PROPOSED RESOLUTIONS LAID BEFORE THE 2009 ORDINARY GENERAL MEETING

Date of Meeting: 26 March 2009
Adjourned date: 27 March 2009

AGENDA

1. To consider and, if thought fit, 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 financial year 2008 for Enagás, S.A. and its consolidated Group.

2. To consider and, if thought fit, adopt the proposed distribution of Enagás, S.A. profit for financial year 2008.

3. To consider and, if thought fit, approve the performance of the Board of Directors of Enagás, S.A. for financial year 2008.

4. To re-appoint Deloitte S.L. as the auditor of Enagás, S.A. and its consolidated Group for 2009.

5. To ratify, appoint, renew or re-elect members of the Board of Directors.

   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 articles of association.

   5.2.- To re-elect Mr Ramón Pérez Simarro as independent director for the four-year term prescribed by the Company's articles of association.

   5.3.- To re-elect Mr Martí Parellada Sabata as independent director for the four-year term prescribed by the Company's articles of association.

   5.4.- To consider and, if thought fit, 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.

   5.5.- To establish the number of directors.

6. To approve directors' remuneration for 2009.

7. To authorise the Board of Directors to issue debentures or other fixed-income securities that may or may not be convertible into shares in the Company and/or exchanged for shares in the Company or other companies amounting to three thousand million euros (€3,000,000,000) within five years from the resolution of the company in General Meeting; to establish the share conversion or exchange criteria and methods; and to increase share capital to the extent required, thereby rendering void resolution 11 passed at the General Meeting of 11 May 2007.

8. The hear the explanatory report on the matters under under article 116 bis of the Securities Market Act.

9. To delegate powers to supplement, implement, perform, rectify and formalise the resolutions adopted at the General Meeting.

PROPOSED RESOLUTION 1

To consider and, if thought fit, 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 financial year 2008 for Enagás, S.A. and its consolidated Group.

The following proposed resolution is laid before the Ordinary General Meeting:

- "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."

PROPOSED RESOLUTION 2

To consider and, if thought fit, approve the proposed distribution of Enagás, S.A. profit for financial year 2008.

The following proposed resolution is laid before the Ordinary General Meeting:

☐ "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	Euros
Legal Reserves	**0.00**
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, **€155,330,297.66**, 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."

PROPOSED RESOLUTION 3

To consider and, if thought fit, approve the performance of the Board of Directors of Enagás, S.A. for financial year 2008.

The following proposed resolution is laid before the Ordinary General Meeting:

- "To approve the performance of the Board of Directors of Enagás, S.A. during the financial year 2008."

PROPOSED RESOLUTION 4

To re-appoint Deloitte S.L. as the auditor of Enagás, S.A. and its consolidated Group for 2009.

In accordance with article 204 of the consolidated text of the *Ley de Sociedades Anónimas* [Spanish Companies Act], article 50 of the Company's articles of association directs that those persons who are to audit the accounts shall be appointed by the General Meeting prior to the end of the year to be audited, for an initial period of not less than three years nor more than nine, as from the date of commencement of the first year audited. Such auditors may be re-appointed by the General Meeting annually once the initial period has concluded.

The company Deloitte was appointed auditor of Enagás, S.A. and its consolidated Group at the General Meeting held in 2004 for a period of three years. The Annual General Meetings held in 2007 and 2008 resolved to re-appoint the firm for those years. The renewal of its appointment for a further year under the terms stipulated in the aforementioned provision is now proposed.

The following proposed resolution is laid before the Ordinary General Meeting:

- "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."

PROPOSED RESOLUTION 5

The term of office prescribed by the Company's articles of association having elapsed, the re-election is now due of the directors Mr Salvador Gabarró Serra, who will remain as a non-independent director proposed by shareholder Gas Natural SDG, S.A., Mr Ramón Pérez Simarro, who will remain an independent director, and Mr Martí Parellada Sabata, who will remain an independent director.

The following proposed resolution is laid before the Ordinary General Meeting:

To ratify, appoint, renew or re-elect members of the Board of Directors.

- 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 articles of association.

  5.2.- To re-elect Mr Ramón Pérez Simarro as an independent director for the four-year term prescribed by the Company's articles of association.

  5.3.- To re-elect Mr Martí Parellada Sabata as an independent director for the four-year term prescribed by the Company's articles of association.

  5.4.- To consider and, if thought fit, 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.

  5.5.- To establish the number of directors.

PROPOSED RESOLUTION 6

To approve directors' remuneration for 2009.

Article 36 of the Company's articles of association provides that the Company in General Meeting shall fix the maximum total remuneration due to directors, which shall be a lump sum in cash, on an annual basis or for such interval as the Company in General Meeting shall determine. When setting pay, the Company 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.

To approve directors' remuneration for 2009, being the same as the remuneration approved for 2008.

The following proposed resolution is laid before the General Meeting:

- "The Company in General Meeting, in accordance with article 36(2) of the Company's articles of association, 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 sessions 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 Chair of the Board of Directors shall be remunerated in the further amount of €32,025 per annum.

The aforementioned sums are separate from any emoluments and salary which may be additionally accrue for work done or services provided by directors, and from the right to payment or reimbursement of expenses incurred in the course of their duties."

PROPOSED RESOLUTION 6

To authorise the Board of Directors to issue debentures or other fixed-income securities that may or may not be convertible into shares in the Company and/or exchanged for shares in the Company or other companies amounting to three thousand million euros (€3,000,000,000) within five years from the resolution of the company in General Meeting; to establish the share conversion or exchange criteria and methods; and to increase share capital to the extent required, thereby rendering void the resolution passed at the General Meeting of 11 May 2007.

A resolution containing the same terms was passed at the General Meeting held on 3 May 2002 and exhausted its term of effect of five years from adoption. That resolution was replaced by a resolution passed at the General Meeting held on 11 May 2007, which remains in force. However, in view of the performance of the financial markets, the Board of Directors considers it appropriate that the Company increase the maximum amount of debentures or other fixed-income securities that may be issued. The new resolution supersedes and renders void resolution 11 adopted on 11 May 2007.

The following proposed resolution is laid before the General Meeting:

- "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 uncertificated 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."

ITEM 8

Presentation of the explanatory report on the matters under article 116 bis of the *Ley de Mercado de Valores* [Securities Market Act].

PROPOSED RESOLUTION 9

To delegate powers to supplement, implement, perform, rectify and formalise the resolutions adopted at the General Meeting.

The following resolution is laid before the General Meeting:

- 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.

- 2. 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."

Report presented by the Board of Directors to the General Meeting for the purposes of article 116 bis of the Securities Market Act.

Article 116 bis of the Securities Market Act prescribes that the Board of Directors of a listed company must furnish an annual explanatory report to the General Meeting on the following matters:

a) Capital structure, including securities not traded on a Community exchange, noting, if applicable, the various share classes, and, for each share class, the rights and obligations it carries and the percentage of share capital it comprises.

Share capital:

Last modified	Share capital (€)	Number of shares	Number of voting rights
03-05-2002	358,101,390.00	238,734,260	238,734,260

All shares belong to a single class.

b) Any restrictions on the transferability of shares.

No restrictions on the transferability of shares exist.

c) Significant shareholdings, both direct and indirect.

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
GAS NATURAL SDG, S.A.	11,936,703	0	5.000
ATALAYA INVERSIONES, SRL	0	11,936,714	5.000
CAJASTUR (CAJA DE AHORROS DE ASTURIAS)	0	11,937,395	5.000
SEPI (SPANISH STATE HOLDING COMPANY)	11,936,703	0	5.000

(*) Through:

Name or company name of direct shareholder	Number of direct voting rights	% of total voting rights
SAGANE INVERSIONES S.L.	11,936,714	5.000
CANTÁBRICA DE INVERSIONES DE CARTERA, S.L.	11,937,395	5.000
Total:	23,874,109	10.000

Name or company name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MR ANTONIO LLARDÉN CARRATALÁ	27,116	0	0.011
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
MR SALVADOR GABARRÓ SERRA	10	0	0.000
MS. TERESA GARCÍA-MILÁ LLOVERAS	1,500	0	0.000
MR DIONISIO MARTÍNEZ MARTÍNEZ	2,010	0	0.001
MR LUIS JAVIER NAVARRO VIGIL	10	2,156	0.001
MARTÍ PARELLADA SABATA	910	0	0.000
RAMÓN PÉREZ SIMARRO	100	0	0.000
MR ANTONIO TÉLLEZ DE PERALTA	400	0	0.000

(*) Through:

Name or company name of direct shareholder	Number of direct voting rights	% of total voting rights
BANCAJA INVERSIONES, S.A.	11,936,713	5.000
SOCIEDAD KARTERA 1, S.L.	11,936,713	5.000
NEWCOMER 2000, S.L.U.	2,156	0.001
Total:	23,873,426	10.000

d) Any restriction on voting rights.

Article 6a ("Limitation of interest in share capital and of the exercise of voting rights") of the Company's articles of association was amended at the Extraordinary General Meeting held 31 October 2007 to bring it into conformity with the provisions of Law 12/2007 of 2 July [statute on hydrocarbons industry regulations].

Law 12/2007 of 2 July, amending the Hydrocarbons Industry Act (Law 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, amends the twentieth 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 twentieth additional provision now stands as follows:

> "Twentieth Additional Provision. Technical System Operator.
>
> The company ENAGÁS, Sociedad Anónima, shall undertake the duties, rights and obligations of technical system operator. (...)
>
> No natural person or body corporate may directly or indirectly hold an interest in the company responsible for technical management of the system representing more than five percent of the share capital, or exercise more than three percent of its voting rights. Such shares may in no event be syndicated. A party operating in the gas industry or a natural person or body corporate directly or indirectly holding over five percent of the share capital of such party may not exercise voting rights above one percent. These

restrictions shall not apply to direct or indirect interests held by public-sector enterprises. Holdings in share capital may in no event be syndicated.
In addition, the sum of direct and indirect shares held by parties operating in the natural gas industry may not exceed 40 percent.
For the purposes of computing holdings in share capital, one and the same natural person or body corporate shall be deemed to hold the shares and other securities held or acquired by entities of its same "group," within the meaning of article 4 of the Securities Market Act, in addition to those shares held by:
(a) any person acting on his own behalf but on account of the aforesaid, in a concerted manner or forming with the aforesaid a single decision-making unit. Unless proved otherwise, the directors of a body corporate shall be presumed to act on account of or in concert with that body corporate; and
(b) any partner with whom the aforesaid exercises control over a subsidiary entity, pursuant to article 4 of the Securities Market Act.
At all events, regard shall be had to the controlling ownership of shares and other securities and to any voting rights enjoyed by virtue of any title.
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 Act, and liability shall attach to any natural person or body corporate found to be a holder of the securities or to any person to whom there may be attributed the excess interest in share capital or voting rights pursuant to the above sub-paragraphs. At all events, there shall apply the regime of penalties laid down in the Act."

The sixth transitional provision of Law 12/2007 of 2 July provides that within four months of its coming into force Enagás, S.A. shall bring its articles of association into conformity with the twentieth additional provision of the Hydrocarbons Industry Act. The second transitional provision of Law 12/2007 of 2 July, further prescribes:

"Second 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 Twentieth 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 statutory provision, article 6a ("Limitation of interest in share capital and of the exercise of voting rights") of Enagás, S.A.'s articles of association sets forth the following:

"No natural person or body corporate may directly or indirectly hold an interest in the company greater than five percent of share capital, nor exercise voting rights above three percent. Such shares may in no event be syndicated. A party operating in the gas industry or a natural person or body corporate directly or indirectly holding over five percent of the share capital of such party may not exercise voting rights above one percent. These restrictions shall not apply to direct or indirect interests held by public-sector enterprises. Holdings in share capital may in no event be syndicated.

In addition, the sum of direct and indirect shares held by parties operating in the natural gas industry may not exceed 40 percent.

For the purposes of computing holdings in the share capital of the Company, there shall apply additional provision 20 of the Hydrocarbons Industry Act."

e) Shareholders' agreements.

There are no records of any shareholders' agreements among the Company's shareholders.

f) Regulations governing the appointment and replacement of members of the management body and the modification of the Company's articles of association.

Articles of association affecting the appointment and replacement of members of the management body:

ARTICLE 35. COMPOSITION OF THE BOARD.

The Company shall be governed and managed by the Board of Directors, which shall represent the Company as a collegial body, both in and out of court. Its authority to represent shall extend, without any limitation of powers, to all acts falling within the objects of the Company.

The Board of Directors shall be composed of at least six and not more than seventeen directors appointed by the General Meeting.

Directors shall be elected by means of a vote. For this purpose, shares voluntarily pooled such as to constitute a share capital figure equal to or greater than aggregate share capital divided by the number of existing directors shall be entitled to appoint a number of directors equal to the integer number resulting from that proportion. If this power is exercised, the shares pooled in this fashion shall not take part in the appointment of the remaining directors.

The office of director, for which shareholder status is not required, may be waived or revoked. A director is re-eligible for one or more terms.

An appointment as director shall take effect upon acceptance.

Any person in any of the situations referred to under article 124 of the consolidated text of the Spanish Companies Act may not be a director.

ARTICLE 37. OFFICES.

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. Such offices may be held by non-directors. In lieu of a Deputy Secretary, the most senior director in age shall substitute the Secretary.

Provisions of the organisational and operational rules and 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 articles of association, without prejudice to shareholders' powers to move resolutions, the Board of Directors shall propose to the General Meeting such number of Directors as at each stage it deems appropriate in the interests of the Company. The General 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: These directors 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 these rules and regulations.

No more than 20 percent of total directors may belong to this category.

b) External directors: These Directors shall in turn fall into three categories:

b1) Non-independent directors: Directors holding an interest equal to or greater than that qualifying as significant under the law or appointed on account of their status as shareholders, even if their shareholding interest is less than that amount, and directors representing any such shareholder.

b2) Independent directors: Directors of acknowledged professional reputation 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 under article 9 of these rules and regulations. The number of independent directors shall represent at least one third of the total number of directors.

b3) Other external directors: External directors not qualifying as either non-independent or independent under article 9 of these rules and regulations.

In exercising its powers of co-option and proposal to the General Meeting to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, independent directors represent an ample majority over executive directors and that, among external directors, the ratio of non-independent to independent directors reflects the existing ratio of share capital represented by non-independent directors to all other capital.

ARTICLE 8. APPOINTMENT OF DIRECTORS.

1.- Directors shall be appointed by the General Meeting or by the Board of Directors in conformity with the provisions contained in the Spanish Companies Act and the Company's articles of association.

2.- An appointee to a directorship must, in addition to meeting the requirements of such office under the law and the Company's articles, command a high reputation and possess professional knowledge and experience appropriate to the performance of his or her duties.

Before the Board may exercise its co-opting powers, a new director must be nominated by the Nomination and Remuneration Committee. Board decisions to co-opt new directors are then submitted to the General Meeting for approval. When the Board of Directors departs from the Committee's recommendations, it must set out its reasons for such departure in the Minutes.

3.- The process of filling board vacancies must have no implicit bias against women candidates. The company shall seek out and include women with the target profile among the candidates for Board places.

ARTICLE 9. APPOINTMENT OF INDEPENDENT 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 elapsed since the termination of such relationship.

b) Those who receive any sum or benefit other than director's pay 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 such 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 such a 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 that receives donations shall not be considered included under this letter.

g) Those who are spouses, partners or relatives within the second degree 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 Remunerations Committee.

i) Those who, in respect of a significant shareholder or one represented on the Board, are 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 non-independent directors in the investee. Those non-independent directors who lose their status as such as a result of the sale of their interest by the shareholder that they represented may only be re-elected as independent

directors if the shareholder that they represented until that time has sold all of its shares in the company.

Any director who holds a shareholding 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.

ARTICLE 10. DURATION OF POST AND CO-OPTATION.

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 Meeting.

ARTICLE 11. RE-ELECTION OF DIRECTORS.

The Nomination and Remuneration Committee, responsible for evaluating the quality of work and dedication to their office of the directors proposed during the previous term of office, shall provide information required to assess proposal for re-election of directors presented by the Board of Directors to the General Meeting.

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 office advisable must be justified. Independent directors shall not remain as such for a period in excess of twelve consecutive years.

ARTICLE 12. DISMISSAL OF DIRECTORS.

1.- Directors shall leave office after the first General Meeting following the end of their term of appointment and in all other cases in accordance with the law, the Company's articles of association and these rules and regulations.

2.- Directors must place their offices at the Board of Directors' disposal, and tender, if the Board sees fit, their resignation in the following cases:

a) When they are involved in any of the statutory circumstances of conflict of interest or prohibition.

b) When they are in serious breach of their duties and obligations as directors.

c) When they may put the interests of the company at risk or damage its credibility and reputation. If a director is indicted or an order is issued to initiate a trial against him/her for any of the offences specified under article 124 of the Spanish Companies Act, the Board shall review the case as promptly as possible and, based on the specific circumstances, decide if it is appropriate for the director to remain in office.

d) When the reason for which they were appointed as independent, executive or non-independent directors is no longer valid.

e) When the independent directors cease to meet the conditions required under article 9.

f) When the shareholder represented by a non-independent director sells its shareholding interest in its entirety. They shall also do so, in the appropriate number, when such shareholder reduces his/her shareholding interest to a level requiring a reduction in the number of non-independent 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), the latter must be included in the category that, in accordance with these rules and regulations, is most appropriate based on his/her new circumstances.

3.- The Board of Directors shall not propose the resignation of any independent director before the term of office prescribed under the Company's articles has lapsed, unless there is just cause, noted by the Board, following a report by the Nomination Committee.

4.- Once a director has stepped down 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.

Articles of association bearing upon modification of the articles of association:

ARTICLE 26. SPECIAL QUORUM.

The Company in Ordinary or Extraordinary General Meeting, when properly constituted at the original date and time specified in the notice of meeting, may validly resolve 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 articles of association, if shareholders possessing at least fifty percent of the subscribed voting share capital are present in person or by proxy.

When the General Meeting is properly constituted at an adjourned date and time, attendance of at least twenty-five percent of voting share capital shall be sufficient.

g) The powers of members of the Board of Directors and, in particular, those relating to the ability to issue and buy back shares.

The only member of the Board of Directors authorised to represent the Company is its Chairman, Mr Antonio Llardén Carratalá. The Board of Directors granted him the powers that appear in the notarial instrument executed on 9 February 2007 before the Notary of Madrid Mr Pedro de la Herrán Matorras under number 324 of his protocol and as filed with the Madrid registrar of companies at Volume 20,090, Book 0, Folio 172, Section 8, Page M-6113, entry 668. Although such powers encompass broad authorisations of representation, they do not include the ability to issue or buy back shares of the Company.

As to a separate matter, the resolution 10 passed at the General Meeting held on 11 May 2007 remains in force, as follows:

"To empower the Board of Directors, as broadly as is legally necessary, so that, in accordance with article 153 b) of the Spanish Companies Act, it may, at any time, increase share capital one or more times within a period of five years as from the date of this Meeting, by a maximum amount of €179

million, through the issuance of new shares, with or without voting rights or an issue premium, in exchange for monetary contributions, with the power to set the terms and conditions of the capital increase and the characteristics of the shares, as well as to freely offer the new unsubscribed shares with a period or periods of preferred subscription, to establish that, in the event of incomplete subscription, the capital shall be increased only in the amount of the subscriptions made, and to reword the Company article of association governing share capital. The Board of Directors is also empowered to exclude the right of pre-emptive subscription under the terms of article 159 of the Spanish Companies Act."

h) Any significant agreements entered into by the company that take effect, vary or terminate in the event of a change in control of the company due to a public takeover bid, and the effects thereof, except when disclosure thereof is seriously detrimental to the Company. This exception shall not apply if the company is legally required to publish this information.

No agreements of this kind exist.

i) Any agreements between the Company and its directors and managers or employees that provide for severance pay should they resign or be unfairly dismissed or if the employment relationship concludes on account of a public takeover bid.

The Company has an agreement with the Chief Executive Officer and eight of its managers that include express severance pay clauses.

The clauses in each case are applicable in cases of cancellation of employment contract at the Company's request, unfair disciplinary dismissal, dismissal for the reasons outlined under article 52 of the *Estatuto de los Trabajadores* [Workers' Statute] or in the executive employee's discretion, relying on one of the grounds set out under article 50 of the Workers' Statute, provided termination is declared justified by means of reconciliation between the parties, legal judgment, arbitral award, or resolution by a competent government authority. They are not applicable if termination is due to a unilateral decision of the executive employee for no stated reason.

All such contracts have been approved by the Board of Directors.

Madrid, 30 January 2009