions in the gas system were amended.

Operation of control systems

These changes are being constantly monitored.

D.3. Indicate whether there is a committee or other governing body in charge of establishing and supervising these control systems.

YES

If so, please explain its duties.

Name of the Committee or Body

AUDIT AND COMPLIANCE COMMITTEE

Description of duties

- Identifying and analysing, in conjunction with the internal and external auditors, the main risks to which the Company is exposed, and, in particular, those affecting its financial position.
- Producing a risk assessment report for the Board of Directors.
- Where appropriate, proposing to the Board of Directors measures required to manage, mitigate or prevent risks detected.

Name of the Committee or Body

MANAGEMENT COMMITTEE

Description of duties

- Managing the various types of risk: acquiring knowledge of the risks, the corresponding responses, suitable control improvements and the situation of the actions in place.
- Establishing the risk levels for each of its divisions as well as the risk level for the Company as a whole.
- Permanently supervising activities and risks regarding the accepted level of risk for the Company.
- Proposing to the Audit and Compliance Committee the measures needed to manage those risks identified.

Name of the Committee or Body

MANAGEMENT OR BUSINESS UNIT

Description of duties

As the owner of the risk, it is their responsibility to manage the risks inherent in its activity by establishing suitable controls and action plans.

Name of the Committee or Body

INTERNAL AUDIT

Description of duties

Responsible for assessing the suitability and efficiency of the controls comprising the Company's governance, operations and IT systems. This should include:

- The accuracy of financial and operating information.
- The effectiveness and efficiency of operations.
- Asset protection.
- Legal, regulatory and contractual compliance.

D.4. Identify and describe the processes for compliance with the regulations applicable to the company and/or its group.

Each of the divisions and business units at Enagás, S.A. is cognisant of the applicable legislation and regulations. Part of their duties include ensuring that new mandatory legislation and regulations are analysed and applied.

The General Secretariat deals with, clarifies and establishes the criteria for all issues on which the divisions or business units have reasonable doubts.

New legislation or regulatory amendments will often necessitate amendments to the Company's internal regulations or the establishment of processes to comply with said regulations.

If there are various divisions involved in complying with the regulations, the Executive Committee will set up various working groups to develop and implement the new processes or activities.

In each of the audits carried out the Internal Audit department shall verify compliance with prevailing legislation and internal regulations.

The main compliance processes of the various regulations entail:

- Legislation and regulations affecting Enagás S.A. as a gas transporter and as Technical System Operator.
- Mercantile law.
- Fiscal law.
- Environmental law.
- Legislation regarding prevention.

E.

GENERAL SHAREHOLDERS' MEETINGS

E.1. Indicate the quorum required for constitution of the General Shareholders' Meeting established in the company's bylaws. Describe how it differs from the system of minimum quorums established in the LSA.

Not applicable

	Quorum % other than that established in article 102 of the LSA for general cases	Quorum % other than that established in article 103 of the LSA for the special cases described in article 103
Quorum required for first call	0	0
Quorum required for second call	0	0

E.2. Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework set forth in the LSA.

NO

Describe how they differ from the rules established under the LSA.

E.3. List all shareholders' rights regarding the General Shareholders' Meetings other than those established under the LSA.

Shareholders' rights in relation to general meetings are those established in the Spanish Companies Act. The Regulations of the General Shareholders' Meeting of Enagás, S.A. recognise the following shareholders' rights:

1.- RIGHTS TO INFORMATION.

This right is regulated by article 7 of the Regulations, which has the following content and scope:

On the date the notice of convening of the General Shareholders' Meeting is published, and on the day of the meeting itself, the Company shall place the following resources at its shareholders' disposal:

a. The full text of the call for the General Shareholders' Meeting, setting out the resolutions proposed for adoption, and reports from the Board of Directors, where appropriate, concerning their justification and timeliness, providing that all this is possible.

b. Comprehensive documentation on Enagás, S.A.'s financial statements and the consolidated financial statements of the Enagás Group, and on the proposed appropriation of Enagás earnings, for the financial year in question.

c. Enagás, S.A. Management Report and Consolidated Management Report for the financial year.

d. Auditors' Reports on the Consolidated Financial Statements and Enagás, S.A. Financial Statements.

e. Annual Corporate Governance Report.

f. Any other report or information required by law or deemed appropriate by the Board of Directors.

Prior to the General Meeting, the Company shall make the above available to shareholders via the following channels:

- The Shareholder Office.
- A free phone telephone number to be specified in the convening notice.
- The Company's website.

Up to the seventh day before the meeting is held, shareholders may request from Directors any information or clarification they deem appropriate concerning Agenda items, or submit in writing the questions they judge relevant.

During the General Meeting, shareholders may verbally request any information or clarifications they deem appropriate concerning Agenda items, and, if it is not possible to meet such requests at that time, Directors must provide written answers within a period of seven days following the end of the Meeting.

Directors are under obligation to provide the information requested, except in cases where, in the judgement of the Chairman, the dissemination of the information requested would be detrimental to Company interests, or on the grounds of legal or statutory provisions, legal or administrative resolutions. Such refusal shall not be possible when the request is put forward by shareholders representing at least 25% of the Company's share capital.

The information requested shall be provided to the shareholder requesting it in writing, within the period running from the date of the convening notice until the date of the Meeting inclusive, provided such request conforms to the requirements of time, execution and scope determined by law and the Regulations of the General Shareholders' Meeting.

2.- RIGHTS TO PARTICIPATE.

This right is regulated in article 8 of the Regulations.

Following accreditation in compliance with the provisions of article 9 of the Regulations of the General Shareholders' Meeting, shareholders may at any time propose questions of interest for the Company, or related to their shareholding, through the Shareholder Office, free phone line or the e-mail address included on the website.

The Company shall examine the questions, suggestions and comments submitted by shareholders, and shall respond to the same when considered appropriate for the good of the Company.

3.- RIGHTS OF ATTENDANCE.

In accordance with article 27 of the Company bylaws and article 9 of the Regulations of the General Shareholders' Meeting, attendance at General Meetings requires a minimum shareholding of 100 shares, provided these are duly recorded in the corresponding registries of member entities of IBERCLEAR (the Spanish securities clearing and settlement body) five days prior to the meeting and shareholder accreditation is confirmed, either via the corresponding attendance and voting card issued by member entities of IBERCLEAR or through the electronic attendance and voting card issued by the manager of the Book Entry Register or by an authorised share custodian.

Shareholders that do not hold the aforementioned number of shares may group together for the purposes of attendance, appointing a single shareholder to represent them.

4.- RIGHTS OF REPRESENTATION.

In accordance with article 27 of the Company bylaws and article 10 of the Regulations of the General Shareholders' Meeting, all shareholders entitled to attend meetings may be represented by another person, who need not be a shareholder.

Representation rights must be conferred in writing, by mail, a recognised electronic signature, or any of the other legally-permitted electronic or remote communication methods. In all cases, the identity of the representative must be duly guaranteed, and shall be valid only for the particular meeting in question.

All proxies shall be revocable. If the shareholder represented actually attends the meeting in person, the representation rights are automatically revoked, and he/she must inform the representative in order to ensure that this person does not attempt to exercise representation rights that are non-existent.

Shareholders who are natural persons prevented from exercising their civil rights and shareholders that are legal persons may be represented by any duly accredited legal representative. Both in cases of legal representation and delegation of attendance rights, no shareholder shall have more than one representative at the Meeting.

5.- VOTING RIGHTS.

This right is regulated in article 27 of the Company by-laws and article 11 of the Regulations of the General Shareholders' Meeting . All shareholders with attendance rights, under the terms set out in article 27 of the Company bylaws and implemented by article 9 of the Regulations of the General Shareholders' Meeting, shall be entitled to vote and may exercise such right on their own behalf or by representation, either by attending and voting at the Meeting in person, using a duly signed and accredited attendance and voting card, or by postal vote sent to the Shareholder Information Office, using a recognised electronic signature or other electronic media, or, in general any remote communication media envisaged by law, attaching the relevant electronic attendance and voting certificate.

E.4. Indicate the measures, if any, adopted to encourage participation by shareholders at General Shareholders' Meetings.

In addition to the rights to information, attendance, representation and vote described in the section above, accredited shareholders may submit questions of interest to the Company or related to their position as shareholders at any time via the Shareholder Office, the free phone line or e-mail address given on the Company website (article 8 of the Regulations of the General Shareholders' Meeting).

In accordance with the provisions of article 7.2 of the Regulations of the General Shareholders' Meeting, in the seven days extending from the date of the convening notice to the date of the meeting itself, shareholders may request from Directors any information or clarification they deem appropriate concerning Agenda items, or submit in writing the questions they judge relevant.

While the General Meeting is in progress, shareholders may verbally request any information or clarifications they deem appropriate concerning Agenda items, and, if it is not possible to satisfy such requests at that time, Directors must provide written answers within a period of seven days following the end of the Meeting.

Likewise, with the aim of encouraging shareholder participation in general meetings, the Company shall implement various practices including:

- Publishing the convening notice in the main communications media.
- Offering gifts as incentives for shareholders' personal attendance of general meetings.
- Holding meetings at a venue offering the best possible conditions for the meeting and easy access for shareholders and making transport available to them to facilitate their attendance.
- Offering personal assistance and directions for shareholders who wish to attend through personnel at the Shareholder Office.

E.5. Indicate whether the General Shareholders' Meetings is presided by the Chairman of the Board of Directors. List measures, if any, adopted to guarantee the independence and correct operation of the General Shareholders' Meeting.

YES

Details of measures

In accordance with article 12.2 of the Regulations of the General Shareholders' Meeting: the General Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors, or, in his/her absence, by the shareholder elected in each case by shareholders present at the meetings. The Chairman shall be assisted by the Secretary of the Board of Directors, or, in his/her absence, by the shareholder elected in each case by shareholders attending the meetings.

The smooth operation and progress of the meeting is ensured by the provisions established in the Regulations of the General Shareholders' Meeting, which establish the following:

- The Board of Directors shall appoint a notary to attend general meetings, who shall be responsible for taking and drawing up the minutes, with the accompanying guarantee of neutrality and independence for all shareholders. The Chairman of the Audit and Compliance Committee of Enagás, S.A., in representation of the Committee, shall be available at meetings to respond to questions from shareholders on issues under the Committee's competency.
- The General Shareholders' Meeting must be attended by the Company's external auditors, who shall be convened for such purpose by the Board of Directors. The auditor shall intervene, whenever deemed expedient by the Chairman, to clarify questions relating to its work as the Company's external auditors.

Requirements and standards that definitively guarantee the smooth progress of general meetings are contained in articles 13 to 18 of the Regulations of the General Shareholders' Meeting, of which the following are of note:

- Before addressing Agenda items, an attendance list shall be drawn up, detailing the nature or representation of each attendee and the number of shares, owned or represented, by virtue of which they are attending, such that the summary of the attendance list shall determine the number of shareholders, present or represented, as well as the share capital they hold. Capital with voting rights shall be specified. The Deputy Secretary of the board or the person so appointed by the Chairman in his/her absence shall provide the Directors with two copies of said summary duly signed by him/her or a scrutinising shareholder. Attendance shall be considered closed for the purposes of establishing a quorum at the time stated in the call for the commencement of the Meeting.
- For the purposes of verifying the valid constitution of the meeting, Enagás prepares and proposes to the Management Company of Registry, Compensation and Settlement of Securities, the format of the attendance card to be issued to shareholders, ensuring that such format is uniform and incorporates a bar code so it can be read electronically, thus facilitating the electronic counting of attendees at the Meeting.
- From the moment they enter the venue of the meeting and throughout the same, shareholders shall have the support of personnel from the Shareholder Office for resolving any queries and facilitating their contribution.
- With the aim of guaranteeing the smooth course of the meeting, shareholders or representatives arriving late at the Meeting venue may attend the Meeting once the admission of attendance and voting cards has been closed, but shall not be included on the attendance list nor, therefore, form part of the quorum for voting purposes.

Details of measures

- Once the meeting has been validly constituted, the notary called by the Company to draw up the minutes shall ask participants if they have any reservations or challenges to the details of shareholders and share capital read by the Chairman. Any shareholder with reservations shall show the member of the Panel his/her attendance card to verify and correct, as applicable, any possible errors.
- To facilitate the smooth running of the meeting, the Chairman shall request that shareholders who wish to take the floor approach the Chair and show their attendance cards so that an order for contributions may be established. Said request will be made before commencing the presentation of the financial year and proposals to be submitted to the meeting. The Chairman shall also be responsible for keeping debate within the limits of the Agenda and responding to shareholders either jointly or individually.
- In the event of any occurrence that substantially affects the proper order of the Meeting, the Chairman of the meeting may agree to suspend the same for as long as necessary, and may even postpone the session until the next possible business day should the circumstances persist.
- At the meeting, the Secretary shall give account of the results of the voting on any resolution, indicating the number of votes for, number of votes against, and number of abstentions.
- The scrutineers shall prepare a note on the result of each vote, including the votes previously issued and any change that may have occurred in the course of the meeting.
- Once all resolutions have been put to the vote, the Secretary shall deliver to the notary, if the Company has requested the attendance of a notary, the scrutineers' note containing data on the results of the vote on each resolution before the Chairman proceeds to close the session.
- If the meeting has been held in the presence of a notary, the notary's deed shall be taken to constitute the minutes of the meeting, which shall not therefore require approval.

E.6. *Indicate the amendments, if any, made to the General Shareholders' Meeting regulations during the year.*

No amendments were made in 2009.

E.7. *Indicate the attendance figures for the General Shareholders' Meetings held during the year.*

Attendance data					
Date of general meeting	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
27/03/2009	17.918	8.535	0.000	36.860	63.313

E.8. *Briefly indicate the resolutions adopted at the General Shareholders' Meetings held during the year and the percentage of votes with which each resolution was adopted.*

The Ordinary Shareholders' Meeting was held on 27 March 2009. The resolutions adopted at the meeting are detailed below, along with the percentage of votes with which each resolution was passed.

RESOLUTIONS ADOPTED BY THE ORDINARY GENERAL SHAREHOLDERS' MEETING 2009:

RESOLUTION 1. - To adopt the annual accounts (balance sheet, profit and loss account, statement of changes in equity, cash flow statement and notes) and the directors' report for the financial year beginning on 1 January and ending on 31 December 2008 for Enagás, S.A. and its consolidated Group.

- Voting on the Resolution was as follows: For: 124,870,142 (98.349%); Against: 1,677 (0.001%); Abstentions: 2,095,015 (1.650%); Total votes cast: 126,966,834.

RESOLUTION 2. - To approve the distribution of Enagás, S.A. profit for financial year 2008, totalling a net profit of €255,396,035.70, in accordance with the following proposed distribution prepared by the Board of Directors:

Distribution (in €): Legal reserves: 0; Voluntary reserves: 100,065,738.40; Dividend: 155,330,297.66; Total: €255,396,035.70

- To pay out a final dividend in the amount of €93,259,390.06. This amount is the result of deducting from the total dividend for the year, €155,330,298.66, the interim dividend of €62,070,907.60 resolved by the Board of Directors on 22 December 2008 and paid to shareholders on 12 January 2009.
- The final dividend shall be paid on 2 July 2009.
- The total dividend for the financial year being proposed for approval in accordance with the previous paragraph equates to €0.650641 per share (gross).
- Once the interim dividend already paid – €0.26 gross per share - is deducted, the amount now payable is €0.390641 per share, before tax deductions.
- Voting on the Resolution was as follows: For: 126,964,589 (99.998%); Against: 1,514 (0.001%); Abstentions: 731 (0.098%); Total votes cast: 126,966,834.

RESOLUTION 3 - To approve the performance of the Board of Directors of Enagás, S.A. during the financial year 2008.

- Voting on the Resolution was as follows: For: 125,629,385 (98.947%); Against: 1,213,140 (0.955%); Abstentions: 124,309 (0.098%); Total votes cast: 126,966,834.

RESOLUTION 4 - To re-appoint the Company Deloitte S.L. as auditor of Enagás, S.A. and its consolidated Group for the statutory period of one year. The firm shall also be engaged to render any other auditing services required by law that the Company may need until the next Ordinary General Meeting is held.

- Voting on the Resolution was as follows: For: 77,081,083 (60.710%); Against: 49,626,109 (39.086%); Abstentions: 259,642 (0.204%); Total votes cast: 126,966,834.

RESOLUTION 5 – 5.1. - To re-elect Mr Salvador Gabarró Serra as a Non-Independent director at the proposal of shareholder Gas Natural SDG, S.A., for the four-year term prescribed by the Company's bylaws.

- Voting on the Resolution was as follows: For: 123,814,015 (97.517%); Against: 3,150,929 (2.482%); Abstentions: 1,890 (0.001%); Total votes cast: 126,966,834.

5.2. - To re-elect Mr Ramón Pérez Simarro as an Independent director for the four-year term prescribed by the Company's bylaws.

- Voting on the Resolution was as follows: For: 126,721,045 (99.807%); Against: 243,899 (0.192%); Abstentions: 1,890 (0.001%); Total votes cast: 126,966,834.

5.3. - To re-elect Mr Martí Parellada Sabata Simarro as an Independent director for the four-year term prescribed by the Company's bylaws.

- Voting on the Resolution was as follows: For: 119,988,526 (94.504%); Against: 6,976,418 (5.495%); Abstentions: 1,890 (0.001%); Total votes cast: 126,966,834.

5.4. - To ratify and appoint any directors that the Board of Directors may appoint by co-option to cover any vacancies arising subsequent to the Notice of Meeting.

From the date on which the Board of Directors resolved to call the 2009 Ordinary Shareholders' Meeting, no new directors were appointed by co-option. This resolution was therefore not adopted.

5.5. - To establish, following the three re-elections agreed and within the limits established in the Company's bylaws, the number of directors at 16.

- Voting on the Resolution was as follows: For: 122,766,507 (96.691%); Against: 1,872,267 (1.475%); Abstentions: 2,328,060 (1.834%); Total votes cast: 126,966,834.

RESOLUTION 6 – The Company in General Meeting, in accordance with article 36(2) of the Company's bylaws, resolves to fix the maximum remuneration payable to directors for 2009 at €1,249,733, to be apportioned on the following basis:

- A director attending a minimum of two meetings during the year shall be entitled to a payment of €22,050.

- In addition, actual attendance at sessions will entitle any given director to a maximum of €42,446. The Board of Directors shall determine the specific amount payable for attendance, whether in person or by proxy, at each session.

- Likewise, board committee members shall be entitled to the sum of €11,025 per annum, with chairmanship of the same entitling them to an additional €5,513 per annum.

- The performance of the office of Vice-chairman of the Board of Directors shall be remunerated in the further amount of €32,025 per annum.

- The aforementioned sums are separate from emoluments and salary which may be additionally accrued for work done or services provided by Board members, and from the right to payment or reimbursement of expenses incurred in the course of their duties.

- Voting on the Resolution was as follows: For: 126,737,535 (99.819%); Against: 225,958 (0.178%); Abstentions: 3,341 (0.003%); Total votes cast: 126,966,834.

RESOLUTION 7 - To authorise the Board of Directors to issue either directly or through its subsidiaries, with the Company's guarantee, on one or more occasions, in a nominal value of up to three thousand million euros (€3,000,000,000) or the equivalent in another currency, fixed-income securities, in any of the forms permitted by law, including, inter alia, bonds, covered mortgage bonds, promissory notes and debentures, whether unsecured or secured by some form of collateral, including mortgages, and in the form of physical certificates or uncertified book entries. The securities issued may or may not be convertible into existing or newly issued shares of the Company. In the case of convertible securities, conversion may be mandatory or voluntary, and, in the latter case, on the motion of either the holder of the securities or of the issuer. Alternatively, securities may incorporate an option to purchase Company shares. The securities may be issued in Spain or abroad, pursuant to Spanish or foreign legislation, as appropriate, and application may be made for these securities to admitted to trading on Spanish or foreign exchanges. The Board of Directors is also authorised to apply for admission to trading of issued securities on Spanish or foreign exchanges as thought necessary, subject to the applicable rules of admission, continued listing and, as the case may be, de-listing.

- The Board of Directors is given authority freely to determine all other terms and conditions of the issue or issues, including whether they shall be perpetual or redeemable and, in the latter case, their term to redemption, always subject to compliance with legal limits and, in general, to execute, without restriction, whatever notarised or non-notarised instruments may be necessary or the Board of Directors may deem expedient for the performance of this resolution, as well as, where appropriate, to appoint the Commissioner and approve the main rules governing relations between the Issuer and the syndicate of holders of the securities issued.

- The Board of Directors shall have a period of five years counting from the date on which this resolution is passed at the General Meeting in which to use the authorisations hereby conferred upon it, at the end of which period, the powers shall expire in respect of the unexercised portion.

- Resolution 11, containing similar terms, passed at the General Meeting of 11 May 2007, is hereby rendered void.

- Voting on the Resolution was as follows: For: 122,156,915 (96.212%); Against: 913,447 (0.719%); Abstentions: 3,896,472 (3.069 %); Total votes cast: 126,966,834.

ITEM 8 - Presentation of the explanatory report on the matters under article 116 bis of the Ley de Mercados de Valores [Securities Market Act].

RESOLUTION 9 – 1. To delegate to the Board of Directors, with the broadest scope possible, the powers required to supplement, implement, perform and rectify the resolutions adopted at the General Meeting. The power to rectify shall encompass the power to make any required or advisable modifications, amendments and additions arising from any objections or remarks made by the regulatory bodies of securities markets, stock exchanges, the Registro Mercantil [Spanish registrar of companies] or any other public authority with powers relating to the resolutions adopted.

To delegate indistinctly to the Chairman of the Board of Directors, Mr Antonio Llardén Carratalá, and the Secretary, Mr Rafael Piqueras Bautista, the powers required to formalise the resolutions adopted by the General Meeting and register any resolution so requiring, whether wholly or in part, for which purpose they may execute all classes of notarised and non-notarised instruments, including for the supplementing or rectification of such resolutions.

- Voting on the Resolution was as follows: For: 126,964,380 (99.998%); Against: 1,672 (0.001%); Abstentions: 782 (0.001 %); Total votes cast: 126,966,834.

E.9. Indicate whether the bylaws impose any minimum requirement on the number of shares needed to attend the General Shareholders' Meetings.

YES

E.10. Indicate and explain the policies pursued by the company with reference to proxy voting at the General Shareholders' Meeting.

In accordance with article 27 of the Company bylaws and article 10 of the General Shareholders' Meeting Regulations, all shareholders entitled to attend General Meetings may appoint another person, who need not be a shareholder, to represent them using the delegation form provided by the Company for each meeting that is printed on the attendance card. The same shareholder may not be represented at the meeting by more than one representative.

Representation shall be specific for each Meeting and conferred in writing via mail, or any means of remote communication envisaged by law, provided at all times that the identity of the subject exercising such representation is duly certified. All proxies shall be revocable.

If the shareholder represented actually attends the meeting in person, the representation rights are automatically revoked, and he/she must inform the representative in order to ensure that this person does not attempt to exercise representation rights that are non-existent.

E.11. Indicate whether the company is aware of the policy of institutional investors on whether or not to participate in the company's decision-making processes.

NO

E.12. Indicate the address and mode of accessing corporate governance content on your company's website.

All information on Enagás, S.A.'s Corporate Governance is available to the public on its website: (www.enagas.es / www.enagas.com).

Access to the aforementioned information is as follows:
- In Spanish: Página Principal - Accionistas e Inversores - Gobierno Corporativo.
- In English: Investor Relations - Corporate Governance.

F.

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 them, explain the recommendations, standards, practices or criteria the company applies.

1. **The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

   See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Explain

- Act 12/2007 of 2 July, amending the Hydrocarbons Industry Act (Act 34/1998 of 7 October) in accordance with Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas, provides new wording for the 20th Additional Provision of the Hydrocarbons Industry Act, which vests in Enagás, S.A. the capacity of "technical system operator" and sets ceilings on shareholdings in the Company. The wording of the 20th Additional Provision now stands as follows: The Company ENAGÁS, Sociedad Anónima, shall assume the functions, rights and obligations of Technical System Operator. (…) No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company responsible for the technical management of the system, nor may they 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 the public business realm. Under no circumstances may share holdings be syndicated.

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

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

a. Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, it shall be deemed that the members of the Board of Directors of a body corporate act on its behalf or in a concerted fashion with it.

b. The partners together with whom that individual or body corporate exercises control over a controlled entity under the provisions of article 4 of Act 24/1988, dated 28 July, governing the Securities Market.

Nonetheless, both the actual ownership of the shares and other securities and the voting rights held through any certificate shall be taken into account.

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.

- The 6th Transitional Provision of Act 12/2007 of 2 July provides that within four months of its coming into force, Enagás, S.A. shall bring its bylaws into line with the 20th Additional Provision of Act 34/1998 of 7 October. The 2nd Transitional Provision of Act 12/2007 of 2 July further prescribes: Any voting rights attaching to shares and other securities held by persons with an ownership interest in the share capital of ENAGÁS, S.A in excess of the ceilings set forth in the 20th Additional Provision of the Hydrocarbons Industry Act shall be suspended as from the coming into force of this provision.

  The National Energy Commission (CNE) shall have the standing to bring legal action to give effect to the restrictions imposed by this provision.

  In accordance with the aforementioned legal provision, article 6a bis ("Limitation of interest in share capital and of the exercise of voting rights") of Enagás, S.A.'s bylaws stipulates the following: "No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company responsible for the technical management of the system, nor may they 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 interests held by public-sector enterprises. Under no circumstances may share capital be syndicated.

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

  For the purposes of calculating the stake in that shareholding structure, there shall apply the 20th Additional Provision Act 34/1998 of 7 October (the Hydrocarbons Industry Act).

- It is for this reason that, since there is an express legal and statutory limit on the exercise of voting rights, Enagás, S.A. is unable to adopt the recommendation that no upper limit be placed on the votes that can be cast by a single shareholder.

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a. The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

b. The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

a. The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

b. Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c. Operations that effectively add up to the company's liquidation

Complies

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Complies

5. Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a. The appointment or ratification of directors, with separate voting on each candidate;

b. Amendments to the bylaws, with votes taken on all articles or group of articles that are materially different.

See section: E.8

Complies

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

Complies

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.

Complies

8. **The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:**

a. The company's general policies and strategies, and, in particular:

   i) The strategic or business plans, management targets and annual budgets;

   ii) Investment and financing policy;

   iii) Design of the structure of the corporate group;

   iv) Corporate governance policy;

   v) Corporate social responsibility policy;

   vi) Remuneration and evaluation of senior officers;

   vii) Risk control and management, and the periodic monitoring of internal information and control systems;

   viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b. The following decisions:

   i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

See section: B.1.14

   ii) Directors' remuneration, and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

See section: B.1.14

   iii) The financial information that all listed companies must periodically disclose.

   iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c. Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1ª They are governed by standard form contracts applied on an across-the-board basis to a large number of clients;

2ª They go through at market prices, generally set by the person supplying the goods or services;

3ª Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.

See sections: C.1 and C.6

Complies

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer then five and no more than fifteen members.

See section: B.1.1

Explain

The recommendation, which would affect the bylaws, to reduce the number of Directors to between five (5) and fifteen (15) as recommended in the Unified Code, instead of between six (6) and seventeen (17) as currently established in article 35 of the Company bylaws, has not been incorporated because it was deemed that due to the legal limits placed on capital interests, the structure of the Board must be such as to allow for the addition of representatives of potential future shareholders without such addition entailing any reduction in the desired percentage of Independent Directors.

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3 and B.1.14

Complies

11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders:

See section: B.1.3

Complies

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1º In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.

2º In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Complies

13. The number of independent directors should represent at least one third of all board members.

See section: B.1.3

Complies

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the 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: B.1.3 and B.1.4

Complies

15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the 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: B.1.2, B.1.27 and B.2.3

Explain

At the date of publication of this report, only one of a total of sixteen (16) members of the Board of Directors is a woman, María Teresa García-Milá Lloveras, and Enagás, S.A. should therefore prioritise and try to increase female representation should a vacancy arise on the Board, especially for independent seats.

Given the above, in 2008 the Board adopted various initiatives aimed at rectifying the gender imbalance. In particular, article 8 of the Regulations of the Board of Directors expressly incorporates the principle of equal treatment of men and women set out in the Unified Code. The new article stipulates that the process for filling board vacancies has no implicit bias against women candidates. The Company shall seek out and include women with the target profile among the candidates for board places.

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See section: B.1.42

Complies

17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

See section: B.1.21

Complies

18. The Secretary should take care to ensure that the board's actions:

a. Adhere to the spirit and letter of laws 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's regulations.

See section: B.1.34

Complies

19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

Complies

20. 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: B.1.28 and B.1.30

Partially complies

In 2009 the Company endeavoured to avoid director absences unless absolutely necessary. There were a total of 16 absences, and bearing in mind that 12 board meetings were held, this represents 8% of the total votes during the year and, in all cases, the absent directors delegated their vote to the Chairman or another director.

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies

22. The board in full should evaluate the following points on a yearly basis:

a. The quality and efficiency of the board's operation;

b. Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;

c. The performance of its committees on the basis of the reports furnished by the same.

See section: B.1.19

Complies

23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B.1.42

Complies

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: B.1.41

Complies

25. Companies should 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.

Complies

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a. Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;

b. Companies should lay down rules about the number of directorships their board members can hold.

See sections: B.1.8, B.1.9 and B.1.17

Partially complies

Point a) of article 13 of the Regulations of the Board of Directors ("Duty of diligent administration") stipulates that board members must inform the Appointments and Remunerations Committee of any professional obligations that might detract from the necessary dedication. The Company may limit the number of directorships its board members can hold if this may also detract from the commitment required.

The Enagás, S.A. Regulations of the Board of Directors place no quantitative limit on the number of directorships its board members can hold but expressly incorporates the content of this Recommendation.

27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

a. On the proposal of the Nomination Committee, in the case of independent directors.

b. Subject to a report from the Nomination Committee in all other cases.

See section: B.1.2

Complies

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

a. Professional experience and background;

b. Directorships held in other companies, listed or otherwise;

c. An indication of the director's classification as executive, proprietary or independent; In the case of proprietary directors, stating the shareholder they represent or have links with.

d. The date of their first and subsequent appointments as a company director; and

e. Shares held in the company and any options on the same.

Complies

29. Independent directors should not stay on as such for a continued period of more than 12 years.

See section: B.1.2

Complies

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. They shall also do so, in the appropriate number, when the shareholder in question reduces its stake to a level requiring a reduction in the number of its Proprietary Directors.

See sections: A.2, A.3 and B.1.2

Partially complies

Article 12.2 f) of the Regulations of the Board of Directors stipulates that Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems this appropriate, when the shareholders they represent dispose of their shareholding in its entirety. They shall also do so, in the appropriate number, when said shareholder reduces its stake to a level requiring a reduction in the number of its Proprietary Directors.

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) of article 12.2, the latter must be included in the category that, in accordance with the present Regulations, is most appropriate based on his/her new circumstances.

In compliance with this Recommendation, Luis Javier Navarro Vigil is now included under the category of "Other External Directors" as the shareholder who proposed his appointment as Proprietary Director on 15 November 2006, B.P. España S.A.U., has sold its entire shareholding in the Company. However, he is not considered to be an Independent Director as he maintains or has maintained a significant business relationship with the Company.

Nonetheless, it was decided to classify Luis Javier Navarro Vigil under the category "Other External Directors" as he did not meet all the conditions required to be classified as an Independent Director as stipulated by the Unified Good Governance Code related to Order ECO/3722/2003 of 26 December and CNMV Circular 4/2007 of 27 December.

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a proposal from the 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 section III. 5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43 and B.1.44

Complies

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

This terms of this Recommendation should also apply to the Secretary to the Board, director or otherwise.

Complies

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Complies

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

a) The amount of the fixed components, itemised, where necessary, of board and board committee attendance fees, with an estimate of the fixed annual remuneration they give rise to.

b) Variable components, in particular:

i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.

ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;

iii) The main parameters and grounds for any system of annual bonuses or other non cash benefits; and

iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.

c. The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.

d. The conditions to apply to the contracts of executive directors exercising senior management functions, among them:

i) Duration;

ii) Notice periods; and

iii) Any other clauses covering hiring bonuses, as well as indemnities or "golden parachutes" in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

Complies

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See section: A.3 and B.1.3

Complies

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Complies

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Complies

40. The Board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year, with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Partially complies

In accordance with the provisions of article 36 of the Company bylaws, the Company's Board of Directors each year proposes to shareholders at the General Meeting the maximum compensation that should be paid to Directors for performance of their functions, as well as the breakdown between remuneration for attendance and membership of Board Committees, remuneration for chairing said Committees and remuneration for serving as Vice-chairman of the Board.

The remuneration paid to the Chairman for performance of his executive functions is approved by the Board of Directors.

The Appointments and Remunerations Committee informs the Board of Directors of all proposals relating to remuneration policy.

In 2009, the Appointments and Remunerations Committee did not feel it was necessary to engage an external advisor to establish its directors' remuneration policy.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

a. A breakdown of the compensation obtained by each company director, to include where appropriate:

i) Participation and attendance fees and other fixed directors payments;

ii) Additional compensation for acting as chairman or member of a board committee;

iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;

iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;

v) Any severance packages agreed or paid;

vi) Any compensation they receive as directors of other companies in the group;

vii) The remuneration executive directors receive in respect of their senior management posts;

viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

b. An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:

i) Number of shares or options awarded in the year, and the terms set for their execution;

ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;

iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;

iv) Any change in the year in the exercise terms of previously awarded options.

c. Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Complies

42. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

See sections: B.2.1 and B.2.6

Not applicable

43. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Not applicable

44. In addition to the Audit Committee mandatory under the Securities Market Act, the Board of Directors should form a committee, or two separate committees, of 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 sent to of the minutes sent to all board members.

See sections: B.2.1 and B.2.3

Complies

45. 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.

Complies

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Complies

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Complies

48. The head of internal audit should present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

Complies

49. 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 sections: D

Complies

50. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

   a. Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

   b. Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.

   c. Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

   d. 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. Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms of his engagement.

   b. Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.

   c. Monitor the independence of the external auditor, to which end:

      i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

      ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

      iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

   d. In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

a. The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b. The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c. Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Complies

53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Complies

54. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.

See section: B.2.1

Complies

55. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

a. Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b. Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.

c. Report on the senior officer appointments and removals which the chief executive proposes to the board.

d. Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Partially complies

The duties and responsibilities of the Appointments and Remunerations Committee are stipulated in articles 45 of the bylaws and 25 of the Regulations of the Board of Directors and are described in section B.2.3 above. The Company complies with the Recommendation in c) above as these provisions stipulate that the Committee must designate and dismiss senior management staff, and where necessary, approve special conditions in their contracts.

However, the Company only partially complies with the functions described in a) b) and d) of Recommendation 55. Even though the Appointments and Remunerations Committee endeavours to comply with these, said provisions include, inter alia, functions related to those recommended but which are not identical. These are:

- To establish payment criteria for the Company's Directors, in accordance with the stipulations of the bylaws and in line with resolutions passed at the General Shareholders' Meeting, and to ensure that payments are transparent.

- Establishing a general remuneration policy for Enagás, S.A., management personnel, justifying the same to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers, in order to ensure that the Company has the appropriate highly qualified staff for administering its business at all times.

- To review the structure of the Board of Directors, the criteria for the statutory renewal of Directors, the incorporation of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that it considers necessary.

- 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 post 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 freely 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 approve payment of senior management, providing that this does not diverge from criteria established in the general payment policy for Management.

56. 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.

Complies

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

a. Make proposals to the Board of Directors regarding:

i) The remuneration policy for directors and senior officers;

ii) The individual remuneration and other contractual conditions of executive directors.

iii The standard conditions for senior officer employment contracts.

b. Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14 and B.2.3

Complies

58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies

G.

OTHER INFORMATION OF INTEREST

If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report, indicate and explain below.

CLARIFICATION OF SECTION A.2:

Indicate the most significant movements in the shareholder structure during the year. - On 23 June 2009 Gas Natural SDG, S.A. notified the Comisión Nacional del Mercado de Valores (hereafter, the CNMV) of the authorisation granted by the Comisión Nacional de la Competencia (hereafter, the CNC) to transfer 11,936,702 shares, equivalent to 5% of the share capital of Enagás, S.A., giving Oman Oil Holdings Spain, S.L.U., a fully integrated subsidiary of Oman Oil Company S.A.O.C., a direct holding in Enagás, S.A., Therefore, as of 25 June 2009 Gas Natural SDG, S.A. ceased to be a significant shareholder in Enagás, S.A. as Oman Oil Holdings Spain, S.L.U. notified the CNMV that it had acquired the abovementioned significant shareholding in Enagás, S.A.

CLARIFICATION OF SECTION A.3:

Complete the following tables on company directors holdings voting rights through company shares. The table included at the end of this section, referring to the number of direct ad indirect share options and the number of equivalent shares, hasn't been completed, because any Director holds rights of option on shares in Enagás, S.A.

CLARIFICATION OF SECTION 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. - We would also mention other transactions between Enagás, S.A. and GRUPO GAS NATURAL SDG, S.A. which was the Company's significant shareholder and related party as stipulated in section d) of point 4.1 of Ministerial Order EHA 3050/2004), until 25 June 2009, on which date it sold its 11,936,702 shares, equivalent to 5% of the share capital of Enagás, S.A., to Oman Oil Holdings Spain, S.L.U., a fully integrated subsidiary of Oman Oil Company S.A.O.C.

1. On 12 January 2009, Enagás S.A. paid Gas Natural SDG, S.A. an interim dividend of €3,104 thousand.

2. Enagás S.A. paid Gas Natural group companies €7,618 thousand for self-supply.

3. Desarrollo del Cable S.A. leases Enagás, S.A. part of the fibre optic cable required for its telecommunications services at market rates under a contract signed in 1999 and amended in 2005. The cost of this service in 2009 was €19,242 thousand.

4. Enagás S.A. has a total of 30 third-party access (TPA) agreements in force with Gas Natural Comercializadora S.A., Gas Natural S.U.R. and Gas Natural Servicios S.A., of which three are short-term and 27 are long-term. Of the four TPA contracts signed in 4Q09, three remained in force at 31 December 2009. Between 1 January and 31 December 2009 the following services were provided:

- Regasification of 51,544.76 GWh, (revenues for these services including cistern loading, the unloading of tankers and LNG storage, totalled €57,727.89 thousand).

- Transport of 131,126.80 GWh (revenues from these services, including the transport component of tolls, totalled €80,069.42 thousand).

- Storage of an average of 12,151.67 GWh (revenues from these services totalled €60,456.5 thousand).

TOTAL AMOUNT OF TPA SERVICES PROVIDED TO GRUPO GAS NATURAL SDG, S.A.: €198,253.91 THOUSAND.

- TPA contracts are standard forms approved by the Ministry for Industry, Trade and Tourism. The tolls billed by Enagás are also standardised by the Ministry.

CLARIFICATION OF SECTION B.1.2:

Complete the following table with board members' details: - At the board meeting of 27 July 2009, the legal person director BILBAO BIZKAIA KUTXA (BBK), announced the decision to replace Xabier de Irala Estévez with Joseba Andoni Aurrekoetxea Bergara, as director of Enagás, S.A.

CLARIFICATION OF SECTION B.1.6:

Indicate what powers, if any, have been delegated to the Chief Executive Officer: The Company does not have a Chief Executive Officer.

CLARIFICATION OF SECTION B.1.8:

List any company board members who likewise sit on the Boards of Directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company: - José Luis Olivas Martínez, who represents BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante), is a director of IBERDROLA, S.A. and Chairman of the IBERDROLA Consultative Committee in Valencia. He was also a director of ABERTIS INFRAESTRUCTURAS, S.A. until 24 November 2009.

- Carlos Egea Krauel, who represents SAGANE INVERSIONES, S.L., is a director of IBERDROLA RENOVABLES, S.A. and Secretary of the board of CONFEDERACIÓN ESPAÑOLA DE LAS CAJAS DE AHORROS (CECA).

CLARIFICATION OF SECTION B.1.9:

Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit. - Article 13 of the Regulations of the Board of Directors stipulates that the Company may limit the number of directorships its board members can hold if this may also detract from the commitment required. Board members must also inform the Appointments and Remunerations Committee of any other professional obligations that might detract from the necessary dedication.

CLARIFICATION OF SECTION B.1.11:

Complete the following tables indicating the aggregate remuneration paid to directors of directors during the year: - "Others" in section B.1.11.a) includes €77 thousand paid to the Chairman as remuneration in kind.

CLARIFICATION OF SECTION B.1.16:

Describe the role played by the Remuneration Committee and whether external consultancy services have been procured, including the identity of the external consultants. - The Appointments and Remunerations Committee of Enagás, S.A. did not engage an external advisor in 2009.

CLARIFICATION OF SECTION B.1.17:

List any board members who are likewise members of the Boards of Directors, or executives or employees of companies that own significant holdings in the listed company and/or group companies. - Manuel Menéndez Menéndez, who represents the shareholder PEÑA RUEDA, S.L.U., is Chairman of Caja de Ahorros de Asturias (CAJASTUR).

- José Luis Olivas Martínez, who represents the shareholder Caja de Ahorros de Valencia, Castellón y Alicante (BANCAJA), is Chairman of BANCAJA.

- Enrique Martínez Robles, who represents the shareholder Sociedad Estatal de Participaciones Industriales (SEPI), is Chairman of SEPI.

- Joseba Andoni Aurrekoetxea Bergara, who represents the shareholder Bilbao Bizkaia Kutka (BBK) since 27 July 2009, is Chairman of the control committee at BBK.

CLARIFICATION OF SECTION B.1.22:

Are qualified majorities, other than legal majorities, required for any type of decisions? - No qualified majorities are required, other than those legally-established.

Describe how resolutions are adopted by the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions. Article 29 of the bylaws and article 7 of the Regulations of the Board of Directors stipulate that Meetings of the Board of Directors shall be validly constituted when at least half its members plus one are present or represented, except when the meeting has not been duly convened, in which case the attendance of all members is required. The aforementioned articles also stipulate that resolutions shall be adopted with the vote in favour of an absolute majority of Directors present or represented, irrespective of the type of decision in question, except in the case of written ballots held without meeting, which shall only be permissible when none of the Directors oppose the procedure and the requirements established in the Regulations of the Commercial Registry are satisfied.

CLARIFICATION OF SECTION B.1.40:

List any equity holdings of the members of the company's Board of Directors in other companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the company and/or its group, and which have been reported to the company. Likewise, list the posts or duties they hold in such companies. - Manuel Menéndez Menéndez, who represents Peña Rueda, S.L. on the board of Enagás, S.A., is also, as an individual, Chairman of the Board of Directors of Hidroeléctrica del Cantábrico, S.A. (H.C.), Chairman of the Board of Directors of NATURGAS ENERGÍA GRUPO, S.A. and a director of EDP RENOVABLES, S.A.

- José Luis Olivas Martínez, who represents Caja de Ahorros de Valencia, Castellón y Alicante (BANCAJA) on the board of Enagás, S.A., as an individual, is also a director of IBERDROLA, S.A. and Chairman of the IBERDROLA, S.A. Consultative Committee in Valencia. He also owns 10,357 shares in Iberdrola, S.A. and 18,867 shares in Iberdrola Renovables, S.A.

CLARIFICATION OF SECTION B.2.3:
Describe the organisational and operational rules and the responsibilities attributed to each of the board committees. Given that it is technically impossible to include all the information in B.2.3 of this form, the rest of the text is reproduced below. DUTIES OF THE AUDIT AND COMPLIANCE COMMITTEE:

e. In relation to Corporate Governance: - Assessing compliance with the Internal Code of Conduct in Matters Relating to Stock Markets, the Regulations of the Board of Directors and the Company's governance regulations in general, and make the proposals necessary for their improvement. In fulfilling this duty, the Appointments and Remunerations Committee shall liaise with the Audit and Compliance 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 questions within the scope of its competencies at the General Shareholders' Meeting.

- The above functions, with the exception of those attributed directly to the Audit and Compliance Committee by law or in the Company bylaws, shall be considered delegated functions and may therefore be executed, at any time, on prior request, 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 under its competency.

CLARIFICATION OF SECTIONS A.4, B.1.4, B.1.6, B.1.7, B.1.17, B.1.36 AND B.2.6:
ENAGÁS, S.A. does not comply with any of these Recommendations as they are not deemed to affect the Company.

CLARIFICATION OF SECTION C.2:
List any relevant transactions entailing a transfer of assets or liabilities between the Company or its group companies and significant shareholders in the Company: - Regarding the transactions entered into between Enagás, S.A. and its significant shareholders, we would note that Caja de Ahorros de Asturias (CAJASTUR) contributed €65,000 thousand to the CLUB DEAL loan arranged on 24 November 2004 and disbursed on 10 January 2005, which was repaid early on 10 July 2009. We refer to this transaction in section C.2 above as a commercial operation involving finance agreements, loans and capital contributions (lender), for this amount.

- We would include other transactions between Enagás, S.A. and GRUPO GAS NATURAL SDG, S.A. which was the Company's significant shareholder and related party as per paragraph d) of point 4.1 of Ministerial Order EHA 3050/2004), until 25 June 2009, on which date it sold its 11,936,702 shares, equivalent to 5% of the share capital of Enagás, S.A., to Oman Oil Holdings Spain, S.L.U., a fully integrated subsidiary of Oman Oil Company S.A.O.C.

1. On 12 January 2009, Enagás S.A. paid Gas Natural SDG, S.A. an interim dividend of €3,104 thousand.

2. Enagás S.A. paid Gas Natural group companies €7,618 thousand for self-supply.

3. Desarrollo del Cable S.A. leases Enagás, S.A. part of the fibre optic cable required for its telecommunications services at market rates under a contract signed in 1999 and amended in 2005. The cost of this service in 2009 was €19,242 thousand.

4. Enagás S.A. has a total of 30 third-party access (TPA) agreements in force with Gas Natural Comercializadora S.A., Gas Natural S.U.R. and Gas Natural Servicios S.A., of which three are short-term and 27 are long-term. Of the four TPA contracts signed in 4Q09, three remained in force at 31 December 2009. Between 1 January and 31 December 2009 the following services were provided:

- Regasification of 51,544.76 GWh, (revenues for these services including cistern loading, the unloading of tankers and LNG storage, totalled €57,727.89 thousand).

- Transport of 131,126.80 GWh (revenues from these services, including the transport component of tolls, totalled €80,060.42 thousand).

- Storage of an average of 12,151.67 GWh (revenues from these services totalled €60,456.5 thousand).

  TOTAL AMOUNT OF TPA SERVICES PROVIDED TO GRUPO GAS NATURAL SDG, S.A.: €198,253.91 THOUSAND.

- TPA contracts are standard forms approved by the Ministry for Industry, Trade and Tourism. The tolls billed by Enagás are also standardised by the Ministry.

CLARIFICATION OF SECTION C.3:
List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies, and the company's managers or directors:

- TRANSACTIONS WITH BILBAO BIZKAIA KUTXA (BBK): Enagás, S.A. has a €12,000 thousand credit line with BBK. Enagás has also arranged a €50,000 thousand loan with BBK maturing in one year. Enagás S.A. has an interest rate collar contract worth €30,000 thousand with BBK for the period running from October 2008 to January 2010. We refer to this transaction in section C.3 above as a commercial operation involving finance agreements, loans and capital contributions (lender), totalling €92,000 thousand. The terms in all financial agreements with BBK are normal market interest rates, fees, expenses and guarantees.

- TRANSACTIONS WITH CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA): Enagás, S.A. has a €6,000 thousand credit line with BANCAJA, as well as an interest rate collar worth €50,000 thousand for the period running from October 2008 to January 2010. We refer to this transaction in section C.3 above as a commercial operation involving finance agreements, loans and capital contributions (lender), totalling €56,000 thousand. The terms in all financial agreements with BANCAJA are normal market interest rates, fees, expenses and guarantees.

- In accordance with the provisions of section a) of point 4.1. of Ministerial Order EHA 3050/2004, pertaining to transactions with directors, executives and their close family members:

1. DIRECTORS:

- Attendance fees paid to members of the Board of Directors to 31 December 2009 totalled €1,155 thousand.

- Remuneration to each director at 31 December 2009 can be broken as follows (in thousands €):

  NAME OR CORPORATE NAME OF DIRECTOR OR SENIOR MANAGER AND AMOUNTS IN THOUSANDS €:

  ANTONIO LLARDÉN CARRATALÁ: 1,621
  JESÚS DAVID ÁLVAREZ MEZQUÍRIZ: 64

BBK (BILBAO BIZKAIA KUTXA): 72
BANCAJA (CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE): 108
CARLOS EGEA KRAUEL: 26
SALVADOR GABARRÓ SERRA: 21
TERESA GARCÍA-MILÁ LLOVERAS: 76
MIGUEL ÁNGEL LASHERAS MERINO: 64
DIONISIO MARTÍNEZ MARTÍNEZ: 78
LUIS JAVIER NAVARRO VIGIL: 76
MARTÍ PARELLADA SABATA: 81
PEÑA RUEDA, S.L.U.: 64
RAMÓN PÉREZ SIMARRO: 76
JOSÉ RIVA FRANCOS: 64
SAGANE INVERSIONES, S.L.: 49
SAID AL MASOUDI: 23
SEPI (SPANISH STATE HOLDING COMPANY): 73
ANTONIO TÉLLEZ DE PERALTA: 76

- Attendance fees (€1,155 thousand) paid to directors who resigned in the course of 2009 were also included in the calculation of these payments. Specifically those paid to CARLOS EGEA KRAUEL, for a total amount of €26,000 thousand for attending board meetings up until the date of his resignation, i.e. 27 April 2009; as well as those paid to SALVADOR GABARRÓ SERRA, for a total amount of €21,000 for attending board meetings up until the date of his resignation, i.e. 7 April 2009.

- Also, when calculating the remuneration paid to the directors who replaced the abovementioned directors, the dates on which the former were appointed were taken into consideration. These are as follows, for SAGANE INVERSIONES, S.L. (replacing Carlos Egea): 27 April 2009 and for SAID AL MASOUDI (replacing Salvador Gabarró): 27 July 2009.

- Also, the remuneration paid to the Chairman of the Board, ANTONIO LLARDÉN CARRATALÁ, which totalled €1,621 thousand, included both fixed and variable remuneration, attendance fees and other remuneration in kind. Neither payments made to pension funds/plans nor obligations made to pension funds/plans are included in this amount. For further details on the remuneration, see Section B.1.11 above.

2. SENIOR MANAGEMENT:

Remuneration paid to the Company's senior management totalled €2,450 thousand. Also included is the remuneration paid to the Management Committee and the Head of the Internal Audit Unit at Enagás, S.A. For further details, see Section B.1.12 above.

3. OTHER RELATED PARTIES:

- We would also mention other transactions between Enagás, S.A. and Other Related Parties, section b) of point 4.1. of Ministerial Order EHA 3050/2004) relating to 2009: Included are transactions with companies with a significant influence over Enagás, S.A. and companies over which Enagás, S.A. has a significant influence (Ministerial Order EHA 3050/2004):

I. CAJA MURCIA:

Enagás, S.A. has entered into the following transactions with Caja Murcia:

1. A €35,000 thousand credit line.

2. A €6,000 thousand bank guarantee line.

- The terms in all financial agreements with Caja Murcia are normal market interest rates, fees, expenses and guarantees.

- We would include the following other related-party transactions (as per paragraph d. of point 4.1, of Ministerial Order 3050/2004):

II. LA CAIXA D´ESTALVIS I PENSIONS DE BARCELONA (LA CAIXA) AND GROUP ENTITIES:

1. La Caixa contributed €89,000 to the CLUB DEAL loan arranged on 24 November 2004 and disbursed on 10 January 2005, which was repaid early on 10 July 2009.

2. In 2009 Enagás, S.A. also extended a €100,000 thousand credit line.

3. Technical guarantees granted by La Caixa to Enagás, S.A. at 31 December 2009 amounted to €30,000 thousand, while financial guarantees amounted to €58,939 thousand.

4. Enagás has renting agreements with La Caixa group subsidiaries for €8,530 thousand. Expenses related to these agreements for Enagás, S.A. amounted to €1.521 thousand.

5. Enagás S.A. has an interest rate collar contract worth €100,000 with La Caixa for the period running from October 2008 to January 2010.

6. La Caixa has granted Enagás, S.A. a 3-year €100,000 thousand loan.

7. In addition, La Caixa and Enagás, S.A. have signed an agreement in which the bank will broker a loan for €175,000 thousand corresponding to the B tranche of the €1,000,000 thousand loan granted by EIB.

8. Lastly, Enagás, S.A. arranged an interest-rate swap with La Caixa for €50,000 thousand for the period running from November 2009 to November 2012.

- The terms in all financial agreements with La Caixa are normal market interest rates, fees, expenses and guarantees.

III. CAIXA CATALUNYA:

1. Enagás, S.A. has renewed and extended a €10,000 thousand credit policy with Caixa Catalunya.

2. Enagás, S.A has a bank guarantee line of €12,000 thousand with Caixa Catalunya.

3. Caixa Catalunya contributed €15,000 thousand to the Club Deal loan arranged on 24 November 2004 and disbursed on 10 January 2005, which was repaid early on 10 July 2009.

- The terms in all financial agreements with Caixa Catalunya are normal market interest rates, fees, expenses and guarantees.

IV BANCO SABADELL:

1 Banco Sabadell and Enagás, S.A. have signed an agreement in which the bank will broker a loan for €100,000 thousand corresponding to the C tranche of the €1,000,000 thousand loan granted by EIB.

2 Enagás also has a 3-year €6,000 thousand credit line with Banco Sabadell.

3. Banco Sabadell has granted Enagás, S.A. a 3-year €150,000 thousand loan.

4. Enagás, S.A has a bank guarantee line of €6,000 thousand with Banco Sabadell.

5. Lastly, Enagás. S.A. arranged an interest-rate swap with Banco Sabadell for €50,000 thousand for the period running from November 209 to November 2012.

- The terms in all financial agreements with Banco Sabadell are normal market interest rates, fees, expenses and guarantees.

V. EULEN, S.A:

- Enagás, S.A. paid Eulen some €2,221 thousand for building and installation maintenance services.

VI. GRUPO INTERMONEY:

- Enagás received €4,260 thousand from "Wind to Market S.A." from the sale of emission rights. This transaction was carried out at normal market rates.

VII. GRUPO GAS NATURAL SDG, S.A. (related-party transactions, excluding TPA):

1. On 12 January 2009, Enagás S.A. paid Gas Natural SDG, S.A. an interim dividend of €3,104 thousand.

2. Enagás S.A. paid Gas Natural group companies €7,618 thousand for self-supply.

3. Desarrollo del Cable S.A. leases Enagás, S.A. part of the fibre optic cable required for its telecommunications services at market rates under a contract signed in 1999 and amended in 2005. The cost of this service in 2009 was €19,242 thousand.

- We would also mention other transactions between Enagás, S.A. and Other Related Parties, section b) of point 4.1. of Ministerial Order EHA 3050/2004) relating to third-party access (TPA) services in 2009: - TPA contracts are standard forms approved by the Ministry for Industry, Trade and Tourism. The tolls billed by Enagás are also standardised by the Ministry. These TPA services are:

VII. GRUPO GAS NATURAL SDG, S.A. (only TPA):

- Enagás S.A. has a total of 30 third-party access (TPA) agreements in force with Gas Natural Comercializadora S.A., Gas Natural S.U.R. and Gas Natural Servicios S.A., of which three are short-term and 27 are long-term. Four TPA agreements were signed in 4Q09, of which only three remained in force at 31 December 2009.

- Between 1 January and 31 December 2009 the following services were provided: Regasification of 51,544.76 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €57,727.89 thousand); transport of 131,126.80 GWh (billings for these services, including the transport component of tolls, were €80,069.42 thousand); storage of a daily average of 12,151.67 GWh (billings for these services were €60,456.5 thousand).

- TOTAL FROM TPA SERVICES: €198,253.81 THOUSAND.

VIII. IBERDROLA, S.A.:

1. In 2009, Enagás S.A. paid Iberdrola S.A. €5,457 thousand for self-supply.

2. Enagás S.A. has a total of 14 third-party access (TPA) agreements in force with Iberdrola S.A., of which one is short-term and 13 long-term. It arranged one TPA agreement in 4Q09, which is no longer in force.

- Between 1 January and 31 December 2009 the following services were provided: Regasification of 12,981.39 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €622.30 thousand); transport of 14,957.58 GWh (billings for these services, including the transport component of tolls, were €22,809.58 thousand); storage of a daily average of 1,980.95 GWh (billings for these services were €11,826.57 thousand).

- TOTAL FROM TPA SERVICES: €46,258.45 THOUSAND.

IX. NATURGÁS COMERCIALIZADORA, S.A.:

- Enagás S.A. has a total of nine TPA contracts in force with Naturgas Comercializadora, S.A. of which eight are long-term and one is short-term. Two TPA agreements were signed in 4Q09, of which only three remained in force at 31 December 2009.

- Between 1 January and 31 December 2009 the following services were provided: Regasification of 1,885.31 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €1,955.06 thousand); transport of 1,637.80 GWh (billings for these services, including the transport component of tolls, were €704.62 thousand); storage of a daily average of 1,305.76 GWh (billings for these services were €6,721.95 thousand).

- TOTAL FROM TPA SERVICES: €9,381.63 THOUSAND.

X. HIDROCANTÁBRICO ENERGÍA, S.A.:

- In 2009, Enagás incurred costs of €1,726 thousand for electricity services provided by Hidrocantábrico.

- Enagás, S.A. has total of three long-term TPA contracts in force with Hidrocantábrico Energía, S.A. In the fourth quarter, there were no new contracts. Some 2,465.16 GWh were transported and billing for this service totalled €866.36 thousand.

- TOTAL FROM TPA SERVICES: €866.36 THOUSAND.

CLARIFICATION OF SECTION F - DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS.

Out of the 58 Recommendations, Enagás, S.A. complies with 48 and partially complies with four. It has provided explanations for three Recommendations and a further three are not applicable to Enagás, S.A. CLARIFICATION OF SECTION G2. BINDING DEFINITION OF INDEPENDENT DIRECTOR: The Appointments and Remuneration Committee and the Board of Directors have studied the SITUATIONS concerning three Independent Directors and have ruled that these DO NOT AFFECT THEIR INDEPENDENCE. (See Section G.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.

Binding definition of independent director:

List any independent directors who maintain, or have maintained in the past, a relationship with the company, its significant shareholders or managers, when the significance or importance thereof would dictate that the directors in question may not be considered independent pursuant to the definition set forth in section 5 of the Unified Good Governance Code.

YES

Name of director
JESÚS DAVID ÁLVAREZ MEZQUÍRIZ

Type of relationship
Contractual

Reason
Even though Mr. Álvarez is the CEO of Eulen, S.A., an entity which maintained a commercial relationship with Enagás, S.A. in 2009, the Appointments and Remuneration Committee and the Board of Directors believe that the abstention of this director in the negotiation and decision-making process of both parties; the rigorous procedures usually followed for contracting works and services, which were not excluded on this occasion and the express intervention of the Committee and the Board, given the related-party nature of this relationship, means that there are not sufficient or important enough reasons why this director may not remain Independent.

Name of director
MIGUEL ANGEL LASHERAS MERINO

Type of relationship
Contractual

Reason
Even though he is Chairman of Intermoney Energía, S.A., an entity which maintained an advisory relationship with the Company in 2009, the Appointments and Remuneration Committee and the Board of Directors believe that the amount of fees received by Intermoney for the specialist advice provided is neither significant nor important. Therefore he shall continue to be considered Independent. In addition, the express intervention of the Committee and the Board must be noted, given the related-party nature of this relationship

Name of director
MARTÍ PARELLADA SABATA

Type of relationship
Commercial

Reason
Even though he provided services to the Caja de Ahorros de Valencia, Castellón y Alicante Group (Grupo BANCAJA) in 2006 and 2007, the Appointments and Remuneration Committee and the Board have noted that in 2008 and 2009 he did not provide any services of this kind and that the amount received in the prior years was not significant due to the business volume of the parties involved. It must

also be noted that the services were not provided to Enagás, S.A. but to the Group of one of its shareholders which has limited voting rights in the Company as stipulated in the 20th Additional Provision of the Hydrocarbons Industry Act . It is therefore agreed that this director should be considered Independent.

Date and signature:

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on:

02/01/2010

List whether any directors voted against or abstained from voting on the approval of this report.

NO

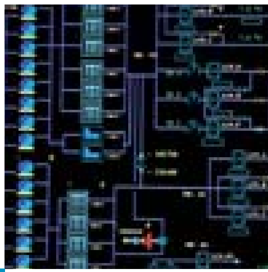
The Enagás group's internal control system for financial information

Over the past few years the financial information provided by companies to market agents (analysts, lenders and investors) and to regulatory entities such as the Spanish stock market regulator (CNMV) and supervisory bodies for the regulated sectors has increased significantly in terms of both frequency and volume. Against this background, transparency and a reliable process for generating this financial information, in many cases in extremely short periods of time, are vital.

A Work Group on Internal Controls (GTCI) was set up on the suggestion of the CNMV to draw up a set of recommendations on companies' internal financial information control systems (SCIIF). The group's work has focused on three main objectives: (i) a review of the Spanish regulatory framework on internal controls for financial reporting; (ii) establishing a framework of principles and good practices regarding such controls, including their supervision; and (iii) improving the transparency of information issued by listed companies to markets about their internal control systems. This document is currently in the public consultation stage.

The Enagás group is aware of the market's interest in these initiatives and has, over the last three years, implemented an ambitious project to review and improve its internal financial information control system (SCIIF) in order to adapt it to the best international practice in this area. Once the main recommendations for improvement had been implemented, Enagás' SCIIF project was assessed externally.

The main aspects of the group's internal financial information system along with the internal assessment and the report issued by the external assessor are described below.



8.1.

Project background and objectives

The business community requires from companies an increasingly greater commitment to protect the interests of shareholders, clients, employees, creditors, suppliers and society as a whole. These new requirements are reflected, among other things, in specific measures adopted by companies to improve confidence in published financial information.

One key to strengthening confidence lies in the creation of efficient financial reporting systems which allow:

- Reliable and high quality financial information to be reported involving the entire company.

- Systemising and formalising financial reporting, obtaining improvements and increasing efficiency through the application of international best practice.

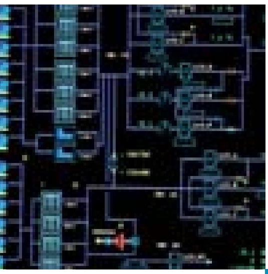
At the end of 2007 the Enagás group, aware of its social responsibility, decided to undertake a far-reaching project to adapt its internal financial information control system to international best practice, with the following key objectives:

- To improve efficiency and security in financial reporting processes, minimising the risk of error.

- Staying ahead of new regulatory requirements in the field of internal control and corporate governance, adopting international best practice as soon as possible.

- Positioning the company as a leader in the business community in the area of internal control and corporate governance.

The project, headed by the chairman of Enagás and coordinated by the Finance Department, was a huge challenge for the company as a whole, with a deadline that required it to be completed in time to be reviewed by an independent assessor at the end of 2008. Having achieved this target, the Enagás group's SCIIF has been subject to another external review in 2009.



8.2.

Overview of the Enagás group's internal financial information control system

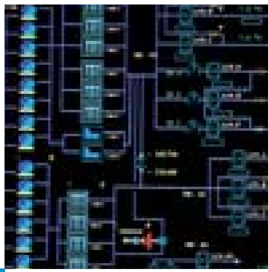
Financial reporting is a vital channel for communication with shareholders, investors, financiers and supervisory bodies and one which derives information from a variety of sources. In fact, virtually all group departments provide (to a greater or lesser extent) data that is used to compile financial information. Meeting the objectives of transparency and veracity of information is the responsibility not only of the Finance Department but of all Enagás' business units, in their respective areas of operation. This shared responsibility is one of the keys to ensuring that the group's internal financial reporting system functions correctly.

Enagás' SCIIF project is based on two types of control: (i) general control mechanisms (the Audit Committee, Ethical Code, Internal Audit function and an appropriate organisational structure); and (ii) controls mechanisms in place in the different departments governing significant transactions that have an impact on the financial information reported. Eight areas and 29 processes with a significant impact on group financial reporting are currently included in the Enagás group's SCIIF. Using a standard documentation model, these have been broken down into 752 operating activities and 310 control activities. The person responsible for the execution of each control activity has been identified to ensure that all records used to draw up financial information can be traced.

The documentation prepared in relation to the areas and processes details the steps involved in the preparation of financial information from the initiation of a transaction up to the bookkeeping process, including authorisation and processing records. This documentation has been drawn up with the following key objectives in mind:

- To identify the critical processes linked directly and indirectly to the generation of financial information.
- To identify the risks inherent to these processes that could give rise to significant errors in the financial information reported (typically factors such as integrity, validity, registration, cost, valuation and presentation).
- To identify and classify the controls established to mitigate these risks.

All documentation relating to the group's SCIIF is stored using a corporate technology tool. System information is updated regularly to reflect any change in the transactions or financial reporting system and is open to review by our external auditor or supervisory bodies with prior warning and authorisation. The aim of these regular updates is to take advantage of the initial effort made to improve the quality of existing processes and strengthen control of the mechanisms for generating financial information.



8.3.

Internal assessment of the internal financial information control system

Following an internal evaluation of the SCIIF and the implementation of the recommendations for improvement, Enagás considered that, at 31 December 2009, the internal control system for the group's financial information efficiently mitigated the risk associated with the generation of financial information in terms of its structure and operation.

Following this internal review, Enagás subjected its internal financial information control system to external review, the results of which are detailed below:

Deloitte.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
+34 915 56 74 30
www.deloitte.es

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

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

1. We have examined the effectiveness of the internal control system on the generation of the financial information of Enagás, S.A. and Subsidiaries ("the Company") at 31 December 2009. The objective of this system is to contribute to the transactions performed being presented fairly under the accounting principles and standards applicable to it and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the financial information. The aforementioned system is based on the rules and policies defined by Company management, which is responsible for maintaining the effectiveness thereof. Our responsibility is limited to expressing an opinion on its effectiveness based on the work performed by us.

2. Our work was performed in accordance with Spanish professional standards and, consequently, it included understanding the internal control system on the generation of the financial information, an assessment of the risk of the existence of material errors in that information, the performance of tests and evaluations of the design and operational effectiveness of this system, and the performance of such other procedures as we might have considered necessary. We consider that our examination provides a reasonable basis for our opinion.

3. A financial reporting internal control system is designed to provide reasonable assurance on the reliability of the financial information in accordance with the accounting principles and standards applicable to it. A financial reporting internal control system includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, use or sale of assets of a company which could have a material effect on the financial information.

4. The limitations inherent to any internal control system might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

5. In our opinion, at 31 December 2009 the Company maintained, in all material respects, an effective internal control system on the generation of financial information and this internal control system is based on the rules and policies defined by Company management.

DELOITTE, S.L.

Jesús María Navarro

15 February 2010

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

Member of
Deloitte Touche Tohmatsu

Annual Accounts

Deloitte.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
+34 915 56 74 30
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Enagás, S.A.:

1. We have audited the consolidated financial statements of Enagás, S.A. and Subsidiaries comprising the consolidated balance sheet at 31 December 2009 and the related consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

2. As required by Spanish corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the figures for 2009 for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows, the figures for 2008. Our opinion refers only to the consolidated financial statements for 2009. On 10 February 2009, we issued our auditors' report on the 2008 consolidated financial statements, in which we expressed an unqualified opinion.

3. In our opinion, the accompanying consolidated financial statements for 2009 present fairly, in all material respects, the consolidated equity and consolidated financial position of Enagás, S.A. and Subsidiaries at 31 December 2009 and the consolidated results of their operations, their consolidated cash flows and the changes in the consolidated equity for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that of the preceding year.

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

Member of
Deloitte Touche Tohmatsu

4. The accompanying consolidated directors' report for 2009 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2009. 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 Subsid.

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

Jesús Maria Navarro

15 February 2010

ENAGÁS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2009
(Figures in thousands of euros)

Assets	Notes	31.12.2009	31.12.2008
NON-CURRENT ASSETS		4,764,874	4,046,543
Intangible assets	5	41,405	37,552
Property, plant and equipment	6	4,654,955	3,975,029
Financial assets	8	11,018	19,716
Deferred tax assets	21	57,496	14,246
CURRENT ASSETS		1,015,065	671,283
Inventories	10	4,725	2,215
Trade and other receivables	9	359,669	444,208
Other financial assets	8	8,083	8,461
Other assets		2,064	1,857
Cash and cash equivalents	11	640,524	214,542
TOTAL ASSETS		5,779,939	4,717,826
Equity and liabilities	**Notes**	**31.12.2009**	**31.12.2008**
EQUITY		1,581,255	1,440,366
CAPITAL AND RESERVES		1,593,429	1,456,080
Issued capital	12	358,101	358,101
Reserves	12	1,004,859	901,165
Profit for the year		298,031	258,885
Interim dividend	12	(67,562)	(62,071)
NET UNREALISED GAINS (LOSSES) RESERVE	12	(12,174)	(15,714)
NON-CURRENT LIABILITIES		3,372,581	2,259,041
Provisions	14	31,504	31,523
Non-current financial liabilities	15	3,090,039	2,156,403
Deferred tax liabilities	21	166,585	1,355
Other liabilities	16	84,453	69,760
CURRENT LIABILITIES		826,103	1,018,419
Current financial liabilities	15	503,763	514,735
Trade and other payables	19	321,955	503,159
Other liabilities		385	525
TOTAL EQUITY AND LIABILITIES		5,779,939	4,717,826

Notes 1 to 33 set forth in the accompanying financial information are an integral part of the consolidated balance sheet at 31 December 2009

Annual Accounts

ENAGÁS S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009
(Figures in thousands of euros)

	Notes	Year ended 31.12.2009	Year ended 31.12.2008
Purchase-sale of gas on regulated market	22	–	7,640
Revenue from regulated activities	22	866,829	813,101
Revenue from liberalised activities	22	15,429	16,186
Other operating income	22	14,125	16,807
Employee benefits expense	23	(60,743)	(68,952)
Other operating costs	23	(139,437)	(155,126)
Depreciation and amortisation		(216,590)	(203,051)
Impairment losses and gains (losses) on disposal of assets		5,104	6,508
OPERATING PROFIT		**484,717**	**433,113**
Finance revenue	24	12,257	13,799
Finance costs	24	(72,715)	(80,910)
Change in fair value of financial instruments	24	(779)	124
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**423,480**	**366,126**
Income tax expense	21	(125,449)	(107,241)
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS		**298,031**	**258,885**
Profit for the year from discontinued operations		–	–
PROFIT FOR THE YEAR		**298,031**	**258,885**
Attributable to:			
Equity holders of the parent		298,031	258,885
BASIC EARNINGS PER SHARE	**13**	**1.25**	**1.08**
DILUTED EARNINGS PER SHARE	**13**	**1.25**	**1.08**

Notes 1 to 33 set forth in the accompanying financial information are an integral part of the consolidated income statement for the year ended 31 December 2009

ENAGÁS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2009
(Figures in thousands of euros)

	Year eneded 31.12.2009	Year ended 31.12.2008
PROFIT FOR THE YEAR	**298,031**	**258,885**
INCOME AND EXPENSES RECOGNISED IN EQUITY:	**(18,509)**	**(10,168)**
Remeasurement of financial instruments		
Available-for-sale financial assets	13	(668)
Other income / (expense)	–	2,716
Cash flow hedges	(26,455)	(16,574)
Translation differences	–	–
Tax effect	7,933	4,358
INCOME AND EXPENSE RECLASSIFIED TO PROFIT AND LOSS:	**22,049**	**(4,651)**
Remeasurement of financial instruments		
Available-for-sale financial instruments	779	(124)
Other income / (expense)	–	–
Cash flow hedges	30,722	(6,520)
Translation differences	–	–
Tax effect	(9,452)	1,993
TOTAL RECOGNISED INCOME / (EXPENSE)	**301,571**	**244,066**
Attributable to equity holders of the parent	301,571	244,066

ENAGÁS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008
(Figures in thousands of euros)

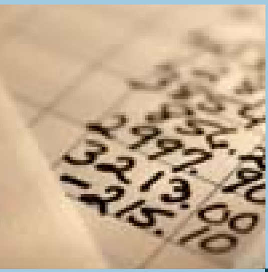
	Issued capital and share premium	Other reserves	Retained earning	Profit for the year	Interim dividend	Net unrealised gains (losses)	Equity
Balance at 31/12/2007	358,101	805,709	–	238,286	(57,296)	(895)	1,343,905
Effect of changes in accounting criteria	–	–	–	–	–	–	–
Adjustments for errors	–	–	–	–	–	–	–
Adjusted balance at 31/12/2007	358,101	805,709	–	238,286	(57,296)	(895)	1,343,905
I. Total recognised income / (expense)				258,885		(14,819)	244,066
II. Transactions with shareholders and owners	–	–	–	(85,676)	(62,071)	–	(147,747)
Capital increase / (decrease)	–	–	–	–	–	–	–
Conversion of financial liabilities into equity	–	–	–	–	–	–	–
Dividends paid	–	–	–	(85,676)	(62,071)	–	(147,747)
Transactions with treasury shares or own equity instruments	–	–	–	–	–	–	–
Business combinations	–	–	–	–	–	–	–
Other transactions with shareholders and owners	–	–	–	–	–	–	–
III. Other changes in equity	–	95,456	–	(152,610)	57,296	–	142
Equity-settled transactions	–	–	–	–	-	–	–
Transfers between equity accounts	–	–	–	(152,610)	–	–	(152,610)
Other changes	–	95,456	–	–	57,296	–	152,752
Balance at 31/12/2008	358,101	901,165	–	258,885	(62,071)	(15,714)	1.440,366

ENAGÁS S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009
(Figures in thousands of euros)

	Issued capital and share premium	Other reserves	Retained earning	Profit for the year	Interim dividend	Net unrealised gains (losses)	Equity
Balance at 31/12/2008	358,101	901,165	–	258,885	(62,071)	(15,714)	1,440,366
Effect of changes in accounting criteria	–	–	–	–	–	–	–
Adjustments for errors	–	–	–	–	–	–	–
Adjusted balance at 31/12/2008	358,101	901,165	-	258,885	(62,071)	(15,714)	1,440,366
I. Total recognised income / (expense)				298,031		3,540	301,571
II. Transactions with shareholders and owners	–	–	–	(93,259)	(67,562)	–	(160,821)
Capital increase / (decrease)	–	–	–	–	–	–	–
Conversion of financial liabilities into equity	–	–	–	–	–	–	–
Dividends paid	–	–	–	(93,259)	(67,562)	–	(160,821)
Transactions with treasury shares or own equity instruments	–	–	–	–	–	–	–
Business combinations	–	–	–	–	–	–	–
Other transactions with shareholders and owners	–	–	–	–	–	–	–
III. Other changes in equity	–	103,694	–	(165,626)	62,071	–	139
Equity-settled transactions	–	–	–	–	–	–	–
Transfers between equity accounts	–	–	–	(165.626)	–	–	(165.626)
Other changes	–	95,456	–	–	62,071	–	165,765
Balance at 31/12/2009	358,101	1,004,859	–	298,031	(67,562)	(12,174)	1,581,255

ENAGÁS S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009
(Figures in thousands of euros)

	2009	2008
PROFIT BEFORE TAX	**423,480**	**366,126**
Adjustments to profit	**278,617**	**269,450**
Depreciation and amortisation expense	216,590	203,051
Other adjustments to profit	62,027	66,399
Impairment of assets	105	921
Change in provisions	6,226	7,449
Recognition of grants	–	(118)
(Gain) / loss on the disposal of assets	(5,209)	(7,429)
(Gain) / loss on the disposal of financial assets	779	(124)
Finance revenue	(12,257)	(13,799)
Finance costs	72,715	80,910
Other adjustments	(332)	(1,411)
Change in working capital	**(17,463)**	**35,897**
Inventories	(776)	1,164
Reclassification of minimum gas for operations	–	–
Trade and other receivables	118,142	45,635
Other current assets	(4,051)	(3,360)
Trade and other payables	(130,778)	(7,542)
Other current liabilities	–	–
Other non-current assets and liabilities	–	–
Other cash flows from operating activities	**(150,296)**	**(200,253)**
Interest paid	(89,489)	(112,328)
Interest received	11,642	11,714
Income taxes received (paid)	(65,583)	(99,639)
Other cash inflows/(outflows)	(6,866)	–
NET CASH FROM OPERATING ACTIVITIES	**534,338**	**471,220**
Payments on investments	**(871,980)**	**(761,069)**
Property, plant and equipment and investment property	(871,980)	(760,339)
Other financial assets	–	(730)
Proceeds from disposals	**22,022**	**9,064**
Property, plant and equipment and investment property	6,978	7,322
Other financial assets	15,044	1,742
Other cash flows from/(used in) investing activities	–	406
Other cash inflows/(outflows) from investing activities	–	406
NET CASH USED IN INVESTING ACTIVITIES	**(849,958)**	**(751,599)**
Proceeds from/(payments on) equity instruments	–	–
Proceeds from/(payments on) financial liabilities	**964,495**	**632,638**
Issues	2,118,981	710,500
Repayments and redemption	(1,154,486)	(77,862)
Dividends paid	**(222,893)**	**(142,972)**
NET CASH FROM FINANCING ACTIVITIES	**741,602**	**489,666**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**425,982**	**209,287**
Cash and cash equivalents at 1 January	214,542	5,255
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**640,524**	**214,542**



1.

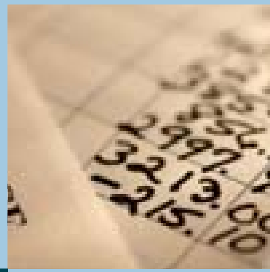
Group activity

Enagás, S.A., the parent company, is a company incorporated in Spain in accordance with Spanish Public Limited Companies Law. Its corporate purpose is the import, acquisition and sale of natural gas on the regulated domestic market, and its regasification, storage and transport both for the regulated and the liberalised market. Its registered office is at Paseo de los Olmos, no. 19, 28005 Madrid. The bylaws and other public information about the company and the Group may be consulted on its official website, www.enagas.es, and at its registered office.

In addition to the operations it carries out directly, Enagás, S.A. is the head of a group of companies that includes interests in joint ventures engaged in the gas transport business and which, together with Enagás, S.A., comprise the Enagás Group (hereinafter, the Group). Consequently, Enagás, S.A. is required to prepare consolidated annual financial statements for the Group in addition to its own annual financial statements, which also include information on joint ventures and investments in associates.

The consolidated annual financial statements of the Group and those of each of the entities comprising the Group for the financial year 2009, which have served as the basis for the preparation of these consolidated annual financial statements, are pending the approval at their respective Shareholders' Meetings. However, the directors believe these annual financial statements will be approved as presented.

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



2.

Basis of presentation of the annual financial statements and consolidation principles

2.1. Accounting principles

The consolidated annual financial statements of the Enagás Group for 2009 have been prepared by the directors, at a meeting of the Board of Directors held on 1 February 2010, in accordance with the International Financial Reporting Standards (hereinafter, IFRS), as adopted by the European Union, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council.

These annual financial statements give a true and fair view of the equity and financial position of the Group at 31 December 2009, the results of its operations, and the changes in its equity, cash flows and recognised income and expense during the year then ended.

The Enagás Group's consolidated annual financial statements for 2009 have been prepared from the accounting records kept by the parent company and by the other entities comprising the Group.

The 2008 consolidated annual financial statements included for comparative purposes have also been prepared in accordance with the IFRS adopted by the European Union and applied on a basis consistent with those applied in 2009. The 2008 financial statements were approved by the parent company's shareholders in general meeting on 27 March 2009.

The financial year for the companies comprising the Group ends on 31 December. These companies' financial statements as of that date are used for consolidation purposes, except for Gasoduto Braga-Tuy, S.A. and Gasoduto Campo Maior–Leiria-Braga, S.A. which, because of the date on which their annual financial statements are approved and their scant materiality, are consolidated using their 30 November 2009 close.

Note 3 includes the most significant accounting principles and measurement bases used in preparing the consolidated financial statements of the Group for 2009.

2.2. Responsibility for the information and estimates made

The information included in the accompanying consolidated financial statements is the responsibility of the Group's directors.

The Group's 2009 consolidated financial statements include estimates made by senior management of the Group and of consolidated entities –subsequently ratified by their directors– regarding the carrying amounts of certain assets, liabilities, revenues, expenses and commitments recognised therein. These estimates related basically to the following:

- The useful life of property, plant and equipment and of intangible assets (Notes 3-a and 3-b)
- The measurement of assets to determine impairment losses (Note 3-c)
- Forecasts for invoices pending issue
- Provisions for impairment of replacement parts for property, plant and equipment
- Prior years' accounts pending settlement with the government (Note 9)
- Provisions for dismantling/abandonment costs (Note 3.b)

Although these estimates were made on the basis of the best information available at 31 December 2009 regarding the facts analysed, it is possible that future events may require these to be changed (upwards or downwards) in coming years. This would be done prospectively in accordance with the provisions of IAS 8, recognising the effects of the changes in accounting estimates in the corresponding consolidated income statement.

2.3. Basis of consolidation

Enagás, S.A.'s investees included in the scope of consolidation are engaged in the transport of gas.

The annual financial statements of joint ventures are consolidated using proportionate consolidation, combining the balances and subsequent eliminations in proportion to the Group's interest in these companies' share capital.

The consolidation is carried out as follows:

a. Proportionate consolidation for joint ventures managed in conjunction with Transgás, S.A. (Gasoducto Al-Andalus, S.A., and Gasoducto de Extremadura, S.A.) and REN Gasoductos, S.A. (Gasoduto Campo Maior–Leiria– Braga, S.A. and Gasoduto Braga–Tuy, S.A., i.e. the Portuguese companies).

b. Intra-group transactions: all credits, debits, income, expenses and results from transactions with other Group companies are eliminated on consolidation in proportion to Enagás, S.A.'s interest in the companies' share capital.

c. Consistency: for investee companies which apply different accounting principles and measurement bases to those of the Group, adjustments have been made on consolidation, provided that the effect is significant, in order to present the consolidated financial statements based on consistent measurement bases.

d. Translation of financial statements denominated in foreign currencies: the individual financial statements of all companies included in the scope of consolidation are presented in euros. Therefore, no foreign currency translation is required.

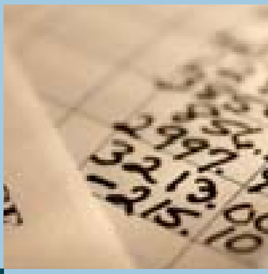
e. Elimination of dividends: internal dividends are those recognised as revenue for the year by a Group company and which have been paid by another Group company.

Dividends received by Group companies in respect of prior years' distributed profit are eliminated by treating them as reserves of the receiving company and included under "Reserves".

Note 33 includes the most significant aspects of the Group's joint ventures in existence at the end of 2009.

2.4. Comparison of information

To facilitate understanding of the information presented in these consolidated financial statements and their comparison with the information submitted to the national securities market regulator (hereinafter, the CNMV, its Spanish acronym), the Group adopted certain accompanying 2008 asset and liability breakdowns to match those laid down in Circular 1/2008 of 15 February 2008.



3.

Measurement bases

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

a. Intangible assets

Intangible assets are valued initially at acquisition price or production cost. Subsequently they are valued at cost less accumulated amortisation and impairment losses, if any.

The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years, are similar to those used for property, plant and equipment (see note 3c).

Development costs are amortised on a straight-line basis over their useful life, as long as the costs are assigned to specific projects, clearly quantified, and relate to assets whose technical and commercial feasibility for sale or use have been established.

The Group recognises as expenses in the consolidated income statement all research and development costs whose technical and commercial feasibility cannot be established. Research and development costs recognised as expenses in the accompanying consolidated income statement amounted to 1,152 thousand euros in 2009 and 1,240 thousand euros in 2008, and related entirely to research.

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

Costs of purchasing and developing basic computer systems are recognised under "Property, plant and equipment" in the consolidated balance sheet. Maintenance costs related to the computer systems are recognised with a charge to the consolidated income statement in the year in which they are incurred. Computer software is measured at the amount paid for ownership or the right to use the computer applications, or production cost if internally developed and amortised over a period of four years.

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

	Amortisation rate	Useful life
Development costs	5% - 50%	20 - 2
Concessions, patents, licences, brands and similar:		
Port concessions at the Barcelona plant	1.33% - 1.28%	75 - 78
Port concessions at the Huelva plant	7.60%	13
Use of the public radioelectric domain	20.00%	5
Software	25%	4

In 2008, the Environment Ministry published the definitive, free allocation of greenhouse gas emission rights to Enagás, S.A. plants. This allocation is included in the National Allocation Plan for 2008-2012. In 2008, Enagás, S.A. delivered greenhouse gas emission rights equivalent to its emissions that year.

The Group recognises emission rights as non-amortisable intangible assets in the same way as its other assets; initially at acquisition cost, then making the pertinent write-down where fair value is lower than the aforementioned cost.

Rights received free of charge in accordance with the National Allocation Plan for 2008-2012 are deemed to have zero cost as the Group presents the assets net of subsidies (see Note 27).

b. Property, plant and equipment

Property, plant and equipment are valued initially at acquisition price 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 criterion 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 net carrying amount of replaced assets is deducted. In contrast, regular upkeep, repairs and maintenance expenses are expensed currently.

Capitalised costs include:

1. Finance costs associated with the financing of infrastructure projects accrued during the construction period if this is over a year. The average capitalisation rate used to calculate the amount of the borrowing costs to be capitalised was 3.40% in 2009 (4.75% in 2008).

2. Employee benefits expense directly related to work in progress. The Group has a "functional procedure for allocation of employee benefits expense to investment projects" which sets out the hypotheses for making this calculation. This procedure establishes that, to calculate own work capitalised, it is necessary to consider both direct employee benefits expense, i.e., the hours worked and assigned to each project based on cost/hour calculated at the beginning of the year, and indirect costs. The amounts capitalised for these items are recognised in the accompanying 2009 consolidated income statement as a decrease in employee benefits expense. (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 and the Yela underground storage facilities 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 "Provisions" (Note 14) in the accompanying consolidated balance sheet. In addition, this provision has been adjusted for discounting in subsequent periods.

Subsequent to RD 1061/2007 of 20 July 2007, which grants Enagás the concession to operate the Yela underground natural gas storage facility in compliance with article 25.3 of Law 34/1998 of 7 October, which establishes a provision of 14.7 million euros for dismantling costs, this amount was recorded as an increase in the value of the asset. This provision will be discounted each year to reflect the financial impact of a long-term account receivable from the National Energy Commission (the Spanish energy regulator, hereinafter the "CNE" for its initials in Spanish), given that, once the dismantling is approved, the company may 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.

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 net carrying amount of replaced assets is deducted. In contrast, regular upkeep, repairs and maintenance expenses are expensed currently.

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

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

Both natural gas related to the minimum linepack for system security of the gas pipelines and the minimum LNG stock level of the regasification plants (also called the "gas talón") were considered non-depreciable assets as this gas is not available and thereby immobilised under prevailing regulations. It is measured at the auction price under Order ITC/3993/2006 and the Resolution dated 18 April 2007 (see Note 6).

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

	Depreciation rate	Useful life (years)
Buildings	3% - 2%	33.33 - 50
Plant (transport network)	5% - 2.5%	20 - 40
Tanks	5%	20
Underground storage facilities	10%	10
Cushion gas	5%	20
Other plant and machinery	12% - 5%	8.33 - 20
Tools and equipment	30%	3.33
Furniture and fixtures	10%	10
Computer equipment	25%	4
Transport equipment	16%	6.25

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

The gain or loss on the disposal or derecognition of an asset is calculated as the difference between the amount of the sale and the carrying amount of the asset and is recognised in the income statement under "Other operating income" or "Other operating costs", respectively.

Government grants related to property, plant and equipment are capitalised as a decrease in the cost of the assets and released to the consolidated income statements over the expected useful life of the asset as a decrease in depreciation of the related asset.

c. Impairment of property, plant and equipment and intangible assets

At each balance sheet date, or when deemed necessary, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In the case of identifiable assets which do not generate cash inflows independently, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

To estimate value in use, the Group prepares pre-tax cash flow projections based on the latest budgets approved by the Group's directors. These budgets include the best available estimates of the revenue and expense of cash-generating units based on industry forecasts, past experience and future expectations.

These projections are prepared for a period of five years, with estimates of future flows based on reasonable growth rates, which in no case beyond year five either scale up or exceed prior years' growth rates.

To calculate the present value, the cash flows are discounted at a pre-tax rate that reflects the cost of capital of the business and of the geographical area where business is carried out. The discount rate is based on current interest rates and the risk premiums commonly used by analysts covering the business and the geographical region.

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised for the difference, with a charge to "Depreciation and amortisation expense" in the consolidated income statement.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount via a credit in the income statement up to the carrying amount that would have been determined had no impairment loss be recognised.

The Group's property, plant and equipment consists almost entirely of gas transportation, regasification and storage assets, and those assets needed to carry out its regulated gas sales business and technical system management activities. In application of IAS 36, and considering that there were no indications of impairment of the assets recognised on the face of the balance sheet, the Group has considered that no impairment test was necessary for 2009.

d. Operating leases

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

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

e. Financial assets

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

Group companies classify financial assets into the following categories established by IFRS:

- Loans and receivables. These assets are measured at amortised cost, which is basically the cash amount given less repayments of principal plus accrued interest receivable in the case of loans, and the present value of the consideration provided in the case of receivables.

- Held-to-maturity investments. These are assets that the Enagás Group has the positive intent and ability to hold to maturity. They are also recorded at amortised cost.

- Available-for-sale financial assets. These are all other assets not classified in any of the preceding categories. These investments are presented in the consolidated balance sheet at fair value, when this can be determined reliably. Gains and losses arising from changes in fair value, net of tax, are recognised directly in "Equity - net unrealised gains (losses) reserve" in the consolidated balance sheet until this investment is disposed of, at which time the cumulative gain or loss previously recognised in the revaluation reserve is recognised in the consolidated income statement. If fair value is lower than cost, the difference is recognised directly in the consolidated income statement.

In 2008 available-for-sale investments included a mutual fund to hedge the Group's obligations in respect of long-service bonuses. This fund was measured at fair value in accordance with its market price at each balance sheet date. In 2009 all units in this fund were sold.

Held-to-maturity investments and loans and receivables originated by the companies are measured at amortised cost, with accrued interest recognised in the income statement in accordance with the effective interest rate.

Cash and cash equivalents

This heading in the consolidated balance sheet includes cash on hand, sight deposits and other highly liquid short-term investments that can readily be realised in cash and that are not subject to risk of a change in value.

Trade and other receivables

Receivables are initially measured at fair value in the consolidated balance sheet and subsequently remeasured at amortised cost using the effective interest method.

The Group records the corresponding impairment provisions for the difference between the recoverable amount of receivables and their carrying amount. The recoverable amount of receivables is calculated by discounting estimated future cash flows using the effective interest rate at the outset of the transaction.

f. Inventories

Natural gas inventories

In general, natural gas inventories are stated at average cost or net realisable value. Cost is calculated using the weighted average method. Net realisable value is an estimate of the sale price established under prevailing legislation.

Also, the company assesses the net realisable value of inventories at the balance sheet date and makes the appropriate impairment write-down when they are overstated. When the circumstances that that previously caused inventories to be written down no longer exist or there is clear evidence of an increase in net realisable value because of new economic circumstances, the impairment is reversed.

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 cost of direct 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.

In addition, the company assesses the net realisable value of inventories at the balance sheet date and recognises any necessary impairment charges. When the circumstances that led to the impairment charge no longer exist or there is clear evidence of an increase in the net realisable value due to a change in financial circumstances, the impairment is reversed.

g. Equity and financial liabilities

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

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

Group companies classify their main financial liabilities as follows:

- Financial liabilities at fair value through profit or loss, mainly financial liabilities held for trading: Financial liabilities associated with available-for-sale financial assets originating from asset transfers where the assigning entity neither substantially transfers nor retains the risks and benefits of said assets.

- Held-to-maturity financial liabilities: held-to-maturity financial liabilities are measured at amortised cost as defined above.

The liability instruments held by Group companies are:

- *Bank loans:* Interest-bearing loans are carried at the amount received, net of direct issue costs. Finance costs, including premiums payable upon settlement or repayment and direct issue costs, are taken to the consolidated income statement as accrued using the effective interest method and added to the carrying amount of the instrument if not paid during the period in which they accrue.

- *Financial derivative instruments and hedge accounting:* Bank borrowings expose the Group to fluctuations in interest rates. To hedge these risks, the group uses swaps. The Group does not use derivative instruments for speculative purposes.

The use of derivatives is governed by the Group's risk management policies approved by the parent company Enagás, S.A. Further details on the use of derivative instruments are disclosed in Note 17.

The Company arranges cash flow and fair value hedges. These hedge arrangements are recognised as follows:

a) Fair value hedges: the hedging instrument and the hedged item are both measured at fair value, and any changes in fair value are recognised in the consolidated income statement as finance cost or revenue.

b) Cash flow hedges: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised, net of the corresponding tax effect, in "Equity – Net unrealised gains (losses) reserve – Hedges" in the accompanying consolidated balance sheet. The accumulated gain or loss on the hedging instrument that was previously recognised directly in equity is taken to the income statement as the hedged item affects profit or loss. The portion of the gain or loss deemed to be an ineffective hedge is recognised directly in the consolidated income statement under finance revenue or cost, as appropriate.

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

Derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

h. Trade and other payables

Trade payables are non-interest bearing and are stated at nominal value.

i. Classification of payables into current and non-current

Payables in the accompanying consolidated balance sheet are classified by maturity, i.e., those maturing in 12 months or less are classified as current, and those maturing in over 12 months as non-current.

Loans falling due in over 12 months are discounted at an interest rate. The benchmark interest rate used in 2008 was 3.40%.

j. Post-employment benefits

Enagás makes contributions, in accordance with the approved pension plan adapted to the provisions of the Law on Pension Plans and Funds, to a defined contribution plan called "Enagás Fondo de Pensiones", whose fund manager is Gestión de Previsión y Pensiones, S.A. and custodian Banco Bilbao Vizcaya Argentaria, S.A., and which covers the company's obligations with respect to serving employees. The company recognises certain vested rights for past service and undertakes to make monthly contributions averaging 6.8% of eligible salary. It is a mixed plan covering retirement benefits, disability and death.

The contributions made each year by the company in this connection are recognised under "Employee benefits expense" in the consolidated income statements. The amounts not yet contributed at each year-end are recognised at their present value under "Provisions – Provisions for pensions and similar obligations" in the consolidated balance sheet.

The company has committed to pay senior management and other top-ranking employees a variable sum as a bonus for fulfilling certain requirements during their time with the company, normally an amount based on the remuneration being earned at the moment of retirement.

During the Board of Directors meeting on 18 January 2008, the Appointments and Remuneration Committee announced the approval of a medium term incentive scheme (2008-2010) which will be measured at the end of period on the basis of fulfilment of certain targets.

k. Termination benefits

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

l. Provisions

At the date of authorising the consolidated annual financial statements for issue, the directors distinguished between:

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

- *Contingent liabilities:* possible obligations as a result of past events whose occurrence depends on the occurrence or non-occurrence of one or more separate future events not within the control of the consolidated entities.

The consolidated financial statements of the Group include all significant provisions where it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated annual financial statements, but are disclosed in the notes (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 and probable obligations for which they were initially recognised and are reversed, totally or partially, whenever these risks disappear or diminish.

At year-end 2009 a number of legal proceedings and claims had been filed against consolidated companies in connection with the ordinary course of their business. The Group's legal counsel and its directors believe that the resolution of these proceedings and claims will not have a significant effect on the annual financial statements of the years in which they are resolved.

m. Deferred revenue

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

It also includes the accrual of amounts received for making connections from Enagás, S.A.'s basic network to networks owned by distributors, secondary transporters, gas supply companies and eligible customers. This revenue is taken to profit and loss on the basis of the useful life of the assigned installations.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. It represents the amounts receivable for goods delivered and the services rendered as part of the company's ordinary course of business, less discounts, VAT, and other sales taxes.

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

In 2008 the company managed gas purchases and sales with customers in the tariff or regulated market, receiving compensation designed to cover the costs incurred in this activity. The resulting remuneration from regulated management of gas purchases and sales is recognised under "Revenue from regulated activities" in an amount of 4,785 thousand euros. The company only engaged in this activity during the first six months of 2008, in keeping with Law 12/2007 of 2 July (see Note 4.d).

Following the publication of rules which affect Enagás, S.A. in the Official State Gazette of 15 February 2002 (applicable as of 19 February 2002), revenue recognition criteria under the new regulations are as follows:

On 15 February 2002 three Ministerial Orders were approved by the Ministry of Economy defining the new remuneration system for regulated natural gas activities in Spain, which came into force on 19 February

2002. In addition to specifying remuneration for regulated gas-related activities, these Orders fixed natural gas prices and tolls and royalties for third-party access to gas installations stipulating the total payment receivable in 2002 by all companies carrying out purchase and sale activities for the tariff market, regasification, gas storage and transportation, technical management of the system and gas distribution activities, in addition to formulae and criteria for restating and establishing the remuneration of these activities in coming years. Subsequently, on an annual basis, new Orders have been published that have replaced those of previous years.

On 26 December 2008 the Ministry of Industry, Tourism and Commerce approved Ministerial Order ITC/3802/2008 establishing the tolls and fees for third-party access to gas installations applicable in 2009 as well as the last resort tariff, in addition to updating certain aspects relating to remuneration of regulated gas sector activities.

In accordance with this new legislation, the Group is entitled to remuneration for the following activities:

- Transport
- Regasification, including loading of LNG tank and the transfer of LNG to tankers.
- Storage
- Technical system management
- Generation of the minimum operating level for LNG ships and of the minimum linepack for gas pipelines (see Note 3-b)
- Own consumption of natural gas
- Overall incentive for availability

The most relevant revenue related aspects of the regulations covering the activity carried out by the Group are described in Note 4 below.

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

Dividend revenue from investments is recognised when the shareholder's rights to receive payment have been established.

o. Expense recognition

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

An expense is recognised immediately when a payment does not generate future economic benefits or when the necessary requirements for it to be recorded as an asset are not met.

p. Income tax expense

Income tax expense is recognised in the consolidated income statement or in equity accounts in the consolidated balance sheet depending on where the gains or losses giving rise to it have been recognised. Deferred tax assets and liabilities are recognised on differences between the carrying amounts of assets and liabilities and the corresponding tax bases and are calculated using the tax rates that are expected to apply when the assets are realised or the liabilities 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 accounts in the consolidated balance sheet, as appropriate.

Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

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

Income tax expense represents the sum of the current tax and any changes in deferred tax. Current tax is calculated by applying the tax rate to taxable profit less any deductions.

q. Earnings per share

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

r. Consolidated flow statement

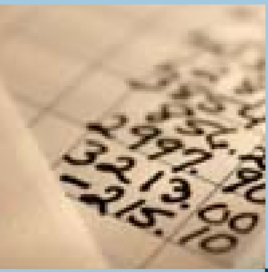
The following terms are used to present the consolidated of cash flow statement:

Cash flows: inflows and outflows of cash and cash equivalents, defined as highly liquid, short-term investments with low risk of experiencing significant fluctuations in the value.

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

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

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



4.

Regulation of remuneration

a. Revenue from regasification, storage and transport

In 2008, Royal Decree 326/2008 of 29 February was issued to establish the remuneration payable for natural gas transportation services applicable to facilities in service from January 1, 2008, the first time the mechanism for calculating this remuneration was set at the Royal Decree level.

Adapting and standardising the remuneration framework was intended to provide stability and eliminate uncertainty, thus paving the way for the major investments anticipated during the new planning period (2008 to 2016).

This Royal Decree adapts the transport remuneration system to the model which began to be defined in late 2006, further reinforcing convergence with the compensation system for electricity transmission, and with the remuneration schemes in place for analogous regulated activities in neighbouring European nations.

The remuneration calculation formula is similar to those for regasification and underground storage. Like those, it is based on net assets, though for transport, investments are updated annually at a rate of 2.5%.

Ministerial Order ITC/3802/2008 of 26 December 2008 updated certain aspects of the financial regime governing regulated activities within the gas sector.

Additional provision eight of the aforementioned Ministerial Order stipulates amendments to the regulatory framework governing the transit of gas by the Group's Portuguese subsidiaries "Gasoduto Campo Maior – Leiria-Braga" and "Gasoduto Braga – Tuy", specifically in relation to the revenue recognised to cover the costs incurred in providing this transit service to date. Under the Order, this revenue stream is no longer received by the Group, with effect from 1 January 2009.

During 2009, the Group continued to honour its contractual obligations under the ship-or-pay contract covering transit of this gas. However, since publication of the aforementioned Order and prompted by the impact on Enagás, S.A. of the attendant regulatory change, the Group has initiated the pertinent negotiations with the Portuguese shareholders in these companies, with a view to bringing Enagás' current contractual obligations with these subsidiaries in line with the new regulatory environment laid down in Order ITC/3802/2008. The company has appealed the Order and this appeal is currently pending review by Spain's Supreme Court.

Although Order ITC/3802/2008 abolishes revenue relating to the costs for gas transit with these Portuguese companies, based on the content of the talks in progress with its Portuguese partners, the management of the Enagás Group does not expect that any financial loss for Enagás, S.A. will result from these negotiations.

The specific amount of the remuneration recognised, as well as the unit investment and operating expense values applicable to the regasification and storage installations were laid down in the Resolution of the Directorate General for Energy Policy and Mining of 31 December 2008.

The unit values for investment and operating expenses applicable to gas transport installations started up after 1 January 2008 were published in Ministerial Order ITC/3520/2009 of 28 December 2009 and reflect the specific value recommendations proposed by the CNE, the Spanish energy systems regulator.

As in previous years and in keeping with applicable regulations, these Orders stipulate that the cost recognised for transport, regasification, and underground storage activities comprises fixed and variable components.

a.1. Recognised fixed cost. Recognised fixed cost is calculated on the basis of operating assets and compensates investment and operating costs relating to assets used in the gas system.

a.1.1. Remuneration for investment costs comprises:

- *Value of recognised assets.* For installations put into service before 2002, the remuneration is calculated based on the book value of the assets after the revaluation of 1996 (Royal Decree Law 7/1996), less grants received to finance these assets. An annual restatement 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 installations 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 assets are also measured at actual cost because there are no standard values.

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

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

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

  For transport assets put into service after 1 January 2008, depreciation is updated annually at a rate of 2.5%.

- *Financial remuneration for the value of the investment* For transport assets put into service before 2008, this figure is calculated by applying a financial return equal to the annual average IRR on 10-year government bonds or a replacement interest rate plus 1.5% to the value of the gross investment value obtained as per the previous paragraph.

For transport assets put into service after 1 January 2008, this figure is calculated by applying a financial return equal to the annual average IRR on 10-year government bonds or a replacement interest rate, plus 3.75%, to the value of the net investment value (after depreciation) obtained as per the previous paragraph, updated annually at a rate of 2.5%.

For regasification and storage assets, this figure is calculated by applying a financial return equal to the annual average IRR on 10-year government bonds or a replacement interest rate, based on the date that each facility was put into service, plus 3.5%, to the value of the net investment (after depreciation) obtained in the previous paragraph.

The resulting remuneration rate for transport assets started up in 2009 was 7.80%.

- *Remuneration of fully depreciated assets.* For transport assets put into service before 2008, 50% of the financial remuneration is recognised. For regasification, storage, and transport assets put into service from 1 January 2008, 50% of the depreciation and the financial remuneration of the last year is recognised. With regard to the latter transport assets, remuneration is also updated annually at a rate of 2.5%.

a.1.2. Compensation for operating costs relating to regasification and transport assets started up before the end of 2007 is calculated in accordance with the costs authorised in 2000 for gas system installations for gas transport and regasification, standardised by physical and technical unit. For transport assets commissioned after 1 January 2008, the standard values applicable are those established in the unit value review proposal put forward by the CNE.

These standard values are updated annually based on consumer price index and the industrial price index (IPRI) for capital goods, adjusted by certain efficiency factors.

For underground storage, a specific fixed operating and maintenance cost is defined for each site.

a.1.3. Revenue relating to the fixed authorised cost is taken to the consolidated income statement on a straight-line basis. In this way, a month-on-month balance is achieved between revenue (remuneration) and expenses (depreciation).

a.2. Recognised variable cost for regasification and transfer of LNG to tankers.

a.2.1. The recognised variable cost is calculated based on the number of kW/hr actually regasified and loaded in LNG cisterns in each period and the variable unit regasification cost for the period in question. For 2009, this cost was set at 0.000160 euros per kWh regasified and 0.000192 euros per kWh loaded in cisterns.

a.2.2. For loading LNG onto ships from regasification plants or the pre-cooling of ships a cost identical to the variable cistern loading cost is recognised. For ship-to-ship transfers the cost is 80% of this value.

a.3. Recognised variable cost for injection and extraction in underground storage facilities.

a.3.1. The cost is based on the kWh injected and extracted at each of the storage facilities. The variable costs are as follows:

- Unit costs at the Serrablo facility: Injection: 0.000531 €/kWh; extraction: 0.000097 €/kWh

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 compensate Enagás, S.A.'s for its obligations as Technical System Manager, which include coordinating the development, operation and maintenance the transport network, supervising the security of 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 2009, 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 0.42%. This amount is deposited by these companies within the deadlines and in the manner established in the settlement procedure in the deposit account kept open by the CNE for these purposes.

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

Notwithstanding the foregoing, the remuneration recognised for acting as technical system manager in 2009 was 11,206,248 euros. Any surplus or shortfall between this figure and the amounts received as a result of application of the above calculations will be included by the CNE in the fourteenth settlement of 2009.

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

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

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

d. Regulated services for the tariff market

The obligation to supply gas to the tariff market was revoked on 1 July 2008, pursuant to article 2 of Order ITC/2309/2007, of 30 July 2007. As a result, the Group did not recognise any revenue in this respect in 2009.

e. Settlement system

On 1 November 2002, Ministerial Order ECO/2692/2002 (28 October) was published, 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 1-year treasury bill yield during 60 days to the amounts to be paid to each transporter or distributor be added to the settlements.

f. Revenue for the minimum operating level and minimum linepack of gas pipelines

The second transitional provision of Order ITC/4099/2005 stipulates that transport companies that are titleholders of the regasification plants acquire the natural gas necessary for the minimum linepack of the gas pipelines of the transport network and for the minimum operating level of regasification plants.

For 2009, gas for the minimum operating level and linepack was acquired via a dedicated auction, with the gas valued at the final auction price. The gas acquired for this purpose is entitled to a return based on the investment made, valued according to the average semi-annual yield on 10-year government bonds plus 3.5%.

g. 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.

h. Developments in the Regulatory Framework

The main gas industry regulatory developments approved in 2009 include:

1. European directives and regulations

Directive (EC) No. 2009/73 of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC. Noteworthy developments include the establishment of measures for the effective unbundling of supply and production activities from network operations and strengthening of the independence and powers of national energy regulators.

Regulation (EC) No. 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005. The main legislative novelties include: creation of a European Network of Transmission System Operators for Gas (the ENTSO for gas), establishment of third-party access services, capacity allocation mechanisms and procedures for managing congestion as well as transparency rules at LNG and underground storage plants.

Directive (EC) No. 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (ACER). The main purpose of the ACER is to ensure that regulatory functions performed by the national regulatory authorities are properly coordinated and, where necessary, completed at the Community level.

2. Spanish regulations

Order ITC/3802/2008 of 26 December 2008, establishing the tolls and fees for third-party access to gas installations, the last-resort tariff, and certain aspects relating to regulated activities in the gas sector.

Order ITC/3837/2008, of 26 December 2008, approving the amounts certain companies are required to contribute to CORES, the corporation entrusted with managing the country's strategic oil product reserves, for 2009.

Resolution of the Directorate General for Energy Policy and Mining of 31 December 2008, which establishes the remuneration for regulated activities, connection fees, and tariffs for rental of meters and telemetering equipment for 2009.

Resolution of the Directorate General for Energy Policy and Mining of 23 February 2009, which establishes available underground storage capacity of the basic natural gas network between 1 April 2009 and 31 March 2010.

Resolution of the Directorate General for Energy Policy and Mining of 9 March 2009, which establishes certain aspects relating to auction for the allocation of underground storage capacity for the period between 1 April 2009 and 31 March 2010.

Resolution of the Directorate General for Energy Policy and Mining of 30 March 2009 stipulating that CORES publish on its website the minimum security reserve obligation assumed by virtue of Royal Decree

1716/2004, of 23 July 2004, so that the entities bound to maintain minimum security stocks of oil products are aware at all times of the volume of their obligations.

Order ITC/863/2009 of 2 April 2009, establishing the auction procedure for the acquisition by last resort suppliers of specific amounts of natural gas for supply to consumers entitled to avail of the last resort tariff.

Order ITC/885/2009 of 2 April 2009, which regulates the transfer of funds, with a charge to tolls paid by third parties for access to gas installations, from the dedicated account of the CNE to the Institute for Diversification and Saving of Energy in 2009, to execute the measures set forth in the action plan for 2008-2012, the energy saving and efficiency strategy for 2004-2012 (E4), and the criteria for executing the measures set forth in that plan.

Resolution of the Directorate General for Energy Policy and Mining of 3 April 2009, publishing the natural gas last resort tariff applicable from 12 April 2009.

Royal Decree-Law 6/2009 of 20 April 2009, designating Enagás, in its capacity as technical system manager and independent transport provider, as sole transport provider for the gas pipelines making up the «grid network».

Resolution of the Directorate General for Energy Policy and Mining of 30 April 2009, which establishes the operating rules governing auctions for the acquisition of minimum required operating gas and minimum linepack for the period between 1 July 2009 and 30 June 2010.

Secretary of State for Energy Resolution of 4 May 2009, which establishes certain features of the auction for the acquisition of natural gas for setting the last resort tariff for the period between 1 July 2009 and 30 June 2010.

Order ITC/1251/2009, of 14 May 2009, publishing the cabinet agreement taken on 3 April 2009, which stipulates that from 1 July 2009 only consumers connected to gas pipelines with pressure of equal to or under 4 bar and whose annual usage is less than 50,000 kWh may avail of the last resort tariff.

Secretary of State for Energy Resolution of 19 May 2009, which establishes the operating rules for conducting the auction for the acquisition of natural gas for setting the last resort tariff for the period between 1 July 2009 and 30 June 2010.

Resolution of the Directorate General for Energy Policy and Mining of 9 June 2009, which establishes certain parameters for the auction for the acquisition of minimum required operating gas for the period between 1 July 2009 and 30 June 2010.

Resolution of the Directorate General for Energy Policy and Mining of 10 June 2009, which establishes certain parameters for the auction for the acquisition of natural gas for setting the last resort tariff for the period between 1 July 2009 and 30 June 2010.

Royal Decree 1011/2009 of 19 June 2009, governing the Office of Supplier Switches.

Order ITC/1660/2009 of 22 June 2009, establishing the methodology for calculating the natural gas last resort tariff, incorporating the results of the auction for the purchase of this natural gas and international gas supply cost benchmarks.

Order ITC/1724/2009 of 26 June 2009, revising the tolls and fees for third-party access to gas installations from 1 July 2009.

Resolution of the Directorate General for Energy Policy and Mining of 29 June 2009, publishing the natural gas last resort tariff applicable from 1 July 2009.

Resolution of the General Directorate of Energy Policy and Mines of 15 July 2009, amending the resolution of 25 July 2006, which regulates allocation conditions and the process of applying supply cut-off in the gas system.

Resolution of the Directorate General for Energy Policy and Mining of 24 July 2009, calling for the coordinated procedure for allocating natural gas interconnection capacity between Spain and France available from 2013 via the interconnection points at Larrau and Biriatou.

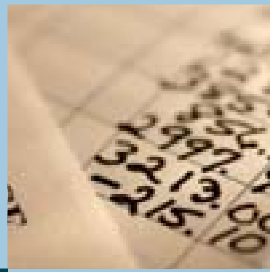
Resolution of the Directorate General for Energy Policy and Mining of 29 September 2009, publishing the natural gas last resort tariff applicable from 1 October 2009.

Resolution of the Directorate General for Energy Policy and Mining of 13 October 2009, calling the coordinated procedure for allocating natural gas interconnection capacity between Spain and France between 1 April 2010 and 31 March 2011 in connection with short-term contracts.

Resolution of the Directorate General for Energy Policy and Mining of 30 November 2009, approving the 2009-2010 winter action plan for operation of the gas system.

Law 25/2009, of 22 December 2009, amending several laws to bring them in line with the law on free access to services and free exercise of service activities, modifying certain aspects of Hydrocarbon Act 34/1998.

Order ITC/3520/2009 of 28 December 2009, establishing remuneration of regulated gas sector activities for 2010 and the tolls and fees for third-party access to gas installations.



5.

Intangible assets

The breakdown and movement in intangible assets and amortisation in 2009 and 2008 were as follows:

2009

Cost	Opening balance	Additions	Increase / (decrease) due to transfers	Disposals, derecognition or reversals	Closing balance
Development costs	584	381	–	–	965
Concessions	5,887	–	–	–	5,887
Computer software	36,607	10,468	–	–	47,075
Other intangible assets	30,607	1,680	–	–	32,287
Total cost	**73,685**	**12,529**	–	–	**86,214**

Amortisation	Opening balance	Allocations	Increase / (decrease) due to transfers	Disposals, derecognition or reversals	Closing balance
Development costs	178	93	–	–	271
Concessions	2,476	211	–	–	2,687
Computer software	21,852	6,685	–	(4)	28,533
Other intangible assets	11,627	1,691	–	–	13,318
Total amortisation	**36,133**	**8,680**	–	**(4)**	**44,809**

2008

Cost	Opening balance	Additions	Increase / (decrease) due to transfers	Disposals, derecognition or reversals	Closing balance
Development costs	441	143	–	–	584
Concessions	5,887	–	–	–	5,887
Computer software	29,572	7,035	–	–	36,607
Other intangible assets	27,491	3,116	–	–	30,607
Total cost	**63,391**	**10,294**	**–**	**–**	**73,685**

Amortisation	Opening balance	Allocations	Increase / (decrease) due to transfers	Disposals, derecognition or reversals	Closing balance
Development costs	100	78	–	–	178
Concessions	2,264	212	–	–	2,476
Computer software	16,417	5,435	–	–	21,852
Other intangible assets	10,568	1,059	–	–	11,627
Total amortisation	**29,349**	**6,784**	**–**	**–**	**36,133**

The increases in "Development costs" in 2009 relate mainly to phase 1 of the power generation project for the Huelva plant, in the amount of 300 thousand euros, and the power generation project at Position 15.09, in the amount of 65 thousand euros.

Key software additions in 2009 include:

- Enagás' SAP resource centre, in the amount of 3,905 thousand euros
- Software for new infrastructure systems projects, totalling 1,856 euros
- Facility maintenance and operation systems, for 1,187 thousand euros
- Software enabling new functions in corporate systems, for 816 thousand euros
- Automation of the travel expense reimbursement process, amounting to 562 thousand euros
- Purchasing system software, for 545 thousand euros
- Software enabling new functions in the economic-financial system, for 417 thousand euros
- Workstation back-up management software, totalling 334 euros

At year end 2009 and 2008, the company was still using the following fully-amortised intangible assets:

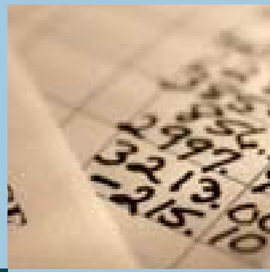
2009

Item	Carrying amount (gross)
Development costs	132
Computer software	15,769
Other intangible assets	1,856
Total	**17,757**

2008

Item	Carrying amount (gross)
Development costs	46
Computer software	12,618
Other intangible assets	1,708
Total	**14,372**

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



6.

Property, plant and equipment

The breakdown and movement in property, plant and equipment and accumulated depreciation in 2009 and 2008 were as follows:

2009

Cost	Opening balance	Additions	Increase / (decrease) due to transfers	Disposals, derecognition or reversals	Closing balance
Land and buildings	149,939	4,612	885	–	155,436
Plant and machinery	5,172,321	148,073	809,294	(10,472)	6,119,216
Other installations, equipment and furniture	41,224	2,676	–	–	43,900
Prepayments and work in progress	992,389	733,663	(810,179)	(50)	915,823
Government grants	(561,257)		–	–	(561,257)
Total cost	**5,794,616**	**889,024**	**–**	**(10,522)**	**6,673,118**

Depreciation	Opening balance	Allocations	Increase / (decrease) due to transfers	Disposals, derecognition or reversals	Closing balance
Land and buildings	41,034	2,900	–	–	43,934
Plant and machinery	1,978,601	222,728	–	(8,860)	2,192,469
Other installations, equipment and furniture	34,087	2,730	–	(2)	36,815
Prepayments and work in progress	–	–	–	–	–
Government grants	(249,266)	(20,549)	–	–	(269,815)
Total depreciation	**1,804,456**	**207,809**	**–**	**(8,862)**	**2,003,403**

Impairment losses	Opening balance	Allocations	Increase / (decrease) due to transfers	Reversals	Disposals or derecognition	Closing balance
Land and buildings	–	–	–	–	–	–
Plant and machinery	15,131	112	–	–	(483)	14,760
Other installations, equipment and furniture	–	–	–	–	–	–
Prepayments and work in progress	–	–	–	–	–	–
Government grants	–	–	–	–	–	–
Total impairment losses	**15,131**	**112**	**–**	**–**	**(483)**	**14,760**

2008

Cost	Opening balance	Additions	Increase / (decrease) due to transfers	Disposals, derecognition or reversals	Closing balance
Land and buildings	143,839	3,290	2,866	(56)	149,939
Plant and machinery	4,609,104	62,912	505,207	(4,902)	5,172,321
Other installations, equipment and furniture	39,453	2,408	–	(637)	41,224
Prepayments and work in progress	791,246	712,392	(508,073)	(3,176)	992,389
Government grants	(560,851)	(406)	–	–	(561,257)
Total cost	**5,022,791**	**780,596**	**–**	**(8,771)**	**5,794,616**

Depreciation	Opening balance	Allocations	Increase / (decrease) due to transfers	Disposals, derecognition or reversals	Closing balance
Land and buildings	38,353	2,719	–	(38)	41,034
Plant and machinery	1,771,210	212,258	–	(4,867)	1,978,601
Other installations, equipment and furniture	32,450	2,274	–	(637)	34,087
Prepayments and work in progress	–	–	–	–	–
Government grants	(228,138)	(21,128)	–	–	(249,266)
Total depreciation	**1,613,875**	**196,123**	**–**	**(5,542)**	**1,804,456**

Impairment losses	Opening balance	Allocations	Increase / (decrease) due to transfers	Reversals	Disposals or derecognition	Closing balance
Land and buildings	–	–	–	–	–	–
Plant and machinery	18,189	920	–	–	(3,978)	15,131
Other installations, equipment and furniture	–	–	–	–	–	–
Prepayments and work in progress	–	–	–	–	–	–
Government grants	–	–	–	–	–	–
Total impairment losses	**18,189**	**920**	**–**	**–**	**(3,978)**	**15,131**

The transfers in "Plant and machinery" mainly relate to the start-up during the year of:

- Lemona–Haro gas pipeline, first and second section
- Link to Castellón gas pipeline
- Almería-Lorca gas pipeline
- Montesa-Denia gas pipeline, Villalonga-Denia stretch and regulating and metering stations
- Connection between Lorca and the Almería-Chinchilla gas pipeline
- Lorca-Chinchilla gas pipeline, northern and southern sections
- Pipeline to Gibraltar gas field, phase III
- The Denia-Ibiza-Mallorca underwater gas pipeline and regulating and metering stations
- Regulating and metering stations at various points on the basic grid
- Expansion work at various points on the basic grid
- Increase in the emission capacity of the Barcelona plant to 1,800,000 Nm3
- Increase in the emission capacity of the Barcelona plant to 1,950,000 Nm3
- Work on methane tanker dock at the Cartagena plant, 250,000 m3
- Structural reinforcement of the tubing rack at the Cartagena plant
- Lumbier compression station
- Expansion of Haro compression station
- Installation of regulating, metering and odorant facilities at the Almería-Lorca gas pipeline
- Replacement of compressor unit at J-17 well
- New thermal station in León
- Thermal station in Antas, Almería
- Dust system at P-5 pumps at Barcelona plant

Additions under "Plant and machinery" include 1,974 thousand euros (2008: 2,318 thousand euros) corresponding to the minimum linepack for system security of the gas pipelines.

Additions in "Prepayments and work in progress" in 2009 relate mainly to the following installations:

- Montesa compression station
- Denia compression station
- Villar de Arnedo compression station
- Chinchilla compression station
- Duplication of the Tivissa – Paterna gas pipeline
- Duplication of the Castelnou – Tivissa gas pipeline
- Martorell – Figueras gas pipeline
- Triple reinforcement of the Tivissa – Arbós gas pipeline
- Power generation at the Almendralejo compression station
- Regasification facilities at the El Musel plant
- Marine civil engineering works at the El Musel plant
- LNG storage facilities at the El Musel plant
- High pressure turbine calibration, phase II
- Upgrade of boil-off system at the Huelva plant
- Fifth tank at the Cartagena plant
- Fifth tank at the Huelva plant
- Seventh tank at the Barcelona plant
- Eighth tank at the Barcelona plant
- Surface installations Yela underground storage facility
- Wells at Yela underground storage facility

Decreases in property, plant and equipment in 2009 reflect the derecognition, in the amount of 10,472 thousand euros, of three turbo compressors sold to Solar Turbines Europe for €2,300 thousand euros as a result of the capacity expansion work conducted at the Haro compression station, and the derecognition of work in progress capitalised at 50 thousand euros, for which provision had been fully made.

The revaluation of property, plant and equipment by Enagás, S.A., in accordance with the provisions of Royal Decree Law 7/1996 (7 June) regarding the revaluation of assets, resulted in an increase of 15,619 thousand euros in the depreciation charge in 2009 (2008: 16,166 thousand euros).

Capitalised finance costs accrued during construction of infrastructure projects in 2009 amounted to 29,573 thousand euros (2008: 30,145 thousand euros).

Likewise, own work capitalised increased property, plant and equipment by 16,115 thousand euros in 2009 (2008: 11,555 thousand euros).

The reduction in "Accumulated depreciation" relates mainly to derecognition of the turbo compressors at the Haro compression station in the amount of 8,826 thousand euros.

At year end 2009 and 2008, the company was still using the following fully-depreciated items of property, plant and equipment:

2009

Item	Carrying amount (gross)
Buildings	7,594
Plant and machinery	348,066
Other installations, equipment and furniture	31,404
Total	**387,064**

2008

Item	Carrying amount (gross)
Buildings	7,437
Plant and machinery	321,048
Other installations, equipment and furniture	30,353
Total	**358,838**

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

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

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

Government grants received by year-end 2009 relate to investments in gas infrastructure, as follows:

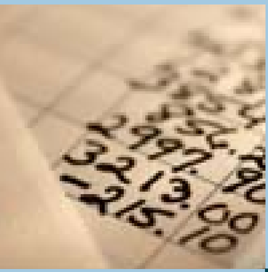
	Thousands of euros		
	Grants received at 31.12.09	Released to income at 31.12.09	Balance at 31.12.09
Regasification plants	76,940	55,411	21,529
Gas transport infrastructure	466,809	209,208	257,601
Underground storage facilities	17,508	5,196	12,312
Total	**561,257**	**269,815**	**291,442**

The grants were received from the following bodies:

	Miles de euros		
	Grants received at 31.12.09	Released to income at 31.12.09	Balance at 31.12.09
EU structural funds	399,574	169,903	229,671
Spanish regional authorities	47,835	17,498	30,337
Spanish state	113,848	82,414	31,434
Total	**561,257**	**269,815**	**291,442**

Government grants to be released to the income statement in 2010 amount to approximately 20,548 thousand euros. The schedule for the release of the outstanding balance at 31 December 2009 is:

	Years		
	<1	2 to 5	>5
Spanish state grants	3,024	12,095	16,314
Spanish regional authority grants	1,588	6,351	22,399
EU structural funds	15,936	63,744	149,991
Total grants	**20,548**	**82,190**	**188,704**

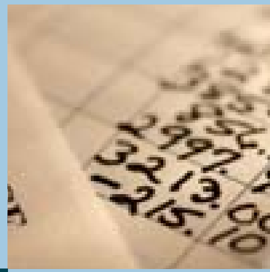


7.

Interests in joint ventures

There were no changes to shareholdings in subsidiaries in 2009 and 2008 so the percentage stakes and balances held by the parent company Enagás, S.A. remain as follows:

	Thousands of euros		Porcentage stakes
	2009	2008	
Gasoducto Al-Andalus, S.A. (Spain)	23,744	23,744	66.96%
Gasoducto de Extremadura, S.A. (Spain)	9,732	9,732	51.00%
Gasoduto Campo Maior - Leiria - Braga, S.A. (Portugal)	3,195	3,195	12,00%
Gasoduto Braga - Tuy, S.A. (Portugal)	2,546	2,546	49.00%
Total, gross	**39,217**	**39,217**	–
Less: impairment losses	–	–	–
Total, net	**39,217**	**39,217**	–



8.

Financial assets

8.1. Composition and breakdown

The Group's financial assets at 31 December 2009 and 31 December 2008, broken down by class and category for measurement purposes, were as follows:

Category / Class	Non-current financial assets							
	Equity instruments		Debt securities		Loans, derivatives and other financial assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Assets at fair value through profit or lost								
Financial assets held for trading	–	–	–	–	–	–	–	–
Others non-current financial assets	–	–	–	–	–	–	–	–
Held-to-maturity investments	1	1	–	–	712	711	713	712
Loans and receivables	–	–	–	–	8,236	12,584	8,236	12,584
Available-for-sale financial assets								
Measured at fair value	–	–	–	6,420	–	–	–	6,420
Measured at cost	–	–	–	–	–	–	–	–
Derivatives	–	–	–	–	2,069	–	2,069	–
Total	1	1	–	6,420	11,017	13,295	11,018	19,716

Category / Class	Current financial assets							
	Equity instruments		Debt securities		Loans, derivatives and other financial assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Assets at fair value through profit or lost								
Financial assets held for trading	–	–	–	–	–	–	–	–
Others non-current financial assets	–	–	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–	–	–
Loans and receivables	–	–	–	–	8,083	6,292	8,083	6,292
Available-for-sale financial assets								
Measured at fair value	–	–	–	–	–	–	–	–
Measured at cost	–	–	–	–	–	–	–	–
Derivatives	–	–	–	–	–	2,169	–	2,169
Total	–	–	–	–	8,083	8,461	8,083	8,461

The changes in Group financial assets in 2009 and 2008 were as follows:

	Thousands of euros				
	Balance at 01.01.09	Additions or provisions	Gain (loss) recognised in equity / income	Disposals, derecognition or reversals	Balance at 31.12.09
Held-to-maturity investments	712	5	–	(4)	713
Loans and receivables	18,876	591	–	(3,148)	16,319
Available-for-sale financial assets	6,420	–	13	(6,433)	–
Derivatives	2,169	–	2,069	(2,169)	2,069
Total, gross	**28,177**	**596**	**2,082**	**(11,754)**	**19,101**
Impairment losses	–	–	–	–	–
Total, net	**28,177**	**596**	**2,082**	**(11,754)**	**19,101**

	Thousands of euros				
	Balance at 01.01.08	Additions or provisions	Gain (loss) recognised in equity / income	Disposals, derecognition or reversals	Balance at 31.12.08
Held-to-maturity investments	698	19	–	(5)	712
Loans and receivables	21,531	3,093	–	(5,748)	18,876
Available-for-sale financial assets	8,100	730	(668)	(1,742)	6,420
Derivatives	2,928	–	5,168	(5,927)	2,169
Total, gross	**33,257**	**3,842**	**4,500**	**(13,422)**	**28,177**
Impairment losses	–	–	–	–	–
Total, net	**33,257**	**3,842**	**4,500**	**(13,422)**	**28,177**

8.2. Impairment losses

In 2009 there were no changes in provisions for impairment losses on the Group's financial assets.

8.3. Loans and receivables generated by the company:

Current and non-current loans

The balance of these consolidated balance sheet headings by nature of the transaction is detailed below:

	Thousands of euros	Interest rate	Maturity
Non-current loans:			
Loans to Group companies	12,584	5.760%	Sept.-2011
Other loans	–	–	–
Current loans:			
Loans to Group companies	6,292	5.760%	Dec.-2009
Balance at 31.12.08	**18,876**		
Non-current loans:			
Loans to Group companies	8,084	2.640%	Sept.-2011
Other loans	–	–	–
Current loans:			
Loans to Group companies	8,083	2.640%	Dec.-2010
Balance at 31.12.09	**16,167**		

Current and non-current loans include long-term loans granted by the parent company to finance the construction of transport infrastructure; they are measured at amortised cost using the effective interest method. These loans accrue interest at variable rates referenced to the EIB rate plus a 90bp spread for Gasoducto Al-Andalus, S.A., Gasoducto de Extremadura, S.A., Gasoduto Campo Mayor-Leiria-Braga, S.A. and Gasoduto Braga-Tuy, S.A.

The breakdown is as follows:

Thousands of euros	31.12.2009	31.12.2008
Non-current loans to Group companies:		
Gasod. Al-Andalus, S.A.	3,095	5,487
Gasod. de Extremadura, S.A.	10	620
Gasod. Campo Maior - Leiria - Braga, S.A.	1,996	2,597
Gasod. Braga - Tuy, S.A.	2,983	3,880
Total, non-current	**8,084**	**12,584**

Thousands of euros	31.12.2009	31.12.2008
Current loans to Group companies:		
Gasod. Al-Andalus, S.A.	3,095	2,743
Gasod. de Extremadura, S.A.	10	310
Gasod. Campo Maior- Leiria- Braga, S.A.	1,996	1,299
Gasod. Braga-Tuy, S.A.	2,982	1,940
Total, current	**8,083**	**6,292**

8.4. Available-for-sale financial assets:

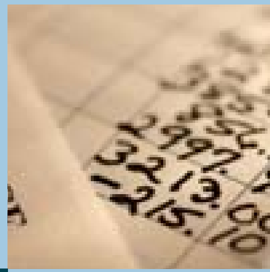
Long-term securities portfolio

The financial assets included under this consolidated balance sheet heading at year-end 2008 mainly related to a BBVA mutual fund.

This fund was carried at fair value in accordance with its market price at each balance sheet date. As this fund was created to hedge a provision for long-service bonuses, changes in the fair value of the fund imply changes for the same amount in the related provision.

The carrying value of this 100%-owned fund at 31 December 2008 was 6,420 thousand euros.

During the first quarter of 2009 the Group sold all units it held in the fund. At the date of sale, the fund was valued at 6,432 thousand euros.



9.

Trade and other receivables and current tax assets

The breakdown of "Trade and other receivables" at the consolidated balance sheet date is as follows:

	2009	2008
Trade and other receivables:		
Trade receivables	7,732	29,860
Receivable from Group companies	1,670	1,815
Other receivables	312,687	366,237
Income tax receivable	37,580	46,296
Total	**359,669**	**444,208**

The 1,670 thousand euro "Receivable from Group companies" balance corresponds to 715 thousand euros receivable from Gasoducto Al-Andalus, S.A. and 955 thousand euros receivable from Gasoducto de Extremadura, S.A. Both balances relate to gas transport services rendered to Galp Gas Natural, S.A. pending collection, which are consolidated using the proportionate method in accordance with the percentage interest of Enagás, S.A. in these companies.

Under "Other receivables", the Group includes the unsettled balance relating to remuneration for regulated regasification, transport, and storage activities in 2009 for 182,091 thousand euros, and the outstanding balance on the remuneration for technical system management of 1,898 thousand euros, leaving a total outstanding balance of 183,979 thousand euros at the 2009 year end.

Also in 2009, the Group received the definitive settlement pending for 2006 and 2007, closing the settlement process for 2004 through 2007 (the process for 2002 and 2003 was closed in prior years). As a result, a balance of 28,190 thousand euros receivable by Enagás, S.A. was recognised in connection with settlement deviations accumulated during that period.

"Other receivables" also includes the uncollected amounts from gas suppliers for the freight tax regulated by article 24 of Law 48/2003. This tax is levied on natural gas shipments which agents unload at the regasification plants, including those of which Enagás, S.A. is titleholder at the ports of Barcelona, Cartagena, and Huelva. At 31 December 2009, these uncollected amounts totalled 6,395 thousand euros, of which 5,484 thousand euros are subject to a lawsuit filed by certain suppliers. Specifically, 4,281 thousand euros were past due by over one year at 31 December 2009.

Law 48/2003 modifies the duty on goods unloaded at ports under the concession regime. Title I of this law states that if the concessionaire makes the application within a period of six months, 100% of the duties related to unloading may be passed on to the agent that is titleholder of the merchandise even though payment to the port authority is still the responsibility of the taxpayer, in this case Enagás, as concessionaire under the previous regime. Under the previous regime, only 50% of the duty could be passed on to the titleholder of the goods by the titleholder of the concession.

The problem with the suppliers arose from the fact that while Law 43/2003 came into effect on 27 February 2004, Title I of the law related to the pass-through of duties became applicable on 1 January 2004 in accordance with the fifth additional provision of Law 48/2003. Enagás, S.A. submitted the application for the change of regime in July 2004, understanding that the six-month period started on 27 February 2004, when the law took effect. However, the suppliers with which the company is in litigation understand that the application from 1 January of Title I implies that this period ended on 30 June 2004. Therefore, Enagás, S.A.'s application is past the deadline and therefore, for legal purposes, outside the allotted period.

As a result of this situation, Enagás, S.A. has filed administrative claims seeking legal jurisdiction for its actions covering the full uncollected amounts. It should be noted that Enagás, S.A.'s claims have been expressly ratified by the Huelva Port Authority via ruling issued 3 May 2007, which, in line with the Port Authorities of Cartagena and Barcelona, considers without any reservation that Enagás' election to avail itself of the new economic tax regime established by Law 48/2003 was not outside the allotted period. In addition, all the rulings handed down by the regional economic and administrative courts have upheld the claims lodged by Enagás, S.A. in response to the suppliers' refusal to pay the total amounts invoiced for port duties on merchandise and for general services.

The Group's directors recognise the risk that the rest of the suppliers paying the full tax passed on by Enagás, S.A. will seek reimbursement of 50% if the court rules against Enagás, S.A. in the claims in process. The amount paid to Enagás, S.A. by suppliers with which there is no ongoing litigation at 31 December 2009 totalled 10,479 thousand euros, of which 50% (5,240 thousand euros) would be at risk.

The above notwithstanding, the Group's directors consider that based on the information available at that date, the risk of not recovering these amounts is remote, so no provision for this concept has been recorded. However, it will continue to monitor the claims lodged in 2009.

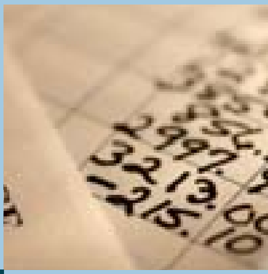
"Income tax receivable" at 31 December 2009 basically includes VAT receivable by parent company Enagás, S.A., as accrued recoverable VAT is higher than VAT payable, partly because Enagás, S.A. acts as a tax warehouse. This heading also includes corporate income tax withholdings and payments on account paid by the company (Note 21).

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

Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets. The balances include amounts which on the whole are within the stipulated maturity periods and are payable by companies of recognised prestige and solvency.

The Group does not have a significant concentration of credit risk as it operates in a regulated environment under planned scenarios. However, it takes the impairment provisions deemed necessary to cover bad debt risks.



10.

Inventories

As indicated in Note 4.d, Law 12/2007 of 2 July meant that the parent company stopped supplying natural gas to the regulated market. In keeping with that legislation, supplies were discontinued on 1 July 2008, though the process of settling transactions, which makes it possible to know how much gas the suppliers have provided to tariff customers, how much has been consumed, and consequently, how much of the gas which Enagás made available to suppliers was left over, has continued until 31 December.

Given the above, the discontinuation of the regulated market nullified Enagás, S.A.'s legal obligation to supply this market and, likewise, nullified the contract of 21 August 2001 by which Enagás, S.A. acquired natural gas and liquid natural gas from Gas Natural SDG, S.A.

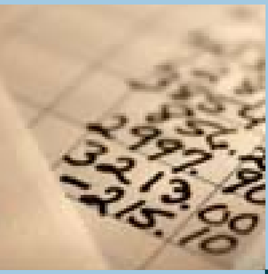
To regulate the impact of this discontinuation, and determine how the excess gas (acquired by Enagás for the regulated market but not consumed) will be used, on 1 December 2008 the parties signed an agreement whereby Enagás will make 751 GWh available to Gas Natural Aprovisionamientos SDG SA, an amount which was invoiced at 31 December 2008.

Having established the definitive December 2008 balance, the 69 GWh resulting from the adjustment was invoiced in April 2009, thereby settling that contract.

Since then, Enagás, S.A. carried no gas inventories.

It should be noted that at 31 December 2009, Enagás, S.A., as Technical System Manager, had approximately 950 GWh of operational gas necessary to ensure operation of the gas system, as stipulated in the fifth additional provision of Order ITC/3863/2007 of 28 December 2007. This gas is not recognised as inventory in the financial statements since it belongs to the entire gas system and is not the property of Enagás, S.A.

The Group also has 4,725 thousand euros (2,215 thousand euros in 2008) of inventories unrelated to natural gas that include, inter alia, office materials and consumables.



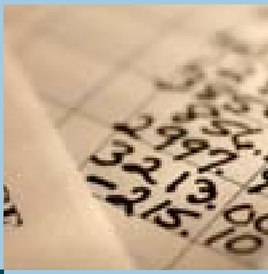
11.

Cash and cash equivalents

The breakdown of "Cash and cash equivalents" at 31 December 2009 and 2008 is as follows:

	2009	2008
Cash	7,623	7,868
Cash equivalents	632,901	206,674
Total	**640,524**	**214,542**

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



12.
Equity

12.1. Issued capital

At 31 December 2009 the share capital of the parent company amounted to 358,101 thousand euros, represented by 238,734,260 ordinary bearer shares, all of the same class and series, with a par value of 1.50 euros each and fully paid up.

All shares of parent company Enagás, S.A. are listed on the four Spanish stock exchanges and are traded on the electronic trading platform (the continuous market). At 30 December 2009, Enagás, S.A.'s share price closed at 15.425 euros, having reached a high for the year of 15.77 euros per share on 6 January.

No company held more than 5% of the company's issued capital at either year-end 2009 or 2008. The most significant shareholdings in Enagás, S.A. at 31 December 2009 are as follows:

Company	% shareholding
Omán Oil Company, S.A.O.C.	5.000
Sagane Inversiones, S.L.	5.000
Bancaja Inversiones, S.A.	5.000
Cantábrica de Inversiones de Cartera, S.L.	5.000
Sociedad Estatal de Participaciones Industriales	5.000
Bilbao Bizkaia Kutxa	5.000

Cantábrica de Inversiones de Cartera, S.L. and Bancaja Inversiones, S.A. are subsidiaries of Caja de Ahorros de Asturias (Cajastur), and Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja), respectively.

In June 2009, as a result of a ruling handed down by the anti-trust authority (Spanish acronym: CNC) in respect of the merger of Gas Natural SDG, S.A. and Unión Fenosa, S.A., Gas Natural SDG, S.A. informed the CNMV that it had sold its 5% equity interest in Enagás, S.A. to Omán Oil Company, S.A.O.C., a company managed by the government of the Sultanate of Oman.

At 31 December 2009, REN, S.A. continued to hold a 1% shareholding in Enagás, S.A.

It should be noted that article 92 of Law 62/2003 on tax, administration and social order measures of 31 December 2003, which amends Law 34/1998 on the hydrocarbon sector, establishes that "no individual or company may directly or indirectly hold more than 5% of Enagás, S.A.'s ordinary or voting shares".

Law 12/2007, of 2 July 2007, further limits the exercise of voting rights to 3%, in addition to the ownership cap of 5%. The law also stipulates the natural persons or legal entities that operate in the gas industry and those that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise more than 1% of the voting rights in the technical system manager. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises.

The Group has no treasury shares.

12.2. Reserves

Legal reserve

Under the revised Spanish Companies Act, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

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

The parent company of the Group has appropriated to the legal reserve an amount of 71,620 thousand euros, included under "Restricted reserves" in the accompanying consolidated balance sheet.

In 2009, Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A. had also appropriated to their respective legal reserves the full required amount.

12.3. Interim dividend

The distribution of net profit for 2009 that Enagás, S.A.'s Board of Directors will propose for approval at the General Shareholders' Meeting is as follows:,

	Thousands of euros
Dividend	178,818
Voluntary reserves	118,453
	297,271

At its meeting on 30 November 2009, the Board of Directors of Enagás, S.A. resolved to pay an interim dividend against 2009 profit of 67,562 thousand euros (0.283 euros per share, before tax). The company has prepared the necessary liquidity statement, expressed in thousands of euros, in accordance with article 216 of Royal Decree Law 1564/1989 (22 December), approving the revised text of the Spanish Companies Act.

In accordance with legal requirements, the provisional financial statements prepared by the Group, which showed that there were sufficient resources to pay the interim dividend against 2009 profit, are set forth below:

	Thousands of euros	
	Provisional financial statements at 31 October 2009	Provisional financial statements at 31 October 2008
Consolidated Group profit	246,161	221,102
10% allocation to legal reserve	–	–
Income available for distribution	**246,161**	**221,102**
Forecast interim dividend	**(67,562)**	**(62,071)**
Forecast cash at bank and in hand (Group) between 31 October and 31 December:		
Cash at bank and in hand	500,958	297,270
Collections forecast for the period	209,000	125,000
Credit facilities and loans granted by banks	1,136,000	200,000
Payments forecast for the period (including interim dividend)	332,800	(158,000)
Forecast cash at bank and in hand	**2,178,758**	**464,270**

The aforementioned interim dividend was paid on 22 December 2009.

The proposed before-tax final dividend (0.466 euros per share) is subject to shareholder approval and is not recognised as a liability in these financial statements.

12.4. Net unrealised gains (losses) reserve

Available-for-sale (AFS) financial assets

In 2008, the Group recognised its investment in the BBVA mutual fund in equity. This fund is carried at fair value in accordance with its market price at each balance sheet date.

During the first quarter of 2009, Enagás, S.A. sold all units it held in the fund (Note 8.4).

The movement in these financial assets during 2009 and 2008 were as follows:

	Thousands of euros			
	01.01.2009	Change in fair value	Recognised in income	31.12.2009
Available-for-sale (AFS) financial assets	(792)	13	779	–
Tax effect deferred in equity	238	(4)	(234)	–
Total	**(554)**	**9**	**545**	**–**

	Thousands of euros			
	01.01.2008	Change in fair value	Recognised in income	31.12.2008
Available-for-sale (AFS) financial assets	–	(668)	(124)	(792)
Tax effect deferred in equity	–	200	38	238
Total	**–**	**(468)**	**(86)**	**(554)**

Hedging transactions

This heading refers to derivatives which the company designated as cash-flow hedges (see Note 19).

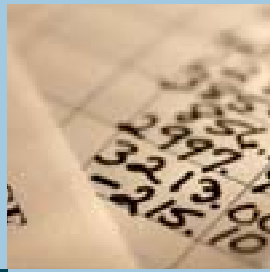
The movement in these headings in 2009 and 2008 were as follows:

2009

	Thousands of euros			
	01.01.2009	Change in fair value	Recognised in income	31.12.2009
Cash flow hedges	(21,657)	(26,455)	30,722	(17,390)
Tax effect deferred in equity	6,497	7,936	(9,217)	5,216
Total	**(15,160)**	**(18,519)**	**21,505**	**(12,174)**

2008

	Thousands of euros			
	01.01.2008	Change in fair value	Recognised in income	31.12.2008
Cash flow hedges	1,437	(16,574)	(6,520)	(21,657)
Tax effect deferred in equity	(431)	4,972	1,956	6,497
Total	**1,006**	**(11,602)**	**(4,564)**	**(15,160)**



13.

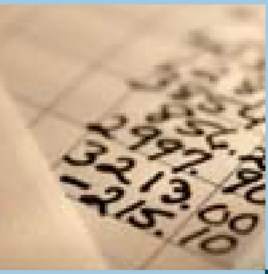
Earnings per share

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

Accordingly:

	2009	2008	Change
Profit for the year (thousands of euros)	298,031	258,885	15.12%
Weighted average number of shares outstanding (thousands of euros)	238,734	238,734	–
Basic earnings per share in euros	**1.2484**	**1.0844**	**15.12%**

Diluted earnings per share is calculated by dividing profit for the period attributable to equity holders of the parent (adjusted for the effect of dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the period adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the company. As there are no potential ordinary shares at either year end 2009 or year end 2008, basic and diluted earnings per share are the same.



14.

Provisions and contingent liabilities

14.1. Provisions

The directors of the Enagás Group consider that the provisions recorded in the accompanying consolidated balance sheet adequately cover risks from 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 risk covered by these provisions it is not possible to make a reasonable estimate as to the timing of any payments which may arise.

The discounting of provisions is recognised with a charge to "Finance costs" in the accompanying consolidated income statement.

The changes in this balance sheet heading in 2009 were as follows:

Non-current provisions	01.01.2009	Additions	Discounting	Amounts applied	31.12.2009
Litigation	107	(41)	–	(66)	–
Long-service bonus	6,430	(10)	12	(6,432)	–
Long-term incentive plan	1,362	1,400	–	–	2,762
Abandonment costs	23,619	–	(132)	–	23,487
Other	5	5,250	–	–	5,255
Total non-current provisions	**31,523**	**6,599**	**(120)**	**(6,498)**	**31,504**

The most significant items of provisions recorded in 2009 are as follows:

- Litigation. Litigation includes the lawsuit filed by Fibracolor, S.A. due to interruptions in the gas supply in March 2005 caused by lack of gas inventories. The ruling handed down fined Enagás, S.A. 66 thousand euros for damages.

- Long-service bonus. This relates to non-statutory compensation to reward management and executive directors for their length of service to the company. In 2009, 6,432 thousand euros of the provision was used in connection with the sale of all units held in the fund (Notes 8.4 and 12.4).

- Long-term incentive plan. This multiannual remuneration plan offers a long-term incentive for achieving certain objectives over the course of three years. Top management of the company, including executive directors, are possible beneficiaries of this remuneration scheme which concludes in June 2010.

- Abandonment costs. The effect of discounting the costs to dismantle the Yela and Serrablo underground storage facilities have been included under the column headed "Discounting" (Note 3.b).

- Other. The company has recognised a provision of 5,250 thousand in order to mitigate the risks associated with the provisional nature of certain regulatory aspects which at the balance sheet date were still pending definitive official publication.

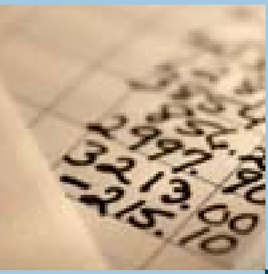
14.2. Contingencies

The Group had the following contingent liabilities at 31 December 2009:

- Uncollected amounts from gas suppliers for the freight tax regulated by article 24 of Law 48/2003 (see Note 9).

- Administrative proceedings with the Chamber of Commerce of Madrid relating to claims on income tax for 2005, 2006 and 2007.

- Proceedings with the state tax authorities (AEAT) regarding assessments relating to VAT on imports in 2004 and 2005 (see Note 21.8).



15.

Financial liabilities

15.1. Non-current financial liabilities

The breakdown of "Non-current financial liabilities" at year-end 2009 and 2008 was as follows:

Category / Class	Non-current financial liabilities							
	Bank borrowings and finance leases		Bonds and other marketable debt securities		Derivatives and other financial liabilities		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Debts and other payables	1,914,629	2,114,198	1,130,423	–	29,289	36,094	3,074,341	2,150,292
Liabilities at fair value through profit or loss								
Held for trading	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Derivatives	–	–	–	–	15,698	6,111	15,698	6,111
Total	**1,914,629**	**2,114,198**	**1,130,423**	**–**	**44,987**	**42,205**	**3,090,039**	**2,156,403**

Below is a breakdown, by maturity, of "Bank borrowings and finance leases" and "Derivatives and other financial liabilities":

2009

	2011	2012	2013	2014 and thereafter	Total
Bonds and other marketable securities	–	498,413	–	632,010	1,130,423
Bank borrowings	244,344	515,714	113,214	1,041,357	1,914,629
Finance leases	–	–	–	–	–
Derivatives	4,491	1,756	–	9,451	15,698
Other	25,663	617	617	2,392	29,289
Total	**274,498**	**1,016,500**	**113,831**	**1,685,210**	**3,090,039**

2008

	2010	2011	2012	2014 and thereafter	Total
Bank borrowings	1,124,174	244,174	115,548	630,302	2,114,198
Finance leases	–	–	–	–	–
Derivatives	4,674	1,437	–	–	6,111
Other	26,548	5,904	624	3,018	36,094
Total	**1,155,396**	**251,515**	**116,172**	**633,320**	**2,156,403**

At 31 December 2009, Enagás, S.A. had undrawn credit facilities amounting to 121 million euros, with a limit of 406 million euros (2008: 292 million euros, with a limit of 331 million euros). The company is currently negotiating renewal of the main facilities maturing in 2010. Undrawn loans granted amount to 875 million euros (2008: 1,450 million euros).

Management believes that these amounts sufficiently cover potential short-term liquidity requirements based on commitments outstanding at the balance sheet date.

Average annual interest in 2009 on Group loans and credit facilities in euros was 2.26% without considering hedges and fees and 3.30% factoring in hedges and fees (4.98% and 4.74%, respectively, in 2008).

Current loans and credit facilities of the parent company are denominated in euros and accrued interest at an average annual rate of 3.20% in 2009.

The directors estimate that the change in the fair value of bank borrowings at 31 December 2009, calculated by discounting of future cash flows at market interest rates, amounted to 3,915 thousand euros. The interest rate curve used in this calculation takes into account the risks associated with the industry and Enagás, S.A.'s creditworthiness. The sensitivity of the aforementioned fair value to fluctuations in foreign currency exchange rates and interest rates is as follows:

	Thousands of euros	
	Change in interest rates	
	0.25%	-0.25%
Change in fair value of borrowings	39.8	-40.4

Derivatives and other financial liabilities classified as debts and other payables include:

- 5,523 thousand euros corresponding to the adjustments envisaged in the income tax assessment for 1995 through 1998, discounted to 31 December 2009 (2008: 5,304 thousand euros).

- The loan from the General Energy Secretariat, which forms part of the aid envisaged in the National Energy Programme granted by the Ministry of Industry, Tourism and Trade within the framework of the National Plan for Scientific Research, and Technical Development and Innovation (2004-2007). This loan is associated with the "Project for the electricity generation system at the Almendralejo compression station" being carried out by Enagás, S.A. The total amount of the loan granted is 3,265 thousand euros. Of the total, 3,097 thousand euros are classified as non-current and the remaining 168 thousand euros as current.

  Also included is the loan from the General Industry Secretariat, which forms part of the aid envisaged in the aforementioned plan by the Ministry of Industry, Tourism and Trade. This loan is associated with the "Project for design and development of a high pressure gas meter calibration facility" being carried out by Enagás, S.A. The total amount of the loan is 1,100 thousand euros, with 600 thousand euros allocated in 2007 and 500 thousand euros in 2008. The financing granted for each year was drawn down in December 2007 and 2008. In May 2009 the General Industry Secretariat notified Enagás, S.A. of its obligation to repay 204 thousand euros in connection with the loan received in 2007 to bring the amount received in line with the actual amount invested. The balance was repaid in October 2009.

  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. Specifically, this loan is associated with the "Project for Huelva power generation plant" being carried out by Enagás, S.A. The total amount of the loan granted is 3,598 thousand euros to be received in four annuities. In 2009 the company drew down 157 thousand euros corresponding to the first annuity.

  Both loans are repayable in 10 years, with a 3-year grace period and at cost of 0.25%, the cost of the guarantees provided.

- 12,580 thousand euros corresponding to long-term payables to suppliers of property, plant and equipment recognised by the Group in 2009.

- The loans which the subsidiaries Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A. received from Portuguese company Galp Gas Natural, S.A. amounting to 3,170 thousand euros and 1,211 thousand euros, respectively, as well as those received by the subsidiary Gasoducto Campo Mayor Leiria Braga, S.A. from Portuguese company REN, S.A. amounting to 2,655 thousand euros.

  These loans bear interest at floating market rates, fall due in 2011, and are repaid in accordance with the schedule envisaged in the contracts and the availability of cash of each company.

Lastly, derivatives and other financial liabilities classified as debts and other payables include 12,580 thousand euros corresponding to long-term payables to suppliers of property, plant and equipment, recognised by Enagás, S.A. in 2009.

Derivatives also include the cash flow hedges arranged by Enagás, S.A. for 2008-2010, 2008-2011 and 2009-2012, (Note 18).

On 6 July 2009, Enagás, S.A. completed a 1,000 million euro bond issue. The three-year tranche bears an annual coupon payment of 3.25% while the six-year bonds carry an annual coupon of 4.375%. The proceeds were used in their entirety for the early repayment of a syndicated loan due January 2010.

Effective 15 September 2009, the company raised 20,000 million Japanese yen (147.5 million euros) in a private placement with the investor AFLAC. The bonds carry interest at a floating rate tied to 6-month Euribor. The proceeds were used to fund the company's capital expenditure. The fair value of this financial instrument at 31 December 2009 was 134.9 million euros.

At 31 December 2009, there were no issuances, repurchases, or repayments of debt securities or other issues guaranteed by Enagás, S.A.

Financing highlights in the year include:

- Renewal of a 100 million euro loan granted by BBVA.
- Renewal/extension of a 150 million euro loan granted by Banco Santander.
- A 150 million euro loan granted by Banco Sabadell.
- Renewal/extension of the credit facilities granted by La Caixa (100 million euros), BBVA (140 million euros) and Banco Santander (60 million).
- Drawdown of tranches B (175 million euros) and C (100 million euros) of the 1,000 million euro loan granted by the financial intermediary EIB.
- Drawdown of 250 million euros on the 500 million euro loan granted by ICO (Spanish State Financial Agency).
- Drawdown of 150 million euros on the loan granted by Banco Sabadell.

15.2. Current financial liabilities

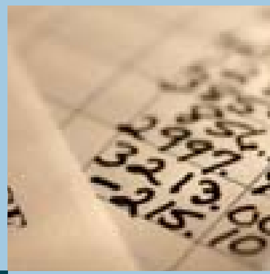
The breakdown of "Current financial liabilities" at year-end 2009 and 2008 was as follows:

Category / Class	Current financial liabilities							
	Bank borrowings and finance leases		Bonds and other marketablee securities		Derivatives and other financial liabilities		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Debts and other payables	472,158	430,428	–	–	6,853	68,299	479,011	498,727
Liabilities at fair value through profit or loss								
Held for trading	–	–	–	–	–	–	–	–
Other	–	–	–	–			–	–
Derivatives	–	–	–	–	24,752	16,008	24,752	16,008
Total	**472,158**	**430,428**	**–**	**–**	**31,605**	**84,307**	**503,763**	**514,735**

In 2008 the Group recognised the interim dividend against 2008 earnings amounting to 62,071 thousand euros in "Derivatives and other financial liabilities", as debts and other payables.

This heading also includes:

- Interest on borrowings from related-party banks in the amount of 830 thousand euros in 2009 (2008: 912 thousand euros).
- Current borrowings from the General Energy Secretariat for 168 thousand euros (see Note 15.1).
- The current balances on the loans which subsidiaries Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A. received from Galp Gas Natural, S.A., amounting to 3,170 thousand euros and 1,211 thousand euros, respectively, as well as those received by subsidiary Gasoducto Campo Mayor Leiria Braga, S.A. from REN, S.A. amounting to 1,327 thousand euros.
- Other items pending application in the amount of 147 thousand euros (2008: 39 thousand euros).



16.

Other non-current liabilities

The changes in 2009 and 2008 in this consolidated balance sheet heading were as follows:

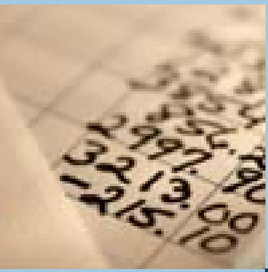
Thousands of euros	Gasoducto de Extremadura, S.A. royalty	Gasoducto Al-Andalus, S.A. royalty	Total
Balance at 1 January 2008	**12,354**	**28,019**	**40,373**
Additions/decreases/recognition in income	(950)	(2,155)	(3,105)
Balance at 31 December 2008	**11,404**	**25,864**	**37,268**
Additions/decreases/recognition in income	(951)	(2,155)	(3,106)
Balance at 31 December 2009	**10,453**	**23,709**	**34,162**

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

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

The accrual of revenue from connections to the basic network was recognised in 2006. Movement in this item in 2009 is the following:

Thousands of euros	Connections to the basic network
Balance at 31 December 2008	**32,492**
Additions	19,129
Decreases/recognition in income	(1,330)
Balance at 31 December 2009	**50,291**



17.

Risk and capital management policy

17.1. Qualitative information

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

The basic principles defined by the Enagás Group in establishing the policy for managing its most significant risks are as follows:

- Compliance with corporate governance rules.

- Strict compliance with the Group's in-house rules.

- Each business and corporate area defines:

  a. Its trading markets and products as a function of where it has sufficient knowledge and capacity to ensure effective risk management
  b. Criteria for counterparties
  c. Authorised brokers

- The businesses and corporate areas establish for each market in which they operate their risk threshold in accordance with the strategy defined.

- The limits are approved by the respective risk committees, or in their absence, by the Enagás Risk Committee.

- All the transactions of the various businesses and corporate areas are carried out within the approved limits for each case.

- The businesses, corporate areas, business lines and companies establish the necessary risk management controls to ensure that market transactions are carried out in accordance with the Group's policies, rules and procedures.

Interest rate risk

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

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

In line with its estimates and debt structure targets, the Enagás Group writes derivatives to hedge its risks.

Liquidity risk

The Group's liquidity policy consists of taking out credit facilities and short term investments to cover requirements for a period consistent with debt and capital market conditions and expectations.

Credit risk

The Group has no significant credit risk as the average customer collection period is very short and cash is placed or derivatives written with highly solvent entities.

17.2. Quantitative information

a. Interest-rate exposure

	2009	2008
Percentage of fixed-rate borrowings	60%	59%

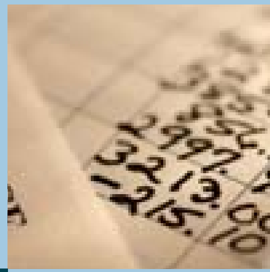
Based on the above levels of fixed-rate borrowings and after carrying out an analysis of the company's sensitivity to a one percentage point variation in market interest rates, the company estimates that the higher cost of servicing its floating-rate debt resulting from such a variation would have an income-statement impact of approximately 10 million euros.

In addition, and again in relation to its floating rate debt, management estimates that the impact on equity, as a result of derivatives arranged, of a similar change in market rates would not be significant in 2010.

17.3. Capital management

The Group, and specifically its parent company Enagás, S.A., as a capital- and investment-intensive business within a regulated market, has a capital management focus at the corporate level aimed at achieving a financial structure that optimises cost in order to maintain strong financial health. To this end, despite not having to rely on external borrowing, it continuously seeks access to financial markets at the most competitive cost possible to finance its investment plan without requiring changes to the Group's dividend policy.

Capital management at the Group did not change between 2008 and 2009. Overall, the Group's capital structure consists of equity attributable to the equity holders of the parent (capital, share premium, retained earnings, and others), borrowings, cash, and other liquid assets. In this regard, the Group provides quantitative disclosures in Notes 15 to 17 about the financial liabilities which make up its capital structure, together with its policies for managing the related risks. These notes describe the financial position in detail and describe the strength of this position, which the capital management policy mentioned in the first paragraph of this section aims to ensure. Moreover, these notes indicate that the credit ratings held by the principle agencies did not change in 2009 (see Note 32). The company monitors these ratings for decision-making purposes.



18.

Derivative financial instruments

The company uses derivatives to hedge its exposure to business, operating and cash flow risks. Specifically, the company has entered into the following hedging arrangements.

2009

Instrument	Date written	Notional amount	Fixed rate	Start date	Maturity
Cross Currency Swap	July-2009	147,514	–	15/09/2009	15/09/2039
Swap	November-2009	250,000	1.98	27/11/2009	27/11/2012
Total		**397,514**			

The notional amount of the cross currency swap is 20,000 million yen (JPY), corresponding to the 147,514 thousand euro private placement, at a spread to 6-month Euribor (see Note 15.1).

2008

Instrument	Date written	Notional amount	Cap / Floor	Fixed rate	Start date	Maturity
Collar	March - 2008	350,000	3.90 / 3.35	–	10/04/2008	11/01/2010
Collar	October - 2008	650,000	3.90 / 3.42	–	12/01/2009	11/01/2010
Swap	March - 2008	67,500	–	3.67	16/06/2008	16/06/2011
Swap	October - 2008	60,000	–	3.95	16/12/2008	16/06/2011
Swap	October - 2008	200,000	–	3.99	23/10/2008	23/11/2011
Swap	March - 2008	200,000	–	3.64	16/05/2008	16/05/2011
Total		**1,527,500**				

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

The notional and/or contractual amount of the contracts entered into does not represent the real risk assumed by Enagás, S.A., as the net position is derived by offsetting and/or grouping these financial instruments.

The fair value of these hedges at 31 December 2009 and 2008 is as follows:

2009

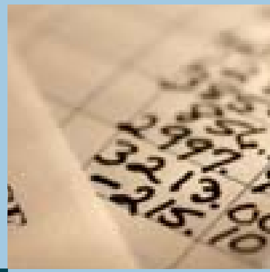
					Fair value (thousands of euros)	
Instrument	**Clasification**	**Rate**	**Notional amount (thousand of eruos)**	**Maturity**	**Assets**	**Liabilities**
Collar	Interest rate hedge	Cap	1,000,000	January-2010	–	6,708
Interest rate swap	Interest rate hedge	Floating to fixed	127,500	June-2011	–	2,907
Interest rate swap	Interest rate hedge	Floating to fixed	200,000	November-2011	–	8,586
Interest rate swap	Interest rate hedge	Floating to fixed	200,000	May-2011	–	7,192
Interest rate swap	Interest rate hedge	Floating to fixed	250,000	November-2012	2,069	2,629
Interest rate swap	Interest rate / exchange rate heddge	Fixed to floating	147,514	September-2039	–	12,427
	Total		**1,925,014**		**2,069**	**40,449**

In 2009, a loss of 30,722 thousand euros was recognised in the consolidated income statement in connection with remeasurement of the fair value of these hedging instruments.

2008

					Fair value (thousands of euros)	
Instrument	**Clasification**	**Rate**	**Notional amount (thousand of eruos)**	**Maturity**	**Assets**	**Liabilities**
Collar	Interest rate hedge	Cap	1,000,000	January-2010	1,364	9,195
Interest rate swap	Interest rate hedge	Floating to fixed	127,500	March-2011	–	2,563
Interest rate swap	Interest rate hedge	Floating to fixed	200,000	November-2011	500	5,780
Interest rate swap	Interest rate hedge	Floating to fixed	200,000	May-2011	305	4,581
	Total		**1,527,500**		**2,169**	**22,119**

In 2008, a gain of 6,520 thousand euros was recognised in the consolidated income statement in connection with remeasurement of the fair value of these hedging instruments.



19.

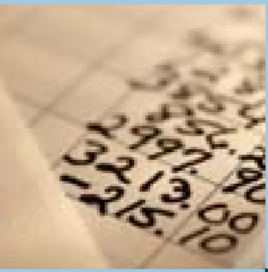
Trade and other payables

The breakdown of "Trade and other payables" is as follows:

	Thousand of euros	
	2009	2008
Trade and other payables:		
Payable to Group companies	2,704	2,414
Other trade payables	304,918	448,391
Other suppliers	4,303	3,693
Current tax liabilities (Note 21.2)	10,030	48,661
Total	**321,955**	**503,159**

"Payables to Group companies" relate to the payables, consolidated proportionately, for gas transport services the subsidiaries provide to Enagás, S.A.

"Other suppliers" corresponds to amounts owed for the purchase of materials by and services rendered to Group companies, which are registered primarily in "Other operating costs" and "Non-current assets".

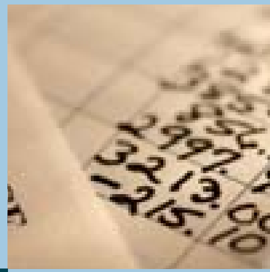


20.

Defined contribution plans

The Group operates defined contribution pension plans covering the commitments acquired by the company with respect to qualifying serving employees. The assets of the plans 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 company to the pension plan in this connection amounted to 2,082 thousand euros in 2009 (2,091 thousand in 2008), recognised under "Personnel benefits expense" in the accompanying consolidated income statement.



21.

Taxation

21.1. Tax return

The parent company, Enagás, S.A., and the Gasoducto Al-Andalus, S.A., Gasoducto de Extremadura, S.A., Gasoduto Campo Maior-Leiria-Braga, S.A. and Gasoduto Braga-Tuy, S.A. subsidiaries all file individual tax returns.

21.2. Tax receivable and payable

Balances receivable from and payable to public authorities at year end 2009 and 2008 were as follows:

	Thousands of euros	
	2009	**2008**
Tax receivable:		
Value added tax	15,579	46,296
Income tax	22,001	–
Total	**37,580**	**46,296**
Taxes payable:		
Income tax	1,994	43,502
Value added tax	70	70
Other	7,966	5,089
Total	**10,030**	**48,661**

In 2009 Enagás, S.A.'s current tax came out as a recoverable balance, which is why it had not recognised any payable to the tax authorities in this connection for that year (see Notes 21.3 and 21.7).

At year end, 22,342 thousand euros had been paid (61,507 thousand euros in 2008) on account of the final income tax expense payable, of which 17,789 thousand euros related to Enagás, S.A. (57,655 thousand euros in 2008), 2,450 thousand euros to Gasoducto Al-Andalus, S.A. (2,033 thousand euros in 2008), and 2,103 thousand euros to Gasoducto de Extremadura, S.A. (1,819 thousand euros in 2008).

At year end 2009 Enagás, S.A. was also due recoverable income tax in relation to the 2008 return from the Guipuzcoa, Vizcaya and Alava tax authorities in the amount of 2,133 thousand euros.

21.3. Reconciliation of profit before tax and taxable income

The reconciliation of profit before tax and taxable income is as follows:

2009

	Thousands of euros		
	Increase	Decrease	Total
Profit before tax	**423,480**		**423,480**
Permanent differences:			
Exemption for international double taxation	–	(1,651)	(1,651)
Other items (foreign fines and taxes)	106	–	106
Donations	619	–	619
Temporary differences:			
Arising in 2008			
Accelerated depreciation	–	–	–
Accelerated depreciation Law 4/2008	–	(552,334)	(552,334)
Government grants	–	–	–
Long-service fund	13	–	13
Provisions for property, plant and equipment	324	–	324
Provisions for litigation	–	–	–
Provisions for HCP	–	–	–
Provisions for contingencies and expenses	5,250	–	5,250
Other	1,457		1,457
Arising in prior years			
Accelerated depreciation RDL 3/1993	1,073	–	1,073
Accelerated depreciation Law 4/2008	–	–	–
Government grants	–	(359)	(359)
Long-service fund	–	(5,322)	(5,322)
Provisions for property, plant and equipment	–	(2,822)	(2,822)
Provisions for litigation	–	(107)	(107)
Provisions for HCP	–	–	–
Provisions for contingencies and expenses	–	–	–
Other	63	(59)	4
Offset of tax loss carryforwards	–	–	–
Taxable income	**432,385**	**(562,654)**	**(130,269)**

2008

	Thousands of euros		
	Increase	Decrease	Total
Profit before tax	**366,126**		**366,126**
Permanent differences:			
Exemption for international double taxation	–	(1,452)	(1,452)
Other items (foreign fines and taxes)	190	–	190
Temporary differences:			
Arising in 2008			
Accelerated depreciation RDL 3/1993	–	–	–
Government grants	–	–	–
Long-service fund	730	(668)	62
Provisions for property, plant and equipment	606		606
Provisions for litigation	76	(76)	–
Provisions for HCP	–	–	–
Other	1,425		1,425
Arising in prior years			
Accelerated depreciation RDL 3/1993	1,045		1,045
Government grants	–	(359)	(359)
Long-service fund	1,019	(2,761)	(1.742)
Provisions for property, plant and equipment	–	(2,768)	(2,768)
Provisions for litigation	–	(760)	(760)
Provisions for HCP	–	(1,984)	(1,984)
Other	118	(708)	(590)
Offset of tax loss carryforwards	–	–	–
Taxable income	**371,335**	**(11,536)**	**359,799**

21.4. Income tax recognised in equity

Aside from the income tax recognised in the consolidated income statements, in 2009 and 2008 the Group recognised the following tax effects in consolidated equity.

2009

	Thousands of euros		
	Increase	**Decrease**	**Total**
Current tax:			
Capital increase expenses	–	–	–
Capital reduction expenses	–	–	–
Other	–	–	–
Total current tax	–	–	–
Deferred tax:			
Arising in 2009			
Available-for-sale financial assets	–	(4)	(4)
Measurement of other financial assets	20,359	(21,641)	(1,282)
Discounting of taxes payable	–	–	–
Arising in prior years			
Available-for-sale financial assets	4	(237)	(233)
Measurement of other financial assets	–	–	–
Discounting of taxes payable	–	–	–
Total deferred tax	**20,363**	**(21,882)**	**(1,519)**
Total taxes recognised directly in equity	**20,363**	**(21,882)**	**(1,519)**

2008

	Thousands of euros		
	Increase	**Decrease**	**Total**
Current tax:			
Capital increase expenses	–	–	–
Capital reduction expenses	–	–	–
Other	–	–	–
Total current tax	–	–	–
Deferred tax:			
Arising in 2009			
Available-for-sale financial assets	348	(110)	238
Measurement of other financial assets	15,575	(9,009)	6,566
Discounting of taxes payable	–	–	–
Arising in prior years			
Available-for-sale financial assets	–	–	–
Measurement of other financial assets	362	–	362
Discounting of taxes payable	–	(815)	(815)
Total deferred tax	**16,285**	**(9,934)**	**6,351**
Total taxes recognised directly in equity	**16,285**	**(9,934)**	**6,351**

21.5. Reconciliation between profit before tax and income tax expense

The reconciliation of profit before tax and income tax expense is as follows:

	Thousands of euros	
	2009	2008
Accounting profit, before tax	**423,480**	**366,126**
Tax rate of 30%	127,044	109,838
Impact of temporary differences	**(277)**	**(378)**
Deductions:		
International double taxation relief	(3,179)	(2,545)
Investments in R&D&I and others	(1,325)	(2,301)
Employee training expense	(8)	(15)
Pension fund contributions	(42)	(64)
Donations	(217)	–
Effect of applying different tax rates	**(86)**	**(81)**
Tax effect of consolidation eliminations against equity	**3,539**	**2,787**
Offset of tax loss carryforwards	**–**	**–**
Total tax expense recognised in the income statement	**125,449**	**107,241**

21.6. Breakdown of income tax expense

The breakdown of income tax expense for 2009 and 2008 is as follows:

2009

	Thousands of euros				
	Enagás, S.A.	G. Al-Andalus, S.A.	G. de Extremadura, S.A.	G. Campo Maior Leiria Braga, S.A.	G. Braga Tuy, S.A.
Current tax:					
Continuing operations	(45,672)	2,677	1,885	458	237
Discontinued operations	–	–	–	–	–
Deferred tax:					
Continuing operations	165,864	–	–	–	–
Discontinued operations	–	–	–	–	–
Total tax expense	**120,192**	**2,677**	**1,885**	**458**	**237**

2008

	Enagás, S.A.	G. Al-Andalus, S.A.	G. de Extremadura, S.A.	G. Campo Maior Leiria Braga, S.A.	G. Braga Tuy, S.A.
Current tax:					
Continuing operations	92,485	2,830	1,917	417	205
Discontinued operations	–	–	–	–	–
Deferred tax:					
Continuing operations	9,387	–	–	–	–
Discontinued operations	–	–	–	–	–
Total tax expense	**101,872**	**2,830**	**1,917**	**417**	**205**

21.7. Deferred tax

The breakdown of deferred tax assets and liabilities in 2009 and 2008 is as follows:

	Thousands of euros	
	2009	**2008**
Temporary differences (deferred tax assets)		
Government and other grants	904	1,012
Long-service fund	828	2,238
Provisions for property, plant and equipment	336	996
Provisions for litigation	–	122
Provisions for HCP	–	–
Derivatives	5,218	6,627
Provisions for contingencies and expenses	1,575	–
Other	2,962	3,251
Tax loss carryforwards	**45,673**	–
Unused tax credits and other	–	–
Total deferred tax assets	**57,496**	**14,246**

	2009	2008
Deferred tax liabilities:		
Accelerated depreciation	750	1,072
Accelerated depreciation	165,700	–
Long-service fund	–	–
Derivatives	–	130
Other	135	153
Total deferred tax liabilities	**166,585**	**1,355**

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

At year end 2009 Enagás, S.A. recognised the balance of current tax recoverable resulting from the 2009 calculation of income tax as a tax loss carryforward.

The Group does not have any unrecognised deferred tax assets.

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

As a result of the above, in 2009 Enagás, S.A. recognised a deferred tax liability in the amount of 165,700 euros (equivalent to an asset base of 552,334 thousand euros), corresponding to capital expenditure capitalised in 2009.

21.8. Years open to inspection and tax audits

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

In 2009 the authorities initiated a tax inspection in relation to Enagás, S.A.'s income tax filings for 2004 to 2007 and other taxes paid between 2005 and 2007. Although the inspection is not yet complete, its definitive resolution is not expected to give rise to significant tax liabilities.

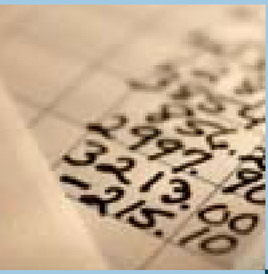
At year end 2009 Enagás, S.A. has open to inspection all applicable tax returns in respect of 2008 and 2009 while its Spanish and Portuguese subsidiaries have open to inspection taxes for all years of the statutory inspection period. The inspection of VAT on imports and foreign trade is still pending for 2008 and 2009 for Enagás, S.A.

At 31 December 2009, Enagás, S.A. had tax assessments issued in respect of VAT on imports for 2002 and 2004. The assessed amounts, in thousands of euros and broken down between tax due (deductible VAT) and late-payment interest, are as follows:

Year	VAT charge	Interest	Total
2002	2,358	326	**2,684**
2004	410	100	**510**

At the date of authorising these financial statements for issue, the assessments had been signed under protest and appealed by the company.

At the end of 2009 the company contested an assessment on "VAT on imports for 2007" amounting to 787 thousand euros, in relation to which appeal has been filed before the Chief Inspector.



22.

Revenue

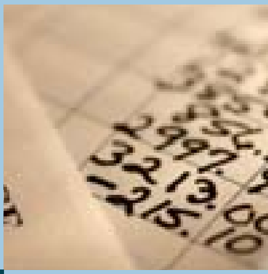
The breakdown of Group revenue is analysed below:

	Thousands of euros	
	2009	2008
Sales of gas on the regulated market	(1,609)	377,019
Cost of sales of gas on the regulated market	1,609	(369,379)
Net (purchase) / sale of gas on regulated	–	**7,640**
Revenue from regulated activities	866,829	813,101
Revenue from liberalised activities	15,429	16,186
Other income	14,125	16,807
Sales of materials	–	76
Ancillary and other operating income	13,999	16,613
Government grants	126	118
Total	**896,383**	**853,734**

Gas sales were made exclusively by Enagás, S.A. As indicated in Note 4.d, since 1 July 2008 the tariff market is no longer in existence; accordingly, in 2009 no gas was sold or purchased subject to tariffs.

Revenue from the rendering of services is generated mainly by Enagás, S.A. for regulated activities and by other companies for liberalised activities. The breakdown of services rendered is as follows:

	Thousands of euros	
	2009	2008
Regulated activities:		
Enagás, S.A.	866,829	813,101
Liberalised activities:		
Gasoducto Al - Andalus, S.A.	7,139	7,602
Gasoducto Extremadura, S.A.	5,575	5,875
Gasoducto Campo Maior - Leiriia - Braga, S.A.	2,540	2,534
Gasoducto Braga - Tuy, S.A.	175	175
Total	**882,258**	**829,287**



23.

Expenses

An analysis of Group expenses is provided below:

	Thousands of euros	
	31.12.2009	31.12.2008
Employee benefits expense	60,743	68,952
Other operating costs	139,437	155,126
	200,180	**224,078**

23.1. Employee benefits expense

The detail of employee benefits expense is as follows:

	Thousands of euros	
	31.12.2009	31.12.2008
Wages and salaries	55,384	54,445
Termination benefits	649	6,910
Social security	11,761	11,463
Other employee benefits expense	6,983	5,598
Contributions to external pension funds	2,081	2,091
Own work capitalised	(16,115)	(11,555)
	60,743	**68,952**

At 31 December 2009 the Group had capitalised 16,115 thousand euros for employee benefits expense directly related to ongoing investment projects (11,555 thousand euros at 31 December 2008 - see Note 6).

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

	Average number of employees	
	2009	2008
Managers	66	70
Technicians	485	467
Administrative staff	127	130
Labourers	353	350
Total	**1,031**	**1,017**

At 31 December 2009, the Group had 1,046 employees (1,008 in 2008). The breakdown by category and gender is as follows:

	2009		2008	
Category	**Men**	**Women**	**Men**	**Women**
Managers	57	9	57	9
Technicians	375	120	363	109
Administrative staff	34	92	36	90
Labourers	346	13	334	10
Total	**812**	**234**	**790**	**218**

23.2. Other operating costs

Details of this heading are as follows:

	Thousands of euros	
	31.12.2009	31.12.2008
External services:		
R&D costs	1,152	1,240
Leases and royalties	36,063	36,446
Repairs and maintenance	27,262	27,182
Professional services	13,385	13,436
Transport	14,643	14,785
Insurance premiums	3,668	2,981
Banking and similar services	7	5
Advertitsing, publicity and PR	2,016	2,321
Supplies	19,625	20,936
Other services	7,404	13,757
External services	**125,225**	**133,089**
Taxes other than income tax	**1,436**	**5,527**
Other external expenses	**7,909**	**9,061**
Change in trade provisions	**4,867**	**7,449**

23.3. Other disclosures

"Other operating costs" includes the fees paid by consolidated entities for the audit of their annual financial statements and for other audit and non-audit work. In 2009, these expenses amounted to 925 thousand euros (1,557 thousand euros in 2008), as follows:

2009

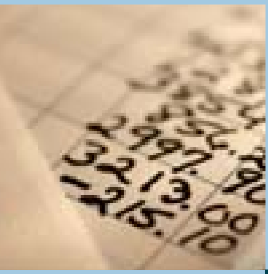
Firm	Audit services (1)	Audit-related services (2)	Other services
Deloitte, S.L.	660	15	1
Deloitte Consulting, S.L.	–	–	249
Other	–	–	–
Total	**660**	**15**	**250**

2008

Firm	Audit services (1)	Audit-related services (2)	Other services
Deloitte, S.L.	1,149	259	30
Deloitte Consulting, S.L.	–	–	117
Other	2	–	–
Total	**1,151**	**259**	**147**

(1) Audit services: This column includes services rendered under the remit of the statutory audit of the Group's annual financial statements in the amount of 171 thousand euros (2008: 165 thousand euros), as well as the limited review of the interim consolidated financial statements, the work necessary to verify the adequacy of the internal control systems and other review work in connection with disclosures reported to the regulators, mainly the CNMV and the CNE.

(2) Audit related services: Virtually the entire amount of this balance in both 2009 and 2008 corresponds to work commissioned by the internal audit department as part of the Group's project to review its corporate risk identification, assessment and measurement systems.



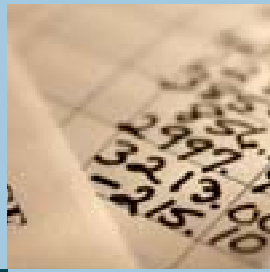
24.

Net finance cost

Details of finance revenue and finance cost recognised in the accompanying consolidated income statement is as follows:

Thousands of euros	31.12.2009	31.12.2008
Revenue from non-current loans	503	1,221
Other interest and finance revenue	11,754	12,578
Finance revenue	**12,257**	**13,799**
Financing and similar expense	(636)	(823)
Loan interest	(72,113)	(82,103)
Revenue attributable to provisions	34	2,016
Finance costs	**(72,715)**	**(80,910)**
Change in fair value of financial instruments	**(779)**	**124**
Impairment and gains (loss) on disposal of financial instruments	**–**	**–**
Net finance cost	**(61,237)**	**(66,987)**

At 31 December 2009 the Group had capitalised 29,573 thousand euros in connection with borrowing costs (30,145 thousand euros at 31 December 2008 - 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 segment).

Secondary information (geographical segments) is not detailed in this note because Enagás, S.A., the group's parent company, carries out its activities within Spain, where all regions are subject to similar risks and returns, with no characteristics existing among the various regions which could lead to different results from those obtained. In addition, Enagás, S.A. is by far the biggest contributor of assets, liabilities, revenue and expenses to the Group's consolidated financial statements. Operations involving companies based in Portugal represent less than 10% of the Group's sales or assets, the limit established by IFRS for the disclosure of secondary segment information.

25.2. Main business segments

The business areas described below have been established on the basis of the classification included in the Hydrocarbons Law 34/1998 of 7 October and in accordance with the organisational structure of Enagás, S.A., 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 company's transport network, composed of gas pipelines for the primary (with maximum design pressure equal to or higher than 60 bars) and secondary (with maximum design pressure of between 60 and 16 bars) transport of gas to distribution points, as owner of most of the Spanish gas transport network.

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

- **Storage:** Enagás, S.A. operates a single underground storage facility, namely the Serrablo facility, located between the towns of Jaca and Sabiñánigo (Huesca). This facility is owned by the company.

b. Technical system management

In 2009, Enagás, S.A. 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.

c. Purchase-sale of gas on the regulated market

Enagás, S.A. continued to satisfy the needs of the tariff market in accordance with the provisions of the Hydrocarbons Law 34/1998 of 7 October, until 30 June 2008.

d. Liberalised activities

These refer to all liberalised activities and transactions related to Group companies.

25.3. Basis and methodology for segment reporting

The segment information provided below is based on monthly reports prepared by the Finance Department and generated via a computer programme which breaks down the financial statements by activity.

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

Segments disclosure for these activities is provided below:

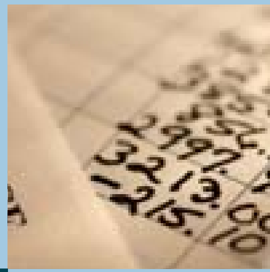
INCOME STATEMENT	Thousands of euros									
	Infrastructure		Purchase-sale of gas		Technical system management		Liberalised activities + consolidation adjustments		Total Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue	857,152	800,726	–	12,405	11,216	9,141	28,015	31,462	**896,383**	**853,734**
Depreciation and amortisation	209,417	196,324	–	1	3,310	2,856	3,863	3,870	**216,590**	**203,051**
Operating profit (loss)	476,276	427,926	–	9,814	(3,494)	(17,685)	11,935	13,058	**484,717**	**433,113**
Profit (loss) after tax	295,403	258,539	–	6,923	(2,318)	(13,032)	4,946	6,455	**298,031**	**258,885**

BALANCE SHEET	Thousands of euros									
	Infrastructure		Purchase-sale of gas		Technical system management		Liberalised activities + consolidation adjustments		Total Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Total assets	5,622,135	4,557,052	–	22	19,416	17,990	138,388	142,762	**5,779,939**	**4,717,826**
Acquisitions of fixed assets (*)	898,324	787,287	–	2	3,025	3,412	204	189	**901,553**	**790,890**
Non-current liabilities (**)	244,455	65,136	–	–	600	35	37,487	37,467	**282,542**	**102,638**
Deferred tax liabilities	162,841	1,322	–	–	572	5	3,172	28	**166,585**	**1,355**
Provisions	31,323	31,321	–	–	28	30	153	172	**31,504**	**31,523**
Other non-current liabilities	50,291	32,493	–	–	–	–	34,162	37,267	**84,453**	**69,760**
Current liabilities (**)	254,423	421,180	–	235	35,628	16,151	30,295	22,616	**320,346**	**460,182**
Trade and other payables (***)	254,423	421,180	–	235	35,628	16,151	29,910	22,091	**319,961**	**459,657**
Other current liabilities	–	–	–	–	–	–	385	525	**385**	**525**

(*) Acquisitions of assets include the change in inventories of replacement parts and in material stored for the construction of new infrastructure, as well as grants

(**) Does not include financial liabilities

(***) Does not include income tax payable



26.

Environmental information

Environmental conservation and protection is a priority for the Enagás Group. This commitment pervades all business decisions. The overriding goal is to attempt to reconcile economic and industrial progress with respect for and protection of the environment.

This line of action consists of a series of environmental management procedures that aim to identify, prevent, minimise, and rectify the environmental impact of the company's activities and facilities. The Group enacts the most stringent measures available possible in order to respect biodiversity and the natural habitat.

This documentation, prepared in accordance with the requirements of UNE EN ISO 14001, is the basis of the Environmental Management System developed and certified by AENOR which ensures compliance with applicable environmental legislation and continual improvement of the environmental record in respect of the LNG storage and regasification plants in Barcelona, Cartagena, and Huelva, the Serrablo underground storage facility, the facilities for the basic gas pipeline network, and the technological innovation unit.

The Enagás Group goes to continual lengths to identify, classify and minimise the environmental fallout from its activities and installations, assessing risks and promoting eco-efficiency, practicing responsible waste and residue management, minimising its carbon footprint and attempting to mitigate any negative contribution to climate change.

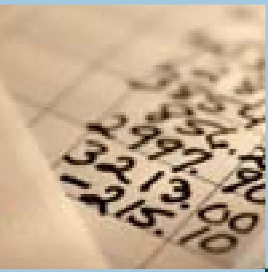
The Group pays careful attention to the design and execution of all its projects with the overriding aim of fully identifying the environmental limits and impact of projects in every phase, monitoring the environmental impact during the construction phase, and finally integrating the facilities built within the EMS.

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

In 2009, these environmental activities entailed total capitalised investment of 35,088 thousand euros (54,644 thousand euros in 2008). Environmental expenses incurred by the company in 2009 totalled 852 thousand euros (749 thousand euros in 2008) 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 the third-party liability insurance policies.

In 2009, the Group did not receive any grants or revenue relating to environmental activities, except those mentioned below in Note 27 detailing greenhouse gas emission rights.



27.

Greenhouse gas emission rights

Certain Enagás, S.A. installations fall within the scope of Law 1/2006 of 9 March governing trading in greenhouse gas emission rights.

In accordance with Order PRE/3420/2007 of 14 November, at its meeting of 2 November 2007, the Spanish cabinet, at the proposal of the Ministries for the Environment, for Finance and for Industry, Tourism and Trade, adopted an agreement approving the individual allocation of greenhouse gas emission rights to plants included in the National Allocation Plan 2008-2012. Accordingly, the total amount of rights definitively and freely assigned to Enagás, S.A.'s plant was 2,300,895 (442,763 for 2008 and 464,533 for each of 2009, 2010, 2011 and 2012).

The installations for which these allocations have been received are:

- The Serrablo underground storage facility
- The LNG storage and regasification plants at Barcelona, Cartagena and Huelva
- The compression stations in: Algete, Almendralejo, Almodóvar, Bañeras, Córdoba, Crevillente, Seville, Haro, Paterna, Tivissa, Zamora, Zaragoza, and Alcázar de San Juan.

The 452,093 rights allocated for 2009 were valued at 15.50 euros/right, the spot price on the first business day of 2008 of RWE Trading GMBH.

In a meeting held on 23 June 2008 the Board of Directors of Enagás, S.A. authorised the scaled sale of surplus emission allowances (European Union Allowance, EUAs) for each year between 2008 and 2012 and the swap of emission allowances for Certified Emission Reductions (CERs). In December 2009, 32,500 EUAs were swapped with BBVA for CERs valued at €24.20/CER and 35,000 EUAs were swapped with Gas Natural SDG, S.A. for CERs valued at €23.75/CER. These transactions resulted in the total recognition of CERs amounting to 8,818 thousand euros in 2009.

The Enagás Group recognised the consumption of 121,525 greenhouse gas emission rights up to November 2009 in the consolidated income statement (first 11 months of 2008: 149,348 rights).

In early 2010, the Enagás Group recognised the consumption of 16,758 emission rights in December 2009 (6,880 in December 2008) in the consolidated income statement, bringing total rights consumed in 2009 at 138,283 (156,228 in 2008).

In 2009, the Group sold 300,000 of the gas emission rights allocated for the year for 4,650 thousand euros. In addition, as a result of the EUA/CER swaps, the Group derecognised a total of 67,500 allowances equivalent to 1,046 thousand euros.

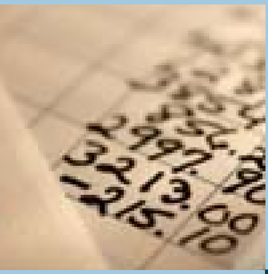
As a result, total surplus rights in 2009 amounted to 16,920 allowances. Valued at 15.50 euros/right (their price on the first business day of 2009), this surplus amounted to 262 thousand euros, while based on a reference price of 12.16 euros/right (their price on the last business day of 2009), they have a value of 206 thousand euros.

Likewise, total surplus rights in 2008 amounted to 5,865 rights. Valued at 23 euros/right, their price on the first business day of 2008, this surplus amounted to 135 thousand euros, while the value of the surplus at 31 December 2008 was 89 thousand euros, based on a reference price of 15.26 euros/right, their price on the last business day of 2008.

In the first quarter of 2009, Enagás, S.A. submitted its emission reports, verified by the accredited DOE (AENOR), to the pertinent regional governments, which validated said emissions.

In the second quarter of 2009, Enagás, S.A. delivered greenhouse gas emission allowances equivalent to the verified emissions in 2008 for all these installations.

In 2009, Enagás, S.A. did not arrange any futures contracts relating to greenhouse gas emission rights nor are there any contingencies related to provisional penalties or measures under the terms established by Law 1/2005.



28.

Related party transactions

28.1. Related party transactions

The Group considers "related parties" any subsidiary, associate, or jointly controlled entity, as well as key personnel in its management team (members of the Board of Directors, management and their close family members), and entities over which key management personnel could exercise significant or total control.

Below is a detail of the Group's related-party transactions in 2009 and 2008, 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.

2009

Expenses	Thousands of euros				
	31-12-2009				
	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
Finance cost	5,341	–	–	10,817	**16,158**
Management or collaborative agreements	–	–	–	–	–
Transfers of R+D and license agreements	–	–	–	–	–
Leases	–	–	–	–	–
Services received	–	–	32,200	5,007	**37,207**
Purchase of goods (finished or work-in-progress)	–	–		5,427	**5,427**
Impairment provisions for bad or doubtful debt	–	–	–	–	–
Losses on derecognition or disposal of assets	–	–	–	–	–
Other expenses	–	1,156	–	–	**1,156**
Total expenses	**5,341**	**1,156**	**32,200**	**21,251**	**59,948**

Revenue	Thousands of euros				
	31-12-2009				
	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
Finance revenue	806	–	1,136	10,114	**12,056**
Management or collaborative agreements	–	–	–	–	–
Transfers of R+D and license agreements	–	–	–	–	–
Dividends received	–	–	12,032	–	**12,032**
Leases	–	–	–	–	–
Services rendered	–	–	10,668	–	**10,668**
TPA services	–	–	–	921	**921**
Sale of goods (finished or work-in-progress)	–	–	–	4,260	**4,260**
Profit on derecognition or disposal of assets	–	–	–	–	–
Other income	–	–	–	–	–
Total revenues	**806**	**–**	**23,836**	**15,295**	**39,937**

2008

Expenses	Thousands of euros				
	31-12-2008				
	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
Finance cost	5,680	–	–	6,729	12,409
Management or collaborative agreements	–	–	–	–	–
Transfers of R+D and license agreements	–	–	–	–	–
Leases	–	–	–	–	–
Services received	25,908	–	32,496	11,254	69,658
Purchase of goods (finished or work-in-progress)	390,854	–	–	5,894	396,748
Impairment provisions for bad or doubtful debt	–	–	–	–	–
Losses on derecognition or disposal of assets	–	–	–	–	–
Other expenses	–	1,177	–	–	1,177
Total expenses	**422,442**	**1,177**	**32,496**	**23,877**	**479,992**

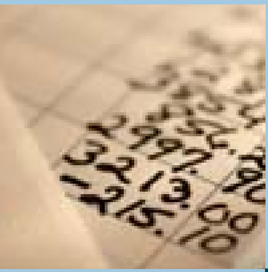
Revenue	Thousands of euros				
	31-12-2008				
	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
Finance revenue	3,993	–	2,765	3,941	**10,699**
Management or collaborative agreements	–	–	–	–	–
Transfers of R+D and license agreements	–	–	–	–	–
Dividends received	–	–	9,530	–	**9,530**
Leases	–	–	–	–	–
Services rendered	22,572	–	9,471	–	**32,043**
TPA services	185,472	–	–	50,673	**236,145**
Sale of goods (finished or work-in-progress)	329,547	–	–	2,940	**332,487**
Profit on derecognition or disposal of assets	–	–	–	–	–
Other income	–	–	–	–	–
Total revenues	**541,584**	**–**	**21,766**	**57,554**	**620,904**

2009

Other transactions	Thousands of euros				
	31-12-2009				
	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
Purchase of property, plant and equipment, intangible assets, or other	–	–	–	–	–
Financing agreements: loans and capital contributions (lender)	–	–	35,009	–	**35,009**
Finance leases (lessor)	–	–	–	–	–
Repayment or cancellation of loans and finance leases (lessor)	–	–	–	–	–
Sale of property, plant and equipment, intangible assets, or other	–	–	–	–	–
Financing agreements: loans and capital contributions (borrower)	80,000	–	–	525,000	**605,000**
Finance leases (lessee)	–	–	–	–	–
Repayment or cancellation of loans and finance leases (lessee)	–	–	–	–	–
Guarantee commitments extended	**–**	**–**	**–**	**58,939**	**58,939**
Guarantee commitments received	**7,693**	**–**	**–**	**17,998**	**25,691**
Commitments assumed	**–**	**–**	**–**	**–**	**–**
Cancelled commitments/guarantees	**–**	**–**	**–**	**–**	**–**
Dividends and other benefits paid	**63,765**	**–**	**–**	**–**	**63,765**
Other transactions	**–**	**–**	**–**	**–**	**–**

2008

Other transactions	Thousands of euros				
	31-12-2009				
	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
Purchase of property, plant and equipment, intangible assets, or other	–	–	–	–	–
Financing agreements: loans and capital contributions (lender)	–	–	42,648	–	**42,648**
Finance leases (lessor)	–	–	–	–	–
Repayment or cancellation of loans and finance leases (lessor)	–	–	–	–	–
Sale of property, plant and equipment, intangible assets, or other	–	–	–	–	–
Financing agreements: loans and capital contributions (borrower)	145,868	–	–	215,095	**360,963**
Finance leases (lessee)	–	–	–	–	–
Repayment or cancellation of loans and finance leases (lessee)	–	–	–	–	–
Guarantee commitments extended	**–**	**–**	**–**	**61,500**	**61,500**
Guarantee commitments received	**13,475**	**–**	**–**	**23,515**	**36,990**
Commitments assumed	**–**	**–**	**–**	**–**	**–**
Cancelled commitments/guarantees	**–**	**–**	**–**	**–**	**–**
Dividends and other benefits paid	**42,892**	**–**	**–**	**2,880**	**45,772**
Other transactions	**–**	**–**	**–**	**–**	**–**



29.

Director and senior management compensation

29.1. Wages and salaries

The remuneration received in 2009 and 2008 by the members of the Board of Directors and senior Group management, broken down by item, was as follows:

2009

	Salaries	Attendance fees	Other	Pension plans	Insurance premiums	Termination benefits	Equity-settled share-based payments
Directors	1,478	1,155	79	10	68	–	–
Senior management	2,065	–	76	55	85	–	–
Total	**3,543**	**1,155**	**155**	**65**	**153**	**–**	**–**

2008

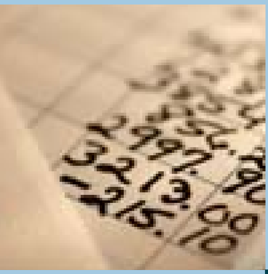
	Salaries	Attendance fees	Other	Pension plans	Insurance premiums	Termination benefits	Equity-settled share-based payments
Directors	1,278	1,177	78	–	57	–	–
Senior management	1,954	–	86	47	85	–	–
Total	**3,232**	**1,177**	**164**	**47**	**142**	**–**	**–**

At 31 December 2009, the company had extended advances or loans to members of the board and the Group's senior management team totalling 3 thousand euros.

Details of remuneration by board member, excluding insurance premiums, are as follows:

	Thousands of euros	
DIRECTORS	**2009**	**2008**
Antonio Llardén Carratalá (Executive Director) 1	1,621	1,420
BANCAJA (Proprietary Director)	107	107
Carlos Egea Krauel (Proprietary Director) 2	27	76
Sagane Inversiones S.L. (Proprietary Director) 3	49	–
Bilbao Bizkaia Kutxa (Proprietary Director)	72	64
Sociedad Estatal de Participaciones Industriales (Proprietary Director)	73	42
Salvador Gabarró Serra (Proprietary Director) 4	21	81
D. Said Al Masoudi (Proprietary Director) 5	23	–
Peña Rueda S.L. Unipersonal (Proprietary Director)	64	64
Jesús David Álvarez Mezquíriz (Independent Director)	64	64
Dionisio Martínez Martínez (Independent Director)	78	76
José Riva Francos (Independent Director)	64	64
Ramón Perez Simarro (Independent Director)	76	76
Martí Parellada Sabata (Independent Director)	81	81
Antonio Téllez de Peralta (Independent Director)	76	76
Teresa García-Milà Lloveras (Independent Director)	76	76
Miguel Ángel Lasheras Merino (Independent Director)	64	64
Luis Javier Navarro Vigil (External Director)	76	76
Caja de Ahorros del Mediterráneo (Proprietary Director)	–	25
Total	**2,712**	**2,532**

1 Also holds a life insurance policy with a premium of 68 thousand euros in 2009. During the year contributions to his pension plan totalled 10 thousand euros.
2 Between 1 January and 27 April, 2009.
3 Between 27 April and 31 December, 2009.
4 Between 1 January and 7 April, 2009.
5 Between 27 July and 31 December, 2009.



30.

Other director disclosures

In keeping with the provisions of article 127 ter of the Spanish Companies Act, these notes include information 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 that independently engage in the transport, regasification, distribution or supply of natural gas, as regulated by Law 34/1998 on the Hydrocarbon Industry.

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 2009 are as follows:

DIRECTOR	COMPANY	No. of SHARES	% SHAREHOLDING
Bancaja Inversiones	Iberdrola, S.A.	301,282,820	5.736%
BBK (Bilbao Bizkaia Kutxa)	Iberdrola, S.A. Gas Natural, SDG, S.A.	359,380,724 982,134	6.842% 0.110%
D. Luis Javier Navarro Vigil	BP, PLC	63,853	0.000%

José Olivas Martínez, a proprietary director representing Bancaja (Caja de Ahorros of Valencia, Castellón y Alicante) on the board of Enagás, S.A., as a private individual holds 10,357 shares of Iberdrola, S.A. (0.001% of share capital), and 18,867 shares of Iberdrola Renovables, S.A. (0.001% of share capital).

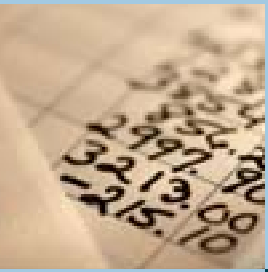
Positions held or duties performed by company directors at companies whose corporate purposes is the same, similar or complementary disclosed to Enagás, S.A. at 31 December 2009 are as follows:

DIRECTOR	COMPANY	POSITION
D. Luis Javier Navarro Vigil	BP España SAU E.ON España E.ON Renovables S.L.U.	Director Director Director

Manuel Menéndez Menéndez, the representative of Peña Rueda, S.L. on Enagás, S.A.'s Board of Directors, holds as a private individual the positions of Chairman of the Board of Directors of Hidroeléctrica del Cantábrico, S.A. (H.C.), Chairman of the Board of Naturgas Energía Grupo, S.A. and member of the general and supervisory board of EDP-Energías de Portugal, S.A.

José Luis Olivas Martínez, representing Bancaja on Enagás, S.A.'s Board of Directors, is a director of Iberdrola, S.A. and Chairman of the Advisory Council of Iberdrola, S.A. in Valencia.

No activities that are the same, similar or complementary to those of Enagás, other than those listed above, are carried out by company directors.

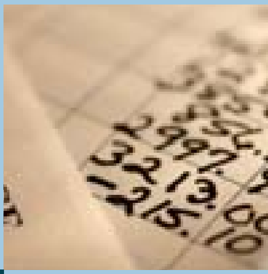


31.

Guarantee commitments to third parties

At 31 December 2009 the Group had provided guarantees to third parties deriving from its activities for an amount of 117,202 thousand euros (100,602 thousand euros in 2008). It has also extended financial guarantees for a total of 217,259 thousand euros (214,286 thousand euros in 2008) to secure the loans granted by the European Investment Bank.

The Group's directors estimate that no significant liabilities will arise in addition to those recognised in the accompanying consolidated balance sheet as a result of the transactions described in this note.



32.

Other information

In general meeting on 27 March 2009, the company's shareholders approved the reappointment to the Board of Directors for the statutory four-year term of Salvador Gabarró Serra (proprietary director at the request of shareholder Gas Natural SDG, S.A.) and Ramón Pérez Simarro and Martí Parellada Sabata (both independent directors).

On 7 April 2009, Salvador Gabarró Serra presented his resignation as proprietary director, a move that also implied stepping down as chair and member of the Board's Appointments and Remuneration Committee.

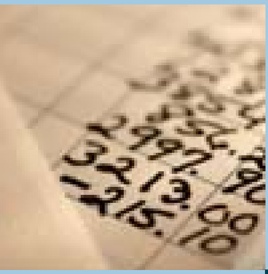
On 8 June 2009, credit rating agency Moody's reaffirmed Enagás, S.A.'s long-term rating of "A2", with stable outlook.

On 27 July the Board of Directors of Enagás, S.A. approved the directorship of Said Masoudi at the proposal of Omán Oil Company, S.A.O.C. In addition, the directors approved the substitution on the Board of Xabier de Irala for Joseba Andoni Aurrekoetxea, in representation of Bilbao Bizkaia Kutxa (BBK). The Board also resolved to name Dionisio Martínez as chair of the Appointments and Remuneration Committee.

On 3 September 2009, Enagás, S.A. signed an agreement with BP for the acquisition of the latter's 25% stake in the Bahía de Bizkaia Gas (BBG) regasification plant, for 65 million euros. This transaction is pending anti-trust approval.

In September 2009, Enagás, S.A. was awarded the EFQM 300+ excellence seal. The company also obtained ISO 9000 certification for its third-party grid access management process (TPA) and was once again included in the select Dow Jones Sustainability World Index.

On 26 November 2009, credit rating agency Standard & Poor's affirmed its long-term rating of Enagás, S.A., currently "AA-", and its short-term rating of "A-1", with stable outlook.



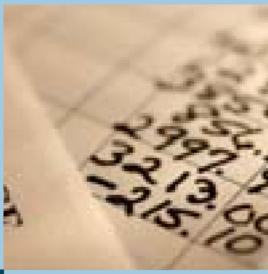
33.

Joint ventures

Information on the joint ventures in which the company had interests at 31 December 2009 is set out in the table below:

Company	Location	Activity	Consolidation method	%	% of voting rights controlled by Enagás, S.A.	Thousands of euros					
						Carrying amount	Investee data (*)				
							Assets	Liabilities	Equity	Profit for the year (**)
Gasoducto Al-Andalus, S.A.	Madrid	Gas transport	PC	66.96	50	23,744	85,088	85,088	52,885	9,071
Gasoducto de Extremadura, S.A.	Madrid	Gas transport	PC	51	50	9,732	38,740	38,740	30,741	7,735
Gasoduto Campo Maior Leiria Braga, S.A.	Portugal	Gas transport	PC	12	50	3,195	83,922	83,922	40,178	9,721
Gasoduto Braga-Tuy, S.A.	Portugal	Gas transport	PC	49	50	2,546	19,207	19,207	6,995	1,219

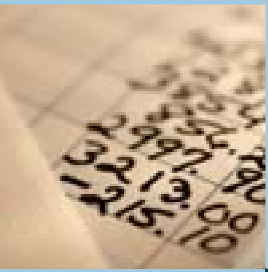
PC: Proportionate consolidation.
(*) The data presented correspond to figures for the individual companies prepared under local GAAP and before the standardisation adjustments made prior to consolidation of the financial statements.
(**) Data for Gasoduto Campo Mayor-Leiria-Braga, S.A. and Gasoduto Braga-Tuy, S.A. are taken at the 30 November 2009 close (see Note 1a).



34.

Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs, as adopted by the European Union. Certain accounting practices applied by the Company that conform with IFRSs may not conform with other generally accepted accounting principles.



MANAGEMENT REPORT OF THE ENAGÁS GROUP

I.- Performance of the Group in 2009

Net profit rose 15.1% in 2009 to 298,031 thousand euros.

Revenue totalled 882,258 thousand euros.

The parent company invested 901,553 thousand euros in 2009.

At year-end the Enagás Group's capital and reserves stood at 1,593,429 thousand euros while total equity stood at 1,581,255 thousand euros.

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

On 16 January 2009, the Official State Gazette (BOE) carried notice the Resolution of the Directorate General for Energy Policy and Mining of 31 December 2008, establishing remuneration for regulated activities, connection fees, and tariffs for rental of meters and telemetering equipment for 2009.

Throughout the year the Group continued to enlarge and enhance its regasification, transport and storage installations to bring them in line with the outlook for demand going forward. In this respect, the main actions carried out were:

- Increase in the emission capacity of the Barcelona Plant to 1,950,000 m3(n)/h

- Extension of the methane tanker dock at the Cartagena Plant to 250,000 m3

- At the end of 2009 the Enagás Group operated 8,884 km of pipeline designed to function at maximum bar pressures of 72 and 80, compared with 8,134 km in December 2008. This increase helps secure continuity of supply and the development of areas that previously had no access to natural gas supplies.

- The main transport assets coming on stream in 2009 were the underwater gas pipeline connecting up Denia-Ibiza-Mallorca, the Almería-Lorca pipeline, the northern and southern sections of the Lorca-Chinchilla pipeline, the first and second sections of the Lemona-Haro pipeline. The company also incorporated regulating and metering stations and modified certain gas pipeline positions. In addition, the tubing rack at the Cartagena plant was structurally reinforced, and the Lumbier compression station and work centres in León and Antas (Almeria) were built. A total of 18 new regulating and metering stations were brought into service in the course of the year, taking the total number in operation at year-end to 421.

Overall, at the end of 2009, the gas infrastructure of the Enagás Group comprising the basic natural gas grid was as follows:

The Barcelona, Huelva and Cartagena regasification plants, with total combined LNG storage capacity of 1,437,000 m^3 in a total of 14 tanks, 9 cistern loaders and emission capacity of 4,650,000 m^3(n)/h, 300,000 m^3(n)/h higher than the 4,350,000 m^3(n)/h at the end of 2008.

The Serrablo (Huesca) underground storage facility, in operation, with maximum injection of 4.4 Mm^3/day and maximum output of 6.7 Mm^3/day, and the concession for the Yela (Guadalajara) storage facility in accordance with the provisions of Royal Decree 1061 of 20 July 2007.

A gas pipeline network with a total length of 8,884 km, consisting of the following main lines:

- **Central line:** Huelva-Córdoba-Madrid-Burgos-Cantabria-Basque Country (with the Huelva-Seville-Córdoba-Madrid duplicated)
- **Eastern line:** Barcelona-Valencia-Alicante-Murcia-Cartagena
- **Western line:** Almendralejo-Cáceres-Salamanca-Zamora-León-Oviedo
- **Spain-Portugal western line:** Córdoba-Badajoz-Portugal (Campo Maior-Leiria-Braga)–Tuy-Pontevedra-A Coruña-Oviedo
- **Ebro line:** Tivisa-Zaragoza-Logroño-Calahorra-Haro
- **Transverse line:** Alcazar de San Juan-Villarrobledo-Albacete-Montesa
- **Balearic line:** Montesa-Denia-S. Antoni de Portmany- S. Juan de Dios

The following gas pipeline entry points to the gas system:

North: the Calahorra-Lac Spain-France pipeline connecting Spain and Portugal with the European gas pipeline network

South: the Maghreb-Europe pipeline and connection to the Marismas-Palancares gas fields in the Guadalquivir valley.

II.- Main business risks

Enagás has established a comprehensive risk management system (inspired by the Committee of Sponsoring Organizations guidance – COSO II) which enables the company to identify potential events that could affect its business, to manage its risks within acceptable exposure limits and to guarantee reasonable assurance as to the delivery of targets.

The main risks associated with Enagás' business activities are classified as follows:

1. Business risk

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

Within business risk, regulatory risk, which relates to the regulatory framework governing the company's business activities and also refers to certain aspects of local rates, is particularly prominent.

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

2. Counterparty risk

Counterparty risk relates to the possibility of losses deriving from a counterparty's failure to comply with its obligations and to uncertainty as to a counterparty's ability to honour its obligations.

In the assessments performed in 2009, Enagás qualified its credit or counterparty risk as negligible as it only does business with solvent companies, as corroborated by these companies' external credit ratings.

To manage this risk, Enagás aims to minimising its risk profile by using quantitative models to manage the credit grant process in each business unit. Enagás has reduced existing counterparty risk stemming from its financial investments by moving some of its investment assets to higher-rated institutions.

The pertinent counterparty risk management information is disclosed in Note 9 to the consolidated annual financial statements.

3. Financial risk

Financial risk is an assessment of earnings vulnerability to adverse fluctuations in financial variables such as interest rates, exchange rates, market liquidity conditions and other market drivers.

The financial risk management policy is detailed in Note 17 to the consolidated annual financial statements.

4. Operational risk

Enagás' day-to-day operations can give rise to direct or indirect losses on account of inadequate internal processes, technological errors, human error or certain external events.

Enagás has identified the following significant operational risks: operational risk relating to infrastructure, equipment and systems; delivery of poor service or service supply interruptions; process and operations execution risk as a result of the Group's concern with raising business efficiency and effectiveness; risk of fraud and other unauthorised activities; and operational risk at suppliers and counterparties.

Enagás' goal in relation to operational risk is to minimise the cost impact that these risks could have on the company's financial statements via efficient and effective management of its infrastructure and processes.

Enagás manages operational risk by implementing a series of controls, primarily the application of principles, programmes and procedures that are underpinned by quality certifications, process automation, adequate training and skill management plus an adequate level of insurance coverage.

5. Reputational risk

Reputational risk refers to any action, event or circumstance that could have either a harmful or beneficial effect on Enagás' reputation.

This risk arises when an event creates the perception that an organisation is not acting in line with stakeholders' expectations. As this risk factor is not wholly within the company's control but also depends on external opinions, it is hard to predict its potential impact on the company in quantitative terms.

Reputational risk may stem from:

- Any of the risk factors identified above, i.e., operational, business, counterparty or financial.
- Other external circumstances or events that may affect the firm's reputation.

Enagás sees management of its reputational risk as one of its greatest opportunities for creating and safeguarding value.

The Group has put in place measures to control and manage reputational risk. These measures entail ongoing monitoring of the sources of this risk and efforts to bring internal practices in line with stakeholders' expectations (in so far as the stakeholders expect desirable behaviour) and the company's strategic targets.

Enagás has drafted a "Crisis Communications Manual", which will be a key instrument for successfully managing a potential reputational crisis. This manual establishes a communications policy and strategy that seeks to mitigate any damage to the company's reputation.

III.- Use of financial instruments

In February 2008, the Board of Directors approved an interest rate hedging policy devised to align the company's financial cost with the target rate structure set under its Strategic Plan.

In compliance with this policy, the company entered into a series of interest rate hedges during the year. As a result, at year-end, 60% of total gross debt was hedged against interest rate increases.

IV.- Outlook

The company has earmarked capital expenditure of 700 million euros for 2010 and plans to bring 500 million euros worth of investments online during the year.

Management expects double digit year-on-year growth in net profit in 2010. Likewise, the company has reiterated the growth targets set out under its 2008-2012 Strategic Plan.

V.- Events after the balance sheet date

Relevant facts have not taken place between December 31, 2009 and the date of formulation of these accounts.

VI.- Research and development

Technological innovation initiatives carried out by the company in 2009 were focused on assessing, developing and testing new gas technologies with the aim of increasing and improving the competitiveness of natural gas in various applications, and in particular on projects of strategic value for the company.

The most significant activities carried out in 2009 by area were:

a. **Production (LNG).** The company continued to develop new phases of its project for designing a reliability model for plant equipment and installations. In this area, the company researched application of the findings of the LNG sampling project to the rest of Enagás' facilities, in order more accurately gauge the quality of the LNG unloaded at regasification plants. Technology was also developed to ascertain measurement uncertainties when unloading methane tankers.

b. **Transport.** Work continued on the project to design, build and start-up an electricity generation plant at the Almendralejo compression station. In addition, technical and financial feasibility studies were carried out to gauge the use of micro turbines combined with cogeneration in the supply of power at Enagás, S.A.'s positions. The studies were performed on various network positions or distribution points. The company participated in a European project to evaluate a series of techniques for detecting third-party interference with transport networks.

c. **Safety.** Work proceeded on various projects and studies related to the analysis of gas pipeline risks and LNG plants.

d. **Measurement.** Construction of the high pressure gas meter calibration bank was completed. Research is being conducted on implementation of an ongoing monitoring system to oversee measurement variables at the most critical positions from the measurement standpoint.

e. **Projects of general interest.** A number of projects were started up in a bid to optimise management of the basic gas transport grid's existing and future operations. The Group is also researching the impact of introducing biogas into the transport networks.

f. **Other matters.** The company is carrying out a campaign to contact other energy companies with the aim of spearheading the joint development of R&D activities in order to share costs and exchange information.

VII.- Transactions with treasury shares

The company did not carry out any transactions involving treasury shares during the year.

VIII.- Additional information

This additional disclosure is included to comply with article 116 bis of Law 24/1988, regarding securities markets.

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 to it and the percentage of total share capital that it represents

The capital structure of the company:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
05.03.2002	358,101,390.00	238,734,260	238,734,260

All the shares are of the same class.

b. Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c. Significant direct and indirect shareholdings

Name or corporate name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
OMAN OIL COMPANY, S.A.O.C.	0	11,936,703	5.000
ATALAYA INVERSIONES, S.R.L.	0	11,936,714	5.000
CAJASTUR (Caja de Ahorros de Asturias)	0	11,937,395	5.000

(*) Through:

Name or corporate name of the direct owner of the shareholding	Number of direct voting rights	% of total voting rights
OMAN OIL HOLDINGS ESPAÑA, S.L.U.	11,936,703	5.000
SAGANE INVERSIONES, S.L.	11,936,714	5.000
CANTÁBRICA DE INVERSIONES DE CARTERA, S.L.	11,937,395	5.000
TOTAL	**35,810,812**	**15.000**

Name or corporate name of the director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
SAGANE INVERSIONES, S.L.	11,936,714	0	5.000
SEPI (Sociedad Estatal de Participaciones Industriales)	11,936,703	0	5.000
ANTONIO LLARDÉN CARRATALÁ	38,316	0	0.016
BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante)	0	11,936,713	5.000
BBK (Bilbao Bizkaia Kutxa)	0	11,936,713	5.000
TERESA GARCÍA MILÁ LLOVERAS	1,500	0	0.001
DIONISIO MARTÍNEZ MARTÍNEZ	2,010	0	0.001
LUIS JAVIER NAVARRO VIGIL	10	3,986	0.002
MARTÍ PARELLADA SABATA	910	0	0.000
RAMÓN PÉREZ SIMARRO	100	0	0.000
ANTONIO TÉLLEZ DE PERALTA	400	0	0.000

(*) Through:

Name or corporate name of the direct owner of the shareholding	Number of direct voting rights	% of total voting rights
BANCAJA INVERSIONES, S.A.	11,936,713	5.000
KARTERA 1, S.L.	11,936,713	5.000
NEWCOMER 2000, S.L.U.	3,986	0.002
TOTAL	**23,877,412**	**10.002**

d. Any restrictions on voting rights

Article 6 bis ("Restrictions on shareholdings and the exercise of voting rights") of the Bylaws was amended at the Extraordinary Shareholders' Meeting held on 31 October 2007 to bring it in line with the provisions of Law 12/2007 of 2 July.

Law 12 of 2 July 2007, amending Law 34/1998 on the Hydrocarbons sector in accordance with Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas, provides new wording for the 20th additional provision of Law 34/1998, which vests in Enagás, S.A. the role of "technical system operator" and sets ceilings on shareholdings in the company. The wording of this additional provision now stands as follows:

"Additional provision 20. Technical System Manager.

ENAGAS, Sociedad Anónima shall undertake the duties, rights and obligations of technical system operator. (...)

No natural person or corporate body may hold, directly or indirectly, more than 5% of the share capital of the company acting as technical system manager, or exercise more than 3% of the company's voting rights. Such shares may in no event be syndicated. Parties operating in the gas industry or natural persons or corporate bodies that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise voting rights in the technical system manager above 1%. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises. The shareholdings may in no event be syndicated.

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

To calculate the shareholding, the same individual or legal entity will be attributed, in addition to the shares and other securities held or acquired by companies belonging to its group, as defined in article 4 of the Law 24/1988, of 28 July, regarding securities markets, those whose ownership corresponds to:

a. Any person acting on his own behalf but on account of the aforesaid, in concert or constituting a decision-making unit. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that governing body.

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

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

Breach of the restrictions on interests in share capital prescribed by this article shall be treated as a very serious infringement for the purposes of article 109 of this Law, and liability shall attach to any natural person or body corporate found to be holders of the securities or to any person to whom there may be attributed the excess interest in share capital or voting rights pursuant to the above sub-paragraphs. In any event, the regime of penalties laid down in law shall be applied".

Transitional provision 6 of Law 12/2007 of 2 July provides that within four months of the law coming into force, Enagás, S.A. shall bring its bylaws in line with additional provision 20 of Law 34/1998 of 7 October. Transitional provision 2 of Law 12/2007 of 2 July, further prescribes:

"Transitory provision 2. Technical System Manager.

Any voting rights attaching to shares and other securities held by persons with an ownership interest in the share capital of ENAGÁS, Sociedad Anónima, in excess of the ceilings set forth in additional provision 20 of Hydrocarbons Law 34/1998 of 7 October shall be suspended once this provision comes into force.

The National Energy Commission (CNE) shall have the standing to bring legal action to give effect to the restrictions imposed in this provision".

In accordance with the aforementioned legal provision, article 6a ("Limitation on shareholdings and exercise of voting rights") of Enagás, S.A.'s bylaws sets forth the following:

"No natural person or body corporate may hold, directly or indirectly, an interest in the company representing more than 5% of share capital or exercise more than 3% of its voting rights. Such shares may in no event be syndicated. Parties operating in the gas industry or natural persons or corporate bodies that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise voting rights above 1%. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises. The shareholdings may in no event be syndicated.

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

For the purposes of computing holdings in the share capital of the company, additional provision 20 of the Hydrocarbons Law 34/1998 of 7 October shall apply".

e. Agreements between shareholders

There are no records of any agreements among the company's shareholders.

f. The rules governing the appointment and replacement of board members and the amendment of the articles of association

Bylaw provisions affecting the appointment and replacement of board members:

ARTICLE 35. – COMPOSITION OF THE BOARD.

The company shall be governed and managed by the Board of Directors, which shall represent the company collegiately, both in and out of court. Its representation shall extend, without any limitation of power, to all acts embodied in the corporate purpose.

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

The Board members shall be elected by means of a vote. For this purpose, the shares that are voluntarily pooled, up to a total in share capital that is equal to or greater than the result of dividing the latter by the number of Board members, shall be entitled to appoint those who, exceeding whole fractions, are deducted from the corresponding proportion. If this power is exercised, the shares pooled in this fashion shall not take part in the appointment of the remaining members of the Board.

The post of director, for those for which shareholder status is not required, may be waived, revoked and eligible for re-election to one or more terms.

An appointment as director shall take effect upon acceptance thereof.

Any person found in any of the situations referred to under article 124 of the revised Spanish Companies Act may not be a director.

ARTICLE 37. – POSTS.

The Board of Directors shall appoint a Chairman, and if applicable, a Deputy Chairman, who in the Chairman's absence shall act as Chairman. In lieu of a Deputy Chairman, the most senior director in age shall substitute the Chairman.

The appointment of a Secretary is also incumbent on the Board of Directors, which may appoint, in addition to a Deputy Secretary, who in the Secretary's absence shall act as Secretary, persons who are not directors. In lieu of a Deputy Secretary, the most senior director in age shall substitute the Secretary.

Provisions of the organisational and operational regulations of the Board of Directors (adopted by the Board of Directors on 29 March 2007):

ARTICLE 3. – QUANTITATIVE AND QUALITATIVE COMPOSITION.

1.- Within the minimum and maximum limits set forth under article 35 of the company's current bylaws, notwithstanding the powers of proposal enjoyed by shareholders, the Board of Directors shall propose to the General Shareholders' Meeting the number of directors that at each stage it deems appropriate in the interest of the company. The General Shareholders' Meeting shall decide on the final number.

2.- The Board of Directors shall be composed of directors that belong to the categories stated below:

a. **Internal or executive directors:** directors who perform senior management functions or are employed by the company or its Group. If a director performs senior management functions and, at the same time, is or represents a significant shareholder or one that is represented on the Board of Directors, he/she shall be considered internal or executive for purposes of the present Regulations.

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

b. **External directors:** These directors shall in turn fall into three categories:

b1. **Proprietary directors:** directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than said amount, as well as those who represent said shareholders.

b2. **Independent directors:** directors of acknowledged professional prestige are able to contribute their experience and knowledge to corporate governance and, since they do not belong to either of the two preceding categories, meet the conditions set forth under article 9 of the present Regulations. The number of independent directors shall represent at least one third of all directors.

b3. **Other external directors:** external directors who are not proprietary directors and cannot be classified as independent directors in accordance with article 9 of the present Regulations.

In exercising its powers of co-option and proposal to the General Shareholders' Meeting to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, independent directors represent a broad majority over executive directors and that among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

ARTICLE 8. – APPOINTMENT OF DIRECTORS.

1. Directors shall be appointed at the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions contained in the Spanish Companies Act and the company's Bylaws.

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

Proposals for the appointment of directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a report from the Appointments and Remuneration Committee. When the Board of Directors does not agree with the Committee's recommendations, it must explain its reasons and duly record them in the minutes.

3. The process of filling board vacancies shall have no implicit bias against women candidates. The company shall make an effort to include women with the target profile among the candidates for Board positions.

ARTICLE 9. – APPOINTMENT OF INDEPENDENT DIRECTORS.

Independent directors are defined as directors appointed for their personal and professional qualities who are in a position to perform their duties without being influenced by any connection with the company, its significant shareholders or its management. As such, the following shall in no circumstances qualify as independent directors:

a. Past employees or executive directors of Group companies, unless 3 or 5 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 on the past 3 years, in the external auditor or the firm responsible for the audit report, during the said period, of Enagás, S.A. or any other within its Group.

d. Executive directors or senior officers of another company where an executive director or senior officer of Enagás, S.A. is an external director.

e. Those having material business dealings with Enagás, S.A. or some other in its Group or who have had such dealings in the preceding year, either on their own account or as the significant shareholder, director or senior officer of a company that has or has had such dealings. Business dealings are considered those with suppliers of goods or services, including financial advisory and consultancy services.

f. Significant shareholders, executive directors or senior officers of an entity that receives significant donations from Enagás, S.A. or its Group, or has done so in the past 3 years. Here mere sponsors of a foundation receiving donations are not included.

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 and Remuneration Committee.

i. Those standing in some of the situations listed in a), e), f) or g) above in relation to a significant shareholder or a shareholder with board representation. In the case of the family relations set out in letter g), the limitation shall apply not only in connection with the shareholder but also with his or her proprietary directors in the investee company. Proprietary directors disqualified as such and obliged to resign due to the disposal of shares by the shareholder they represent may only be re-elected as independents once the said shareholder has sold all remaining shares in the company.

A director with shares in the company may qualify as independent, provided he or she meets all the conditions stated in this article and the holding in question is not significant.

ARTICLE 10. – TENURE AND CO-OPTION.

Directors may hold their post for a period of four years, and may be re-elected. Directors appointed by co-option will perform their functions until the date of the next General Shareholders' Meeting.

ARTICLE 11. – RE-APPOINTMENT OF DIRECTORS.

The Appointments and Remuneration Committee, responsible for evaluating the quality of work and dedication to the post of the directors proposed during the previous term of office, shall provide information required to assess proposal for re-appointment of directors presented by the Board of Directors to the General Shareholders' Meeting.

As a general rule, appropriate rotation of independent directors should be endeavoured. For this reason, when one is proposed for re-election, the circumstances making his/her continuity in the post advisable must be justified. Independent directors should not stay on as such for a continuous period of more than 12 years.

ARTICLE 12. – REMOVAL OF DIRECTORS.

1. Directors shall leave their post after the first General Shareholders' Meeting following the end of their tenure and in all other cases in accordance with law, the company's bylaws and the present Regulations.

2. Directors must place their office at the Board of Directors' disposal, and tender, if the Board deems this appropriate, their resignation in the following cases:

    a. When they are involved in any of the legally stipulated circumstances of incompatibility or prohibition.

    b. When they are in serious breach of their obligations as directors.

c. When they may put the interests of the company at risk or harm its name and reputation. If a director is indicted or an order is issued to initiate a trial against him/her for a crime specified under article 124 of the Spanish Companies Act, the Board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide where or not the director should be called on to resign.

d. When the circumstances motivating their appointment as directors no long exist.

e. When independent directors no longer fulfil the criteria required under article 9.

f. When the shareholders represented by proprietary directors dispose of their ownership interests. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced proportionately.

Should the Board of Directors not deem it advisable to have a director tender his/her resignation in the cases specified under letters d), e) and f), the latter must be included in the category that, in accordance with the present Regulations, is most appropriate based on his/her new circumstances.

3. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a report from the Appointments and Remuneration Committee.

4. After a director has been removed from his/her post, he/she may not work for a competitor company for a period of two years, unless the Board of Directors exempts him/her from this obligation or shortens its duration.

Bylaw provisions affecting the amendment of the bylaws:

ARTICLE 26. – SPECIAL QUORUM.

In the event the Ordinary or Extraordinary General Shareholders' Meeting at first call wishes to validly ratify the issue of bonds, the increase or reduction of share capital, the transformation, merger or spin-off of the company, and in general, to amend the company bylaws, shareholders possessing at least fifty percent of paid up voting capital must be present or represented.

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

g. The powers of board members, and in particular the power to issue or buy back shares.

The only member of the Board of Directors who has the power to represent the company is Chairman Antonio Llardén Carratalá. The Board of Directors granted him the powers that appear in the public deed executed on 9 February 2007 before Notary of Madrid Pedro de la Herrán Matorras under number 324 of his protocol and as recorded in the Mercantile Registry of Madrid, Volume 20,090; Book 0; Folio 172, Section 8; Page M-6113; Record 668. Although said powers encompass broad powers of representation, they do not include the ability to issue or buy back shares of the company.

Regardless of the foregoing, the tenth resolution adopted by the General Shareholders' Meeting held on 11 May 2007 with the following terms is now in force:

> "To grant the Board of Directors the broadest powers required by law to increase the company's share capital, at one or several times, within a maximum period of five years from the date, under the terms of article 153.b) of the Spanish Companies Act, up to a maximum of 179 million euros, by issuing new shares, with or without voting rights, with or without a share premium, in exchange for cash, and to establish the terms and conditions of the capital increase and the features of the shares, with the possibility of offering freely new shares unsubscribed within the pre-emptive subscription period(s) and determine, if the shares are not fully subscribed, that capital will be increased only by the amount of the subscriptions made and, accordingly, to redraft the article of the company bylaws regarding share capital. The Board was also empowered to waive pre-emptive subscription rights under the terms of article 159 of the Spanish Companies Act.

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 and eight of its managers 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 judgment, 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.

ENAGÁS GROUP

On 1 February 2010, the Board of Directors of Enagás, S.A. prepared the annual financial statements and management report for the year ended 31 December 2009, consisting of the accompanying documents, in accordance with article 171 of the Spanish Companies Act and article 37 of the Code of Commerce.
The undersigned directors state that, to the best of their knowledge, the annual financial statements, prepared in accordance with the accounting principles applied, provide a true and fair value of the equity, financial position and results of the company and of the companies included in the consolidation scope, taken as a whole, and that the management report includes a fair analysis of the evolution and results of the businesses and the position of the company and the companies included in consolidation, taken as a whole, together with the description of the main risks and uncertainties faced.

Chairman

D. Antonio LLardén Carratalá

Vice Chairman

D. José Luis Olivas Martínez
Bancaja

Directors

D. Jesús David Álvarez Mezquíriz

D. Antonio Téllez de Peralta

Dña. Teresa García-Milá Lloveras

D. Dionisio Martínez Martínez

D. Luis Javier Navarro Vigil

D. Ramón Pérez Simarro

D. José Riva Francos

D. Miguel Ángel Lasheras Merino

D. Martí Parellada Sabata

Mr. Said Al Masoudi

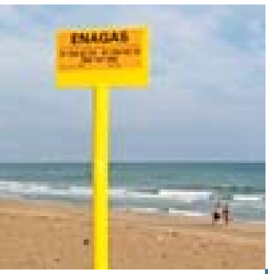
Sagane Inversiones, S.L.
(Represented by D. Carlos Egea Krauel)

Sociedad Estatal de Participaciones Industriales-SEPI
(Represented by D. Enrique Martínez Robles)

Peña Rueda, S.L. Unipersonal
(Represented by D. Manuel Menéndez Menéndez)

Bilbao Bizkaia Kutxa-BBK
(Represented by D. Joseba Andoni Aurrekoetxea Bergara)

Secretary of the Board
D. Rafael Piqueras Bautista



1. About this report

Scope and principles for defining the content and quality of disclosures -3.1, 3.2, 3.3, 3.5, 3.6, 3.7, 3.8, 3.10, 3.11-

In the preparation of this 2009 Annual Report, the following references were used:

- The Sustainability Reporting Guidelines of the GRI (Global Reporting Initiative), version 3, published 2006, which define the main aspects to be taken into account.
- External analysis of best practice in sustainability reporting, in terms of both content and organisation, focusing in particular on energy companies included in the IBEX-35.
- The assessment made by various organisations and institutions specialising in sustainability matters regarding the scope and content of the 2008 Enagás Annual Report, including any suggestions for improvements made.
- The results of consultations with stakeholders, in which they were specifically asked to rate the information on corporate responsibility provided by Enagás.
- The results of the Company's drive to include all its units in the preparation of the annual report, having recourse to primary sources of information.

One of the main objectives of this annual report is to provide reliable and balanced information on Enagás' commitment to the principal challenges raised by sustainable development. Accordingly, the content of the report aims to address the reporting principles of materiality, stakeholder inclusiveness, completeness, comparability, balance, accuracy, clarity and timeliness.

Principles of materiality and stakeholder inclusiveness

In its 2009 Annual Report, Enagás has sought to address all issues relevant or material for the various stakeholder groups, i.e. those that could significantly influence their opinions and/or decisions.

In 2008, as part of the process of drawing up the 2009-2012 Corporate Responsibility Master Plan, a materiality analysis was performed to define the corporate responsibility topics that are material for Enagás and had therefore to be included in the 2008 Annual Report.

Enagás also implemented a project in 2009 to improve dialogue with stakeholders, including 27 in-depth interviews with representatives of different stakeholder groups to identify and evaluate the issues that are material to those groups, in order to incorporate them into the Company's management and information reporting models (see Section 5.6. Dialogue with stakeholder groups).

Principle of completeness

The 2009 Enagás Annual Report covers its main activities and results, incorporating those events considered material in 2009 as well as other information considered useful for stakeholders.

The scope of this report is limited to Spanish territory, where Enagás carries out its activities.

Principle of comparability

To facilitate use and understanding of this report on the part of stakeholders, most of the indicators used are quantitative and wherever possible include data for previous years to support the information detailing the Company's advances and achievements in relation to corporate responsibility.

The report also includes historical information included in previous Company annual reports, striving wherever possible to use the same calculation methods so as to prevent inconsistencies and highlighting those instances where errors have been identified in past data or the methods used to calculate the performance indicators have changed.

The 2009 Annual Report also takes account of the content and indicators recommended in the third version of the Global Reporting Initiative (GRI) guidelines, providing an internal and external benchmark for comparison since it uses internationally recognised principles and content indices. This year's annual report has also been drafted applying the principles of standard AA1000: inclusiveness, materiality and responsiveness.

From the financial point of view, the consolidated annual financial statements of the Enagás Group for 2007, 2008, 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS), on the basis of the accounting records kept by the Company and the other companies included in the consolidated Group (for more information see section 16 on the annual financial statements).

Principle of balance

This report aims to give an objective overview of the position of Enagás, reflecting both positive and negative aspects and thereby providing a reasonable assessment of the general performance of the Company.

Principles of accuracy and clarity

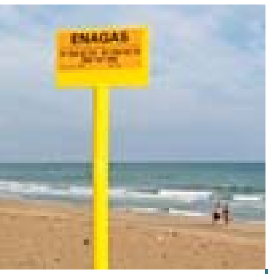
The information contained in this report is clear and accurate, enabling stakeholders to make their own assessments of the performance and activities of the Company. The Company has also included charts, diagrams, tables and indicators to facilitate understanding of its activities in the financial, social and environmental spheres.

The 2009 Annual Report also includes the year's most important milestones, the challenges for 2010 and key indicators designed to improve transparency for the Company's main stakeholders.

Principle of timeliness

Enagás publishes information on corporate responsibility/sustainability on an annual basis, so keeping stakeholders up-to-date on the Company's financial, social and environmental performance.

For clarifications or additional information on the content of the 2009 Annual Report, please use the contact details published in Appendix 6. Contact. -



2.

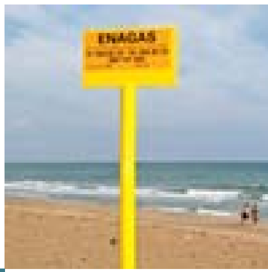
Self-declaration of GRI application level -3 -3.9-

In 2008, Enagás achieved a GRI rating of A+, verified externally by KPMG, following major efforts to include all units of the Company in the collection and compilation of information.

The company achieved the same maximum rating in 2009 (see Appendix 3. Global reporting initiative (GRI) content index and Appendix 4. External assurance report).

GRI application level

	C	C+	B	B+	A	A+
Self-assessment (Enagás)						A+ GRI REPORT
External assessment						A+ GRI REPORT
GRI assessment						A+ GRI REPORT



3.

Table identifying the location of the Standard Disclosures in the report

Global reporting initiative (GRI) content index -3.12-

The pages of this report corresponding to each standard GRI disclosure item and indicator (additional indicators are identified by an asterisk), and the related elements of the ten principles of the United Nations Global Compact are indicated in the table below.

GRI PROFILE	Description of GRI disclosure item	Global Compact	Page
1. Strategy and analysis			
1.1.	Statement from the most senior decision maker of the organisation, strategy		4
1.2.	Description of key impacts, risks and opportunities		159
2. Organisational profile			
2.1.	Name of the organisation		12
2.2.	Primary brands, products and/or services		12, 90
2.3.	Operational structure of the organisation		12, 16
2.4.	Location of organisation's headquarters		387
2.5.	Number of countries where the organisation operates and names of countries with major operations		12
2.6.	Nature of ownership and legal form		12
2.7.	Markets served		12
2.8.	Scale of the reporting organisation (net sales, total capitalisation, etc.)		6-8
2.9.	Significant changes during the reporting period regarding size, structure or ownership		35
2.10.	Awards and accolades		20, 47
3. Report parameters			
Report profile			
3.1.	Reporting period for information provided		370-371
3.2.	Date of most recent previous report		370-371
3.3.	Reporting cycle (annual, biennial, etc.)		370-371

3.4.	Contact point	387
Report scope and boundary		
3.5.	Process for defining report content (including determining materiality, prioritising topics within the report and identifying stakeholders)	370-371
3.6.	Boundary of the report	370-371
3.7.	Specific limitations on the scope or boundary of the report	370-371
3.8.	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	370-371
3.9.	Data measurement techniques, bases for calculations, assumptions and estimates applied. Reasons for not applying GRI Indicator Protocols	372
3.10.	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements.	370-371
3.11.	Significant changes in the scope, boundary or measurement methods applied in the report	370-371
GRI content index		
3.12.	Table identifying the location of the standard disclosures in the report	373-380
Assurance		
3.13.	Policy and current practice with regard to seeking external assurance of the report	382-384
4. Governance, commitments and engagement		
Governance		
4.1.	Governance structure of the organisation	150-151
4.2.	Indicate whether the Chair of the highest governance body is also an executive officer	150-151
4.3.	For organisations that have a unitary board structure, state the number of board members of the highest governance body that are independent and/or non-executive members	150-151
4.4.	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	150-151
4.5.	Linkage between compensation for members of the highest governance body and the organisation's performance	150-151
4.6.	Process in place for the highest governance body to ensure conflicts of interest are avoided	150-151
4.7.	Process for determining the qualifications and expertise of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	150-151
4.8.	Mission statements, values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	47, 49, 150-151
4.9.	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	161
4.10.	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	150-151, 159

Commitments to external initiatives			
4.11.	Explanation of whether and how the precautionary approach or principle is addressed by the organisation		159
4.12.	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses		65
4.13.	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: – Has positions in governance bodies – Participates in projects or committees – Provides substantive funding beyond routine membership dues; or – Views membership as strategic		65, 132, 133
Stakeholder engagement			
4.14.	List of stakeholder groups engaged by the organisation		53
4.15.	Basis for identification and selection of stakeholders with whom to engage		53
4.16.	Approaches to stakeholder engagement (including frequency)		53
4.17.	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting		53, 93-94
ECONOMIC DIMENSION			
Management approach			12, 136
Economic performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments		55
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	GC7	116
EC3	Coverage of the organisation's defined-benefit plan obligations		80
EC4	Significant financial assistance received from government		33, 35
Market presence			
EC5	Range of ratios of standard entry level wage compared with local minimum wage at significant locations of operation	GC1	69
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation		99

EC7*	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	GC6	NOTE 1
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit though commercial, in-kind or pro-bono engagement		132
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts		30, 132
ENVIRONMENTAL DIMENSION			
Management approach			102
Materials			
EN1	Materials used by weight or volume	GC8	105, 106
EN2	Percentage of materials used that are recycled input materials	GC8, GC9	105, 106
Energy			
EN3	Direct energy consumption by primary energy source	GC8	117, 118
EN4	Indirect energy consumption by primary energy source	GC8	118
EN5	Energy saved due to conservation and efficiency improvements	GC8, GC9	103, 118, 119
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	GC8, GC9	118, 119
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	GC8, GC9	118, 119
Water			
EN8	Total water withdrawal by source	GC8	107
EN9	Water sources significantly affected by withdrawal of water	GC8	107
EN10*	Percentage and total volume of water recycled or reused	GC8, GC9	NOTE 2
Biodiversity			
EN11	Description and size of land in or adjacent to protected areas and areas of high biodiversity value outside protected areas. State the location and size of land owned, leased or managed in areas of high biodiversity value outside protected areas	GC8	125, 126
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas or in areas of high biodiversity value outside protected areas	GC8	103, 126
EN13	Habitats protected or restored	GC8	128
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	GC8	125, 127
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	GC8	125
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	GC8	120-122
EN17	Other relevant indirect greenhouse gas emissions by weight	GC8	122
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	GC7, GC8, GC9	123

EN19	Emissions of ozone-depleting substances by weight	GC8	107
EN20	NO, SO and other significant air emissions by type and weight	GC8	108
EN21	Total water discharge by quality and destination	GC8	109, 110
EN22	Total weight of waste by type and disposal method	GC8	111-114
EN23	Total number and volume of significant spills	GC8	110
EN24*	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annexes I, II, III and VIII, and percentage of transported waste shipped internationally	GC8	NOTE 3
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	GC8	109, 110
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	GC7, GC8, GC9	Water consumption: 107, Non greenhouse gas emmisions: 108, Noise: 109, Wastewater dumping: 110, Accidental spillages 111, Waste: 116
EN27*	Percentage of products sold and their packaging materials that are reclaimed by category	GC8, GC9	NOTE 4
Compliance			
EN28*	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	GC8	NOTE 5
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	GC8	109, 117, 118
EN30	Total environmental protection expenditures and investments by type	GC7, GC8, GC9	116
SOCIAL DIMENSION			
1. Labour practices and decent work			
Management approach			64
Labour practices			
LA1	Total workforce by employment type, employment contract, and region.		66, 67, 70
LA2	Total number and rate of employee turnover by age group, gender and region	GC6	66, 67
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		79-81

Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	GC1, GC3	68
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	GC3	69
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	GC1	82
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region	GC1	81, 83, 84
LA8	Education, training, counselling, prevention and risk control programmes in place to assist workforce members, their families or community members regarding serious diseases	GC1	85
LA9	Health and safety topics covered in formal agreements with trade unions	GC1	82-83
Training and education			
LA10	Average hours of training per year per employee by employee category		74-76
LA11	Programmes for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings		74, 75
LA12	Percentage of employees receiving regular performance and career development reviews		73
Diversity and equality of opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	GC1, GC6	66, 70
LA14	Ratio of basic salary of men to women by employee category	GC1, GC6	70
2. Human rights			
Management approach			56, 57, 96
Investment and procurement practices			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	GC1, GC2, GC3, GC4, GC5, GC6	98, 99
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and action taken	GC1, GC2, GC3, GC4, GC5, GC6	98, 99
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	GC1, GC2, GC3, GC4, GC5, GC6	58
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken	GC1, GC2, GC6	71
Freedom of association and collective bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	GC1, GC2, GC3	68
Child labour			
HR6*	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	GC1, GC2, GC5	NOTE 6

Forced and compulsory labour			
HR7*	Operations identified as having significant risk of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	GC1, GC2, GC4	NOTE 7
Security practices			
HR8*	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	GC1, GC2	NOTE 8
Indigenous rights			
HR9*	Total number of incidents involving the violation of indigenous peoples´ rights and action taken	GC1, GC2	NOTE 9
3. Society			
Management approach			Community: 129, Corruption: 162, Public policy: 140
Community			
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting		131
Corruption			
SO2	Percentage and total number of business units analysed for risks related to corruption	GC10	162
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	GC10	58
SO4	Actions taken in response to incidents of corruption	GC10	162
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying	GC1, GC2, GC3, GC4, GC5, GC6, GC7, GC8, GC9, GC10	133
SO6*	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	GC10	NOTE 10
Anti-competitive behaviour			
SO7*	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes		NOTE 11
Compliance			
SO8*	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		NOTE 12

4. Product responsibility			
Management approach			85, 86
Customer health and safety			
PR1	Life cycle stages in which the health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	GC1	85, 86
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcome	GC1	85
Products and services labelling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	GC8	86, 87
PR4*	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcome	GC8	NOTE 13
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		91-93
Marketing communications			
PR6*	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		NOTE 14
PR7*	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcome		NOTE 15
Customer privacy			
PR8*	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	GC1	NOTE 16
Compliance			
PR9*	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		NOTE 17

To make it easier to identify the sections relating to each Global Reporting Initiative (GRI) performance indicator, the codes referring to the GRI content and indicators are included in titles and at the end of relevant paragraphs.

1 Enagás' activities are generally performed in Spain, so almost all its staff are contracted locally.

2 Enagás does not reuse water in its processes.

3 Waste generated by Enagás is not shipped internationally.

4 Enagás does not produce products or packaging materials in its processes.

5 Enagás has not been fined for any non-compliance with environmental laws.

6 None of the activities in which Enagás is engaged have been identified as carrying a risk of child exploitation. Additionally, the Enagás collective agreement prohibits the Company from employing minors of less than 16 years of age (article 28) and its Business Principles establish a procedure for reporting and managing incidents of this type.

7 None of Enagás' operations have been identified as being subject to a significant risk of forced or compulsory labour. Additionally, the Enagás collective agreement establishes business hours for the year and the possibility of flexible working hours (article 38), there is an occupational risk prevention policy, and the Company's Business Principles establish a procedure for reporting and managing incidents of this type.

8 Enagás does not have any security personnel contracted as part of its staff. In addition, the requirements of the Company's supplier accreditation process include respect for the principles of the United Nations Global Compact and the Universal Declaration of Human Rights. A corporate responsibility clause has been included in all commercial contracts and the Company's General Contracting Conditions since November 2008.

9 No violations of indigenous peoples' rights have been reported.

10 No contributions to political parties of any kind have been made. In addition, Enagás' Business Principles stipulate that "we will not make donations to any political party in any circumstances other than those expressly provided for in applicable legislation".

11 There is no pending litigation resulting from anti-competitive behaviour, anti-trust and monopoly practices.

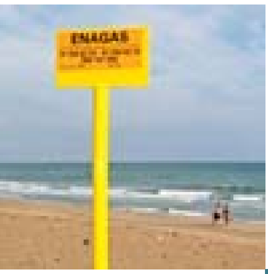
12 No sanctions, significant fines or non-monetary sanctions have been imposed for non-compliance with laws or regulations.

13 Not applicable. The services that Enagás provides do not involve labelling.

14 and 15 Enagás does not carry out advertising or promotional marketing campaigns. In addition, Enagás is a member of the Spanish Association of Directors of Communication (DIRCOM), which, inter alia, promotes ethical communications practices.

16 There have been no substantiated complaints regarding breaches of customer privacy and loss or theft of customer data.

17 There have been no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.



4. External assurance report

KPMG Asesores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
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.)

We performed a limited assurance review on the non-financial information contained in Enagás, S.A. (hereinafter Enagas) Annual Report for the year ended 31 December 2009 (hereinafter "the Report"). The information reviewed corresponds to the sections entitled economic dimension, environmental dimension and social dimension from Appendix 3 "Global reporting initiative (GRI) content index".

Enagas management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 3.0 (G3) of the Global Reporting Initiative as described in the section entitled Appendix 2: "Self-declaration of GRI application level". This section details the self-declared application level, which has been confirmed by Global Reporting Initiative. Management is also responsible for the information and assertions contained within the Report; for the implementation of processes and procedures which adhere to the principles set out in the AA1000 AccountAbility Principles Standard 2008 (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 limited assurance engagement and to issue an independent report based on the work performed, which refers exclusively to the information corresponding to the year 2009. Data corresponding to previous years have not been the object of review. 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. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement and that we comply with the independence requirements included in the International Federation of Accountants Code of Ethics which outlines detailed requirements regarding integrity, objectivity, confidentiality and professional qualifications and conduct. We have also conducted our engagement in accordance with AA1000 Accountability Assurance Standard 2008 (AA1000AS) (Type 2), which covers not only the nature and extent of the organisation's adherence to the AA1000APS, but also evaluates the reliability of performance information as indicated in the scope.

A limited assurance engagement on a sustainability report consists of making inquiries to Management, primarily to the persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate through the following procedures:

- Inquiries of management to gain an understanding of Enagas's processes for determining the material issues for their key stakeholder groups.

- Interviews with relevant Enagas staff concerning the application of sustainability strategy and policies.

- Interviews with relevant Enagas staff responsible for providing the information contained in the Report.

- Visit to Algete compression station selected based on a risk analysis considering quantitative and qualitative criteria.

- Analysing the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.

- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Enagas.

KPMG Asesores, S.L., a limited liability Spanish company, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Reg. Mer Madrid, T. 14.972, F. 53, Sec. 8, H. M-249.480, Inscrip. 1.ª
N.I.F. B-82498650

- Verifying that the financial information reflected in the Report was taken from the annual accounts of Enagas, which were audited by independent third parties.

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 is lower. Also, this report should not be considered an audit report.

Our multidisciplinary team included specialists in AA1000APS, stakeholder dialogue, social, environmental and economic business performance.

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the data included in the Annual Report of Enagás, S.A. for the year ended 31 December 2009 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 respects, in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative as described in the subchapters "Quality, Excellence and Sustainability Master Plan", "Dialogue with stakeholder groups" and Appendix 1: "About this report", of the Report.

Under separate cover, we will provide Enagas 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

Enagas carried out the first stakeholder identification process in 2008 which was then used in 2009 to carry out consultations. In this regard, it is recommended that Enagas move towards implementing feedback channels and tools with its stakeholders to progressively improve the management of stakeholder dialogue and their expectations. Likewise, it is recommended to develop systems that formalize and facilitate stakeholder management and in particular that help obtain a more objective and homogeneous stakeholders assessment.

In relation to the MATERIALITY principle

When identifying relevant issues for its different stakeholders, Enagas takes into account internal and external sources of information. The process of prioritizing issues carried out in 2009 was based on issues identified in 2008. In this respect, it is recommended that Enagas establish mechanisms that allow material issues to be updated in a systematic and periodic manner.

In relation to the RESPONSIVENESS principle

Enagas has developed its Quality, Excellence and Sustainability Master Plan 2009-2012 with which it aims to respond to the opportunities for improvement identified through its Integrated Management Model. With the aim of strengthening the capacity of this plan as a response to its stakeholders, it is recommended that Enagas plan for greater participation of these stakeholders in designing these responses. Meanwhile, it is recommended to establish mechanisms that determine stakeholders' level of satisfaction with the designed responses.

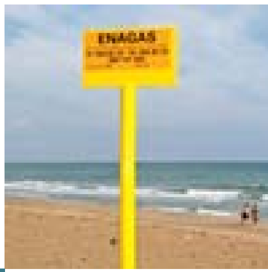
KPMG Asesores, S.L.

(Signed)

Julián Martín Blasco
Partner

AA1000 Licensed Assurance Provider

7 April 2010



5.

Contents of the Global Compact

The Global Compact is an ethical commitment initiative that encourages companies worldwide to incorporate into their strategy and operations ten universal principles concerning human rights, labour standards, the environment and the fight against corruption.

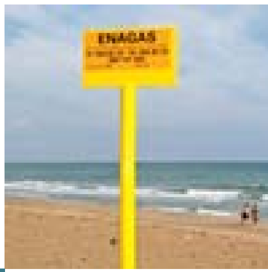
Enagás has been a member of the United Nations Global Compact since 2003 and regularly renews its commitment, maintaining a public and transparent record of the progress it has made in this field in an annual report published on the Global Compact website at www.pactomundial.org.

The link between the ten principles of the Global Compact and the GRI indicators considered in this report is included 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.

GC	HUMAN RIGHTS	Indicadores GRI
1	Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence	EC5, LA4, LA6 - 9, LA13 - 14, HR1 - 9, SO5, PR1 - 2, PR8
2	Businesses should make sure that they are not complicit in human rights abuses	HR1 - 9, SO5
	LABOUR STANDARDS	
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA4 - 5, HR1 - 3, HR5, SO5
4	Businesses should uphold the elimination of all forms of forced and compulsory labour	HR1 - 3, HR7, SO5
5	Businesses should uphold the effective abolition of child labour	HR1 - 3, HR6, SO5
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	EC7, LA2, LA13 -14, HR1 - 4, SO5
	ENVIRONMENT	
7	Businesses should support a precautionary approach to environmental challenges	EC2, EN18, EN26, EN30, SO5
8	Businesses should undertake initiatives to promote greater environmental responsibility	EN1 - 30, SO5, PR3 - 4
9	Businesses should encourage the development and diffusion of environmentally friendly technologies	EN2, EN5 - 7, EN10, EN18, EN26 - 27, EN30, SO5
	ANTI-CORRUPTION	
10	Businesses should work against corruption in all its all forms, including extortion and bribery	SO2 - 6

In addition, to make it easier to identify the activities most directly related with the principles of the Global Compact, Enagás has singled out the GRI indicators that have a direct bearing on these principles and, in the table below, has indicated the pages of this report in which this information is contained.

GC	HUMAN RIGHTS	Directly-related GRI indicators	Pág
1	Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence	HR1 - 9	58, 68, 71, 98, 99 380 (NOTES 7, 8 y 9)
2	Businesses should make sure that they are not complicit in human rights abuses	HR1 - 2, HR8	98, 99, 380 (NOTE 8)
	LABOUR STANDARDS		
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA4 - 5, HR5	
4	Businesses should uphold the elimination of all forms of forced and compulsory labour	HR7	380 (NOTE 7)
5	Businesses should uphold the effective abolition of child labour	HR6	380 (NOTE 6)
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	LA2, LA13 - 14, HR4	66, 67, 70, 71
	ENVIRONMENT		
7	Businesses should support a precautionary approach to environmental challenges	EN18, EN26	107-111, 116, 123
8	Businesses should undertake initiatives to promote greater environmental responsibility	EN2, EN 5 - 7, EN 10, EN13 - 14, EN18, EN 21-22, EN26 - 27, EN30	103, 105-114, 116, 118, 119, 123, 125, 127, 128, 380 (NOTES 2 y 4)
9	Businesses should encourage the development and diffusion of environmentally friendly technologies	EN2, EN5 - 7, EN10, EN18, EN26 - 27, EN30	103, 105-111, 116, 118, 119, 123, 380 (NOTES 2 y 4)
	ANTI-CORRUPTION		
10	Businesses should work against corruption in all its forms, including extortion and bribery	SO2 - 4	58, 162



6. Contact

Contact -2.4, 3.4-

Please address any comments, requests for clarification or suggestions relating to this report to:

Enagás S.A.

Paseo de los Olmos, 19

28005 Madrid

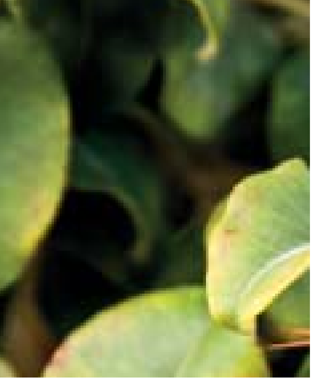
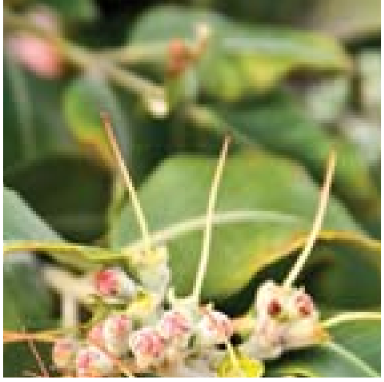
Investor Relations Department

Tlf: + 34.91.709.93.30

Fax: +34.91.709.93.28

accionistas@enagas.es
investors@enagas.es
www.enagas.es

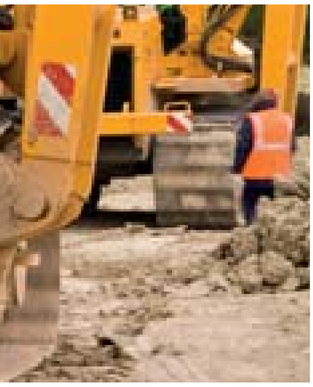
Design: Rojo taller de investigación, diseño y comunicación
Prepress: Rapygraf
Printing: Gráficas Marte
Photos: Enagás








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