



**ANNUAL CORPORATE GOVERNANCE REPORT
FINANCIAL YEAR 2003**

THIS REPORT WAS APPROVED BY THE ENAGÁS, S.A. BOARD OF DIRECTORS AT ITS MEETING ON 18 MARCH 2004. IT ALSO INCLUDES THE REPORT BY THE ENAGÁS, S.A. AUDITING AND COMPLIANCE COMMITTEE

1. INTRODUCTION

The last financial year was notable because of the legislative measures implemented, looking to increase the degree of listed companies' transparency and defend the rights of shareholders.

The Financial System Reform Measures Law of 44/2002 of 22 November was the first step in this process for regulating the markets' operations.

As part of its commitment to complying with good governance regulations and the recommendations affecting listed companies, Enagás adopted these measures. They are oriented towards protecting the investor through the regulation of an Auditing and Compliance Committee and an Appointments and Salaries Committee, the promotion of transparency in exchanges and the strengthening of regulation and communication of privileged and relevant information.

Enagás adopted the measures stipulated in the Financial System Reform Measures Law of 44/2002 of 22 November in two phases:

- ✓ Firstly, as a result of the Ordinary General Meeting of Shareholders on 25 April 2003, the following agreements, among others, were adopted:
 - a) Modification of article 42 of the Company Bylaws and the inclusion of a new article, 42 (b), regulating the Auditing and Compliance Committee under the terms established by article 47 of Law 44/2002, in aspects such as its organisation and operation, composition and assigned responsibilities.
 - b) Modification of the Company Bylaws to include a new article, 42 (iii) regulating the Appointments and Salaries Committee, standardising Bylaw criteria and location of the regulations for the two Board Committees in operation.
- ✓ At the meeting of the Board of Directors on 24 July 2003, a new Internal Code of Conduct regarding the Stock Market was approved, including the stipulations of the Stock Market Law 24/1988, modified by the 44/2002 Law.

The most significant modifications are as follows:

- a) Inclusion of a Chapter 3, dealing with the regulation of privileged and relevant information, rules for conduct relating to this information and prescribed rules of behaviour concerning the free establishment of prices.
- b) Exhaustive regulation, in a new Chapter 4, of closely linked parties, conflicts of interest and the Company's and affected persons' duty to act when linked operations or those that may imply a conflict of interest arise.
- c) The addition of a new Chapter 6, on obligations to provide the market with regular information.

Subsequently, the Stock Market Law 26/2003 modifying the 24/1988 Law and the revised text of the Public Limited Company Law came into force on 18 July 2003, the objective of which was to increase the transparency of listed public limited companies.

Enagás had already implemented most of the obligations contained in the Law, having decided to provide itself with a strict self-regulation process, as part of its commitment to transparency and equal treatment of shareholders and its recognition of information as a valuable asset.

- ✓ The Enagás General Shareholders' Meeting held on 25 April 2003 thereby agreed to approve the Regulations for the General Shareholders' Meeting, in order that all shareholders are able to understand the criteria to which the Board is subject and thereby better exercise their rights to information and votes.
- ✓ The Annual Report for the 2002 financial year contained detailed and quantified information on the operations carried out with closely linked parties.
- ✓ It also included a separate chapter on Corporate Government, of which the Spanish Securities and Investments Board (CNMV) was notified as a Relevant Notice, containing most of the information that would subsequently become compulsory under the terms of Law 26/2003.
- ✓ Furthermore, since its Board of Directors meeting of 9 July 2002, Enagás has already had Organisation and Operating Regulations for the Board of Directors, of which the Spanish Securities and Investments Board (CNMV) was also notified as a Relevant Notice.
- ✓ The Enagás web page (**www.enagas.es**) contained all the information relating to shareholder composition, composition of the Company's

management and Corporate Government, the announcement of and agreements proposed for approval at the last General Shareholders' Meeting, and their justification reports. It also included the internal regulations and codes approved up to that date before this became compulsory by law.

Finally, new Organisation and Operating Regulations for the Board of Directors have recently been approved, to adapt to the new applicable regulations in the field. The main changes will be detailed in this Report. There are also Organisation and Operating Regulations for the Auditing and Compliance Committee, so that its operations are even more independent of the Board of Directors.

This Annual Corporate Governance Report, was prepared according to the guidelines established in the ECO Order 3722/2003. It is the embodiment of the effort made by the Enagás Board of Directors (and its Appointments and Salaries and Auditing and Compliance Committees), by the Company's Senior Management and its entire Staff, to work towards the main objectives of inspiring shareholders' confidence, trying to provide information with the most transparency and quality possible and increasing the Company's value on the markets.

As well as the contents of the Corporate Governance Report, the Report of the Enagás Auditing and Compliance Committee is also included immediately after it at the end of the report.

2. STRUCTURE OF THE COMPANY'S OWNERSHIP

2.1. Share capital:

Enagás S.A. Share capital.: 358,101,390 Euros, fully subscribed and paid for.

Number of shares: 238,734,260 shares of the same type and series, each with a nominal value of 1.50 Euros, (numbered consecutively from 1 to 238,734,260, both inclusive), represented by account entries, with their accounts registration entrusted to Iberclear and its member organisations.

Date of last modification: 3 May 2002.

As a result of the request for Enagás shares to be listed, the Extraordinary General Shareholders' Meeting agreed to a rounding of the nominal value of shares to 30 Euros and to the consequent reduction in share capital of 604,059.98 Euros, giving a share capital figure of 358,101.390 Euros, and to a clipping off and division by 20 of the nominal value of the shares. This fell from 30 Euros to 1.50 nominal Euros per share, without any change to the share capital figure.

2.2. Direct and indirect significant shareholders at the end of the financial year:

Direct shareholders with shares equal to or more than 5%:

Shareholdings of over 5% have been obtained from notifications to the Spanish Securities and Investments Board (CNMV), applying the provisions of Royal Decree 377/1991 of 15 March, regarding the notification of significant shareholdings in listed companies.

Shareholder's Name or Company Name	Number of direct shares	% of total share capital	CNMV Notification
GAS NATURAL SDG, S.A.	94,423,164	39.552%	09/05/2003
The voting rights of Gas Natural SDG, S.A. are limited to 35%, by virtue of the provisions of article 10 of Royal Decree-Law 6/2000, of 23 June.	83,556,991	35.000%	
SAGANE INVERSIONES S.L.	11,989,392	5.022%	16/05/2003

BP ESPAÑA S.A.	11,936,713	5.000%	05/07/2002
CAJASTUR (Caja de Ahorros de Asturias)	11,937,395	5.000%	09/04/2003
BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante)	11,936,713	5.000%	14/05/2003

Indirect shareholders with shares equal to or more than 5%:

The company ATALAYA INVERSIONES S.R.L., holds 100% of the share capital of Sagane Inversiones S.L., making it an indirect holder of 11,989,392 shares, or 5.022% of the share capital of Enagás.

This indirect shareholding was notified to the Spanish Securities and Investments Board (CNMV) by ATALAYA INVERSIONES S.R.L. on 6th June 2003, applying the provisions of Royal Decree 377/1991 of 15 March, regarding notification of significant shareholdings in listed companies.

Other significant shareholders:

There is a circumstance which without the 5% limit in Enagás share capital being reached, may be considered as a significant shareholding, both as a result of its amount and because of the holder exercising the right to propose a member of the Enagás Board of Directors:

Shareholder's Name or Company Name	Number of direct shares	% of total share capital	CNMV Notification
CAM (Caja de Ahorros del Mediterráneo)	7,170,000	3.003%	—

The above shareholding figure was obtained from the constitutional quorum of the last Ordinary General Meeting of Shareholders, held on 25 April 2003.

Significant movements in the shareholding structure during the financial year:

- ✓ On 9 May 2003, Gas Natural SDG, S.A. notified the Company and the Spanish Securities and Investments Board (CNMV) of the sale of a package of shares comprising 1.348% of the Enagás share capital (consisting of 3,219,128 shares). Instead of the percentage of 40.9% of the share capital with which it attended the last General Shareholders' Meeting in April 2003, it now has a percentage of 39.552% of the Enagás share capital. Its voting rights in both cases have been suspended as a result of having more than

35%, by virtue of the stipulations of article 10 of Royal Decree Law 6/2000 of 23 June.

- ✓ On 14 May 2003, BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante) notified the Company, and the Spanish Securities and Investments Board (CNMV) on 16 May, that its shareholding percentage exceeded 5% of the Enagás share capital by the purchase of a package of shares of 4,215,236 shares, or 1.766% of the Enagás share capital. Instead of the percentage of 3.234%, with which it attended the last General Shareholders' Meeting in April 2003, it now has a percentage of 5% of the Enagás share capital.
- ✓ On 16 May 2003, Sagane Inversiones S.L. notified the Spanish Securities and Investments Board (CNMV) of having reached a shareholding of 5.022% of the Enagás share capital as a result of the purchase of a package of shares of 4,774,707 shares, representing 2% of the Enagás share capital. Instead of the percentage of 3.022%, with which it attended the last General Shareholders' Meeting, it now has a percentage of 5.022%.

2.3. Relationships of a family, commercial, contractual or company nature between significant shareholders and Enagás and/or its Group:

The main contractual and financial relationships in the year 2003 between Enagás and significant shareholders are listed below, omitting those operations that are not relevant because of their amount, or because they arose from ordinary transfer or traffic. All these relationships have been included in the information that is regularly sent to the Spanish Securities and Investments Board (CNMV). For more detail, the reader may refer to item 4.1.

The figures refer to details of accounts closed on 31 December 2003, although they include adjustments for previous periods, and where necessary, estimates when the final figures are not available. TPA service operations are expressed in physical rather than financial volumes (GWh) because they are regulated operations, subject to the liquidation system in which invoicing is not a true reflection of the amount and importance of the services provided.

Relations with GAS NATURAL SDG S.A and subsidiaries.

- Contract for the purchase of gas for tariffed supply to the market between Enagás, Gas Natural Aproveccionamientos S.A. and SAGANE. 82.797 Gwh were purchased in 2003, at a total cost of 1,025.7 million Euros.
- Gas transfer contract between Enagás and Gas Natural Group distributors. In the financial year 2003, sales of gas to said distributors amounted to the sum of 824.8 million Euros

- Rental contract for minimum safety stocks and strategic reserves between Enagás and Gas Natural SDG S.A. In the financial year 2003, the price paid for this contract was 6.24 million Euros.
- Enagás has signed several regasification, transportation and storage contracts with Gas Natural Comercializadora S.A.

82,532 GWh were regasified for Gas Natural Comercializadora S.A.; 105,711 GWh (58.9 %) was transported; and an average amount of 669.4 GWh (44.7 %) was stored.

- There is a contract of sale, telecommunications infrastructure development and rental and provision of services between Enagás and the telecommunications subsidiary of the Gas Natural Group, Desarrollo del Cable S.A. The sums invoiced to Enagás as a result of this contract during 2003 were 17.48 million Euros.
- A service contract between Desarrollo del Cable S.A. and Enagás, whereby the latter provides maintenance services for the entire Desarrollo del Cable fibre-optic network. The sum paid to Enagás in 2003 as a result of this contract was 1.45 million Euros.
- Gas pipeline maintenance contracts between Enagás and Gas Natural, for which Enagás invoiced the sum of 2.45 million Euros.
- An electrical energy supply contract to the Enagás regasification plants with Gas Natural Comercializadora, which in the financial year amounted to the sum of 7.8 million Euros.

Relations with BP España S.A. and its subsidiaries.

- Enagás has signed several regasification, transportation and storage contracts with BP España S.A.
During the year 2003, regasification of 11,071 GWh took place for BP España (8.31% of the total TPA regasification services); 16,029 GWh (8.94 %) was transported; and an average amount of 119.9 GWh (8 %) was stored.

Relations with BANCAJA.

- Enagás and Bancaja have signed an interest coverage contract (COLLAR) for the sum of €15 million for the period January-2005/April 2008.

2.4. Shareholdings belonging to members of the Enagás Board of Directors:

On an individual basis:

The Enagás shareholdings of the members of the Board of Directors (obtained from notifications to the Spanish Securities and Investments Board (CNMV) by those so obliged or to the Secretary of the Board of Directors, by virtue of the stipulations of the Company's Internal Code of Conduct) are as follows:

Director's Name or Company Name	Date of first appointment	Date of last appointment	No. of direct shares	% total of share capital
ROBERT MALPAS (*)	31-05-02	_____	12,000	0.0050
ANTONIO GONZALEZ ADALID (*)	29-09-00	_____	669	0.0002
JUAN BADOSA (*)	31-05-02	_____	495	0.0002
RAFAEL VILLASECA (*)	31-05-02	_____	356	0.0001
BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante) (*)	09-07-02 (Co-optation)	25-04-03	11,936,713	5.0000
LUIS JAVIER NAVARRO (*)	09-07-02 (Co-optation)	25-04-03	10	0.0000
CAM (Caja de Ahorros del Mediterráneo) (**)	25-04-03	_____	7,170,000	3.0033

(*) The Spanish Spanish Securities and Investments Board (CNMV) was notified of these shareholdings on the following dates: 20-04-03, 04-07-02, 04-07-02, 04-07-02, 14-05-03 and 19-02-04, respectively.

(**) Both the number of shares and the shareholding percentage in Enagás of CAM (Caja de Ahorros del Mediterráneo) with which it attended the General Shareholders' Meeting of 25 April 2003 were obtained from Iberclear.

Aggregate figures:

The members of the Board of Directors possess a total of 19,120,243 shares in Enagás, accounting for 8.009% of the Enagás share capital.

2.5. Parasocial Agreements notified to Enagás and the CNMV and Actions in Concert between Enagás shareholders:

Enagás is unaware of the existence of parasocial agreements between shareholders, and has not received any notification from them in this regard.

The company is also unaware of shareholders with significant shareholdings in the Company of over 5% obtained by exercising syndicated voting rights.

2.6. Specification of the percentage of bought-back Enagás shares at the close of the financial year:

The Company has no bought-back shares, meaning that the stipulations of the Public Limited Companies Law and Royal Decree 377/1991 of 15 March in this respect do not apply to it.

2.7. Current conditions and deadline from the General Meeting to the Board of Directors for making purchases or transfers of its own shares:

There is no deadline from the General Meeting to the Board of Directors for the purchase or transfer of its own shares.

2.8. Bylaw and legal restrictions on the exercise of voting rights, and legal restrictions on the purchase or transfer of shares:

There are certain legal restrictions on acquiring shares in Enagás. According to the stipulations of the twentieth additional regulation of Law 34/1998 of 7 October, concerning the Hydrocarbons Sector, approved by Royal Decree-Law 6/2000 of 23 June, no physical person or legal entity may hold more than 35% of the Enagás share capital or the company's voting rights. In application of this regulation, at the Ordinary General Meeting held on 25 April 2003, Gas Natural SDG, which has a shareholding greater than this percentage, only attended with a number of shares equivalent to 35% of the Enagás share capital.

More recently, article 92 of Law 62/2003 of 30 December, concerning Fiscal, Administrative and Company Governance Measures again modifies the Hydrocarbons Sector Law 34/1998 of 7 October. It states that no physical person or legal entity may directly or indirectly hold more than 5% of the Enagás, S.A. share

capital or the company's voting rights, and gives a deadline of three years for modification of shareholdings.

Under the terms of the above, Gas Natural SDG S.A. must sell 34.552% of its shares in the Company, within three years at most, in order to reduce its shareholding to the maximum of 5% established by the Law. SAGANE INVERSIONES S.L. must sell 0.022% of its Enagás shares in the same period of time and for the same reason.

In this respect, the Board of Directors will propose the Bylaw modifications necessary for including the aforementioned legal limitations in the Enagás Company Bylaws to the General Shareholders' Meeting planned for 30 April 2004.

As far as exercising the right to attend and vote is concerned, article 27 of the Company Bylaws states that: "Shareholders who possess 100 shares, which must be registered in the appropriate accounts register of the entities belonging to Securities Clearing and Settlement Service (IBERCLEAR) or the organisation replacing it five days before General Meetings are to be held, may attend Meetings and vote at them".

Apart from the above, there are no restrictions of any type on purchasing or transferring Enagás shares.

3. STRUCTURE OF THE COMPANY'S ADMINISTRATION

Enagás is highly committed to adapting the operation and organisation of its Board of Directors. Thanks to the most recent measures adopted in the last few months, it can be said that the level of compliance with the Spanish Spanish Securities and Investments Board (CNMV) recommendations and those contained in the Olivencia and Aldama reports is highly satisfactory. However, Enagás does not consider its work in this area as finished, and will continue to work in the same vein in the future.

3.1. Members of the Board of Directors and their position:

As can be seen in the following tables, the present Enagás Board of Directors consists of 14 members, of which 7 are Controlling Directors of and 7 are Independent Directors.

EXTERNAL CONTROLLING DIRECTORS (7)

Director's Name or Company Name	Representative	Post in the Company	Name of the proposing significant shareholder
Antonio González-Adalid	_____	President of the Board of Directors	GAS NATURAL SDG, S.A.
Antonio Brufau	_____	President of the Appointments and Salaries Committee	GAS NATURAL SDG, S.A.
Ramón Blanco	_____	_____	GAS NATURAL SDG, S.A.
Luis Javier Navarro	_____	President of the Auditing and Compliance Committee	BP ESPAÑA S.A.
Carlos Egea	_____	_____	SAGANE INVERSIONES S.R.L.
BANCAJA (Caja de	José Luis Olivas		

Ahorros de Valencia, Castellón y Alicante)		Member of the Auditing and Compliance Committee	BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante)
CAM (Caja de Ahorros del Mediterráneo)	Vicente Sala	_____	CAM (Caja de Ahorros del Mediterráneo)

INDEPENDENT EXTERNAL DIRECTORS (7)

Director's Name	Representative	Post
Juan Badosa	_____	Member of the Auditing and Compliance Committee
Rafael Villaseca	_____	Member of the Appointments and Salaries Committee
Sir Robert Malpas	_____	Member of the Auditing and Compliance Committee
Dionisio Martínez	_____	Member of the Appointments and Salaries Committee
José Riva	_____	_____
José Manuel Fernández	_____	_____
Jesús David Álvarez	_____	_____

Secretary (not a Director) of the Board of Directors: Luis Pérez de Ayala.

Vicesecretary (not a Director) of the Board of Directors: Beatriz Martínez-Falero.

3.2. Description of Directors in the Board Regulations:

At its meeting on 19 February 2004, the Board of Directors approved new Organisation and Operating Regulations for the Board of Directors.

The new Board Regulations establishes two categories of Director:

- **Internal or Executive Directors:** with executive management powers in the Company, who may not exceed 20 percent of the total number of members of the Board of Directors.
- **External:** who may be:
 - **Controlling Directors:** proposed by holders of significant stable shares in the Company's share capital.
 - **Independent Directors:** people of acknowledged professional prestige who can contribute their experience and knowledge to corporate governance and who while they are not executive or controlling directors, meet the conditions guaranteeing their impartiality and objectivity of opinion.

The Board of Directors will propose the adoption of the agreements necessary to adapt the structure of the Board of Directors to the description of Directors established in the recently approved Regulations of the Board of Directors to the General Shareholders' meeting of 2004.

3.3. Position of Board members in the Company's organisation chart:

As well as President of the Board of Directors, Mr. Antonio González-Adalid is also Chairman of Enagás S.A.

3.4. Powers delegated to members of the Board of Directors:

The Enagás Board of Directors has delegated powers to the President of the Board of Directors and Chairman of Enagás, Mr. Antonio González-Adalid: Among these powers are those summarised below:

1. To represent Enagás before all types of physical persons and legal entities, both public and private, Spanish and foreign, and to exercise the Company's rights, actions, claims and pleas.
2. To appear, representing the Company, before Courts, Hearings and other Tribunals, in all types of jurisdictions and authorities, and before any other type of arbitrator, arbitration tribunal and arbitration body, whether public or private, in Spain and abroad.
3. To carry out and perform all types of proceedings, legal negotiations or contracts, and those concerning administration, regulation and ownership with any physical or legal person.
4. Make payments of any type on behalf of the Company.

5. To establish, merge, re-register, dissolve and liquidate, participate in the expansion or modification of all types of trading or civil companies and entities, to represent the Company in them and to provide them with all types of assets.
6. To buy, sell, rent, secure, transfer, subrogate, mortgage and exchange all types of merchandise and movable and landed property, real, personnel, industrial or intellectual property rights, patents, brands and trade names.
7. To stipulate, establish or accept, replace, modify, transfer, cancel or withdraw all types of guarantees and deposits in cash, stocks, bills of exchange and personal property in all types of bodies and entities, and to accept mortgages established in the Company's favour.
8. To confer powers on other persons, signing as many public or private documents as may be necessary for them to be exercised.
9. To carry out all types of bank transactions, and in particular those related to the Company's ordinary or credit current accounts.
10. To obtain and grant loans or credits with or without personal or real guarantees, a request, cancel or withdraw deposits or guarantees, both personal and real.
11. To buy and sell shares, bonds, share capital and any type of securities of stocks, and receive payment for the profits generated by them.
12. To grant and accept loans between the parent company's subsidiary companies and those in which it has a shareholding.
13. To sign as many public or private documents as may be necessary to exercise the powers conferred, and to execute and revoke the powers deemed necessary with regard to them.

Due to the number of Directors and the recent establishment of the Appointments and Salaries Committee and Auditing and Compliance Committee, the Enagás Board of Directors has so far not felt it necessary to delegate powers to an Executive Committee. In any case, this is covered by the discretionary nature attributed to this Committee in the Aldama Report. It has also not considered delegating powers to a Chief Executive Officer, given the executive nature of the Company's Chairman.

3.5. Members of the Enagás S.A. Board of Directors holding administrative or management posts in other companies in the Enagás group:

The Directors of Enagás S.A. do not hold administrative or management posts in other companies in the Enagás group.

3.6. Directors of Enagás or its Group, who are members of the Board of Directors of other listed companies in Spain:

The following table shows the main posts held by Enagás Directors in another companies and organisations, both listed and not listed on the Stock Market:

Director's Name or Company Name	Other posts held by the Director or his/her representative
Antonio González-Adalid	_____
Antonio Brufau	<ul style="list-style-type: none"> ▪ President of the Board and of Gas Natural SDG ▪ Director of Repsol-YPF, S.A. ▪ Director of Acesa Infraestructuras, S.A. ▪ Director of Caixaholding
Ramón Blanco	<ul style="list-style-type: none"> ▪ Chief Executive Officer of Repsol-YPF, S.A. ▪ Director of Gas Natural SDG, S.A. ▪ Director of Ercros ▪ Director of NH Hoteles S.A.
Luis Javier Navarro	<ul style="list-style-type: none"> ▪ President of BP España, S.A. ▪ Director of CLH
Carlos Egea	<ul style="list-style-type: none"> ▪ Director of the Spanish Federation of Savings Banks (CECA) ▪ Vicepresident of Ahorro Corporación
BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante), represented by José Luis Olivas	<ul style="list-style-type: none"> ▪ President of the BANCAJA Group ▪ President of the Banco de Valencia
CAM (Caja de Ahorros del Mediterráneo), represented by Vicente Sala	<ul style="list-style-type: none"> ▪ President of the Board of Directors of Caja de Ahorros del Mediterráneo (CAM). ▪ President of the Euroinfomarket Board of Directors. ▪ President of EBN Banco.
Juan Badosa	<ul style="list-style-type: none"> ▪ Vicepresident of the Repsol-YPF Foundation
Rafael Villaseca	<ul style="list-style-type: none"> ▪ General Managing Director of the Panrico, S.A. Group. ▪ Director of Amper, S.A. ▪ President of Túneles y Accesos de Barcelona C.S.A. ▪ President of Túnel del Cadi C.S.A.
Sir Robert Malpas	<ul style="list-style-type: none"> ▪ Chairman of Evolution PLC ▪ Chairman of Core Technology Ventures PPL

Dionisio Martínez	<ul style="list-style-type: none"> ▪ Director of Invercaixa. ▪ Member of the General Codification Committee.
José Riva	<ul style="list-style-type: none"> ▪ Vice-President and Chief Executive Officer of the companies of the Suardiaz Group. ▪ Director of Aldeasa. ▪ Director of Logista. ▪ Director of Red Elctrica de Espaa.
José Manuel Fernández	<ul style="list-style-type: none"> ▪ President of the Higher Council of Chambers of Commerce and Industry. ▪ President of the Ebro-Puleva ATR. ▪ Director of Iberia. ▪ Director of Endesa. ▪ Member of the Abengoa Advisory Council.
Jesús David Álvarez	<ul style="list-style-type: none"> ▪ President of Procesa. ▪ Co-president of the Eulen Group. ▪ Co-president of Vega Sicilia, S.A. ▪ Director of Proinsa. ▪ Director of Ionmed Esterilización, S.A.

There are no Directors of companies belonging to the Enagás Group forming part of the Board of Directors of other relevant companies, either listed or non-listed, in Spain.

3.7. Total payment to Directors accrued during the financial year:

a) In Enagás S.A.:

- Salaries:

The salaries obtained by the Directors as a result of their executive position increased to 958.8 thousand Euros.

- Expenses:

The expenses received for attendance and work by the Enagás Directors were as follows (given in thousands of Euros):

	Attendance expenses	For Committee membership	For Committee Presidency	Total
Totals	701.6	67.2	10	778.8

The total payment made, after adding expenses and salaries, was 1,737.3 thousand Euros.

The Directors did not receive any other type of bylaw consideration, or share options.

- Advance payments:

No member of the Board of Directors has received an advance payment.

- Loans given:

The active balance of the loans given to members of the Board of Directors was 423 thousand Euros on 31 December.

- Provisions for Pension Funds and Plans:

The sums provided to Directors holding executive posts during the financial year totalled 8.78 thousand Euros. There are no commitments or contributions for Directors not holding executive posts.

- Life Insurance Premiums:

The life insurance premiums paid were 35.3 thousand Euros.

- Guarantees constituted for Directors:

There are no guarantees executed by the Company for Directors.

b) For Company Directors' membership of the Boards of Directors of other companies in the Group:

The members of the Enagás Board of Directors are not members of the Boards of Directors of other companies in the Group, and thus did not receive any sum for this reason.

c) Total payment by type of Director (in thousands of Euros):

Type of Director	Per company	Per group
Executive	1,011.5	0
External Controlling Directors	335.1	0
External Independent Directors	390.7	0
Other external directors	0	0
Total	1,737.3	0

--	--	--

d) With regard to profits imputed to the dominant company:

Total payments to Directors	1,737 thousand Euros
% of profits imputed to the dominant company	1.24 %

3.8. Members of Senior Management and total payments made to them during the financial year:

Name	Post
Antonio González-Adalid	Chairman
Javier González	Infrastructure and Operations General Manager
Antonio García	Technologies, Engineering and Environment General Manager
Juan Manuel Llabrés	Strategy and Regulation General Manager
Luis Pérez de Ayala	Legal Affairs Director
Diego de Reina	Financial Director
Erundino Neira	Human Resources Director
Ignacio Carbonell	Information Services Director

Total payments made to Management Staff Members in thousands of Euros (not including the Chairman, whose salary has been included in previous sections)	1,449.2
--	----------------

The Appointments and Salaries Committee's proposal for a multi-annual payment plan, consisting of a long-term incentive which would be linked to the achievement of certain objectives over 3 years, was approved by the Board of Directors in the 2003 financial year. The Company's Senior Management are some of the possible beneficiaries of this payment system.

As well as the above, the Company makes a non-consolidatable payment to its management staff to reward them for a long service to Enagás, consisting of an annual payment made to those subject to its conditions. This sum is paid in the event of more than 30 years' service, retirement, unfair dismissal or dismissal by the company with no reason given. In 2003, the sum provided for the Senior Management of Enagás was 200 thousand Euros.

3.9. Full Cover or guarantee clauses covering dismissals or changes in control, in favour of members of the Enagás senior management and its Group, showing the company body that must approve them, where appropriate:

Enagás has signed two contracts with Senior Management including guarantee clauses in the event of dismissal. One of these establishes compensation equivalent to three years' salary, while the other is a limited-term contract that anticipates payment of half of the salaries pending payment until the end of the contract in the event of an early discharge of contract attributable to the company.

In accordance with the Board Regulations, the Salaries Committee, delegated by the Board, is responsible for approving the conditions of the Management contracts signed by the company.

3.10. Process for establishing the salary of members of the Board of Directors and relevant bylaw clauses:

Article 36 of the Company Bylaws, the text of which was approved by the Ordinary General Meeting of Shareholders of 25 April 2003, is as follows:

"The post of Director will be salaried. The General Shareholders' Meeting will determine the maximum total payment made to members of the Board of Directors, which will be a cash payment for an annual period or for the period of time agreed by the Meeting.

When establishing payment, the General Meeting may agree that part of it is to be applied equally as payment for the post of Director to all members, and another part is to be distributed by the Board of Directors, in line with the criteria agreed at the General Meeting.

Directors may also be paid with shares in the company, option rights to shares or other stock giving the right to obtain shares, or by salary systems indexed to the stock market value of the shares. The application of these systems must be agreed to by the General Meeting, which will determine the value of the shares taken as a reference, the number of shares to be given to each Director, the price for exercising option rights, the duration of the agreed system and the conditions it deems appropriate.

The payment anticipated in this article will be compatible with and independent of salaries, bonuses, severance pay, pensions for compensation of any type, of a general or specific nature, for those members of the Board of Directors with whom the Company has a common or special relationship as a result of employment as a senior manager or the provision of services, which will be compatible with their position as a member of the Board of Directors.

Board members will have the right to repayment or reimbursement of expenses they have incurred as a consequence of attending meetings and other tasks directly related with their post, such as travel, accommodation, maintenance and any other that they may incur."

By virtue of the above, Enagás has established a payment regime for Directors aimed at covering both the responsibilities involved in holding their post, such as work and attending meetings, without removing or reducing the powers of the General Meeting in any way. This is responsible for determining the maximum amount to be paid to Administrators, and the form and criteria that must be taken into consideration in the assignment and distribution of this payment, which will be carried out by the Board of Directors, following the guidelines established by the General Meeting.

As stipulated in article 16 of the Regulations of the Board of Directors, the Appointments and Salaries Committee establishes the payment criteria for Company Directors, within the stipulations of the Company Bylaws and in accordance with the agreements of the General Meeting, with the Board of Directors being responsible for the final distribution of the overall sum, within the limits established by the Bylaws to this end.

3.11. Members of the Enagás Board of Directors who are also members of the Board of Directors or directors of significant Enagás shareholders:

Director's Name or Company Name	Name or Company Name of Significant Shareholder	Post Held by the Significant Shareholder
---------------------------------	---	--

Antonio Brufau	GAS NATURAL SDG, S.A.	President of the Board of Directors and Gas Natural SDG, S.A.
Ramón Blanco	GAS NATURAL SDG, S.A.	Director of Gas Natural SDG, S.A.
Luis Javier Navarro	BP ESPAÑA S.A.	President of the Board of Directors and BP España S.A.
Carlos Egea	SAGANE INVERSIONES S.L.	_____
BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante)	BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante)	_____
CAM (Caja de Ahorros del Mediterráneo)	CAM (Caja de Ahorros del Mediterráneo)	_____

3.12.: Modifications made to the Board Regulations during the financial year:

As mentioned above, the Board of Directors approved new Organisation and Operating Regulations for the Board of Directors at its meeting on 19 February 2004. The aim of this text is to include the new regulatory requirements in the Board of Directors' regulations. The Spanish Securities and Investments Board (CNMV) has been notified, with a copy of the text attached, and it has been presented at the Commercial Registry for registration in accordance with the general regulations.

The basic contents of these new Board Regulations affects the following areas, among others:

Categories of Director:

In order to adapt the structure of the Board of Directors to the recommendations of the contents of the Aldama Report, two categories of Director have been established, Internal and External. This is no change to those mentioned in the previous Regulations, but will give the Board's structure greater clarity, as it places Controlling and Independent Directors in the External group.

The limitation on the number of Internal or Executives Directors, stipulating that they could not exceed 3 members or 20% of the total number of members of the Board of Directors, has been replaced, in order to provide the regulation with increased flexibility.

Directors' obligations:

The Board Regulations include and specify the obligations of diligent administration, faithfulness, loyalty, secrecy and non-competition to which Directors are subject.

The Directors' task is to promote and supervise the Company's management in order to maximise its value for its shareholders' benefit. In this regard, the new Board of Directors Regulations includes the new legal provisions introduced by the Law 26/2003 of 17 July, which modifies the Public Limited Companies Law and increases the extent of administrators' duties.

By virtue of their post, Directors are obliged to:

- a) To carry out any specific task entrusted to them by the Board of Directors that can be reasonably included in the working agreement.
- b) Inform the Board of Directors concerning any actions they have taken as a result of delegation or conferring of powers by it.

As well as the aforementioned general obligations, Directors will also have the following specific ones:

a) Obligation of diligent administration:

Directors will carry out their work with the diligence of an organised businessman and a loyal representative.

Each Director must diligently acquaint him/herself of the state of the Company and make appropriate preparations for meetings of the Board and Committees to which he/she belongs.

Directors must attend meetings of the bodies of which they are members and participate actively in its deliberations in order that their opinions are effective contributions to the decision-making process. If they are unable to attend the meetings to which they have been invited for a justifiable reason, they must instruct a Director to represent them where appropriate.

b) Obligation of faithfulness:

Directors must faithfully fulfil the obligations imposed by law and Company Bylaws in the interests of the Company.

Furthermore, Directors must also comply with all regulations that as a result of their position or as a possible shareholder or executive in the Company, they are subject to as a result of the Company's Internal Code of Conduct.

c) Obligation of loyalty:

Directors may not use the Company's name or their position as a Director of it for carrying out transactions on their own account or for people closely linked to them.

People closely linked to Directors are specified in Article 127 (iii) (5) of the Public Limited Companies Law.

Directors may not make investments or carry out any transactions linked to the Company's assets for their own benefit or that of persons closely linked to them, which they knew of as a result of holding their post when the investment was offered to the Company or the Company had an interest in it, providing that it did not decline to make the investment or transaction without the Director's influence being involved.

Directors must notify the Board of Directors of any situation of direct or indirect conflict of interest that they may have with the Company's interests.

In the event of such a conflict, the Director will refrain from becoming involved in the transaction where the conflict arises.

In any event, information concerning Company Directors' conflicts of interest will be provided in the Annual Corporate Governance Report.

Directors must provide notification of their shareholding in a company with the same, similar or complementary activity as the company's corporate purpose, and the posts held and tasks carried out. They must also provide notification of the carrying out, on their own account or for others, of the same, similar or complementary type of activity as the company's established corporate purpose. This information will be included in the Annual Report.

Directors may not either directly or indirectly carry out professional or commercial transactions with the Company or companies belonging to the Group without providing prior notification of a conflict of interests and the Board approving the transaction after notifying the Appointments and Salaries Committee. If the operations are ordinary, generic authorisation of the line of operations and its conditions of execution will be sufficient.

As a loyal representative of the Company, Directors must inform it of the Enagás shares that they own either directly or through companies in which they have a significant shareholding, following the established procedure and other steps concerning investment in shares in Enagás and companies in which it has a shareholding.

Directors affected by proposals for appointment, re-election or dismissal must not participate in the deliberations and votes dealing with these matters. In these cases, voting will be secret.

d) Obligation of secrecy:

Directors must keep secret the information of a confidential nature to which they have access as a result of holding their post, even when they no longer hold it. They are obliged to keep the information, data, reports and records to which they have access as a consequence of holding their post absolutely secret, and may not pass them on to third parties or broadcast them when this may have consequences damaging to the company's interest.

Exceptions to the obligations referred to in this article are cases in which laws permit their notification or broadcasting to a third party, or where they are requested by all must be sent to the appropriate supervising authorities. In this case the transfer of information must comply with the stipulations of the law.

When the Director is a legal entity, its representative will be subject to the obligation of secrecy, without prejudice to his/her obligation to inform the legal entity.

e) Obligation of non-competition:

Directors must comply with the non-competition obligations established in Article 132 of the Public Limited Companies Law.

f) Obligations regarding the use of company information and assets:

Directors may not make use of the Company's information that is not public, except in the event of the lack of any prejudice to the Company and the lack of an exclusive right on the part of the Company - or similar legal position - to the information to be used, and providing that this information will not be used for transactions purchasing or selling Company shares.

Directors may not make use of the Company's assets or use their position within it to obtain a patrimonial advantage without an appropriate payment being made. In the event that this payment is made, the patrimonial advantage thereby obtained will be considered as an indirect payment and must be authorised by the Appointments and Salaries Committee, with the principle of equality of treatment between shareholders being strictly observed.

Operation of the Board of Directors:

The new Board Regulations has organised, restructured and expanded the Board of Directors' functions, which now form four categories: These are functions relating to the organisation and operation of the company, functions relating to company's management, functions relating to regarding the Annual Accounts and External Audit and functions relating to the Stock Market.

Committees of the Board of Directors:

During the financial year 2002, the Enagás Board of Directors established the Auditing and Compliance Committee and the Appointments and Salaries Committee, as stipulated in articles 44 and 45 of the Company Bylaws and the Board Regulations.

The new Board of Directors' Regulations, approved at the Board Meeting of 19 February 2004, gave them greater decision-making power in affairs for which they are responsible.

At the same meeting of the Board of Directors, Regulations for the Auditing and Compliance Committee were approved, in order to provide it with organisational and operating rules as an independent and transparent body.

3.13. Procedures for the appointment, re-election and removal of Directors:

Appointment of Directors:

Directors will be appointed by the General Meeting or by the Board of Directors, in accordance with the stipulations of the Public Limited Companies Law and the Company Bylaws. Directors may hold their post for a maximum of four years, and may be re-elected. The Directors designated by co-optation will hold their post until the date of the first subsequent General Meeting.

Those appointed must be people who as well as meeting the legal and the Bylaw requirements, have acknowledged prestige and possess the appropriate professional knowledge and experience for holding the post.

Proposals for the appointment of Directors submitted by the Board of Directors for consideration by the General Meeting and the appointment decisions adopted by this body by virtue of the co-optation powers legally conferred on it, must be preceded by the corresponding proposal from the Appointments and Salaries Committee.

A new introduction is the provision contained in the recommendations for good governance, stating that when the Board of Directors does not agree with the proposals of the Commission, it must explain the reasons for this and leave a record of its reasons in the Minutes.

The appointment of Independent Directors is a special case, as certain requirements ensuring their independence and impartiality are established.

As a result, those with significant links to shareholders or those holding or having held Senior Management Posts in the Company in the previous two years, direct relatives of anyone who is or who has been in the previous two years a Executive Director or Senior Manager of the Company, those who directly or indirectly have made or received payments from the Company that may compromise their independence, and in general, those people that may have any relationship with the day-to-day management of the Company or who for professional or commercial reasons have links with Executive Directors or with other Senior Managers of the Company may not be designated as Independent Directors.

In accordance with the recommendations on this subject, the Board of Directors, when forming the body, must endeavour that the Independent Directors have a substantial majority over Executive Directors.

Re-election of Directors:

The Appointments and Salaries Committee, responsible for evaluating the quality of work and dedication to the post of the Directors proposed during the previous term of office, will provide compulsory information on the proposal for re-election of Directors that Board of Directors decides to present to the General Meeting.

As a general rule, appropriate rotation of Independent Directors should take place. For this reason, when one of them is proposed for re-election, the circumstances making his continuity in the post advisable must be justified.

Removal and Dismissal of Directors:

Directors will no longer hold their post after the first General Meeting after the period for which they were appointed and in all other cases in accordance with the Law, Company Bylaws and these Regulations.

3.14. Circumstances in which Directors are obliged to resign:

Directors must place their post at the Board of Directors' disposition, and resign, if the Board deems this appropriate, in the following cases:

- a) When Executive Directors no longer hold the executive posts other than those on the Board that were associated with their appointment as a Director.
- b) When they are involved in any of the legally stipulated circumstances of incompatibility or prohibition.

- c) When they are in serious breach of their obligations as Directors.
- d) When they place the interests of the Company at risk.
- e) When the reason for which they were appointed as Independent, Executive or Controlling Directors is no longer valid.

After a Director resigns from his post, he/she may not work for a competing company for the period of two years, unless the Board of Directors exempts him/her from this obligation or shortens its duration.

3.15. Maximum and minimum number of Directors stipulated in the Bylaws:

Article 35 of the Company Bylaws states that: "The Board of Directors will consist of at least 6 members and a maximum of 16, named by the General Meeting."

Maximum number of Directors	16
Minimum number of Directors	6

As stipulated by article 3 of the Board Regulations, within the maximum and minimum limits established in article 35 of the Company Bylaws in force, and without prejudice to the shareholders' proposal, the Board of Directors proposes the number of Directors to the General Meeting that it feels appropriate taking the Company's interests into consideration at any given time. The General Meeting will be responsible for determining their number.

The Ordinary General Meeting of Shareholders of April 2003 agreed to establish the number of members of the Board of Directors at 14.

3.16. First executive of the Company and President of the Board. Measures for limiting the risks of accumulation of powers in a single person:

As well as the functions and powers attributed to him by Law and the Company Bylaws, the President 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 fields.

The Board of Directors delegates the powers mentioned in section 3.4 of this Report to the Chairman.

The President of the Board assumes the presidency of all the company's governing and administrative bodies.

Despite the President of the Enagás Board of Directors being first executive of the company, there is a clear division between those powers that may be delegated and those that may not, and the Board of Directors is also subject to the Reports and Proposals of the Appointments and Salaries Committee and the Auditing and Compliance Committee, described in this Report, among the rules of organisation and operation of the Board of Directors. He/she must also act in accordance with the decisions of the General Shareholders' Meeting.

3.17. Reinforced majorities in some type of decisions:

Article 39 of the Company Bylaws and article 7 of the Board Regulations state that the Board of Directors is validly constituted when attended by at least half its members plus one, whether present or represented, except when it has not been called, when the attendance of all members is necessary.

Each Director may confer representation and delegates his vote to another Director, but none may hold more than two representations and delegations of vote, as stipulated in the Company Bylaws.

Agreements are adopted with a majority vote of the Directors attending or represented, regardless of the decision, except in a case of a written vote without a meeting, which will only be admitted when no Director opposes this procedure and when the requirements of the Commercial Registry Regulations are met.

3.18. Specific requirements for being appointed Chairman:

The person appointed as President of the Board of Directors must be a person who as well as meeting the legal and the Bylaw requirements for the post, has acknowledged prestige and possesses the appropriate professional knowledge and experience for holding the post.

The requirements for being Chairman are the same as the requirements for the post of Director, according to article 8 of the Board Regulations.

As is the case with the appointment of company posts on the Board of Directors, among others, the decision to appoint the President of the Board of Directors must be preceded by the corresponding proposal from the Appointments and Salaries Committee. When the Board of Directors does not agree with the proposals of the Commission, it must explain the reasons for this and leave a record of its reasons in the Minutes.

3.19. President's casting vote:

The President of the Board of Directors does not have a casting vote in the agreements that it adopts.

3.20. Age limit for Directors:

The Company did not consider it necessary to establish an age limit for Directors in the Board of Directors Regulations.

3.21. Term of Office of Independent Directors:

Article 10 of the Board Regulations states that all Directors (Internal and External – Controlling and Independent) will hold their post for a maximum of four years, and may be re-elected. The Directors designated by co-optation will hold their post until the date of the first General Meeting.

As a general rule, appropriate rotation of Independent Directors should take place. For this reason, when one of them is proposed for re-election, the circumstances making his continuity in the post advisable must be justified.

3.22. Process for delegating votes in the Board of Directors:

Article 39 of the Company Bylaws states that each Director may confer representation on another Director and delegate the vote to him/her, but none of those present may hold more than two representations or voting delegations.

Furthermore, according to article 7.3. of the Regulations of the Board of Directors, representation of absent Directors may be conferred by any means, with a telegram or fax to the Chairman or Secretary of the Board being valid.

3.23. Number of Board meetings in 2003:

Article 6 of the Board Regulations states that the Board must meet at least once every two months and on the initiative of the Chairman, as many times as he/she deems appropriate for the company's smooth running.

However, the Board of Directors met on a monthly basis except for August during the financial year 2003, with all its meetings chaired by the President of the Board of Directors.

3.24. Certification of Individual and Consolidated Annual Accounts:
--

The Enagás Annual Accounts (Individual and Consolidated) for the financial year 2003 have been certified by the following people:

Name	Post
Antonio González-Adalid	Chairman
Diego de Reina	Financial Director

3.25. Mechanisms established by the Board of Directors to prevent Individual and Consolidated Accounts being presented at the General Meeting with provisos in the Auditor's Report:

Article 5, section C) of the Regulations of the Board of Directors states that among the functions of the Board of Directors regarding the Annual Accounts are the following:

“To formulate, in clear and precise terms, facilitating comprehension of their contents, the individual and consolidated Annual Accounts and the Management Report, after obtaining the Reports issued by the Financial Management and the report related to them issued by the Auditing and Compliance Committee and the relevant clarifications.

Except where specifically declared otherwise and noted in the Minutes, the Board of Directors, before signing the formulation of the Annual Accounts required by Law, will be understood to have obtained the necessary information to do so, directly or through the Auditing and Compliance Committee, with the provisos it deems pertinent being placed on record.

In the formulation of the Annual Accounts, the Board of Directors will deal with all comments or recommendations previously made by the Auditing and Compliance Committee in its Report. In the event that the Annual Accounts differ from the prior Report issued by the Auditing and Compliance Committee, the Board of Directors will provide a sufficient explanation for the reasons justifying this.

The Board of Directors will endeavour to formulate the Accounts so that there are no provisos from the Auditor in the Company Accounts. However, when the Board of Directors considers that its criteria must be maintained, it will publicly explain the content and extent of the discrepancy”.

Article 7, section C) of the Auditing and Compliance Committee Regulations gives the Committee the function of "operating as a communication channel between the Board of Directors and the Auditors, evaluating the results of each Audit and the Administration Team's responses to its recommendations, and mediating and arbitrating in cases of discrepancies between them, with regard to the principles and criteria applicable in the preparation of financial statements".

As well as the above, as mentioned in the Report of the Auditing and Compliance Committee attached to this Corporate Governance Report, the aforementioned Committee's work and that of the Board of Directors paid special attention throughout the financial year 2003, to monitoring the Annual Accounts in order to prevent the formulation of Annual Accounts with Auditor's provisos, and held regular meetings with the Auditor and followed its recommendations and requirements at all times.

Among the tasks of the External Auditors is that of carrying out quarterly reviews of the financial statements.

3.26. Secretary of the Board of Directors:

As stipulated in article 20 of the Regulations of the Board of Directors, the Secretary of the Board has been appointed by it and need not be a Director.

As stated in article 22 of the Board Regulations, the functions legally imputed to the Consultant Lawyer as a guarantee of the principle of legality in the body's agreements, decisions and deliberations are carried out by the Secretary of the Board as a result of being a Lawyer.

3.27. Posts held and significant shareholdings by members of the Enagás Board of Directors in the share capital of companies having the same, similar or complementary business as the corporate purpose of Enagás and companies of its Group:

For the purposes of this Report, companies which work in the field of transportation, regasification, distribution or sale of natural gas regulated by the Hydrocarbon Sector Law 34/1998 have been considered to be companies with a similar or complementary business to Enagás.

The posts held by Enagás Directors in other companies with the same, similar or complementary type of business to Enagás (as of 31 December 2003) are listed below:

DIRECTOR	POSTS
Ramón Blanco	Director of Gas Natural SDG, S.A.

Antonio Brufau	Executive President of the Board of Directors, President of the Executive Committee and President of the Appointments and Salaries Committee of Gas Natural sdg, S.A. Member of the Board of Directors and Member of the Auditing and Control Committee of Repsol YPF.
Luis Javier Navarro	Director and President of BP Gas España
BANCAJA	President of the Board of Directors of Gas Natural Cegas

The shares held by Enagás Directors in other companies with the same, similar or complementary type of business to Enagás (as of 31 December 2003) are shown in the table below:

DIRECTOR	SHARES
Juan Badosa	170 in Gas Natural SDG, S.A.
Ramón Blanco	9,166 in Gas Natural SDG, S.A.
Antonio Brufau	9,601 in Gas Natural SDG, S.A.
BANCAJA	9% of Gas Natural Cegas (sold on 5 February 2004)
CAM	100,000 in Gas Natural SDG, S.A.
Rafael Villaseca	1,000 in Gas Natural SDG, S.A.

3.28. Committees of the Board of Directors and their members:

Auditing and Compliance Committee

Name	Post
Luis Javier Navarro (Controlling Director proposed by BP España S.A.)	President
Juan Badosa (Independent Director)	Member

Robert Malpas (Independent Director)	Member
BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante), (Controlling Director proposed by BANCAJA)	Member
Luis Pérez de Ayala	Secretary

Appointments and Salaries Committee

Name	Post
Antonio Brufau (Controlling Director proposed by Gas Natural SDG, S.A.)	President
Rafael Villaseca (Independent Director)	Member
Dionisio Martínez (Independent Director)	Member
Luis Pérez de Ayala	Secretary

3.29 Organisation and Operating Regulations of each Committee:

Auditing and Compliance Committee

As mentioned in this Report, Regulations for the Auditing and Compliance Committee were approved at the meeting of the Board of Directors of 19 February 2004. The aim of this was to provide it with organisation and operation regulations as an independent and transparent body, thereby completing the regulations contained in article 44 of the Company Bylaws and article 26 of the Regulations of the Board of Directors.

In accordance with the stipulations of Article 44 of the Company Bylaws, the Auditing and Compliance Committee comprises four Directors, designated by the Board of Directors.

Under the terms of article 3 of the Regulations of the Auditing and Compliance Committee, the latter may not include any Executive Director, in order to preserve the transparency and objective nature of its decisions, and the parity between Controlling and Independent Directors must be maintained.

The President of the Board of Directors and members of other Committees may not be a member of this Committee.

As stipulated in article 4 of the Committee Regulations, membership of the Committee is for the same length of time as the position of Director is held. Members of the Auditing and Compliance Committee will no longer hold their post when they cease to be Company Directors or if while they remain Directors, the Board of Directors so agrees.

Notwithstanding the above, the President of the Committee must be replaced every four years, and may be re-elected one year after leaving a post, without prejudice to his/her continuity as a member of the Committee if agreed by the Board of Directors, for sufficient reason.

Payment of Committee members is approved in the same way as stipulated in the Company Bylaws and the Regulations of the Board of Directors for approval of Directors' payments, and is subject to the same rules of confidentiality.

When holding their post, Committee members are subject to the same duties and working principles stipulated in the Company Bylaws, in the Regulations of the Board of Directors and in the applicable legislation for Directors.

According to article 8 of the Committee's Regulations, it must meet at least four times a year and on the initiative of its President, as many times as the latter deems appropriate for performing its tasks. During the financial year 2003, the Committee met four times, as shown in the Committee's Annual Report below.

Appointments and Salaries Committee

The Appointments and Salaries Committee regulations are contained in article 45 of the Company Bylaws and article 25 of the Organisation and Operating Regulations of the Board of Directors.

The Appointments and Salaries Committee is made up of three members, designated by the Board of Directors, within the maximum limit of four Directors established by the Bylaws and Board Regulations.

The majority of members of the Appointments and Salaries Committee are Independent Directors.

3.30. Powers of each Committee:
--

Auditing and Compliance Committee

The tasks of the Auditing and Compliance Committee are those contained in article 44 of the Company Bylaws and article 7 of the Committee's Regulations:

- It ascertains the financial information process.
- It provides information on the Annual Accounts prior to their formulation by the Board of Directors.

In its Report, the Committee includes the information that it considers necessary concerning the application of accounting criteria, internal control systems or any other fact that it considers relevant.

The Board of Directors must provide new justification, where appropriate, of the formulation of Annual Accounts that differ from the information previously provided by the Auditing and Compliance Committee.

- It examines the information on the Company's work and results that is produced regularly in compliance with stock market regulations, ensuring that the information is transparent and precise.
- The Committee must supervise the Company's Internal Auditing services and ascertain the internal control systems, in order to achieve maximum monitoring of the Annual Internal Audit.

In particular, the Committee must supervise the quality of the Internal Auditing in areas such as reliability and completeness of information, compliance with policies, laws and regulations and measures for safeguarding assets.

The Committee has full access to the Internal Auditing systems and meets regularly, in full session or through its President, with the Internal Auditing manager, from whom it may request all the information necessary for its work.

- It informs and makes proposals to the Board of Directors regarding the selection, designation, renewal and dismissal of the Internal Auditing manager.
- The Committee makes proposals to the Board of Directors for submission to the General Meeting concerning the appointment of the Enagás External Accounts Auditor, in accordance with the applicable regulations, and provides information on payment of External Auditors.

- It must work with the External Auditors to receive information on those questions that may endanger the latter's independence or any other subjects related to the Accounts Auditing process, as well as other Communications stipulated in the Accounts Audit legislation and in technical Audit regulations.
- The Committee acts as a communication channel between the Auditors and the Board of Directors, evaluates the results of each Audit and the responses of the management team to its recommendations, and mediates and arbitrates in cases of discrepancies between the two concerning applicable principles and criteria in the preparation of financial statements.
- It supervises fulfilment of the Auditing contract, ensuring that the opinion on the Annual Accounts and the main contents of the Auditors' Report are written clearly and precisely.
- It provides information on contracts other than the Auditing contract, between the Company and the Accounts Auditors.
- It ensures that on the request of the External Auditor, the latter is provided with access to all information necessary for its work.
- It identifies and analyses, with the co-operation of the Internal and External Auditor, the main risks affecting the Company, and in particular, those affecting its economic - financial situation.
- It informs the Board of Directors on the risks detected and its evaluation of them.
- Where appropriate, it proposes the necessary measures to administer, mitigate or prevent the risks detected to the Board of Directors.
- It examines compliance with the Internal Code of Conduct in matters concerning the Stock Market, the Regulations of the Board and the Company's governing regulations in general, and makes proposals for their improvement. When fulfilling this function, the Appointments and Salaries Committee will act, when it considers it necessary, in co-ordination with the Auditing and Compliance Committee when considering compliance with the Code by Company Directors and Managers.
- It prepares an Annual Report on the work of the Auditing and Compliance Committee which forms part of the Corporate Governance Report.
- It participates in the production of the Annual Corporate Governance Report, especially in areas concerning transparency of information and conflicts of interests.

- It informs the General Meeting on questions it considers regarding competence.

Appointments and Salaries Committee

The tasks of the Appointments and Salaries 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:

- To review the structure of the Board of Directors, the criteria for the Bylaw renewal of Directors, the inclusion 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 establish payment criteria for Directors of the Company, in accordance with the stipulations of the Bylaws and in line with the decision of the General Meeting, and ensure that payments are transparent.
- To establish a general payment policy for Enagás managers, justifying this 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 appropriate highly qualified staff for administering its business at all times.
- To inform the Board of Directors, before approval, of transactions that Directors wish to carry out, which imply or may imply a conflict of interests, in accordance with the stipulations of the Internal Code of Conduct concerning matters relating to the Stock Market.
- To formulate and revise the criteria to be followed in the composition of the Board of Directors and for the selection of those 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 the appointment of members of the Board Committees.
- To make proposals regarding the company's organisational structure and the creation of Senior Management posts to the Board of Directors that it considers necessary for an improved and more efficient administration of the Company.
- To designate Senior Management staff, and where necessary, approve the special conditions of their contracts.

- To approve payment of Senior Management, providing that this does not diverge from the criteria established in the general payment policy for Managers.
- To report to the Board of Directors, prior to their approval, on transactions with closely linked parties. Under no circumstances will the transaction be authorised if a prior report evaluating the transaction from the point of view of market conditions has not been issued. If the operations are ordinary, generic authorisation of the line of operations and its conditions of execution will be sufficient.
- To inform the Board of Directors concerning the measures to be taken in the event of non-compliance with these Regulations or the Internal Code of Conduct in Stock Market affairs by Directors or other persons subject to it. When fulfilling this function, the Appointments and Salaries Committee acts, when it considers it necessary, in co-ordination with the Auditing and Compliance Committee.

3.31. Regulations of Committees of the Board of Directors, where they are available for consultation and modifications taking place during the financial year:

As mentioned in section 3.30 above, the Auditing and Compliance Committee has its own Regulations, approved by the Board of Directors at its meeting on 19 February 2004.

For the moment, it has not been thought necessary to produce Regulations for the Appointments and Salaries Committee, as its regulations are clearly detailed in article 45 of the Company Bylaws and in article 25 of the Organisation and Operating Regulations of the Board of Directors.

Both the Organisation and Operating Regulations of the Board of Directors and the Organisation and Operating Regulations of the Auditing and Compliance Committee are available to the public on the Enagás website (www.enagas.es).

3.32. The Committees' work during the financial year:

Below is a brief Report for the 2003 financial year on the work of the Appointments and Salaries Committee:

The committee met on 6 occasions during the financial year 2003. The areas and matters dealt with in these meetings were those constituting its areas of competence according to the Board Regulations. In particular, meetings of the Committee dealt with the following subjects, among others:

- Payment policy for the company's Higher Management.
- Determination and proposal of the number of members of the Board of Directors.
- Examination and proposal of payments to the Board, which were subsequently submitted to the General Meeting.
- Selection and analysis of the suitability of those people proposed to the General Meeting as Directors.
- Prior examination and issue of reports on certain operations and transactions between Enagás and Gas Natural, in order to make sure they meet market conditions.

The Auditing and Compliance Committee has also prepared and approved a Report for the Committee for the financial year 2003, the text of which is at the end of this Annual Corporate Governance Report, following good governance recommendations.

4. LINKED OPERATIONS

4.1. Operations carried out involving a transfer of resources or obligations between Enagás and/or its Group and its Significant Shareholders:

The main contractual and financial relationships in the year 2003 between Enagás and significant shareholders are listed below, omitting those operations that are not relevant because of their amount, or because they arose from ordinary transfer or traffic. All these relationships have been included in the information that is regularly sent to the Spanish Securities and Investments Board (CNMV).

The figures refer to details of accounts closed on 31 December 2003, although they include adjustments for previous periods, and where necessary, estimations when the final figures are not available. The TPA service operations are expressed in physical rather than financial volumes (GWh) because they are regulated operations, subject to the liquidation system in which invoicing does not really reflect the amount and importance of the services provided.

Relations with GAS NATURAL SDG and subsidiaries.

- Contract for the purchase of gas for supply to the tariffed market between Enagás, Gas Natural Aprovevisionamientos S.A. and SAGANE, by virtue of which both companies, subsidiaries of Gas Natural sdg S.A., supply Enagás with the gas (both natural gas and LNG) that the latter needs to supply its consumers at tariffed prices. 82.797 Gwh were purchased in 2003, at a total cost of 1,025.7 million Euros.
- Gas transfer contract between Enagás and Gas Natural Group distributors, necessary for the latter to meet with the supply to market at tariffed prices. This sale took place at the regulatory determined transfer price according to the average cost of the raw material. In the financial year 2003, sales of gas to Gas Natural Group distributors amounted to 64,158 GWh, for a sum of 824.8 million Euros.
- Rental contract for minimum safety stocks and strategic reserves between Enagás and Gas Natural SDG S.A., necessary for seasonal modulation and fulfilment of all the strategic reserve obligations to which Enagás is legally obliged. In the financial year 2003, the price paid for this contract was 6.24 million Euros.
- Enagás has signed several regasification, transportation and storage contracts with Gas Natural Comercializadora S.A. The duration of these contracts varies between the long term (15 to 20 years) and short term (less than two years), in line with the general action criteria of Enagás. The

contractual conditions are those established for all sales outlets in general, and are all objective, transparent and non-discriminatory, and their financial regime is in line with official tolls and tariffs.

83,532 GWh (62.7% of TPA total regasification services) were regassed for Gas Natural Comercializadora); 105,711 GWh was transported (58.9 %); and an average amount of 669.4 GWh was stored (44.7 %).

- There is a contract of sale, telecommunications infrastructure development and rental and provision of services between Enagás and the telecommunications subsidiary of Gas Natural, Desarrollo del Cable S.A., By virtue of this contract, Desarrollo del Cable S.A. has rented Enagás eight optic fibres, including maintenance, in certain stretches of the cable network for a 30-year period which may be extended for successive 3-year periods and under market conditions. This contract enables Enagás to provide sufficient cover for its communications and remote control needs in its gas pipeline network. The sums invoiced to Enagás as a result of this contract during 2003 were 17.48 million Euros.
- A service contract between Desarrollo del Cable S.A. and Enagás, whereby the latter provides maintenance services for the entire Desarrollo del Cable fibre-optic network. The sum paid to Enagás in 2003 as a result of this contract was 1.45 million Euros.
- Gas pipeline maintenance contracts between Enagás and Gas Natural, for which Enagás invoiced the sum of 2.45 million Euros.
- An electrical energy supply contract to the Enagás regasification plants with Gas Natural Comercializadora, S.A. which in the financial year amounted to the sum of 7.8 million Euros.

Relations with BP España S.A. and its subsidiaries.

- Enagás has signed several regasification, transportation and storage contracts with BP España S.A. The contractual conditions are those established for all sales outlets in general, and are all objective, transparent and non-discriminatory, and their financial regime is in line with official tolls and tariffs.

During the year 2003, regasification of 11,071 GWh took place for BP España (8.31% of the total TPA regasification services); 16,029 GWh (8.94 %) was transported; and an average amount of 119.9 GWh (8%) was stored.

Relations with BANCAJA.

- Enagás and Bancaja have signed an interest coverage contract (COLLAR) for the sum of €15 million Euros for the period January-2005/April 2008.

As well as the significant shareholders whose relations with Enagás are described below, there are other companies who while they are not significant shareholders in the strict sense, have been considered as "companies linked" to Enagás and their commercial and contractual relationships with Enagás have therefore been made public.

These companies are Repsol YPF and La Caixa d' Estalvis i Pensions de Barcelona (La Caixa), because they are companies that jointly control Gas Natural SDG, and the entity Caja de Ahorros del Mediterráneo (CAM), because it has a shareholding of over 3% and a representative on the Enagás Board of Directors.

Relations with Repsol YPF and its subsidiaries.

- Services provided by the Repsol YPF Group to Enagás: rental of goods and services (Gaviota underground storage), engineering services (through the Economic Interest Grouping, EIG, established by Repsol YPF and Enagás) and purchasing administration services. For these services, the Repsol YPF Group invoiced Enagás the sum of 27.4 million Euros.
- Services provided by Enagás to the Repsol YPF group: Transfer of staff (including the staff transferred to the EIG), for which it was paid 2.7 million Euros.

Relations with Caixa d' Estalvis i Pensions de Barcelona (la Caixa).

- La Caixa has a stake of 200 million Euros in the syndicated loan signed on 10 April 2003.
- Enagás has a credit of 50 million Euros. The amount drawn as of 31-12-03 was 0.50 million euros.
- The guarantees granted by La Caixa to Enagás are 34.4 million Euros as of 31 December.
- The renting contracts signed with the La Caixa Group amount to 3.8 million Euros.
- There are four FRA contracts for a total sum of € 300 Million Euros for the period 07-01-2004/10-01-2005.
- An insurance policy with a single premium of 2.1 million Euros has been signed with companies in the La Caixa Group.
- There is an Administration Contract with a balance in favour of Enagas of 0.5 million Euros.

Relations with Caja de Ahorros del Mediterráneo (CAM).

- There is a Credit line, yet to be drawn, for the sum of 8 million Euros.
- There is an interest coverage contract (COLLAR) for the sum of €15 million Euros for period January-2005/April 2008.

4.2. Operations carried out involving a transfer of resources or obligations between Enagás and/or its Group and the Company's Administrators or Directors:

Apart from the relationships described above, there are no other commercial or contractual relations between the company and its other administrators or directors or in its corporate group.

4.3. Significant operations carried out with other companies belonging to the same Group, providing that they are not written off in the process of preparing consolidated financial statements and do not form part of the company's usual traffic in terms of their purpose and conditions:

The main transactions between Enagás and the companies belonging to its group during the 2003 financial year were as follows:

- Transport fees: the sums paid by Enagás as transportation fees to the various companies in its group are:
 - For the "Al Andalus" Gas pipeline": 19.9 million Euros.
 - For the "Extremadura Gas pipeline": 8 million Euros.
 - For the "C. Mayor-Leiria-Braga": 3.1 Gas pipeline 3.1 million Euros.
 - For the "Leiria-Braga Gas pipeline": 3.2 million Euros.
- Sums received by Enagás as interest on loans to companies in the group:
 - From the "Al Andalus Gas pipeline: 1.88 million Euros.
 - From the "Extremadura Gas pipeline": 0.43 million Euros.
 - From the "Gasoducto C. Mayor-Leiria-Braga": 0.2 million Euros.
 - From the "Leiria-Braga Gas pipeline": 0.03 million Euros.

4.4. Established mechanisms for detecting and regulating possible conflicts of interests between Enagás and/or its Group, and its Directors, Managers and Significant Shareholders:

The measures contained in the Enagás Internal Code of Conduct in matters relating to the Stock Market, approved by the Board of Directors at its meeting of 24 July 2003, are set out below.

The Internal Code is applicable to the following people:

- Members of the Board of Directors.
- Managing Directors and members of the Management Committee.
- The members of the Board of Directors and where appropriate, the Management Committee of the subsidiary companies or those in which Enagás S.A. has a controlling share;
- People involved in Stock Market dealings.
- In general, everyone having access to the Company's privileged or reserved information.

As far as operations carried out with closely linked parties are concerned, the Company must adopt the following measures:

- a) Notify the Spanish Securities and Investments Board (CNMV) of them every six months and include them in the Annual Report in the Corporate Governance chapter.
- b) Submit them, before they are concluded, to the Board of Directors for its formal knowledge and prior authorisation, which after a report from the Appointments and Salaries Committee, must evaluate whether they are appropriate to market criteria.

With regard to possible conflicts of interest, those subject to the Internal Code of Conduct must adopt the following measures:

- ✓ Notify the Board of Directors, through its Secretary, of any possible conflicts of interest to which they may be subject due to family relationships, their personal property or any other reason.

Notifications must be made within 15 days, and in any event, before the decision that may be affected by the possible conflict of interest is taken.

- ✓ Keep this information up to date, including any modification or end to the previously notified situations, as well as new conflicts of interest arising.

- ✓ Refrain from participating in the taking of any decision that may be affected by the conflict of interest with the company.

For the purposes of this Code, the following are closely linked parties to the Company:

- Companies belonging to the same Group.

In the light of article 4 of the Securities Market Law, this will be considered to be companies constituting one unit of decision, so that any one of them may directly or indirectly control the others so that this control is in the hands of one or several physical persons who systematically act in agreement.

In any event, control of an entity by Enagás will be taken to exist when any of the following circumstances arise:

- When Enagás S.A. has the majority of the voting rights of the entity controlled either directly or in agreement with other partners in the entity.
- When Enagás S.A. has the right to appoint or dismiss the majority of members of the governing bodies of the controlled entity, either directly or in agreement with other partners in the entity.
- When at least half plus one of the directors of the controlled entity are directors or senior managers of Enagás S.A. or another entity controlled by it.

- Significant Enagás shareholders.

These will be considered to be physical persons or legal entities possessing shares in the Enagás S.A. equal to or more than 5% of the share capital, by virtue of article 1 of Royal Decree 377/1991 of 15 March, concerning notification of significant shareholdings in listed companies.

Companies belonging to the Groups of significant shareholders in Enagás S.A. will also be included.

- Shareholders which without being significant, have exercised the right to propose a member of the Enagás S.A. Board of Directors.
- Members of the Board of Directors of Enagás S.A. and its subsidiary companies or those in which it has a shareholding.

- General Managers and similar, and Managers performing the tasks of senior managers, who are directly responsible to the governing bodies or the Chairman.
- In general, any persons who meet the legal or regulatory conditions or requirements established to be considered as a linked party.

Both direct and indirect shareholdings in Enagás S.A. will be taken into consideration for the purposes of calculation and determination of the shareholding percentages leading to consideration as a closely linked party, and for assessment of a possible conflict of interest, as well as the criteria for a concerted program stipulated in article 34 of Royal Decree 6/2000 of 23 June.

4.5. Committee or Governing Body regulating or resolving conflicts of interest

Article 25 of the Board Regulations attributes the following functions to the Appointments and Salaries Committee:

- To report to the Board of Directors, before approval, on transactions that Directors wish to carry out, which imply or may imply a conflict of interests, in accordance with the stipulations of the Internal Code of Conduct concerning matters relating to the Stock Market.
- To inform the Board of Directors, prior to their approval, of transactions with closely linked parties. Under no circumstances will the transaction be authorised if a prior report evaluating the transaction from the point of view of market conditions has not been issued. If the operations are ordinary, generic authorisation of the line of operations and its conditions of execution will be sufficient.
- To inform the Board of Directors concerning the measures to be taken in the event of non-compliance with these Regulations or the Internal Code of Conduct in Stock Market affairs by Directors or other persons subject to it. When fulfilling this function, the Appointments and Salaries Committee will act, when it considers it necessary, in co-ordination with the Auditing and Compliance Committee.

5. RISK CONTROL SYSTEMS

Enagás has a risk control system entrusted to the Internal Auditing unit, which is directly responsible to the Chairman of Enagás and the Board of Directors, and which is supervised by the Auditing and Compliance Committee.

The tasks of the Auditing and Compliance Committee with regard to Internal Auditing and the risk control system are as follows:

- To supervise the Company's Internal Auditing services and ascertain its internal control systems, in order to obtain the maximum compliance with Internal Annual Report.

The Committee will pay special attention to supervising the quality of Internal Auditing in areas such as: reliability and completeness of information, compliance with policies, plans, laws and regulations, and measures for safeguarding assets.

The Committee will have full access to Internal Auditing systems and will meet regularly, either in full session or through its President, with the Internal Auditing manager, from whom it may request all necessary information for the fulfilment of its work.

- To identify and analyse, with the Internal and External Auditor, the main risks affecting the Company's business and in particular, those affecting the economic-financial situation.
- To inform the Board of Directors of the risks detected and their evaluation.
- Where necessary, to propose to the Board of Directors the necessary measures for administering, mitigating and preventing the risks detected.

During the financial year 2003, Enagás made a great deal of effort in the detection and control of risks, in order to eliminate uncertainties during the achievement of the company's corporate purposes.

Firstly, the Company's various processes were defined, and taken as the entire range of activities in which Enagás uses its resources (human, economic and temporary).

At the same time as defining these processes, the risks that may affect them were analysed. The risks have been defined, taking all the obstacles that may hinder or make difficult the achievement of the corporate purposes into consideration. The risks that have been analysed have been grouped in the following categories:

- Environmental risks.
- Business process risks:
 - Operational Risks
 - Management Risks
 - Technological Risks
 - Integrity risks
 - Financial risks
- Information risks for decision-making:
 - Operational
 - Financial
 - Strategic

In order to prioritise the risks, they have been classified according to the level of internal control and the comparative importance of risks, from which the Enagás risk matrix has been obtained. This enables the level of risk in each process to be verified and facilitates verification and analyses of the checks established for each process.

The final phase of the process is the design and implementation by the Company of a series of internal controls, consisting of policies, internal regulations and development procedures, which are put into practice by the Enagás Board of Directors, Senior Management and Personnel, in order to provide a reasonable degree of security in the achievement of the company's corporate purposes. These controls are as follows:

- Supervision Controls
- General controls
- Specific Controls

All the above processes generate a flow of information that is submitted to the Auditing and Compliance Committee after being verified and channelled through the Internal Auditing Unit and the External Auditor.

Alongside the control of risks carried out by Internal Auditing, there is an Administration and Budgets Control Department, which is part of the Financial Management Department. Its main function is to analyse the adaptation of the budgets approved by the Board of Directors as a means of achieving the Enagás objectives, to the spending actually taking place.

Finally, there are units responsible for supervising specific risks, such as environmental risks.

6. GENERAL MEETING

6.1. Constitution quorum of the General Meeting stipulated in the Company Bylaws and comparison with the regime established in the Public Limited Companies Law:

Article 25 of the Enagás Company Bylaws states that "the General Shareholders' Meeting will be validly constituted on its first summons when the shareholders present or represented possess at least twenty-five percent of the subscribed share capital with a right to vote. On its second summons, the constitution of the Meeting will be valid, whatever the share capital attending it".

Article 26 of the Company Bylaws states that "for the Ordinary or Extraordinary General Meeting to be able to validly agree the issue of bonds, the increase or reduction of share capital, the transformation, merger or separation of the Company, and in general, any modification to the Company Bylaws, attendance by shareholders present or represented with at least fifty percent of the subscribed share capital with a right to vote will be necessary. On the second summons, attendance by at least twenty-five percent of the subscribed share capital with a right to vote will be sufficient."

The quorums required by the Company Bylaws of Enagás are therefore those stipulated in articles 102 and 103 of the Public Limited Companies Law.

6.2. Regime for the adoption of company agreements and comparison with the regime contained in the Public Limited Companies Law:

As stipulated in article 8 of the General Meeting Regulations, agreements must be adopted with the vote in favour of the majority of capital with the right to vote, present and represented at the Meeting, with the exception is established in Law and in the Bylaws".

The majority required for the adoption of agreements by the General Meeting is therefore the one stipulated in the Public Limited Companies Law, with the provisos established by that Law.

6.3. Rights of shareholders with regard to General Meetings, which are different to those established by the Public Limited Companies Law:

Shareholders' Right to Information:

Before the General Meeting, the Company will place the following resources at its shareholders' disposition:

- A Shareholder Attention Office, where the information available may be consulted.
- A free telephone number, specified in the announcement, where the shareholder can obtain the corresponding information.
- The Company's web page, where the information in the public domain will be on record.

The following documents will be available to shareholders in the Shareholder Information Office, immediately after publication of the announcement of the Meeting, as well as when it is held:

- ✓ The full text of the announcement of the General Meeting with the proposals for agreements for adoption, and reports from the Board of Directors, where appropriate, concerning their justification and timeliness, providing that all this is possible.
- ✓ The full documentation of the Annual Accounts of Enagás, S.A. and the Consolidated Annual Accounts of Enagás, S.A. and its subsidiary companies, and the proposal for application of the results of Enagás, S.A. to the financial year in question.
- ✓ The Enagás, S.A. Management Report and the consolidated Management Report for the financial year.
- ✓ The Auditors Reports on the Enagás S.A. Consolidated Annual Accounts and Annual Accounts.
- ✓ The Annual Report on Corporate Governance.
- ✓ Environmental Report.
- ✓ Any other report that must be included or is felt necessary by the Board of Directors.

Right of Participation:

Shareholders, upon registry of their identity as such, may at all times raise questions of interest to the company or associated with their status as shareholders through the Shareholder Information Office or the Company's web page.

After the General Meeting has been called and up to five days before the date set for it to be held, shareholders may use the same means to make comments or suggestions in writing concerning the proposals included in the Agenda.

Rights of Attendance and Representation:

It is necessary to be the holder of at least 100 shares to attend a General Meeting, which must be registered in the appropriate account register five days before the meeting, and to have the corresponding attendance card. Shareholders who do not hold the aforementioned number of shares may form groups for the purposes of attendants, designating the shareholder representing them.

Every shareholder with the right to attend may be represented at the General Meeting by another person, who need not be a shareholder. This representation must be conferred in writing and for every meeting in particular.

6.4. Measures taken to encourage Shareholders' participation in General Meetings:

As mentioned in section 6.3 above, Shareholders, Shareholders, upon registry of their identity as such, may at all times raise questions of interest to the company or associated with their status as shareholders through the Shareholder Information Office or the Company's web page. After the General Meeting has been called and up to five days before the date set for it to be held, shareholders may use the same means to make comments or suggestions in writing concerning the proposals included in the Agenda.

The Company will examine the questions, suggestions and comments from shareholders and wherever possible, either individually or as a group, responses will be provided on the Company's web page. If the Board of Directors considers it legitimate, they will be dealt with at the General Shareholders' Meeting, even if they are not included on the Agenda.

As well as the right to make suggestions or ask questions of the Board, shareholders may request in writing before the Board meeting, or verbally during it, the reports and clarifications that may be necessary, concerning the matters included on the Agenda. The Board of Directors will be obliged to provide them, except in cases where in the opinion of the Chairman, publishing of the details will prejudice the company's interest. This exception will not apply when the request is supported by shareholders representing at least a quarter of the share capital.

6.5. Modifications made to the General Meeting Regulations during the financial year:

At the Enagás General Shareholders' Meeting, held on 25 April 2003, an initial text for the General Meeting Regulations was approved, meaning that no modification was made to it throughout the financial year.

However, at the next meeting of the General Shareholders' Meeting, the Enagás Board of Directors will propose a new text for the General Meeting Regulations in order to adapt its regulations to the new contents of the Law 26/2003 of 17 July.

The main modifications introduced in the new text are a reorganisation and development of the rights of shareholders in the areas of information, attendance, voting and representation, in the interests of the Company's increased transparency.

The intention is for Enagás shareholders to have the opportunity to cast their vote or delegate it by e-mail, post or through the Shareholder Information Office or by any other means of long-distance communication with the appropriate security measures, including the use of digital signatures in voting by e-mail, starting at the next General Meeting to be held in 2005.

Shareholders will also have more and better means of obtaining information regarding the matters included in the Agenda of the General Meeting, with the administrators' obligation to provide information being extended to the days after the Meeting.

6.6. Details of the General Meeting held in the financial year:

Date of the General Meeting	Attendance Details			Total
	% physically present	% represented	% voting but not present	
25 April 2003	11,320	42,766	-	54,087

6.7. Agreements reached at the General Meeting and percentage of votes with which each agreement was reached:

In the financial year 2003, the Enagás General Shareholders' Meeting of 25 April adopted the following Agreements in accordance with the majorities established by law and Bylaw:

FIRST AGREEMENT:

- "To approve the Annual Accounts (Balance, Profits and Loss Account and Report) and the Management Report for the financial year between 1 January and 31 December 2002 for Enagás S.A. and its Consolidated Group.
- To approve the Board of Directors' administration for the 2002 financial year.

- To approve the results for Enagás S.A. for the 2002 financial year, which show a net profit of 107,821,828 Euros and 25 cents, according to the distribution proposal formulated by the Board of Directors:

In legal reserves	10,782,182 € and 83 cents
In dividends	55,035,408 € and 96 cents
In voluntary reserves	42,004,236 € and 46 cents

- To make payment of a complementary dividend, from 3 July 2003 onwards, of the sum of 33,549,325 € and 96 cents.

This figure is the result of deducting the interim dividend, the sum of 21,486,083 €, from the total interim dividend for the financial year agreed by the Board of Directors on 22 November 2002 and paid to shareholders in January 2003.

The dividend for the financial year proposed for approval is the pre-tax sum 0.23053 € per share, with shareholders responsible for taxes. After deduction of the interim dividend that has already been paid, which was 0.09 € gross per share, the sum pending payment was 0.14053 € per share, from which the legally proper taxes will be deducted."

The agreement was adopted with the following voting results:

Yes		No		Abstention	
Vote	%	Vote	%	Vote	%
129,081,853	99.97	40,358	0.03	1,201	0.00

SECOND AGREEMENT:

- "To set, within the limits established in article 35 of the Company Bylaws, the number of members of the Board of Directors at 14.
- In order to cover the existing vacancies on the Board of Directors, it is proposed that the General Meeting name the following as Directors of the Company for the Bylaw period of four years:
 - Mr. Carlos Egea Krauel
 - Mr. Jesús David Álvarez Mezquíriz
 - Mr. Luis Javier Navarro Vigil
 - Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
 - Caja de Ahorros del Mediterráneo (CAM)

Mr. Carlos Egea Krauel, Mr. Jesús David Álvarez Mezquíriz and Mr. Luis Javier Navarro Vigil, all of whom were present at the meeting, expressly accept the post of member of the Board of Directors for which they have

been designated and declare that they are not in a position of any legal incompatibility.

Acceptance of the posts for which Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja) and Caja de Ahorros del Mediterráneo (CAM) were designated will be registered in an independent document containing the specific declaration that they are not in a position of any legal incompatibility.”

The agreement was adopted with the following voting results:

Yes		No		Abstention	
Vote	%	Vote	%	Vote	%
129,081,553	99.97	41,192	0.03	667	0.00

THIRD AGREEMENT:

- “To approve the modification of article 42 of the Company Bylaws which will have the following text:

Article 42. – Delegation of powers.

The Board of Directors may designate an Executive Committee, determining its membership in each case and the people holding posts within it. The Executive Committee will meet as many times as required by the Chairman or the majority of its members.

The Board of Directors may also designate a Chief Executive Officer, and delegate the powers it deems necessary to him/her.

The rendering of accounts and the presentation of Balances to the General Meeting, or the powers given by the Meeting to the Board of Directors may not under any circumstances be delegated unless the General Meeting specifically authorises this.

- To add a new article 42 (b) regulating the Auditing and Compliance Committee under the terms established by article 47 of Law 44/2002, with the following text:

Article 42 b).- Auditing and Compliance Committee.

The Board of Directors will include an Auditing and Compliance Committee, which will have a maximum of four Directors as members, who will be designated by the Board of Directors. No Executive Director may be a member of the Committee. The Board of Directors will choose the President, who will not have a casting vote, from among the Committee's members.

The Auditing and Compliance Committee has tasks and powers in the following areas:

- To inform the General Shareholders' Meeting on questions raised by shareholders on matters for which it is responsible
- To propose the appointment of External Accounts Auditors referred to in article 204 of the Public Limited Companies Law and their fees to the Board of Directors for submission to the General Shareholders' Meeting.
- To supervise the Company's Internal Auditing services and to ascertain the financial information process and internal control systems, in order to obtain a maximum monitoring of the annual Audit.
- To maintain a close relationship with the External Auditors in order to receive information on questions that may place the latter's independence at risk or any others anticipated in legislation and Accounts Auditors' technical regulations, and to act as a channel of communication between the Board of Directors and the Auditors, thereby evaluating the results of each Audit with the maximum objectivity.
- To examine the information on the company's activities and results that is regularly produced in compliance with applicable regulations in stock market affairs, checking on the information's transparency and accuracy, and compliance in this area with the Internal Code of Conduct and the Regulations of the Board of Directors for persons subject to its compliance.

The Committee will be convened by the President and meet at least four times a year. The Company's External Auditor may attend its meetings, and the Financial Director, the Internal Auditing manager and any other manager that the Committee deems advisable may be summoned to give information. The Committee may obtain the co-operation it needs for its work from these managers."

The agreement was adopted with the following voting results:

Yes		No		Abstention	
Vote	%	Vote	%	Vote	%
129,081,553	99.97	41,192	0.03	667	0.00

FOURTH AGREEMENT:

- “To approve a new article 42 (iii) regulating the Appointments and Salaries Committee with the following text:

Article 42 (iii). - Appointments and Salaries Committee.

The Board of Directors will include an Appointments and Salaries Committee, which will have a maximum of four Directors as members, who will be designated by the Board of Directors. The majority of its members must be Independent Directors. The Board of Directors will choose the President, who will not have a casting vote, from among the Committee's members.

The Committee has functions and authority in the following areas: n To establish payment criteria for Directors of the Company, in accordance with the stipulations of the Bylaws and in line with the decision of the General Meeting, and ensure that payments are transparent.

- To establish payment criteria for Directors of the Company, in accordance with these stipulations of the Bylaws and in line with the decision of the General Meeting, and ensure that payments are transparent.
- To establish a general payment policy for Enagás managers, and guidelines relating to the appointment, selection, promotion and dismissal of Senior Managers, in order that the Company has appropriate highly qualified staff for administering its business at all times.
- To review the structure of the Board of Directors, the criteria that informing Bylaw renewal of Directors, the inclusion of new members and any other aspect regarding its composition that it deems appropriate.
- To inform the Board of transactions that imply or may imply conflicts of interest..

The Committee will meet at least four times year. Meetings will be called by the President and it may obtain the internal and external advice, and summon the managers that it considers necessary for its work. The President of the Board of Directors may not be designated as President of the Committee, and may not participate in the deliberations that take place to establish his payment.”

The agreement was adopted with the following voting results:

Yes		No		Abstention	
Vote	%	Vote	%	Vote	%
129,079,409	99.97	43,178	0.03	825	0.00

FIFTH AGREEMENT:

- "To modify article 35 of the Company Bylaws, which will be written in the following way:

Article 35. – Composition of the Board.

The Company will be governed and administered by the Board of Directors, which will be responsible as a body for representing the Company, in legal proceedings and in other circumstances. This representation will include all proceedings within the corporate purpose, without any limitation on powers.

The Board of Directors will consist of at least 6 members and a maximum of 16, named by the General Meeting.

Election of members of the Board of Directors will be carried out by voting. For these purposes, shares voluntarily forming a group and constituting a proportion of the share capital equal to or greater than the result of dividing the latter by the number of members of the Board will have the right to designate those which are deducted from the corresponding proportion after whole fractions have been exceeded. In the event that they do not make use of this power, shares grouped in this way may not take part in the voting of the other members of the Board.

- To approve the inclusion of a new article 35 b) in the Company Bylaws:

Article 35 b). – Payment of the Board of Directors.

The post of Director will be salaried.

The General Shareholders' Meeting will determine the maximum total payment made to members of the Board of Directors, which will be a cash payment for an annual period or for the period of time agreed by the Meeting.

When establishing payment, the General Meeting may agree that part of it is to be applied equally as payment for the post of Director to all members, and another part is to be distributed by the Board of Directors, in line with the criteria agreed at the General Meeting.

Directors may also be paid with shares in the company, option rights to shares or other stock giving the right to obtain shares, or by salary systems indexed to the stock market value of the shares. The application of these systems must be agreed to by the General Meeting, which will determine the value of the shares taken as a reference, the number of shares to be given

to each Director, the price for exercising option rights, the duration of the agreed system and the conditions it deems appropriate.

The payment anticipated in this article will be compatible with and independent of salaries, bonuses, severance pay, pensions for compensation of any type, of a general or specific nature, for those members of the Board of Directors with whom the Company has a common or special relationship as a result of employment as a senior manager or the provision of services, which will be compatible with their position as a member of the Board of Directors.

Board members will have the right to repayment or reimbursement of expenses they have incurred as a consequence of attending meetings and other tasks directly related with their post, such as travel, accommodation, maintenance and any other that they may incur.”

The agreement was adopted with the following voting results:

Yes		No		Abstention	
Vote	%	Vote	%	Vote	%
129,079,346	99.97	43,178	0.03	888	0.00

SIXTH AGREEMENT:

- “To approve a new Revised Text for the Company Bylaws in accordance with the text previously distributed to the shareholders, and which given their extent, are taken as being reproduced. Shareholders, and

The purpose of this new Revised Text is to include the previously approved modifications of article 35 and 42, and to renumber the remaining articles consecutively, without any variation.”

The agreement was adopted with the following voting results:

Yes		No		Abstention	
Vote	%	Vote	%	Vote	%
129,081,188	99.97	40,865	0.03	1,359	0.00

SEVENTH AGREEMENT:

- “In accordance with the second paragraphs of the new article 36 of the Company Bylaws, it is agreed to establish, as a maximum total payment to the members of the Board of Directors for the year 2003, the sum of 830,000 Euros, which will be distributed according to the following grounds and criteria:

- Every Board member attending a minimum of two meetings during the financial year will be paid the sum of 20,000 Euros.
- Payment for effective attendance at meetings will also be a maximum of 33,000 Euros per Director. The Board of Directors will determine the specific sum for attendance, either personally or in representation, at each meeting.
- Members of Committees will receive an annual payment of 9,600 Euros, and the president of any Committee will receive an additional annual sum of 5,000 Euros.

The above sums do not include payments or salaries that may also be due as a result of employment relationships or services provided by members of the Board, and the right to payment or reimbursement of expenses incurred by Directors as a result of carrying out their tasks."

The agreement was adopted with the following voting results:

Yes		No		Abstention	
Vote	%	Vote	%	Vote	%
129,077,900	99.96	44,904	0.03	608	0.00

EIGHTH AGREEMENT:

- "To approve a new Revised Text for the Company Bylaws in accordance with the text previously distributed to the shareholders, and which given their extent, are taken as being reproduced."

The agreement was adopted with the following voting results:

Yes		No		Abstention	
Vote	%	Vote	%	Vote	%
129,082,520	99.97	40,358	0.03	534	0.00

NINTH AGREEMENT:

- "To re-elect PricewaterhouseCoopers Auditores S.L. as the Auditors for the Company and its group for the period of one year starting 1 January 2003 and finishing 31 December 2003.

PricewaterhouseCoopers Auditores S.L., with its registered office at Paseo de la Castellana 43, Madrid, with Fiscal Identity Code B-79031290, registered in the Madrid Commercial Registry, sheet 75, volume 9,267, book 8,054,

section 3, and in the Official Registry of Accounts Auditors with number 0240.

To delegate the establishment of the payment made to PricewaterhouseCoopers Auditors S.L. for auditing services to the Board of Directors.”

The agreement was adopted with the following voting results:

Yes		No		Abstention	
Vote	%	Vote	%	Vote	%
129,081,771	99.97	40,658	0.03	983	0.00

TENTH AGREEMENT:

- “To delegate and empower, as extensively as is necessary in law, the President of the Board of Directors, Mr. Antonio González-Adalid, the Secretary, Mr. Luis Pérez de Ayala and the Vice-Secretary, Ms Beatriz Martínez-Falero, so that any of them, without distinction, may take the necessary actions for implementing the aforementioned adopted agreements, including the following: to submit to public deed the above agreements and execute any public or private documents necessary for registration in the Commercial Registry of them, and to carry out the due deposit of the annual accounts in Commercial Registry, with express power of correction.”

The agreement was adopted with the following voting results:

Yes		No		Abstention	
Vote	%	Vote	%	Vote	%
129,080,375	99.97	41,678	0.03	1,359	0.00

6.8. Address and means of access to the Corporate Governance content of the Enagás web page:

All information on Enagás Corporate Governance is available to the public on its web page (www.enagas.es).

The access route to this information is as follows: Home page – Relationship with investors (also available in English) – Corporate Governance.

6.9. Measures taken so that information given to the market is broadcast in a fair and symmetrical manner:

After the approval of the Financial System Reform Law 44/2002, significant changes were made to the Securities Market Law concerning the broadcast of relevant information.

For this reason, as mentioned above, a new Internal Code of Conduct including these modifications was approved.

In this respect, the Company has adopted the following information transparency measures:

Enagás S.A., through its President, or its Investor Relations Director, the Secretary of the Board, the Financial Director or the Legal Affairs Director, will immediately provide the market with all relevant information by notifying the Spanish Securities and Investments Board (CNMV), within the deadlines and in accordance with the established procedures contained in the applicable regulations.

Notification to the Spanish Securities and Investments Board (CNMV) of relevant information will take place before its broadcast by any other means and as soon as the fact is known, the relevant decision is adopted, or the relevant agreement or contract is signed.

The content of the notification is true, clear and complete in content, quantified when required by the nature of the operation, and will therefore not lead to confusion or deception.

Enagás considers information to be relevant when knowledge of it may affect a reasonable investor in the purchase or transfer of stocks or financial instruments and may therefore notably influence their value in a secondary market.

When Enagás S.A. considers that the information should not be made public because it affects its legitimate interests, it will immediately notify the Spanish Securities and Investments Board (CNMV), asking to be exempted from this obligation.

In order that information that may have an effect on the markets is distributed on an equitable basis between all shareholders, Enagás S.A. and those possessing privileged information (including shareholders with significant shareholdings in Enagás or with a designated representative on the Board of Directors) must keep it safe, and take the necessary steps to prevent this information being used for abusive or disloyal purposes, and where necessary, taking the necessary steps to rectify the consequences arising from this.

It is the duty of the Auditing and Compliance Committee to inform the Board of Directors concerning the measures to be taken in the event of non-compliance with these Regulations or the Internal Code of Conduct in Stock Market affairs by Directors or other persons subject to it. When fulfilling this function, the Appointments and Salaries Committee acts, when it considers it necessary, in coordination with the Auditing and Compliance Committee.

7. LEVEL OF COMPLIANCE WITH THE RECOMMENDATIONS FOR GOOD GOVERNANCE

1. Operation of the Board of Directors

The Enagás Board of Directors is responsible for the administration, representation and supervision that are necessary and advisable for the achievement of the corporate purpose stipulated in the Bylaws, within the framework established by the Law, Company Bylaws and its Regulations.

The functional division of the Board and the differentiation between different types of Directors ensures compliance with corporate governance guidelines for the promotion of security and transparency in the Company.

2. Independent Directors

The Board of Directors of Enagás has a total of 14 Directors, of which seven are Independent. These Independent Directors have recognised professional prestige and comply with the recommendations included in the Aldama Report in terms of impartiality and objectivity in their paths, thereby guaranteeing their protection of minority shareholders' interests.

In any event, the Board of Directors, when forming the body, must endeavour that the Independent Directors have a substantial majority over Executive Directors in the body.

3. Composition of the Board of Directors

The Enagás Board of Directors is divided proportionally between Controlling Directors and Independent Directors with regard to the capital made up of significant packages and the rest..

There are a reasonable number of members of the Board of Directors to ensure its operating capacity and the work of each Director.

4. Number of Directors

Article 35 of the Company Bylaws states that "the Board of Directors will be composed of at least 6 members, and at most 16, named by the General Meeting". In this way, its size is suitable for a more effective and participatory working of the Company's Board of Directors.

5. President of the Board of Directors

Despite the President of the Enagás Board of Directors being first executive of the company, there is a clear division between those powers that may be delegated and those that may not, and the Board of Directors is also subject to the Reports and Proposals of the Appointments and Salaries Committee and the Auditing and Compliance Committee, described in this Report, among other rules of organisation and operation of the Board of Directors.

6. Secretary of the Board of Directors

The Secretary of the Board of Directors of Enagás helps the President in his work and provides for the smooth running of the body, being particularly responsible for providing Directors with the necessary information and advice, preserving company documents, duly recording meetings in the minutes book and bearing witness to the body's agreements.

The Secretary is also responsible for the formal and material legality of the Board of Directors' actions and guarantees that its governing procedures and rules are respected and regularly revised.

7. Executive Committee

Due to the number of Directors and the recent establishment of the Appointments and Salaries Committee and Auditing and Compliance Committee, the Enagás Board of Directors has so far not felt it necessary to delegate powers to an Executive Committee. In any case, this is covered by the discretionary nature attributed to this Committee in the Aldama Report.

8. Delegated control committees

The Enagás Board of Directors has established two delegated Committees: the Appointments and Salaries Committee and the Auditing and Compliance Committee.

None of the members of these Committees is Internal or Executive, and in both cases, the same parity between Controlling Directors and Independent Directors as in the Board of Directors is maintained.

9. Information for Directors

The Secretary of the Board of Directors is responsible for providing the Directors with sufficient information in advance, specifically prepared and oriented towards preparation for Board meetings.

Members of the Board of Directors also have access to the Company's services and may obtain the information and advice they need concerning any aspect of the Company, providing that their work as a Director requires this.

This right to information is channelled through the President or Secretary of the Board of Directors, who deal with requests from Directors, providing them with the information directly, offering them the appropriate spokespersons or furnishing as many measures as may be necessary for the request that examination.

10. Operation of the Board of Directors

The Board Regulations state that the Enagás Board of Directors must meet at least once every two months and on the initiative of the President, as many times as he/she deems appropriate for the company's smooth running. However, greater and improved follow-up by the Board of matters affecting the Company has led to two meetings taking place once a month in practice.

The President is responsible for organising debate, endeavouring and encouraging the participation of all Directors in the body's deliberations.

Meetings and agreements of the Board of Directors will be recorded in a Minutes Book, signed by the President and the Secretary. The Secretary of the Board looks after the Minutes Book.

11. Selection and Re-election of Directors

Directors are appointed by the General Meeting, in accordance with the stipulations of the Public Limited Companies Law and the Company Bylaws.

Those appointed must be people who as well as meeting the legal and the Bylaw requirements required by the post, have acknowledged prestige and possess the appropriate professional knowledge and experience for holding the post.

Proposals for the appointment of Directors submitted by the Board of Directors for consideration by the General Meeting and the appointment decisions adopted by this body by virtue of the co-optation powers legally conferred on it, are preceded by the corresponding proposal from the Appointments and Salaries Committee.

When the Board of Directors does not agree with the proposals of the Commission, it must explain the reasons for this and leave a record of its reasons in the Minutes, something that has not occurred to date.

The Appointments and Salaries Committee of the Enagás Board of Directors, responsible for evaluating the quality of work and dedication to the post of the Directors proposed during the previous term of office, will provide compulsory information on the proposal for re-election of Directors that Board of Directors decides to present to the General Meeting.

As a general rule, appropriate rotation of Independent Directors has been obtained. For this reason, when one of them is proposed for re-election, the circumstances

making his continuity in the post advisable must be justified, without the situation having arisen.

12. Resignation of Directors

Directors must place their post at the Board of Directors' disposition, and resign, if the Board deems this appropriate, in the following cases:

- a. When Executive Directors no longer hold the executive posts other than those on the Board that were associated with their appointment as a Director.
- b. When they are involved in any of the legally stipulated circumstances of incompatibility or prohibition.
- c. When they are in serious breach of their obligations as Directors.
- d. When they place the interests of the Company at risk.
- e. When the reason for which they were appointed as Independent, Executive or Controlling Directors is no longer valid.

13. Directors' Ages

The Organisation and Operating Regulations of the Board of Directors of Enagás does not include any age limit for Directors.

14. Directors' facilities for information

Throughout the text of the Organisation and Operating Regulations of the Board of Directors, it is stipulated that Directors may have access to all Company information and advice necessary, and may consult external experts at any time.

15. Payment of Directors

The Appointments and Salaries Committee is responsible for proposing the criteria for Directors' payment that it deems appropriate to the Board of Directors, with the Board itself responsible for its approval, and the final distribution of the overall sum, after the overall amount and the distribution criteria has been established by the General Meeting.

However, the Board of Directors may annually delegate the powers attributed to it with regard to Directors' payment to the Appointments and Salaries Committee, within the Bylaw limits.

16. Directors' obligations

As mentioned in the section dealing with the Organisation and Operation Regulations of the Board of Directors in this Report, Directors must comply with obligations of diligent administration, faithfulness, loyalty, secrecy and non-competition.

17. Transactions with significant shareholders

As prescribed by the Board Regulations and the Enagás Internal Code of Conduct, transactions with significant shareholders are formally reserved for the Board of Directors, which adopts the agreement in view of the operation's suitability to market values after reports from the Appointments and Salaries Committee in coordination with the Auditing and Compliance Committee.

Furthermore, the Director proposed by the significant shareholder in question (or where appropriate, the physical person representing it) must abstain in the vote concerning the agreement, something which has occurred in practice, as noted in the Minutes of the Board of Directors, prepared by the Secretary with the President's approval.

18. Communication with Shareholders

In its relations with its shareholders, the Board of Directors of Enagás applies the principle of equality of treatment, creating the appropriate systems to ascertain the latter's proposals related to company administration and opening the necessary channels for a regular exchange of information with committees or groups of shareholders.

The Board of Directors also encourages informed participation by shareholders at General Meetings, adopting as many measures as are appropriate to facilitate the General Shareholders' Meeting truly carrying out the functions attributed to it by the Law and Company Bylaws.

19. Market transparency

It is the Board of Directors' responsibility to adopt and implement as many measures as are necessary to ensure the Company's transparency on financial markets, to encourage the appropriate setting of prices of shares in the Company and its subsidiaries, to supervise, through the Auditing 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.

20. Financial Information

The Enagás Board of Directors has taken the necessary measures to ensure that quarterly, six-monthly, annual and any other financial information that the applicable regulations and prudence require are placed at the markets' disposition, are prepared in accordance with the same principles, criteria and professional practices with which the Annual Accounts are prepared, and are as reliable as the latter.

21. Control of External Auditors

Among other functions, the Auditing and Compliance Committee of the Enagás Board of Directors is responsible for proposing the appointment of External Accounts Auditors to the Board of Directors, for submission to the General Meeting, in accordance with the applicable regulations, and to provide information on payments to External Auditors, as well as working with them to receive information on questions that may endanger their independence.

22. Auditors Report

In accordance with the Organisation and Operating Regulations, the Board of Directors will endeavour to formulate the Accounts so that there is no need for provisos by the Company's Accounts Auditor.

If the Board of Directors feels that it must maintain its opinion in any circumstances, the content and scope of the discrepancy must be explained publicly.

23. Information on Corporate Governance

This Corporate Governance Report shows the compliance by Enagás with most of the recommendations included in the Good Governance Code, produced by the Special Committee for the Promotion of Transparency and Security income markets and Listed Companies, in the fields of publicity and rules of corporate governance.

This Annual Corporate Governance Report was approved by the Board of Directors of Enagás at its meeting on 18 March 2004, with all members of the Board of Directors voting in favour.

Report of the Auditing and Compliance Committee

Following the recommendations on Corporate Governance, the Enagás Auditing and Compliance Committee, at its meeting on 19 February 2004, issued a report detailing its main activities during the financial year. This Report is reproduced below.

The Enagás Auditing and Compliance Committee met four times during the 2003 financial year 2003. As well as its members, the company's external auditor, PriceWaterhouseCoopers, the Head of Internal Auditing, Mr. Espejo, and the Financial Director of Enagás, Mr. De Reina, were invited to various meetings.

The work done by the Enagás Auditing and Compliance Committee during the financial year was as follows:

A prior examination of the annual accounts for the financial year 2002: Before they were formulated by the Board of Directors, the Auditing Committee examined the annual accounts, considering their content with both the Enagás Financial Director and the external Auditor, PricewaterhouseCoopers. The Committee proposed that the Board formulate the accounts presented by the company, as it felt that it was a faithful and accurate reflection of its real situation and contained the necessary and sufficient information to be understood, clearly explained the existing risks and had been produced according to generally accepted accounting principles and regulations. The Board of Directors, following the recommendations of the Committee, formulated the accounts without any reservations and they were subsequently approved by the Ordinary General Meeting held in April 2003.

Proposal for appointment of an auditor: The Auditing Committee proposed PriceWaterhouseCoopers to the Board of Directors as the company auditor for the 2003 financial year 2003. The Board agreed with the proposal and put it before the General Meeting, which approved the appointment.

Reviews of accounting statements: The Auditing Committee has examined each of the quarterly accounting statements presented by the company, with the corresponding reports (of limited scope) produced by the External Auditor.

Control of information: The Committee has checked and confirmed the information regularly published by the company, obtaining full compliance with the principle of equality of treatment for investors.

Internal control reports: The company has submitted regular internal control reports to the Committee for its consideration.

Implementation and Follow-up of the Auditing Plan: Throughout the financial year 2003, the Committee took particular interest in the implementation of the internal auditing plan. This consists of the identification of potential risks to the company's

business, the establishment and determination of business processes, the establishment of the way in which each of the business processes may be affected by potential risks, the study of these risks and the proposed measures to minimise or prevent these risks. The risks audit made sufficient progress over the financial year, with the identification of certain actions where implementation would improve the company's risk control.

Modification and follow up of the application of the Contracting and Purchasing Regulations: The Auditing Committee has given special consideration to the company's new Contracting and Purchasing Regulations.

Modifications to company texts: During the financial year, the Committee first promoted the adoption of a new Internal Code of Conduct in matters relating to stock markets, in which the treatment of conflicts of interest, the use of privileged information, transactions with company shares and the company's bought-back shares policy were adapted to the requirements of the Financial Law. Subsequently, the Committee dealt with the question relating to the nature of the Committee itself, its powers and its relationship to the Board of Directors. These were all expressed in the proposal and subsequent approval of Auditing and Compliance Committee Regulations, which are autonomous and independent of the Regulations of the Board of Directors.

At its meeting of February 2004, the Auditing Committee examined the annual accounts of Enagás S.A. and its consolidated group for the 2003 financial year, considering their content with the Enagás Financial Director and the external Auditor, PricewaterhouseCoopers. The Committee proposed that the Board formulate the accounts presented by the company, as it felt that it was a faithful and accurate reflection of its real situation and contained the necessary and sufficient information to be understood, clearly explained the existing risks and had been produced according to generally accepted accounting principles and regulations.

This Report has been produced and approved by the Auditing and Compliance Committee, at its meeting held on 19 February 2004, with all its members voting in favour.