

Report of Corporate Governance and Governing Bodies

04



For more information please contact:
Enagás, S.A.
Dirección Gral. de Estrategia y Regulación
Dirección de Relación con Inversores
Paseo de los Olmos, 19. 28005 Madrid
Teléfonos: 900 100 399 / 917 099 330
Fax: 917 099 328
e-mail: investors@enagas.es
www.enagas.es

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➤ Letter from the Chairman



Dear Shareholder,

The 2004 financial year was an important one in Enagas' commitment to consolidating the Company's policy of independence, transparency and good corporate governance.

To achieve our essential goal of strengthening the trust that you have placed in Enagas, numerous steps have been taken to guarantee the most transparent, complete, and detailed information possible with a view to fostering your participation in the General Shareholders' Meeting.

In this respect, I should like to highlight that the goals pursued through Enagas' corporate governance strategies go above and beyond the legal minimums and endeavour to anticipate future trends in improving transparency and good corporate governance practises.

Therefore, throughout the 2004 financial year, we have set a number of initiatives in motion addressed at strengthening our Corporate Governance practises and, in keeping with the latest legislative requirements, have approved the new Regulations of the Board of Directors and of the General Shareholders' Meeting.

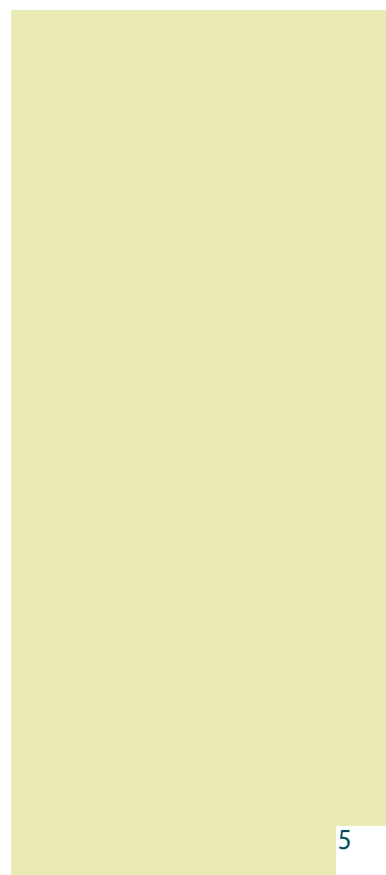
Moreover, we have taken great strides forward in our commitment to transparency, increasing the quality and quantity of the information we furnish to shareholders and investors, presenting our quarterly results more clearly and comprehensively, and channelling all these goals into the Company website, where content is continually updated and broadened.

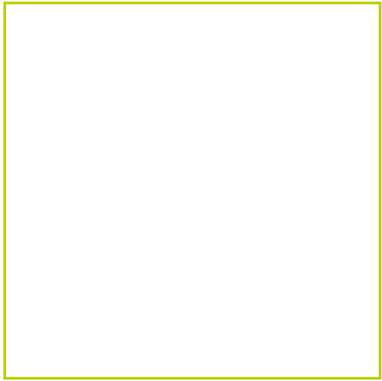
The present Annual Report on Corporate Governance offers an accurate and complete picture of all the measures adopted by the Company that evidence its compliance with the requirements and recommendations on good corporate governance. Finally, I should like to make special mention of the effort made by the Board of Directors of Enagas and its entire staff in increasing the quality and transparency of information, to progress in its objective of creating sustainable value and generating greater trust in our shareholders and investors.

Thank you very much.



Antonio González-Adalid
Chairman





Ownership structure

A.1. Fill in the following tables on the company's share capital:

Latest date of any change	Share capital (€)	Numbers of shares
03-05-2002	358,101,390.00	238,734,260

If there are different types of shares, indicate this in the following box:

Class	Number of shares	Nominal unit value

A.2. List the direct and indirect holders of significant holdings in your company at the end of its financial year, excluding members of the board:

Name or company name of shareholder	Number of shares held directly	Number of shares held indirectly (*)	% Total equity
BP ESPAÑA, S.A.	11,936,713	0	5.000
GAS NATURAL SDG, S.A.	62,309,642	0	26.100
ATALAYA INVERSIONES, SRL	0	11,989,392	5.022
CAJASTUR (CAJA DE AHORROS DE ASTURIAS)	0	11,937,395	5.000

(*) Through:

Name or company name of direct shareholder	Number of direct shares	% equity
SAGANE INVERSIONES, SRL	11,989,392	5.022
CANTÁBRICA DE INVERSIONES DE CARTERA, S.L.	11,937,395	5.000
Total:	23,926,787	

Indicate the most significant movements in shareholding structure during the financial year:

Name or company name of shareholder	Date of operation	Description of the operation
CAM (CAJA DE AHORROS DEL MEDITERRÁNEO)	23-04-2004	Exceeded 5% of equity
GAS NATURAL SDG, S.A.	03-12-2004	A reduction below 30% of equity

A.3. Fill in the following tables on company Directos holding company shares:

Name or company name of director	Date first appointed	Date last appointed	Number of shares held directly	Number of shares held indirectly (*)	% Total equity
ANTONIO GONZÁLEZ -ADALID GARCÍA-ZOZAYA	29-09-2000	30-04-2004	6,069	0	0.003
BANCAJA(CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE)	09-07-2002	25-04-2003	11,936,713	0	5.000
CAM(CAJA DE AHORROS DEL MEDITERRÁNEO)	25-04-2003	25-04-2003	12,002,000	0	5.027
SALVADOR GABARRÓ SERRA	18-11-2004	18-11-2004	10	0	0.000
SIR. ROBERT MALPAS	31-05-2002	31-05-2002	12,000	0	0.005
LUIS JAVIER NAVARRO VIGIL	09-07-2002	25-04-2003	10	0	0.000
RAMÓN PÉREZ SIMARRO	17-06-2004	17-06-2004	100	0	0.000
RAFAEL VILLASECA MARCO	31-05-2002	31-05-2002	356	0	0.000

(*) Through:

Name or company name of the direct shareholder	Number of direct shares
Total	
% of total equity held by the Board of Directors	10.035

Fill in the following tables on company Directors holding company share options:

Name or company name of director	Number of options held indirectly	Number of options held indirectly	Equivalent number of shares	% Total equity

A.4. Where applicable, indicate any family, commercial, contractual or corporate relations between owners of significant shareholdings, as far as the company knows, unless they are of little relevance or arise from ordinary trading or exchange:

Names or company names related	Type of relation	Brief description

A.5. Where applicable, indicate any commercial, contractual or corporate relations between owners of significant shareholdings, as far as the company knows, unless they are of little relevance or arise from ordinary trading or exchange:

Names or company names related	Type of relation	Brief description
ENAGÁS-BANCAJA(CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE)	Shareholder	PAYMENT OF DIVIDENDS FOR THE 2003 BUSINESS YEAR. AMOUNT (IN THOUSANDS OF EUROS): 3,600
ENAGÁS-BANCAJA(CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE)	Commercial	INTEREST COVER CONTRACT (COLLAR) FOR THE PERIOD JANUARY 2005/APRIL 2008. AMOUNT (THOUSAND OF €): 15,000





ENAGÁS-BP ESPAÑA,S.A	Shareholder	PAYMENT OF DIVIDENDS CORRESPONDING TO THE 2003 FINANCIAL YEAR. AMOUNT (THOUSAND €): 3,600
ENAGÁS-BP ESPAÑA,S.A	Contractual	SERVICES RELATED TO THIRD PARTY ACCESS TO ENAGAS INFRASTRUCTURE (ATR): 20,593.3 GWH WERE REGASIFIED DURING THE YEAR OF 2004. AMOUNT (THOUSAND €): 12,719.1; 19,155 GWH WERE TRANSPORTED. TOTAL (THOUSAND €): 4,430; AN AVERAGE QUANTITY OF 637 GWH WAS STORED. AMOUNT (THOUSAND €): 2,044.4. TOTAL AMOUNT OF ATR SERVICES (THOUSAND €): 19,193.59
ENAGÁS-BP ESPAÑA,S.A	Contractual	PROVISION OF SERVICES FOR TRANSFERRING ENAGAS TO BP. AMOUNT (THOUSAND €): 500.
ENAGÁS-CAJASTUR(CAJA DE AHORROS DE ASTURIAS)	Shareholder	PAYMENT OF DIVIDENDS CORRESPONDING TO THE 2003 FINANCIAL YEAR. AMOUNT (THOUSAND €): 3,600
ENAGÁS-CAJASTUR (CAJA DE AHORROS DE ASTURIAS)	Commercial	PARTICIPATION OF CAJASTUR IN SYNDICATED LOAN AGREED ON THE 10-04-2003 AND PAID ON THE 10-01-2005. AS LENDING BODY, TOTAL PARTICIPATION (THOUSAND €): 20,000. INTEREST ON SAID LOAN HAS BEEN PAID FOR AN AMOUNT OF (THOUSAND €): 500,000.
ENAGÁS-CAM (CAJA DE AHORROS DEL MEDITERRÁNEO)	Shareholder	PAYMENT OF DIVIDENDS FOR THE 2003 FINANCIAL YEAR. AMOUNT (THOUSAND €): 3,100
ENAGÁS-CAM (CAJA DE AHORROS DEL MEDITERRÁNEO)	Commercial	AGREEMENT FOR CREDIT LINE FOR A TOTAL OF 6 MILLION EUROS. BALANCE AVAILABLE ON THE 31-12-2004 (THOUSAND EUROS): 2,500. FOR SAID CREDIT LINE, INTEREST WAS PAID DURING THE 2004 FINANCIAL YEAR FOR THE AMOUNT OF (THOUSAND €): 50
ENAGÁS-CAM (CAJA DE AHORROS DEL MEDITERRÁNEO)	Commercial	INTEREST COVER CONTRACT (COLLAR) FOR THE PERIOD JANUARY 2005/APRIL 2008. AMOUNT (THOUSAND €): 15,000
ENAGÁS-GAS NATURAL SDG, S.A	Shareholder	PAYMENT OF DIVIDENDS FOR THE 2003 FINANCIAL YEAR. AMOUNT (THOUSAND €): 25,600





ENAGÁS-GAS NATURAL SDG, S.A	Contractual	SERVICES RELATED TO THIRD PARTY ACCESS TO ENAGAS INFRASTRUCTURE (ATR): 69,013 GWH NATURAL GAS WERE REGASIFIED FOR THE GROUP. TOTAL (THOUSAND €): 51,762.55; 133,075 GWH WERE TRNASPORTED. AMOUNT (THOUSAND €): 9,936.74; TOTAL AMOUNT OF ATR SERVICES (THOUSAND €): 78,551.49
ENAGÁS-GAS NATURAL SDG, S.A	Contractual	PROVISION OF TRANSFERS FROM ENAGAS TO GAS NATURAL TO GAS NATURAL AMOUNT (THOUSAND €): 560
ENAGÁS-GAS NATURAL SDG, S.A	Contractual	DEVELOPING INFRASTRUCTURES (CONNECTIONS) BY ENAGAS TO GAS NATURAL. AMOUNT (THOUSAND €): 465
ENAGÁS-GAS NATURAL SDG,S.A	Contractual	PURCHASING GAS FOR THE TARIFF MARKET: COMPANIES IN THE GAS NATURAL GROUP HAVE SUPPLIED ENAGAS WITH GAS FOR SUPPLY OF TARIFF MARKET CONSUMERS AT A QUANTITY OF 61,975 GWH. AMOUNT (THOUSAND €): 722,100
ENAGÁS-GAS NATURAL SDG, S.A	Contractual	SALE OF GAS FROM ENAGAS TO DISTRIBUTORS OF THE GAS NATURAL GROUP: DURING THE 2004 FINANCIAL YEAR, 58,206 GWH WERE TRANSFERRED AMOUNT (THOUSAND €): 672,000
ENAGÁS-GAS NATURAL SDG,S.A	Contractual	FIBRE OPTICS MAINTENANCE SERVICES PROVIDED BY ENAGAS TO GAS NATURAL, AMOUNT (THOUSAND €): 1,927
ENAGÁS-GAS NATURAL SDG,S.A	Contractual	SERVICE OF MAINTENANCE OF NETWORKS AND BRANCHES BY ENAGAS TO GAS NATURAL, AMOUNT (THOUSAND €): 953
ENAGÁS-GAS NATURAL SDG, S.A	Contractual	R+D SERVICES, AMOUNT (THOUSAND €): 1,096.
ENAGÁS-GAS NATURAL SDG,S.A	Contractual	LEASING OF FIBRE OPTICTS FROM GAS NATURAL TO ENAGAS, AMOUNT (THOUSAND €): 17,610
ENAGÁS-GAS NATURAL SDG, S.A	Contractual	SUPPLY OF ELECTRICITY FROM GAS NATURAL TO ENAGAS, AMOUNT (THOUSAND €): 6,220
ENAGÁS-GAS NATURAL SDG,S.A	Contractual	LEASING OF MINIMUM EMERGENCY STOCKS AND STRATEGIC RESERVES FROM GAS NATURAL TO ENAGAS. AMOUNT (THOUSAND €): 3,562

A.6. Indicate any shareholders agreements that have been communicated to the company:

Participants in shareholder's agreement	% of company capital affected	Brief description of agreement

Indicate, as applicable, any concerted actions between company shareholders known to the company:

Participants in shareholders' agreement	% of equity affected	Brief description of concerted action

Expressly indicate any change to or breach of said agreements or concerted actions, if any.

A.7. Indicate whether any legal or physical person exercises or may exercise control over the company pursuant to Article 4 of the Securities Market Act:

Name or Company Name

Observations

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

At the end of the financial year:

Number of shares held directly	Number of shares held indirectly (*)	% Total/equity

(*) Through:

Name or company name of the director shareholder	Number of direct shares
Total	

List any significant variations that have occurred during the financial year in accordance with Royal Decree 377/1991:

Date	Number of shares held directly	Number of shares held indirectly	% Total equity
Earnings from treasury-stock operations over the year (in thousand Euros)			0

A.9. List the terms and conditions of any authorisations conferred by the GSM to the Board of Directors to purchase and/or transfer the treasury stock described in section A.8 above.

There is no mandate in force by the GSM to the Board of Directors for the acquisition or transfer of its own shares.

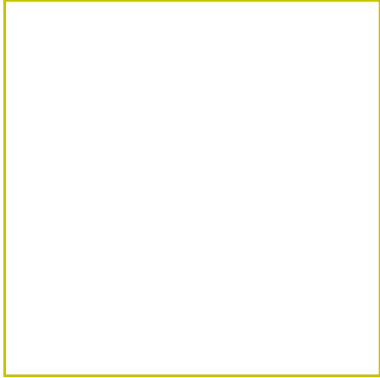
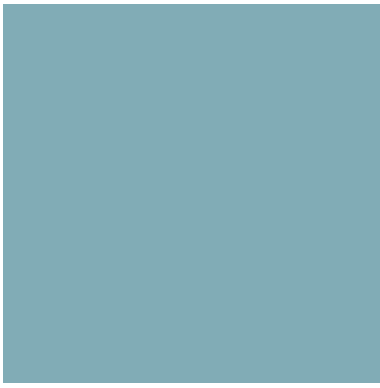
A.10. Indicate, as applicable, any restrictions under law or Bylaws on exercising voting rights, as well as any legal restrictions on the acquisition and/or transfer of equity:

In accordance with the provisions of Additional Disposition Twenty of Act 34/1998, of 7 October, on the Hydrocarbons Sector (in its drafting made by Act 62/2003, of 30 December), no legal or physical person may own shares in Enagas of more than 5% of equity. Voting rights corresponding to shares owned by those who exceed this percentage will be suspended while the share percentage is rectified.

The Company Bylaws of Enagas include these restrictions, while they do also consider a temporary exception for shareholders that previously had higher shareholdings. In compliance with a recent request from the National Energy Commission, it is planned to submit to the ordinary GSM of 2005 the modification to Bylaws planned to eliminate this temporary exception. Therefore, in the event that said modification to Bylaws is agreed, no shareholder, without exception, may possess more than 5% of Enagas equity, and if this is the case, may not exercise voting rights above this percentage.



As for exercising the right to attendance and vote, Article 27 of Enagas Bylaws establishes that "Shareholders owning 100 shares registered, at least five days prior to the date scheduled for the Shareholders' Meeting, with the corresponding registers of any of the entities participating in the Management Company for the Registry, Clearing and Settlement of Securities or the entity replacing it, accordingly, may attend and vote at the General Meetings. Shareholders who do not own the aforementioned number of shares are entitled to form groups and delegate another shareholder to represent them; for this purpose, the shares corresponding to each person in his/her own right and by representation shall be cumulative".



Structure of corporate administration

B.1. Board of Directors

B.1.1. Detail the maximum and minimum number of Directors established in the Bylaws:

Maximum number of Directors	16
Minimum number of Directors	6

B.1.2. Fill in the following table with Board members:

Director's name or company name	Represented by	Seat on the board	Date first appointed	Date last appointed	Election procedure
ANTONIO GONZÁLEZ - ADALID GARCÍA - ZOZAYA		CHAIRMAN	29-09-2000	30-04-2004	GSM
JESÚS DAVID ALVÁREZ MEZQUÍRIZ		DIRECTOR	25-04-2003	25-04-2003	GSM





BANCAJA (CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE)	JOSE LUIS OLIVAS MARTÍNEZ	DIRECTOR	09-07-2002	25-04-2003	GSM
RAMÓN BLANCO BALÍN		DIRECTOR	29-07-1999	30-04-2004	GSM
CAM (CAJA DE AHORROS DEL MEDITERRÁNEO)	VICENTE SALA BELLÓ	DIRECTOR	25-04-2003	25-04-2003	GSM
CARLOS EGEA KRAUEL		DIRECTOR	09-07-2002	25-04-2003	GSM
JOSÉ MANUEL FERNÁNDEZ NORNIELLA		DIRECTOR	31-05-2002	31-05-2002	GSM
SALVADOR GABARRÓ SERRA		DIRECTOR	18-11-2004	18-11-2004	CO-OPTION
ENRIQUE LOCUTURA RUPÉREZ		DIRECTOR	30-04-2004	30-04-2004	GSM
SIR ROBERT MALPAS		DIRECTOR	31-05-2002	31-05-2002	GSM
DIONISIO MARTÍNEZ MARTÍNEZ		DIRECTOR	31-05-2002	31-05-2002	GSM
LUIS JAVIER NAVARRO VIGIL		DIRECTOR	09-07-2002	25-04-2003	GSM
PEÑA RUEDA, SLU	MANUEL MENÉNDEZ MENÉNDEZ	DIRECTOR	30-04-2004	30-04-2004	GSM
RAMÓN PÉREZ SIMARRO		DIRECTOR	17-06-2004	17-06-2004	CO-OPTION
JOSÉ RIVA FRANCOS		DIRECTOR	31-05-2002	31-05-2002	GSM
RAFAEL VILLASECA MARCO		DIRECTOR	31-05-2002	31-05-2002	GSM

Total number of Directors	16
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Indicate any members leaving the Board during this period:

Director's name or company name	Leaving date
JUAN BADOSA PAGÉS	21-05-2004
ANTONIO BRUFAU NIUBÓ	18-11-2004

B.1.3. Fill in the following table on Board members and their different conditions:

EXECUTIVE DIRECTORS

Director's name or company name	Committee proposing appointment	Post with company organisation
ANTONIO GONZÁLEZ - ADALID GARCÍA -ZUZAYA	APPOINTMENTS AND REMUNERATIONS COMMITTEE	CHAIRMAN

EXTERNAL CONTROLLING DIRECTORS

Director's name or company name	Committee proposing appointment	Name or company name of significant shareholder represented or who proposed appointment
BANCAJA (CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE)	BOARD OF DIRECTORS	BANCAJA (CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE)
RAMÓN BLANCO BALÍN	APPOINTMENTS AND RENUMERATIONS COMMITTEE	GAS NATURAL SDG, S.A.
CAM (CAJA DE AHORROS DEL MEDITERRÁNEO)	APPOINTMENTS AND RENUMERATIONS COMMITTEE	CAM (CAJA DE AHORROS DEL MEDITERRÁNEO)
CARLOS EGEA KRAUEL	BOARD OF DIRECTORS	SAGANE INVERSIONES, SRL
SALVADOR GABARRÓ SERRA	BOARD OF DIRECTORS	GAS NATURAL SDG, S.A.
ENRIQUE LOCUTURA RUPÉREZ	APPOINTMENTS AND RENUMERATIONS COMMITTEE	GAS NATURAL SDG, S.A.
LUIS JAVIER NAVARRO VIGIL	APPOINTMENTS AND RENUMERATIONS COMMITTEE	BP ESPAÑA, S.A.
PEÑA RUEDA, S.L.U.	APPOINTMENTS AND RENUMERATIONS COMMITTEE	CAJASTUR (CAJA DE AHORROS DE ASTURIAS)

EXTERNAL INDEPENDENT DIRECTORS

Director's name or company name	Committee proposing appointment	Profile
JESÚS DAVID ÁLVAREZ MEZQUIRIZ	APPOINTMENTS AND RENUMERATIONS COMMITTEE	Member of the Boards of Bodegas Vega Sicilia, S.A. Eulen, S.A. and El Enebro, S.A.
JOSE MANUEL FERNÁNDEZ NORNIELLA	BOARD OF DIRECTORS	Chairman of Grupo Ebro Puleva, S.A., Member of the Board of Iberia, S.A. and Member of the Board of Advisors of Abengoa, S.A.
SIR ROBERT MALPAS	BOARD OF DIRECTORS	Chairman of "Evolution".
DIONISIO MARTÍNEZ MARTÍNEZ	BOARD OF DIRECTORS	Member of the Board of Invercaixa, Member of the General Commission of Codification, President of Boysep Investment SICAV, S.A., Secretary of the Board of EBN Banco, S.A. and Secretary of Patronato Fundación de Estudios para la Economía (FEDEA).
RAMÓN PÉREZ SIMARRO	APPOINTMENTS AND RENUMERATIONS COMMITTEE	Has been General Secretary of the Energy (1990) and General Secretary of Mining Resources and Energy (1990-1993). Being responsible for the energy sector, he directed the liberalization process of the Spanish oil sector and approved The National Energy Plan (1991-2000). Has been member of the Boards of Red Eléctrica de España, S.A., CLH (Compañía Logística de Hidrocarburos, S.A.), CAMPSA, Repsol, S.A. and INI (Instituto Nacional de Industria).





JOSÉ RIVA FRANCOS	BOARD OF DIRECTORS	Member of the Boards of Aldeasa, S.A., Logista, S.A., Red Eléctrica de España, S.A. and Vice-Chairman and Member of the Board of the companies of Grupo Suardiaz
RAFAEL VILLASECA MARCO	BOARD OF DIRECTORS	Member of the Board and General Director of Grupo Panrico, S.A., Chairman of Túneles y Accesos de Barcelona, C.S.A. and Chairman of Túnel de Cadi C.S.A.

OTHER EXTERNAL DIRECTORS

Director's name or company name	Committee proposing appointment

List the reasons why these are not considered as controlling or independent Directors:

Indicate any variations, as applicable to the type of each Director during the period:

Director's name or company name	Date of change	Previous condition	Current condition
ANTONIO GONZÁLEZ - ADALID GARCÍA - ZOZAYA	30-04-2004	EXTERNAL CONTROLLING DIRECTOR	EXECUTIVE DIRECTOR

B.1.4. Indicate whether the classification of Directors made in the previous points corresponds to the distribution established by the Board Regulations:

The classification of Directors corresponds to criteria stemming from Article 3, section 2 of Regulations of the Board of Directors of Enagas, which establish two categories of Directors: 1.- Internal or executive: with executive management powers in the company, who may not exceed 20 percent of the total number of the Board of Directors. 2.- External: who may be:

2.1. Controlling: Proposed by holders of significant stable shares in company capital.

2.2. Independent: People of acknowledged professional prestige who are able to contribute their experience and knowledge to corporate governance and, while not executive or controlling Directors, meet the conditions which guarantee their impartiality and objectivity. In exercising their powers of co-optation and proposal to the GSM to fill vacancies, the Board of Directors shall ensure that in the composition of the body, independent Directors represent a wide majority over executive Directors.

B.1.5. Indicate, if they exist, any powers which are delegated to Directors:

Director's name or company name	Brief description
ANTONIO GONZÁLEZ-ADALID GARCÍA-ZOZAYA	HOLDS THE BROADEST POWERS OF REPRESENTATION, ADMINISTRATION AND DISPOSITION OF COMPANY OPERATIONS. THE DELEGATION INCLUDES ALL THE POWERS OF THE BOARD OF DIRECTORS WITH THE EXCEPTION OF THOSE WHICH CANNOT BE DELEGATED BY LAW AND THE REGULATIONS OF THE BOARD OF DIRECTORS OF ENAGAS

B.1.6. Identify, as applicable, Board members holding administrative or directive posts in other companies forming part of the listed company:

Director's name or company name	Company name of the group company	Post

B.1.7. List, as applicable, company Directors who are members of the Board of Directors of other listed companies in Spain who are not members of the group, and which has been notified to the company:

Director's name or company name	Listed company	Post
BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante)	METROVACESA, S.A.	DIRECTOR
BANCAJA (Caja de Ahorros de Valencia, Castellón y Alicante)	NH HOTELES, S.A.	DIRECTOR
RAMÓN BLANCO BALÍN	ERCROS, S.A.	DIRECTOR
RAMÓN BLANCO BALÍN	NH HOTELES, S.A.	DIRECTOR
JOSÉ MANUEL FERNÁNDEZ NORNIELLA	ABENGOA, S.A.	DIRECTOR
JOSÉ MANUEL FERNÁNDEZ NORNIELLA	GRUPO EBRO PULEVA, S.A.	PRESIDENT
JOSÉ MANUEL FERNÁNDEZ NORNIELLA	ENDESA, S.A.	DIRECTOR
JOSÉ MANUEL FERNÁNDEZ NORNIELLA	IBERIA, S.A.	DIRECTOR
SALVADOR GABARRÓ SERRA	GAS NATURAL SDG, S.A.	PRESIDENT





MANUEL MENÉNDEZ MENÉNDEZ	HIDROCANTÁBRICO (ABSORBIDA)	PRESIDENT
LUIS JAVIER NAVARRO VIGIL	CLH (COMPAÑÍA LOGÍSTICA DE HIDROCARBUROS, S.A.)	DIRECTOR
JOSÉ RIVA FRANCOS	COMPAÑÍA DE DISTRIBUCION INTEGRAL LOGISTA, S.A.	DIRECTOR
JOSÉ RIVA FRANCOS	RED ELÉCTRICA DE ESPAÑA, S.A.	DIRECTOR
RAFAEL VILLASECA MARCO	GAS NATURAL SDG, S.A.	CHIEF EXECUTIVE

B.1.8. Fill in the following tables with details of the accrued aggregate remuneration of Directors during the year:

a) In the company subject to this report:

Remuneration item	Thousand Euros
Fixed pay	682
Variable pay	267
Allowances	888
Token payments	0
Share options and/or other financial instruments	0
Others	11
Total:	1,848

Other benefits	Thousand Euros
Advances	0
Loans granted	389
Pension plans and funds: contributions	9
Pension plans and funds: obligations contracted	0
Life insurance premiums	42
Guarantees constituted by the company in favour of Directors	0

b) For Directors who sit on the Board of Directors and/or senior management of group companies:

Remuneration item	Thousand Euros
Fixed pay	0
Variable pay	0





Allowances	0
Token payments	0
Share options and/or other financial instruments	0
Others	0
Total:	0

Other benefits	Thousand Euros
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Advances	0
Loans granted	0
Pension plans and funds: contributions	0
Pension plans and funds: obligations contracted	0
Life insurance premiums	0
Guarantees constituted by the company in favour of Directors	0

c) Total remuneration by type of Directorship:

Type of director	By company	By group
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Executive	1,014	0
Controlling Directors	425	0
Independent external Directors	409	0
Other external Directors	0	0
Total:	1,848	0

d) Regarding the attributable profit of the controlling company:

Total Directors' remuneration (in thousand euros)	1,848
Total Director's remuneration/attributable profit of controlling company (as %)	1,170

B.1.9. Identify members of senior management who are not also executive Directors and indicate total remuneration accruing to them during the year:

Name or company name	Post
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JUAN IGNACIO CARBONELL PORRAS	IT SYSTEMS DIRECTOR
ANTONIO GARCÍA MATEO	GENERAL DIRECTOR OF TECHNOLOGY, ENGINEERING AND THE ENVIRONMENT





FRANCISCO JAVIER GONZÁLEZ JULIÁ	GENERAL DIRECTOR OF INFRASTRUCTURE AND OPERATIONS
DIEGO DE REINA LOVERA	FINANCIAL DIRECTOR
JUAN MANUEL LLABRÉS ESTABEN	GENERAL DIRECTOR OF STRATEGY AND REGULATION
ERUNDINO NEIRA QUINTAS	DIRECTOR OF HUMAN RESOURCES
LUIS PÉREZ DE AYALA BECERRIL	DIRECTOR OR LEGAL AFFAIRS

Total remuneration of senior management (in thousand Euros)	1,564
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B.1.10. Identify in aggregate terms any guarantee or ‘golden parachute’ clauses in the event of dismissal or changes in control benefiting senior managers, including executive Directors of the company or its group. Indicate whether these contracts must be reported to and/or approved by governing bodies of the company and/or its group:

Number of beneficiaries	2
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Board of directors	GSM
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Body authorising clauses	
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YES	NO
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Is the GSM informed of clauses?	X
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B.1.11. Indicate the process for establishing remuneration of members of the Board of Directors and relevant clauses in Bylaws regarding said pay.

The process for establishing the remuneration for the members of the Board of Directors is covered in Article 36 of the Company Bylaws, which establish the following:

"The position of Director shall be remunerated.

The General Shareholders' Meeting shall determine the total maximum remuneration paid to the members of the Board of Directors, which shall be comprised of a sum in cash per year, or such period as determined by the General Shareholders' Meeting.

On determining such remuneration, the Meeting may resolve that part of the same may be applied to the position itself and paid equally to all the members, while the other part

may be distributed by the Board of Directors itself, according to the criteria established by the General Shareholders' Meeting.

Directors may receive additional remuneration in the form of shares in the Company, share options or other securities that enable the holder to obtain shares, or through other remuneration systems based on the market price value of the shares. The application of the said systems shall be resolved by the General Shareholders' Meeting, which shall determine the value of the shares granted each Director, the price for the exercise of option rights, the term of duration and all other conditions deemed appropriate.

The remuneration established herein shall be compatible with and independent of salaries, wages, indemnifications, pensions or compensations of any type established in general or in particular for those members of the Board of Directors who are lined to the Company through a normal labour relationship, special top management contract, or a service contract. Such relationships shall be compatible with the position of member of the Board of Directors.

The members of the Board shall be entitled to the payment or reimbursement of expenses incurred as a result of attendance at meetings and other tasks directly related to the performance of their duties, such as travel, accommodation, meals and any other which may arise".

By virtue of the foregoing, Enagas has established a payment framework for Directors aimed at covering both the responsibilities involved in carrying out their duties, as well as effective dedication and attendance at sessions, without removing or limiting the powers of the GSM in any way. This body is responsible for determining the maximum amount to be paid to Directors and the form and criteria that must be taken into account in assigning and distributing such payment, to be effected by the Board of Directors, following the guidelines established by the General Meeting.

Likewise, Article 16 of the Regulations of the Board of Directors stipulates that the Appointments and Remunerations Committee establishes the payment criteria for Company Directors, within the scope of the Company Bylaws and in accordance with resolutions of the General Meeting, while the Board of Directors is responsible for the final distribution of the overall sum within the limits established by Bylaws for this purpose. The Annual Report, as an integral part of the Annual Accounts sets out the information judged appropriate on remuneration received by members of the Board of Directors.

B.1.12. Indicate, as applicable, the identity of Board members who are in turn members of the Board of Directors or hold Directorships in companies holding significant stock in the listed company and/or its group companies:

Director's name or company name	Name or company name of significant shareholder	Post
RAMÓN BLANCO BALÍN	GAS NATURAL SDG,S.A	DIRECTOR
SALVADOR GABARRÓ SERRA	GAS NATURAL SDG,S.A	PRESIDENT
ENRIQUE LOCUTURA RUPÉREZ	GAS NATURAL SDG, S.A	CHIEF EXECUTIVE
MANUEL MENÉNDEZ MENÉNDEZ	CAJASTUR(CAJA DE AHORROS DE ASTURIAS)	DIRECTOR
LUIS NAVARRO VIGIL	BP ESPAÑA, S.A	PRESIDENT
JOSE LUIS OLIVAS MARTÍNEZ	BANCAJA (CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE)	PRESIDENT
VICENTE SALA BELLÓ	CAM (CAJA DE AHORROS DEL MEDITERRÁNEO)	PRESIDENT

Detail, as applicable, any relevant relationships other than those given in the previous point that may link any board members with significant shareholders and/or group companies:

Director's name or company name	Name or company name of significant shareholder	Description of relation

B.1.13. Indicate, as applicable, any changes made to Board Regulations during the year.

As mentioned above, the Board of Directors approved the new organisational and operational Regulations of the Board of Directors at its meeting of 19 February 2004. The aim of this text is to incorporate new regulatory requirements into the regulations governing the Board of Directors'. The Spanish National Securities Market Commission (CNMV) was notified, and the information was published on its website on 18 March 2004, with the new text attached. The new Regulations were registered at the Commercial Registry on 27 April 2004. The basic contents of these Regulations affect the following areas, amongst others:

1. TYPES OF DIRECTORSHIPS

In order to adapt the structure of the Board of Directors to the recommendations in the Aldama Report, two types of Directorships have been established, internal and external. This does not involve any change with respect to the provisions of the former Regulations, but will give greater clarity to the structure of the Board, as it places controlling and independent Directors in the external group.

The limitation on the number of internal or executive Directors, stipulating that they may not exceed 3 members, or 20% of the total number of Board members, has been replaced in order to give the Regulations greater flexibility.

2. DUTIES OF DIRECTORS

Board regulations include and specify the duties of diligent administration, allegiance, loyalty, secrecy and non-competition to which all Directors are subject.

The duty of the Director is to promote and supervise the management of the Company in order to maximise its value for the benefit of shareholders. In this respect, the new Board of Directors' Regulations include new legal provisions introduced by Act 26/2003 of 17 July, which modifies the Spanish Corporations Act and broadens the scope of administrators' duties.

By virtue of their position, Directors must:

- a) Perform any specific tasks entrusted to them by the Board of Directors that can be reasonably encompassed within their scope of competence as Directors.
- b) Inform the Board of Directors concerning any actions they have taken as a result of delegation or conferral of powers.

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

a) Duty of diligent administration

Directors shall carry out their duties 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 deliberations so that their input and opinions make an effective contribution to the decision-making process. If they are unable to attend the meetings to which they have been called for any justified reason, they must instruct a Director to represent them accordingly.

b) Duty 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 applicable to their post, and as a possible shareholder or executive in the Company, are subject to the Company's Internal Code of Conduct.

c) Duty of loyalty:

Directors may not use the Company's name or their position as a Director to engage in transactions on their own behalf or on behalf of other parties closely linked to them.

Closely linked parties are specified in Article 127 (iii) (5) of the Joint Stock Companies Act. Directors may not make investments or enter into any transactions linked to the Company's assets for their own benefit or that of persons closely linked to them, of which they

become aware as a result of holding their post when the investment was offered to the Company, or when the Company had an interest in the same, providing that the Company did not decline entering into 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 which may arise with the Company's interests.

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

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

Directors must report their shareholding in any company with the same, similar or complementary activity as the company's corporate purpose, and the posts held and duties carried out. They must also provide notification of their involvement, on their own behalf 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 undertake, either directly or indirectly, professional or commercial transactions with the Company or companies belonging to the Group either directly or indirectly unless they provide prior notification of a conflict of interests and the Board approves the transaction after notifying the Appointments and Remunerations Committee. In the case of ordinary transaction, generic authorisation of the type of transactions and its terms and conditions shall be sufficient.

As loyal representatives of the Company, Directors must inform it of the Enagas shares that they own either directly or through companies in which they have a core shareholding, in accordance with the established procedure and other formalities established in relation to investments in the shares in Enagas and companies in which it has a shareholding.

Directors affected by appointment, re-election or dismissal proposals must not participate in the deliberations and voting on these matters. In these cases, voting will be performed by secret ballot.

d) Confidentiality undertaking:

Directors must not disclose information of a confidential nature to which they have access by virtue of their appointments, even when they no longer occupy their posts.

They are obliged to keep the information, data, reports and records to which they have access by virtue of their posts absolutely secret, and may not disclose them to third parties or disseminate them when such action may have damaging consequences to the Company's interest.

Exceptions to the obligations referred to in this Article are cases in which the law allows such disclosure or dissemination to a third party, or where required to do so by regulatory or other authorities. In this case the transfer of information must comply with the stipulations of the law.

e) Non-competition obligation:

Directors must comply with the non-competition obligations established in Article 132 of the Joint Stock Companies Act.

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

Directors may not use non-public information of the Company for private ends, except when this does not prejudice the Company and when there is no exclusive right on the part of the Company – or similar legal position – with respect to the information that they intend to use, and provided that the information is not used in sale purchase transactions to acquire Company securities.

Directors may not make use of the Company's assets or take advantage of their position in the Company to obtain financial advantage unless they have made the appropriate payment.

In the event that such payment is made, the financial advantage thereby obtained shall be considered as an indirect payment and must be authorised by the Appointments and Remunerations Committee, in strict observance of the principle of parity of treatment between shareholders.

3. DUTIES OF THE BOARD OF DIRECTORS.

The new Board Regulations have organised, restructured and expanded the Board of Directors' duties, which now comprise four categories: these are duties relating to the organisation and operation of the Company, duties relating to corporate management, duties relating to Annual Accounts and External Audit and duties relating to the Securities Market.

4. BOARD OF DIRECTORS COMMITTEES.

During the financial year 2002, the Enagas Board of Directors established the Audit and Compliance Committee and the Appointments and Remunerations Committee, as stipulated in Articles 44 and 45 of the Company Bylaws and the Board Regulations.

The new Regulations of the Board of Directors, approved at the Board Meeting of 19 February 2004, gave them greater decision-making power in matters within the scope of their competencies.

At the same meeting of the Board of Directors, Regulations for the Audit and Compliance Committee were approved, providing it with organisational and operational rules as an independent and transparent body.

B.1.14. Indicate the procedures for appointing, re-electing, evaluating and removing Directors, the steps to be followed and the criteria to be employed in each procedure.

APPOINTMENT OF DIRECTORS:

Pursuant to Article 8 of the Regulations of the Board of Directors of Enagas "Directors shall be appointed by the General Shareholders' Meeting or by the Board of Directors, in con-

formity with the provisions contained in the Joint Stock Companies Act and the Company Bylaws".

Directors may hold their post for a maximum of four years, and may be re-elected. The Directors appointed by co-optation shall hold their post until the date of the first subsequent General Meeting.

Those appointed to Directorship must be people who, in addition to meeting the legal and statutory requirements, have recognised prestige and the appropriate professional knowledge and experience to suitably hold the post. Proposals for the appointment of Directors submitted by the Board of Directors for approval by the General Shareholders' Meeting and the resolutions in this respect adopted by this body by virtue of the co-optation powers legally conferred on it, must be preceded by the relevant proposal from the Appointments and Remunerations Committee.

A new introduction is the provision contained in the corporate governance recommendations, stating that when the Board of Directors does not agree with the proposals of the Committee, it must explain the reasons for this and duly record its reasons in the Minutes. It is worth making special mention of the appointment of independent Directors, as certain specific requirements have been established to ensure their impartiality and independence.

Thus, those persons 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 persons who are or have been an executive Director or senior manager of the Company in the previous two years, those who directly or indirectly have made or received payments from the Company that may jeopardise their independence, and in general, those persons that may have any relation to 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 appointed 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 AND EVALUATION OF DIRECTORS:

The Appointment and Remunerations Committee, responsible for evaluating the quality of work and dedication to the post of the Directors proposed during the previous term of office, shall provide the information required on the proposal for re-election of Directors presented by the Board of Directors to the General Shareholders' Meeting

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

REMOVAL AND DISMISSAL OF DIRECTORS:

Directors shall leave their post after the first General Shareholders' Meeting after the their term of appointment and in all other cases in accordance with the Law, Company Bylaws and the present Regulations.

B.1.15. Indicate the circumstances in which Directors are obliged to resign.

Directors must place their offices at the Board of Directors' disposal, 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 competitor company for the period of two years, unless the Board of Directors exempts him/her from this obligation or shortens its duration.

B.1.16. Explain whether the duties of Chief Executive Officer fall to the Chairman of the Board. Indicate any measures taken to limit the risks of one single person accumulating powers:

YES NO

Risk-limitation measures

As well as the functions and powers attributed to the post by law and the Company Bylaws, the Chairman of the Board of Directors, as an executive, effectively directs the Company's business, in accordance with the decisions and criteria established by the General Shareholders' Meeting and the Board of Directors in their respective competencies.

The Board of Directors delegates the powers mentioned in section B.1.5. of this Report to the Chairman.

B.1.17. Are reinforced majorities required, other than the legally stipulated ones, for any type of decision?

YES NO

Indicate how the Board of Directors adopts resolutions, including at least the minimum quorum of attendees and the kind of majorities required to pass resolutions:

Adoption of resolutions

Description of resolution	Quorum	Type of majority
	Article 39 of the Company Bylaws and Article 7 of the Regulations of the Board of Directors state that the Board of Directors is validly constituted when attended by at least half its members plus one, present or represented, except when it has not been called, in which case the attendance of all members is necessary.	The aforementioned Articles establish that resolutions are adopted with a majority vote of the Directors present or represented, regardless of the type of resolution being voted, except in a case of a written vote without a meeting, which shall only be valid when no Director opposes this procedure and when the requirements of the Commercial Registry Regulations are met.

B.1.18. Explain if there are specific requirements, other than those for Directors, for being appointed president:

YES NO

Description of requirements

B.1.19. Indicate whether the Chairman has the casting vote:

YES NO

Subjects for which there is a casting vote

B.1.20. Indicate whether Bylaws or Board Regulations establish any age limit for Directors:

YES ^h NO ^H

Age limit for Chairman	
Age limit for Chief Executive	
Age limit for Director	

B.1.21. Indicate whether the Bylaws or the Board Regulations establish any limit on the term of office for independent Directors:

YES ^h NO ^H

Maximum number of years in office	0
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B.1.22. Indicate whether there are any formal processes for proxy voting in the Board of Directors. If so, briefly describe them.

Article 39 of the Company Bylaws states that Directors may grant representation to other Directors, but none of the attendees may hold more than two representations or voting proxies.

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

B.1.23. Indicate the number of meetings the Board of Directors has held during the year. Indicate the number of times, if any, on which the Board has met in the absence of its Chairman:

Number of Board meetings	11
Number of Board meetings held in the absence of the Chairman	0

Indicate the number of Board committee meetings held over the year:

Number of Executive Committee meetings	0
Number of Audit and Compliance Committee meetings	5
Number of Appointments and Remunerations Committee meetings	7
Number of meetings of the Strategy and Investment Committee	0
Number of meetings of the committee	0

B.1.24. Indicate whether the individual and consolidated Annual Accounts presented for Board approval are certified beforehand:

YES **NO**

If so, identify the person(s) certifying the individual and consolidated Annual Accounts presented for the Board to file:

Name	Position
ANTONIO GONZÁLEZ - ADALID GARCÍA -ZOZAYA	CHAIRMAN
DIEGO DE REINA LOVERA	FINANCIAL DIRECTOR

B.1.25. Explain any mechanisms the Board of Directors may have established to avoid individual and consolidated accounts that it has filed being presented to the General Shareholders' Meeting with a qualified 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 Department and the relevant report issued by the Audit and Compliance Committee and the corresponding clarifications.

Except where specifically stated otherwise and noted in the Minutes, the Board of Directors, before signing the formulation of the Annual Accounts required by law, shall be understood to have obtained the necessary information to this effect, either directly or through the Audit and Compliance Committee, with the provisos it deems pertinent being placed on record.

In the formulation of the Annual Accounts, the Board of Directors shall set out all comments or recommendations previously made by the Audit and Compliance Committee in

its Report. In the event that the Annual Accounts differ from the prior Report issued by the Audit and Compliance Committee, the Board of Directors shall provide sufficient explanation for the reasons justifying the discrepancy.

The Board of Directors shall 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 shall publicly explain the content and extent of the discrepancy".

Article 7, section C) of the Audit and Compliance Committee Regulations gives the Committee the duties of "operating as a channel of communication between the Board of Directors and the Auditor, evaluating the results of each Audit and the Management Team's responses to its recommendations, and mediating and arbitrating in cases of discrepancies between them, 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 Audit 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 2004 financial year 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.

In this respect, it should be emphasised that among the tasks of the External Auditors is that of effecting quarterly reviews of the financial statements.

B.1.26. List measures adopted to ensure that information disclosed to the securities markets is transmitted equitably and symmetrically.

After the approval of the Financial System Reform Act 44/2002, significant changes were made to the Securities Market Act concerning the notification 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:

Enagas S.A., through its Chairman, or its Investor Relations Director, the Secretary to the Board, the Financial Director or the Legal Affairs Director, shall immediately provide the market with all relevant information by notifying the Spanish National Securities Market Commission (CNMV), within the deadlines and in accordance with the established procedures contained in the applicable regulations.

Notification to the Spanish National Securities Market Commission of relevant information shall take place before its publication by any other media 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 shall be true, clear and complete in content, quantified when required by the nature of the operation, and shall therefore not lead to confusion or deception.

Enagas considers information to be relevant when knowledge of the 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 in accordance with the law.

Should Enagas S.A. consider that the information should not be made public because it affects the Company's legitimate interests, it shall immediately notify the Spanish Securities National Market Commission, asking to be exempted from this obligation.

In order that information that may effect the markets may be distributed on an equitable basis between all shareholders, Enagas S.A. and those holding confidential information (including shareholders with significant shareholdings in Enagas or with an appointed representative on the Board of Directors) must keep such information confidential, 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 such use.

It is the duty of the Audit 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 on Matters Relating to Securities Markets by Directors or other persons subject to such code.

When fulfilling this function, the Appointments and Remunerations Committee acts, when it deems necessary, in co-ordination with the Audit and Compliance Committee.

B.1.27. Is the Secretary of the Board also a Director?

YES **NO**

B.1.28. Indicate the mechanisms, if any, established by the company to preserve the independence of the auditor, the financial analysts, the investment banks and the rating agencies.

To preserve the independence of external auditors, the Audit and Compliance Committee of Enagas has the basic duties of evaluating the Company's accounting verification system, insuring the independence of the External Auditor, reviewing the internal control system and guaranteeing the transparency of information and compliance with internal conduct regulations; it has, amongst others, the function of proposing to the Board of Directors, for submission to the GSM, the appointment of external Account Auditors in ac-

cordance with applicable regulations, and reporting on the remuneration of such external Auditors, as well as receiving information on those questions which may jeopardise their independence.

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 Audit and Compliance Committee, regular provision of public information of a financial nature and to carry out as many functions as are imposed on it by the Company's status as a listed company according to applicable legislation.

B.1.29. Indicate whether the audit firm performs services for the company and/or its group apart from the audit. If so, declare the fees it receives for such non-audit services and what percentage these represent are of the total fees it bills to the company and/or its group.

YES ^H NO ^h

	Company	Group	Total
Amount from non-audit services (in thousand euros)	0	12	12
Amount from non-audit services / total amount billed by the audit firm (%)	0.000	57.100	57.100

B.1.30. Indicate for how many consecutive years the current audit firm has audited the annual accounts of the company and/or its group. Indicate how many years the current audit firm has been auditing the accounts as a percentage of the total number of years over which the annual accounts have been audited:

	Company	Group
Number of consecutive years	1	1

	Company	Group
N° of years audited by current audit firm / N° of years the company has been audited (%)	0.050	0.050

B.1.31. List the company Directors' stock holdings in other companies with the same, analogous or complementary activity as constitutes the corporate purpose of the company and/or its group that have been reported to the company. Indicate the positions or duties they hold in said companies:

Name or company name of director	Name of company in which shares are held	% participation	Post or duties
RAMÓN BLANCO BALÍN	GAS NATURAL SDG, S.A.	0.000	DIRECTOR (UNTIL 28-01-05)
CAM (CAJA DE AHORROS DEL MEDITERRÁNEO)	GAS NATURAL SDG, S.A.	0.000	_____
CAM (CAJA DE AHORROS DEL MEDITERRÁNEO)	POSEIDON GAS AIE	5.240	_____
CAM (CAJA DE AHORROS DEL MEDITERRÁNEO)	NAUTILUS GAS II AIE	5.240	_____
SALVADOR GABARRÓ SERRA	GAS NATURAL SDG, S.A.	0.000	PRESIDENT
ENRIQUE LOCUTURA RUPÉREZ	GAS NATURAL SDG, S.A.	0.000	CHIEF EXECUTIVE
ENRIQUE LOCUTURA RUPÉREZ	GAS NATURAL DISTRIBUCIÓN, S.A.	0.000	PRESIDENT
LUIS JAVIER NAVARRO VIGIL	BP PLC	0.000	PRESIDENT AND DIRECTOR OF BP GAS ESPAÑA, S.A.
RAFAEL VILLASECA MARCO	GAS NATURAL SDG, S.A.	0.000	CHIEF EXECUTIVE (SINCE 28-01-05)
BANCAJA (CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE)	IBERDROLA, S.A.	1.000	_____

B.1.32. Indicate whether there are procedures for Directors to receive external advice:

YES NO

Detail the procedure

Article 15 of the Board of Directors Regulations establishes in its section two that Directors shall be entitled to propose to the Board of Directors the engagement, at the Company's expense, of legal, accounting, technical, financial, commercial or any other type of experts deemed necessary for the interests of the company, for the purpose of assisting the Board in performing its duties when there are specific problems of a certain importance and complexity linked to the such performance. The proposal must be communicated to the Chairman of the Board via the Board Secretary.





The Board of Directors may veto its approval when it considers that such services are unnecessary for the duties with which they are entrusted, or disagrees with the cost of the same (disproportionate in relation to the problem and assets and revenues of the Company) or believes that the said technical assistance can be adequately provided by experts and technicians from within the Company.

B.1.33. Indicate whether there are procedures for Directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies.

YES **NO**

Detail the procedure

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

"The call for ordinary sessions shall be issued by the Chairman or the Secretary, or Vice Chairman on order of the Chairman, may be effected by any media, and shall contain the venue for the meeting is to be held and Agenda of the same.

The call shall be issued, except in extraordinary cases, at least three days prior to the date scheduled for the meeting, shall contain the information and documents considered relevant or appropriate to better inform Directors.

The Chairman is empowered to establish the Agenda of the meetings, although any Director may request, prior to such call, the inclusion of the points that, in his/her opinion, should be deliberated by the Board of Directors".

In practice, the call is issued a week before the meeting and includes, in addition to the meeting venue and the Agenda, all documentation considered appropriate or relevant.

B.1.34. Indicate whether any insurance policy covers the company's Directors' liability

YES **NO**

B.2. Board of Directors Committees

B.2.1. List administrative bodies:

Name of body	N. of Members	Duties
AUDIT AND COMPLIANCE COMMITTEE	4	ARE CONTAINED IN ARTICLE 45 OF THE COMPANY BYLAWS AND ARTICLE 7 OF THE COMMITTEE REGULATIONS: ITS BASIC OBJECTIVES ARE TO EVALUATE THE COMPANY'S AUDIT SYSTEMS, INSURE THE INDEPENDENCE OF THE EXTERNAL AUDITOR, REVIEW THE INTERNAL CONTROL SYSTEMS AND INSURE TRANSPARENCY OF INFORMATION AND COMPLIANCE WITH INTERNAL RULES OF CONDUCT. ITS DUTIES ARE LISTED IN DETAIL IN SECTION B.2.3 OF THIS REPORT.
APPOINTMENTS AND REMUNERATIONS COMMITTEE	3	THE APPOINTMENTS AND REMUNERATIONS 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. ITS DUTIES ARE DESCRIBED IN MORE DETAIL IN SECTION B.2.3 OF THIS REPORT.

B.2.2. Detalle todas las comisiones del consejo de administración y sus miembros:

EXECUTIVE COMMITTEE

Name	Post

AUDIT AND COMPLIANCE COMMITTEE

Name	Post
LUIS JAVIER NAVARRO VIGIL	CHAIRMAN
SIR ROBERT MALPAS	MEMBER
JOSÉ LUIS OLIVAS MARTÍNEZ	MEMBER
RAMÓN PÉREZ SIMARRO	MEMBER
LUIS PÉREZ DE AYALA BECERRIL	SECRETARY NON MEMBER

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Post
SALVADOR GABARRÓ SERRA	CHAIRMAN
DIONISIO MARTÍNEZ MARTÍNEZ	MEMBER
RAFAEL VILLASECA MARCO	MEMBER
LUIS PÉREZ DE AYALA BECERRIL	SECRETARY NON MEMBER

INVESTMENT AND STRATEGY COMMITTEE

Name	Position

B.2.3. Describe the organisational and functional rules and the responsibilities attributed to each of the Board committees.

AUDIT AND COMPLIANCE COMMITTEE:

Regulations for the Audit and Compliance Committee were approved at the meeting of the Board of Directors of 19 February 2004. The aim of this document was to provide the committee with an organisational and operational framework as an independent and transparent body, thereby complying with the regulations contained in Article 44 of the Company Bylaws and Article 26 of the Regulations of the Board of Directors.

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

Under the terms of Article 3 of the Regulations of the Audit and Compliance Committee, none of its members may be executive Directors, in order to preserve the transparency and objective nature of its decisions, and the parity between controlling and independent Directors must be maintained.

The Chairman of the Board of Directors and members of other committees may not sit on this committee.

As established in Article 4 of the Committee Regulations, the term of membership on the Committee is the same length of time as the office of Director. Members of the Audit and Compliance Committee will no longer hold their posts when they cease to be Company Directors or if, while they remain Directors, the Board of Directors so decides.

Notwithstanding the foregoing, the Chairman of the Committee must be replaced every four years, and may be re-elected one year after leaving the 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 manner 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 offices, Committee members are subject to the same duties and working principles stipulated in the Company Bylaws and in the Regulations of the Board of Directors.

In keeping with Article 8 of the Committee's Regulations, it must meet at least four times a year and at the discretion of its Chairman, as many times as he/she deems appropriate for performing its tasks. During the 2004 financial year, the Committee met five times.

The tasks of the Audit and Compliance Committee are set out in Article 44 of the Company Bylaws and Article 7 of the Committee's Regulations:

1. To verify the financial information process.
2. To provide information on the Annual Accounts prior to their formulation by the Board of Directors.

In its Report, the Committee includes the information that it deems necessary concerning the application of accounting criteria, internal control systems or any other fact that may be 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 Audit and Compliance Committee.

3. To examine the information on the Company's activities and results that is produced regularly in compliance with the Securities Market Regulations, ensuring that such information is transparent and accurate.
4. To supervise the Company's Internal Auditing services and verify the internal control systems, in order to achieve maximum monitoring of the Annual Internal Audit.
In particular, the Committee must supervise the quality of 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 Internal Auditing systems and meets regularly, in full session or through its Chairman, with the Internal Auditing Manager, from whom it may request all the information necessary for its work.
5. To inform and put forward proposals to the Board of Directors regarding the selection, appointment, renewal and dismissal of the Internal Auditing Manager.
6. To make proposals to the Board of Directors for submission to the General Shareholders' Meeting concerning the appointment of the Enagas External Accounts Auditor, in accordance with the applicable regulations, and provide information on payment to the same.
7. To work with the External Accounts Auditors to receive information on those questions that may jeopardise 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.
8. To act as a channel of communication between the Auditors and the Board of Directors, evaluate the results of each Audit and the responses of the management team to its recommendations, and mediate and arbitrate in cases of discrepancies between the two concerning applicable principles and criteria in the preparation of financial statements.

9. To supervise the performance of the Auditing work, ensuring that the opinion on the Annual Accounts and the main contents of the Auditors' Report are written clearly and accurately.
10. To provide information on non-auditing contracts between the Company and the Accounts Auditors.
11. To ensure that the External Accounts Auditor is provided with access to all information necessary for its work.
12. To identify and analyse, with the cooperation of the Internal and External Auditor, the main risks affecting the Company, and in particular, those affecting its economic - financial situation.
13. To inform the Board of Directors on the risks detected and its evaluation of the same.
14. Where appropriate, it proposes the necessary measures to manage, mitigate or prevent the risks detected to the Board of Directors.
15. To examine compliance with the Internal Code of Conduct on Matters Relating to Securities Markets, the Regulations of the Board of Directors and the Company's governing regulations in general, and make proposals for their improvement. On fulfilling this duty, the Appointments and Remunerations Committee will act, when it deems necessary, in coordination with the Audit and Compliance Committee when considering compliance with the Code by Company Directors and Managers.



16. To prepare an Annual Report on the work of the Audit and Compliance Committee which forms part of the Corporate Governance Report.
17. To participate in the drafting of the Annual Corporate Governance Report, especially in areas concerning transparency of information and conflicts of interests.
18. To inform the General Shareholders' Meeting on questions within the scope of its competencies.

APPOINTMENTS AND REMUNERATIONS COMMITTEE:

The Regulations of the Appointments and Remunerations Committee are contained in Article 45 of the Company Bylaws and Article 25 of the Regulations of the Board of Directors.

The Appointments and Remunerations Committee is comprised of three members appointed by the Board of Directors, up to a maximum of four Directors as established in the Company Bylaws and the Regulations of the Board.

It is comprised of a majority of independent Directors.

The tasks of the Appointments and Remunerations Committee are detailed in Article 45 of the Company Bylaws and Article 25 of the Regulations of the Board of Directors and are as follows:

1. To review the structure of the Board of Directors, the criteria for the statutory 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.
2. To establish payment criteria for Company Directors, in accordance with the stipulations of the Bylaws and in line with the resolution of the General Shareholders' Meeting, and ensure that payments are transparent.
3. To establish a general payment policy for Enagas management personnel, justifying the same to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers, in order to ensure that the Company has the appropriate highly qualified staff for administering its business at all times.
4. To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interests, in accordance with the stipulations of the Internal Code of Conduct on Matters Relating to the Securities Markets.
5. To formulate and revise the criteria to be followed in the composition of the Board of Directors and for the selection of the candidates proposed for the post of Director.
6. 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.
7. To make proposals regarding the Company's organisational structure and the creation of senior management posts to the Board of Directors as it deems necessary for an improved and more efficient administration of the Company.

8. To designate senior management staff, and where necessary, approve the special conditions of their contracts.
9. To approve payment of senior management, providing that this does not diverge from the criteria established in the general payment policy for Management.
10. To report to the Board of Directors, prior to its approval, on transactions with closely linked parties. Under no circumstances shall any such transaction be authorised without a prior report evaluating the transaction from the point of view of market conditions.
If the transactions are ordinary, generic authorisation of the type of transaction and its conditions shall be sufficient.
11. To inform the Board of Directors concerning the measures to be taken in the event of non-compliance with these Regulations or the of Conduct on Matters Relating to Securities Markets by Directors or other persons subject to the aforementioned regulations. On performing this duty, the Appointments and Remunerations Committee acts, when deemed necessary, in coordination with the Audit and Compliance Committee.

B.2.4. Indicate any advisory and consultancy powers and, where applicable, proxies assigned to each committee:

Name of committee	Brief description
AUDIT AND COMPLIANCE COMMITTEE	POWERS 1 TO 18 LISTED IN SECTION B.2.3 OF THIS REPORT
APPOINTMENTS AND REMUNERATIONS COMMITTEE	POWERS, 4, 6, 7, 10 AND 11 LISTED IN SECTION B.2.3. OF THIS REPORT

B.2.5. Indicate any regulations that may cover the Board committees: where they are available for consultation and any changes that may have been made during the year. Indicate whether any annual report has been voluntarily drawn up on the activities of each committee.

The Audit and Compliance Committee has its own Regulations, approved by the Board of Directors at its meeting on 19 February 2004, with the aim of creating rules for its operation and organisation as an independent and transparent body, thus completing the pro-

visions of in Article 44 of the Company Bylaws and Article 26 of the Regulations of the Board of Directors.

The aforementioned regulations are available for consultation at Enagas, S.A headquarters and on its website at www.enagas.es or www.enagas.com.

Throughout the rest of the 2004 financial year, there were no further modifications to regulations of the Audit and Compliance Committee.

The Audit and Compliance committee has drafted a report on its activities, available both at Enagas headquarters and on the corporate website.

Finally, it is important to note that the Appointments and Remunerations Committee does not have its own regulations, as it is sufficiently regulated under Article 25 of the Regulations of the Board of Directors and Article 45 of the Company Bylaws.

B.2.6. If there is an Executive Committee, explain the degree of powers and independence it has to adopt resolutions on the company's administration and management in pursuit of its duties.

There is no Executive Committee.

If the answer is no, explain the composition of the executive committee

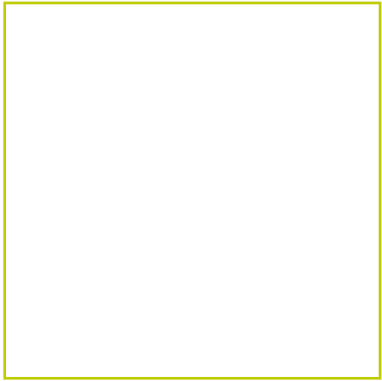
There is no Executive Committee.

B.2.7. Indicate whether the composition of the Executive Committee reflects the different Directors' participation in the Board as a function of their category:

YES h **NO** H

B.2.8. If there is an appointments committee, whether members are external Directors:

YES H **NO** h



Associated Operations

C.1. List any relevant operations entailing a transfer of resources or obligations between the company or its group companies and the significant shareholders in the company:

Name or company name of significant shareholder	Name or company name of the company or its group company	Type of operation	Nature of the relationship	Value (thousand Euros)
BANCAJA	ENAGAS, S.A.	Shareholder	DIVIDEND PAYMENTS FOR FINANCIAL YEAR 2003	3,600
BANCAJA	ENAGAS, S.A.	Commercial	INTEREST COVERAGE CONTRACT (COLLAR) FOR THE PERIOD JAN 2005-APRIL 2008	15,000





BP ESPAÑA, S.A.	ENAGAS, S.A.	Shareholder	DIVIDEND PAYMENTS FOR FINANCIAL YEAR 2003	3,600
BP ESPAÑA, S.A.	ENAGAS, S.A.	Contractual	SERVICES RELATED TO THIRD PARTY ACCESS TO ENAGAS INFRASTRUCTURES (ATR): 19,238 GWH WERE REGASIFIED DURING 2004. VALUE (THOUSAND €): 12,719.1; 19,155 GWH WERE TRANSPORTED. VALUE (THOUSAND €): 4,430; AN AVERAGE QUANTITY OF 637 GWH WAS STORED. VALUE (THOUSAND €): 2,044.4.	19,194
BP ESPAÑA, S.A.	ENAGAS, S.A.	Contractual	TRANSFER SERVICES PROVIDED BY ENAGAS TO BP	30
BP ESPAÑA, S.A.	ENAGAS, S.A.	Contractual	CREATION OF INFRASTRUCTURES (CONNECTIONS)	529
CAIXA D'ESTALVIS I PENSIONS DE BARCELONA (LA CAIXA)	ENAGÁS, S.A.	Commercial	PARTICIPATION OF LA CAIXA IN SYNDICATED LOAN SIGNED ON 10-04-2003 AND REPAID ON 10-01-2005. THE VALUE OF SAID PARTICIPATION IN (THOUSAND €):200,000. INTEREST WAS PAID ON THE LOAN	5,200
CAIXA D'ESTALVIS I PENSIONS DE BARCELONA (LA CAIXA)	ENAGÁS, S.A.	Commercial	GRANTING OF CREDIT LINE. AMOUNT WITHDRAWN AS OF 31-12-2004 (THOUSAND €): 13,300. INTEREST PAID FOR SAID CREDIT LINE	400
CAIXA D'ESTALVIS I PENSIONS DE BARCELONA (LA CAIXA)	ENAGÁS, S.A.	Commercial	INTEREST PAID FOR GUARANTEES GRANTED BY LA CAIXA ON 31-12-2004 FOR 34.1 MILLION EUROS	100
CAIXA D'ESTALVIS I PENSIONS DE BARCELONA	ENAGÁS, S.A.	Commercial	RENTAL CONTRACTS SIGNED WITH COMPANIES OF THE CAIXA GROUP	4,200



Associated operations



CAIXA D'ESTALVIS I PENSIONS DE BARCELONA (LA CAIXA)	ENAGÁS, S.A.	Commercial	PAYMENT BY ENAGAS OF FOUR "FRAS" (FORWARD RATE AGREEMENT) CONTRACTS FOR A TOTAL VALUE OF 300 MILLION EUROS FOR THE PERIOD 07 JAN 2004 / 10 JAN 2005	600
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGAS, S.A.	Shareholder	DIVIDEND PAYMENTS FOR FINANCIAL YEAR 2003	3,600
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGAS, S.A.	Commercial	PARTICIPATION OF CAJASTUR AS LENDING BODY IN SYNDICATED LOAN SIGNED ON 10-04-2003 AND REPAYED 10-01-2005 WITH A PARTICIPATION OF (THOUSAND €) 20,000. INTEREST PAID ON SAID LOAN	500
CAJA DE AHORROS DEL MEDITERRÁNEO (CAM)	ENAGÁS, S.A.	Shareholder	DIVIDEND PAYMENTS FOR FINANCIAL YEAR 2003	3,100
CAJA DE AHORROS DEL MEDITERRÁNEO (CAM)	ENAGAS, S.A.	Commercial	INTEREST COVERAGE CONTRACT (COLLAR) FOR THE PERIOD JANUARY 2005 / APRIL 2008	15,000
CAJA DE AHORROS DEL MEDITERRÁNEO (CAM)	ENAGÁS, S.A.	Commercial	CREDIT LINE FOR 6 MILLION EUROS. AMOUNT WITHDRAWN AS OF 31-12-2004: 2.5 MILLION EUROS INTEREST PAID FOR SAID CREDIT LINE	500
GRUPO GAS NATURAL SDG, S.A.	ENAGAS, S.A.	Shareholder	DIVIDEND PAYMENTS FOR FINANCIAL YEAR 2003	25,600
GRUPO GAS NATURAL SDG, S.A.	ENAGAS, S.A.	Contractual	SERVICES RELATED TO THIRD PARTY ACCESS TO ENAGAS INFRASTRUCTURES (ATR): 69,013 GWH WERE REGASIFIED FOR THE GAS NATURAL GROUP AMOUNT (THOUSAND €) 51,762.55;	78,551





			133,075 GWH WERE TRANSPORTED VALUE (THOUSAND €): 16,852.20 AND AN AVERAGE QUANTITY OF 3,101 GWH WAS STORED. VALUE (THOUSAND €):9,936.74	
GRUPO GAS NATURAL SDG, S.A.	ENAGAS, S.A.	Contractual	TRANSFER SERVICES PROVIDED BY ENAGAS TO GAS NATURAL	560
GRUPO GAS NATURAL SDG, S.A.	ENAGÁS, S.A.	Contractual	CREATION OF INFRASTRUCTURES (CONNECTIONS) BY ENAGAS FOR GAS NATURAL	465
GRUPO GAS NATURAL SDG, S.A.	ENAGAS, S.A.	Contractual	PURCHASE OF GAS FOR SUPPLY TO THE TARIFF MARKET: COMPANIES OF THE GAS NATURAL GROUP SUPPLIED ENAGAS WITH 61,975 GWH OF GAS FOR SUPPLY TO TARIFF CONSUMERS	722,100
GRUPO GAS NATURAL SDG, S.A.	ENAGAS, S.A.	Contractual	SALE OF GAS BY ENAGAS TO THE DISTRIBUTORS OF THE GAS NATURAL GROUP: DURING THE 2004 FINANCIAL YEAR, 58,206 GWH WERE ASSIGNED	672,000
GRUPO GAS NATURAL SDG, S.A.	ENAGAS, S.A.	Contractual	ENAGAS MAINTENANCE OF FIBRE OPTICS FOR GAS NATURAL	1,927
GRUPO GAS NATURAL SDG, S.A.	ENAGAS, S.A.	Contractual	MAINTENANCE OF NETWORKS AND BRANCHES BY ENAGAS FOR GAS NATURAL	953
GRUPO GAS NATURAL SDG, S.A.	ENAGAS, S.A.	Contractual	LEASING OF FIBRE OPTICS BY GAS NATURAL TO ENAGAS	17,610
GRUPO GAS NATURAL SDG, S.A.	ENAGAS, S.A.	Contractual	RENTAL OF RESERVE STOCKS AND STRATEGIC RESERVES BY GAS NATURAL FROM ENAGAS	3,562



Associated operations

GRUPO GAS NATURAL SDG, S.A.	ENAGAS, S.A.	Contractual	SUPPLY OF ELECTRICITY FROM GAS NATURAL TO ENAGAS	6,220
GRUPO GAS NATURAL SDG, S.A.	ENAGAS, S.A.	Contractual	R + D SERVICES	1,096
REPSOL YPF, S.A.	ENAGÁS, S.A.	Contractual	LEASING OF GOODS AND SERVICES, STORAGE (GAVIOTA UNDERGROUND STORAGE).	22,858
REPSOL YPF, S.A.	ENAGAS, S.A.	Contractual	PROVISION OF ENGINEERING SERVICES THROUGH THE AEI CONSTITUTED BY ENAGAS AND REPSOL YPF UNTIL JUNE 2004	4,717
REPSOL YPF, S.A.	ENAGAS, S.A.	Contractual	PERSONNEL TRANSFERRED TO THE AEI CONSTITUTED BY ENAGAS AND REPSOL UNTIL JUNE OF 2004	1,066
SAGANE INVERSIONES, S.R.L.	ENAGAS, S.A.	Shareholder	DIVIDEND PAYMENTS FOR FINANCIAL YEAR 2004	3,566

C.2. List any relevant operations entailing a transfer of resources or obligations between the company or its group companies and the company's managers and Directors:

Name or company name of managers of Director	Name or company name of the company or its group company	Type of operation	Nature of relationship	Value (thousand euros)

C.3. List any relevant operations undertaken by the company with other companies belonging to the same group, that are not eliminated in the process of drawing up the consolidated financial statements and whose object and conditions set them apart from the habitual trading of the company:



Company name of the group company	Brief description of the operation	Value (thousand euros)
GASODUCTO AL ANDALUS, S.A.	SUMS RECEIVED BY ENAGAS AS INTEREST ON LOANS	500
GASODUCTO AL ANDALUS, S.A.	SUMS PAID BY ENAGAS FOR TRANSPORT COSTS	7,100
GASODUCTO BRAGA - TUY, S.A.	SUMS RECEIVED BY ENAGAS AS INTEREST ON LOAN	100
GASODUCTO BRAGA - TUY, S.A.	SUMS PAID BY ENAGAS FOR TRANSPORT COSTS	2,100
GASODUCTO CAMPO MAYOR - LEIRIA - BRAGA, S.A.	SUMS RECEIVED BY ENAGAS AS INTEREST ON LOANS	200
GASODUCTO CAMPO MAYOR - LEIRIA - BRAGA, S.A.	SUMS PAID BY ENAGAS FOR TRANSPORT COSTS	3,400
GASODUCTO DE EXTREMADURA, S.A.	SUMS RECEIVED BY ENAGAS AS INTEREST ON LOANS	200
GASODUCTO DE EXTREMADURA, S.A.	SUMS PAID BY ENAGAS FOR TRANSPORT COSTS	3,900

C.4. Identify any conflicts of interest affecting company Directors, pursuant to Article 127 of the Joint Stock Companies Act.

Enagas Directors have not been in any situations involving a conflict of interest pursuant to Article 127 of the Joint Stock Companies Act.

C.5. List the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its Directors, managers and/or significant shareholders.

The mechanisms for detecting and regulating possible conflicts of interest between Enagas and/or its group, and its Directors, managers or shareholders are primarily set out in the Enagas Internal Code of Conduct.

The Internal Code is applicable to the following persons:

- 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 Enagas S.A. has a controlling stake;
- Those persons involved in dealings with the Securities Markets.
- In general, all those with access to the Company's confidential or reserved information.

With regards to operations carried out with closely linked parties, the Company must adopt the following measures:



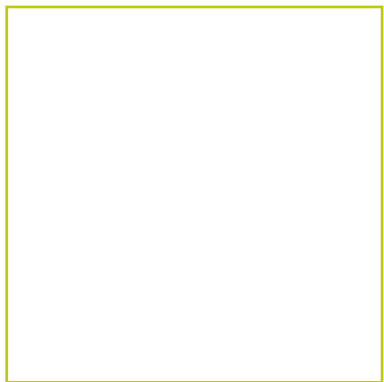
- a) Report on such operations to the National Securities Market Commission every six months and include them in the in the Corporate Governance chapter of the Company Annual Report.
- b) Submit them, prior to completion, to the Board of Directors for its formal knowledge and authorisation, after the relevant report from the Appointments and Remunerations Committee, and evaluate whether they are appropriate to market criteria.

With respect to possible conflicts of interest, those persons 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 equity or any other reason. Notifications must be effected 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 of new conflicts of interest arising.
- Refrain from participating in the decision-making that may be affected by such conflict of interest with the Company.

The body responsible for regulating and resolving conflicts of interest that may arise is the Appointments and Remunerations Committee, to which Article 25 of the Regulations of the Board of Directors attributes the following duties:

- a) To report to the Board of Directors, prior to its approval, on transactions that Directors wish to undertake that imply or may imply a conflict of interests, in accordance with the provisions of the Internal Code of Conduct on Matters Relating to the Securities Markets.
- b) To inform the Board of Directors, prior to its approval, of transactions with closely linked parties. Under no circumstances shall the transaction be authorised if a prior report evaluating the transaction from the point of view of market conditions has not been issued. For ordinary operations, generic authorisation for the type of operation and its conditions shall be sufficient.
- c) To inform the Board of Directors on the measures to be adopted in the event of breach of these Regulations or the Internal Code of Conduct on Matters Relating to Securities Markets by Directors or other persons subject to the provisions of the said document. On performing this duty, the Appointments and Remunerations Committee shall act, when deemed necessary, in coordination with the Audit and Compliance Committee.



Risk control systems

D.1. Give a general description of risk policy in the company and/or its group, listing and evaluating the risks hedged by the system, along with an explanation of how far these systems match the profile of each type of risk.

The Enagas risk policy is aimed at achieving the following main objectives:

- Improving the efficiency and effectiveness of operations.
- Ensuring the reliability of financial information and information to be provided to institutions.
- Compliance with applicable laws and regulations.

Any obstacle to the achievement of the aforementioned objectives is identified and analysed as a risk.

Enagas defined its risk policy as of the implementation of a project, in the 2002 and 2003 financial years, aimed at achieving the aforementioned objectives. For this purpose, on 7

May 2003 the Management Committee approved a plan encompassing processes and a matrix of risks/processes identifying Enagas' critical processes.

This plan defined the operations undertaken by Enagas in thirty-four processes and carried out a rigorous analysis in which the whole company participated, selecting the risks that affect each process.

Significant risks were grouped into:

- Environmental risks
- Operational risks.
- Information risks for decision-making.

Any obstacle that hinders the attainment of the aforementioned objectives is identified and analysed as a risk.

Enagas conducts permanent monitoring of the most significant risks involved in the different critical processes of the Company, via the use of the various management tools available. For this purpose, Enagas has a processes/risks model that covers the different activities, processes and associated risks that require specific control and monitoring in accordance with their importance.

In the 2004 fiscal year, the main operational processes were analysed: purchase/sale of gas, construction of infrastructures, management of TPA services, maintenance of infrastructures etc.

D.2. Indicate the control systems established to assess, mitigate and reduce the main risks of the company and the group.

Control systems are aimed at ensuring that management directives are complied with and that all measures to face risks are systematically taken.

The description of current risk control systems that are implemented as management elements in Enagas can be broken down into the following aspects:

1. Control environment:

The control environment records behaviour patterns in an organisation, exercising a direct influence on the level of awareness of personnel with respect to control. Amongst the factors that comprise the Enagas control environment are: the integrity and professionalism of its personnel, both in selection and professional development; the management philosophy and its way of acting based on the delegation of functions given large coverage of Enagas throughout the country.

2. Regulations and procedures:

A set of regulations, policies and procedures have been defined and implemented that guarantee the accuracy of accounting information, the authenticity of transactions undertaken, the safeguarding of assets, the Internal Code of Conduct on Matters Relating to the Securities Markets and compliance with laws and regulations.

At present, Enagas has a raft of general regulations and technical and administrative procedures that cover its main activities

3. Information and communication:

Control activities are based on information and communication systems that enable the exchange of information at all levels (vertically upwards and downwards and horizontally on the same level) to develop, manage and control operations.

4. Actions in risk matters:

Risk evaluation is conducted in terms of the comparative importance of risks and the existing level of internal control.

The basic key instruments used by the company in risk management are: financial statements and analytical accounts, debt levels, remunerations system for gas activities and the annual strategy plan.

This methodology enables the establishment of indicators facilitating regular monitoring of the different technical and economic highlights that ensure effective control over different processes and activities, while at the same time improving financial statements and debt levels in the medium-term.

The assessment of the impact of risks, as well as the monitoring activities corresponding to each of the aforementioned instruments, is carried out with suitable frequency defined in terms of the objectives established by management (continuous for debt levels, monthly for financial statements and monthly/quarterly in budgetary control referring to the strategic plan).

5. Monitoring of regulatory compliance:

Risks arising from possible changes to the existing legal framework are managed via the development and establishment of procedures and methodologies aimed, in principle, at ensuring compliance with the legislation in force.

6. Main risks covered by the system:

During the 2004 financial year, the most important risks analysed by the system for the different processes have been, amongst others:

- Environmental risks (legal and regulatory risks, catastrophic losses, etc.).
- Operational risks (interruption of operations, delay in construction of infrastructures, non-fulfilment of commitments, sub-contracting, image and reputation, health and safety, the environment, etc.).

- Integrity risks (internal and external risk, unauthorised use, etc.).
- Information risks for decision-making (information to regulators, performance measurement.)

These risks have been managed via the development of suitable regulations, policies, procedures, limits, authorisations and controls that have made it possible to mitigate or reduce same as much as possible.

D.3. If any of the risks facing the company and/or its group have materialized, indicate the circumstances and whether the control systems worked properly.

The main risks existing during this financial year have been

1. Legal and regulatory framework:

The regulations governing the different players within the gas system have not yet been fully developed, as, for example, the Regulations of the Technical System Manager, are still pending approval, which gives rise to misunderstandings and varying interpretations of regulations.

The control systems established consist of the existence of fluid communication with the authorities and other players in the gas system on these aspects as well as the application of a draft of technical Management Regulations, until definitive approval by the Ministry, which are generally accepted.

2. Deadline for infrastructure construction:

During the review carried out by the internal audit unit, certain weaknesses were detected in the internal execution of projects for construction of infrastructures relating to planning activities and information to be provided to obtain the relevant authorisations, etc.

The appropriate improvements have been made to existing procedures and regulations, resolving the aforementioned weaknesses.

3. Internal communication:

During reviews made by the internal audit unit, flaws were detected relating to the information reflected in certain internal reports issued, the standardisation of suppliers and the consideration of investments.

These flaws have been resolved through the application of regulations to the new remunerations model and improvements to the standardisation procedure for suppliers, amongst others.



D.4. Indicate whether there is any committee or other governing body in charge of establishing and supervising these control systems and give details of what their duties are.

The organisation established to control and manage the risks facing the Company is focused around clearly differentiated supervision, control and management levels:

- Audit and Compliance Committee. Responsible for the supervision of risks in accordance with the provisions established in the organisational and operational rules of the Regulations of the Board of Directors. This body is informed quarterly on developments in the risk control system.
- Management Committee: Responsible for the internal control system and supervision of the same
- Internal Auditing representative: responsibility consists of coordinating risk management, verifying controls and contributing to the improvement of risk management processes.

The work of the auditing units is focused on preventative identification, assessment and decision-making with the aim of minimising the possible negative impacts which may arise from risks to Enagás, increasing the level of control and management of same.

- Process owners: Those with chief responsibility for managing risks within the scope of their competence, and developing action and monitoring plans.

D.5. Identify and describe the compliance processes for the regulations and standards affecting the company and/or its group.

Enagas operates in a highly regulated market. Regulation currently in place, both at national and EU level, as well as political decisions of the EU, the Spanish Government and the relevant Ministers and the National Energy Commission determine the scope of the operations carried out by Enagas.

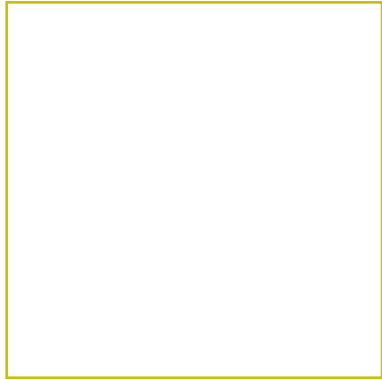
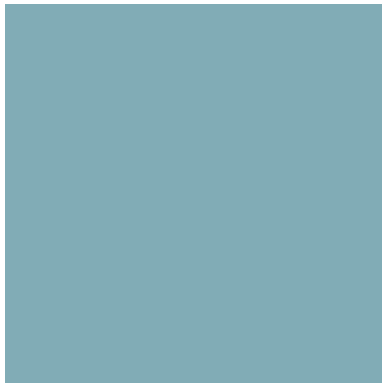
Given the relevance of compliance with applicable legislation, all processes defined in the process map are associated with risks in the "legal and regulatory environment".

Process owners bear the chief responsibility for compliance with the different applicable regulations, together with the Management Committee, Audit and Compliance Committee and the representative of the audit unit, whose task is to ensure compliance.

Within the basic legislation applicable to the activities carried out by Enagas, as well as general legislation, the following are of note:

- Act 34/1998, of 7 October, on the Hydrocarbons sector.
- Royal Decree law 6/2000, of 23 June, on urgent measures for increasing competition in the goods and services markets.
- Royal Decree 949/2001, of 3 August, which regulates third-party access to gas facilities and establishes an integrated economic system for natural gas.
- Royal Decree 1434/2002, of 27 December, regulating the activities of transport, distribution, sale, provision and authorisation procedures for natural gas facilities.
- Act 62/2003, of 20 December, on fiscal, administrative and social measures.
- Royal Decree 1716/2004, of 23 July, regulating the obligation to maintain minimum stocks, diversify stores and incorporate strategic reserves of oil products.

Likewise, legislation in force in matters of safety, risk prevention and the environment is applicable, as well as specific regulations applicable to each process.



General shareholders' meeting

E.1. State how many attendees constitute a quorum for the General Shareholders' Meeting (GSM) according to the Bylaws. Describe any differences from the minimum regime established under the Joint Stock Companies Act.

Article 25 of the Enagas Company Bylaws states that "the General Shareholders' Meeting shall be validly constituted at first call when the shareholders present or represented hold at least twenty-five percent of the paid up share capital with voting rights. At second call, the Meeting shall be validly constituted regardless of the amount of share capital attending the same".

Article 26 of the Company Bylaws states that "In the event the Ordinary or Extraordinary General Shareholders' Meeting at first call wishes to validly resolve the issue of bonds, the increase or reduction of share capital, the transformation, merger or spin-off of the Company, and in general, to amend the Company Bylaws, shareholders possessing at least fifty percent of the subscribed paid up Company share capital with voting rights must be pre-

sent or represented. At second call, attendance of least twenty-five percent of the paid up share capital with voting rights shall be sufficient."

The quorums required by the Company Bylaws of Enagas are therefore those stipulated in Articles 102 and 103 of the Joint Stock Companies Act.

E.2. Explain the rules governing adoption of corporate resolutions. Describe any differences from the guidelines established under the Joint Stock Companies Act.

At the GSM of 30 April 2004, Enagas approved the new Regulations of the General Shareholders' Meeting, Article 13.3 of which states that: "Resolutions must be adopted with the vote in favour of the majority of capital with voting rights, present and represented at the meeting, in conformance with Article 93 of the Company's Act".

As exception, Article 13.3 indicates that "In the case of debenture issues, capital increases or decreases, transformation, merger or spin-off of the Company and, in general, any modification of Company Bylaws at second call and when the Meeting is attended by shareholders representing less than fifty percent of the subscribed voting capital two thirds of the subscribed voting capital, present or represented must vote in favour of the resolution in order for it to be adopted", in keeping with Article 103 of the Joint Stock Companies Act.

E.3. List all shareholders' rights regarding the general meetings other than those established under the Joint Stock Companies Act.

Shareholders' rights in relation to GSM are those established in the Joint Stock Companies Act.

The Ordinary GSM held on 30 April 2004, approved the new Regulations of the General Shareholders' Meeting of Enagas, which recognises the following shareholders rights:

1. Right to information.

On the date the General Shareholders' Meeting is called, the Company shall place the following resources at its shareholders' disposition:

- a) The full text of the call for the General Shareholders' Meeting setting out the resolutions proposed for adoption, and reports from the Board of Directors, where appropriate, concerning their justification and timeliness, providing that all this is possible.
- b) The full documentation of the Annual Accounts of Enagas, S.A. and the Consolidated Annual Accounts of Enagas, S.A. and its subsidiary companies, and the proposal for application of the results of Enagas, S.A. for the financial year in question.
- c) The Enagas, S.A. Management Report and the consolidated Management Report for the financial year.

- d) The Auditors Reports on the Enagas S.A. Consolidated Annual Accounts and Annual Accounts.
- e) The Annual Report on Corporate Governance.
- f) Any other report that must be included or is deemed necessary by the Board of Directors.

Prior to the GSM, the Company shall make the above available to shareholders via the following channels:

- The Shareholders Information Office, where the information available may be consulted.
- A toll-free telephone number, specified in the call,
- The Company website.

Up to the seventh day before the meeting is held, shareholders may request from Directors any information or clarification they deem appropriate concerning the matters on the Agenda, or submit in writing the questions they judge relevant.

During the GSM, shareholders may verbally request any information of clarifications they deem appropriate concerning the matters on the Agenda, and if this is not possible, Directors must provide such information in writing within the seven days following the end of the Meeting.

Administrators are under obligation to provide the information requested, except in cases where, in the judgement of the Chairman, the dissemination of the information requested would be detrimental to Company interests, or on the grounds of legal or statutory provisions, legal or administrative resolutions. Such refusal shall not be possible when the request is put forward by shareholders representing at least a twenty-five percent of the Company share capital.

The information requested shall be provided to the shareholder requesting it in writing, within the period running from the call until the day of the Meeting, inclusive, provided such request conforms to the requirements of time, execution and scope determined by law and the Regulations of the General Shareholders' Meeting.

Likewise, and with a view to increasing the right to information, during the Meeting the Chairman of the Audit and Compliance Committee shall take the floor to explain the most relevant questions arising during the financial year relating to annual accounts to the shareholders.

2. Right of participation.

Shareholders may at any time, and after accreditation as such according to the provisions of Article 9 of the Regulations of the General Shareholders' Meeting, propose questions of interest for the Company or related to their shareholding through the Shareholder Information Office, toll-free line or the e-mail address included in the website,

The Company shall examine questions, suggestions and comments by shareholders, and shall respond to the same when considered appropriate for the good of the Company.

3. Attendance Rights.

In accordance with Article 27 of Company Bylaws and Article 9 of the Regulations of the General Shareholders' Meeting, attendance at the GSM requires a shareholding of a minimum of 100 shares, provided these are registered in the appropriate account entry five days prior to the Meeting and after accreditation as shareholder is confirmed, via the corresponding attendance and voting card, or through the electronic attendance and voting card issued by the Entity entrusted with the Account Entry Registry or the Authorised or Depository Entity of the shares.

Shareholders who do not hold the aforementioned number of shares may group together for the purposes of attendance, appointing a single shareholder to represent them.

4. Right of representation.

All shareholders with attendance rights may be represented at the General Shareholders' meeting by another person, who need not be a shareholder. Representation shall be specific for each Meeting and conferred in writing via mail, recognised electronic signature or any other electronic media and, in general, any other means of remote communication envisaged by law, provided at all times that the identity of the subject exercising such representation is duly certified.

Representation is always revocable. Personal attendance at the meeting shall immediately revoke the representation granted and must be communicated in good time to the representative to avoid the exercise of unauthorised representation.

Both in cases of legal representation and delegation of attendance rights, no shareholder shall have more than one representative at the Meeting.

5. Voting rights.

All shareholders with attendance rights, under the terms established by Article 17 of Company Bylaws and set out in Article 9 of the Regulations of the General Shareholders' Meeting, shall be entitled to vote may exercise such right on their own behalf or by representation, either by attending personally and voting at the Meeting, with an attendance and voting card duly signed and accredited, or by post, vote at the Shareholder Information Office, recognised electronic signature or any other remote communication media envisaged by law, attaching the relevant electronic certificate of attendance and vote.

E.4. Indicate measures adopted, if any, to encourage shareholder participation at GSMs

As well as the rights to information, attendance, representation and vote described in the section above, shareholders may at any time, prior to accreditation as such, suggest ques-

tions of interest to the Company or related their position as shareholder via the Shareholders Information Office through the Company website.

Once the GSM has been called and up to the seventh day prior to the date set for same, shareholders may request from Directors any information or clarification judged appropriate concerning the matters on the Agenda, or prepare in writing any such questions.

During the course of the GSM, shareholders may request verbally any information or clarifications they deem appropriate concerning matters on the Agenda, and if response to the same is not possible at that time, Directors must provide such information in writing within the seven days following the end of the Meeting.

Likewise the Company, with the aim of encouraging shareholder participation in GSMs, shall implement various practices such as:

- Publishing the call for the Meeting in the main communications media.
- Provide gifts with a view to of encouraging physical attendance of shareholders at the GSMs.
- Hold the GSM in a venue with the best conditions for the course of the Meeting and easy access for shareholders, making transport available to them to facilitate their attendance at the Meetings.
- Personal attention and directions for shareholders who wish to attend through personnel at the Shareholder Information Office.

E.5. Indicate whether the GSM is presided by the Chairman of the Board. List measures, if any, adopted to guarantee the independence and correct operation of the GSM:

YES NO

Detail measures

By virtue of Article 12.2 of the Regulations of the General Shareholders' Meeting" the GSM shall be presided over by the Chairman of the Board of Directors, and in the absence of same, by the shareholder elected in each case by shareholders attending the meeting. The Chairman shall be assisted by the Secretary to the Board of Directors, and in the absence of same, by the shareholder elected in each case by shareholders attending the meeting".

Thus, the smooth operation and progress of the Meeting is ensured through the provisions established in regulations of the GSM, from which the following considerations may be taken:





- A notary shall attend the GSM, on request from the Company Board of Directors, who shall be responsible for taking and drawing up the minutes, with the accompanying guarantee of neutrality and independence for all shareholders.

Requirements and standards that definitively guarantee the smooth progress of the GSM are contained in Articles 13 to 19 of the Regulations of the General Shareholders' Meeting, of which the following are of note:

- Before commencing on the Agenda, an attendance list shall be drawn up, detailing the nature or representation of each attendee and the number of shares, owned or represented, with which they attend, such that the summary of the attendance list shall determine the number of shareholders, present or represented, as well as the share capital they hold, specifying the capital with voting rights. The Vice Secretary of the Board or the person so appointed by the Chairman in his absence shall provide the Directors with two copies of said summary duly signed by him/her or a scrutinising shareholder. Attendance is considered closed for the purposes of setting a quorum at the time stated in the call for the commencement of the Meeting.
- To the effects of verifying the valid constitution of the meeting, Enagas prepares and proposes to the Management Company of Registry, Compensation and Settlement of Securities, the format of the attendance card to be issued to shareholders, ensuring that such format is uniform and incorporates a bar code so it can be read electronically, thus facilitating the electronic counting of attendees at the Meeting.
- Shareholders shall at all times have the support of personnel from Shareholder Information Office, from the moment they enter the venue of the GSM, to resolve any queries and facilitating their contribution.
- With the aim of guaranteeing the smooth course of the GSM, shareholders or representatives arriving late at the Meeting venue may attend the Meeting once the admission of attendance and voting cards has been closed, but will not be included on the attendance list nor, therefore, form part of the quorum for voting purposes.
- Once the GSM has been validly constituted the notary called by the Company to draw up minutes shall ask participants if there are any reservations or challenges to the details of shareholders and share capital read by the Chairman. Any shareholder with reservations shall show the member of the Panel his/her attendance card to verify and correct, as applicable, any possible errors.
- The Chairman, to facilitate the course of the Meeting, shall request that shareholders who wish to take the floor approach the Chair and show their attendance cards to organise an order for interventions, before commencing with the presentation of the financial year and proposals to be submitted to the GSM, maintaining debate within the limits of the Agenda and responding to shareholders jointly or individually.
- The Chairman of the GSM may agree to suspend the same for the necessary period in the event of any occurrence that substantially affects the good order of the Meeting, including, if the said circumstances continue, postponing the session until the next possible business day.

E.6. Indicate any changes made to the Regulations of the GSM during the year.

At the Enagas GSM held on 30 April 2004, a new text of GSM regulations was approved, with a view to adapting the said regulations to new elements established by Act 26/2003, of 17 July.

The amendments introduced into the new text involve a reorganisation and greater development of rights of shareholders to information, attendance, vote and representation in line with greater corporate transparency. The following is a description of some of the most notable modifications:

1. Right to information

On the date the General Meeting is called, the Company shall make the following resources available to its shareholders:

- a) The full text of the call for the General Shareholders' Meeting with the proposed resolutions to be adopted, and reports from the Board of Directors, where appropriate, concerning their justification and timeliness, providing that all this is possible.
- b) The full documentation of the Annual Accounts of Enagas, S.A. and the Consolidated Annual Accounts of Enagas, S.A. and its subsidiary companies, and the proposal for application of the results of Enagas, S.A. for the financial year in question.
- c) The Enagas, S.A. Management Report and the consolidated Management Report for the financial year.
- d) The Auditors Reports on the Enagas S.A. Consolidated Annual Accounts and Annual Accounts.
- e) The Annual Report on Corporate Governance.
- f) Any other report that must be included or is felt necessary by the Board of Directors.

Prior to the GSM, the Company shall make the above available to shareholders via the following channels:

- The Shareholders Information Office, where the information available may be consulted.
- A toll-free telephone number, specified in the call,
- The Company website.

Up to the seventh day before the meeting is held, shareholders may request from Directors any information or clarification they deem appropriate concerning the matters on the Agenda, or submit in writing the questions they judge relevant.

During the GSM, shareholders may verbally request any information of clarifications they deem appropriate concerning the matters on the Agenda, and if this is not possible, Directors must provide such information in writing within the seven days following the end of the Meeting.

Administrators are under obligation to provide the information requested, except in cases where, in the judgement of the Chairman, the dissemination of the information requested



would be detrimental to Company interests, or on the grounds of legal or statutory provisions, and legal or administrative resolutions. Such refusal shall not be possible when the request is put forward by shareholders representing at least a twenty-five percent of the Company share capital.

The information requested shall be provided to the shareholder requesting it in writing, within the period running from the call until the day of the Meeting, inclusive, provided such request conforms to the requirements of time, execution and scope determined by law and the Regulations of the General Shareholders' Meeting.

2. Right of participation

Shareholders may at any time, and after accreditation as such according to the provisions of Article 9 of the Regulations of the General Shareholders' Meeting, propose questions of interest for the Company or related to their shareholding through the Shareholder Information Office, toll-free line or the e-mail address included in the website.

The Company shall examine questions, suggestions and comments by shareholders, and shall respond to the same when considered appropriate for the good of the Company.

3. Attendance Rights of attendance

In accordance with Article 27 of Company Bylaws and Article 9 of the Regulations of the General Shareholders' Meeting, attendance at the GSM requires a shareholding of a minimum of 100 shares, provided these are registered in the appropriate account entry five days prior to the Meeting and after accreditation as shareholder is confirmed, via the corresponding attendance and voting card, or through the electronic attendance and voting card issued by the Entity entrusted with the Account Entry Registry or the Authorised or Depository Entity of the shares.

Shareholders who do not hold the aforementioned number of shares may group together for the purposes of attendance, appointing a single shareholder to represent them.

4. Right of representation

All shareholders with attendance rights may be represented at the General Shareholders' Meeting by another person, who need not be a shareholder. Representation shall be specific for each Meeting and conferred in writing via mail, recognised electronic signature or any other electronic media and, in general, any other means of remote communication envisaged by law, provided at all times that the identity of the subject exercising such representation is duly certified.

Representation is always revocable. Personal attendance at the meeting shall immediately revoke the representation granted and must be communicated in good time to the representative to avoid the exercise of unauthorised representation.

Both in cases of legal representation and delegation of attendance rights, no shareholder shall have more than one representative at the Meeting.

5. Voting rights

All shareholders with attendance rights, under the terms established by Article 17 of Company Bylaws and set out in Article 9 of the Regulations of the General Shareholders' Meeting, shall be entitled to vote may exercise such right on their own behalf or by representation, either by attending personally and voting at the Meeting, with an attendance and voting card duly signed and accredited, or by post, vote at the Shareholder Information Office, recognised electronic signature or any other remote communication media envisaged by law, attaching the relevant electronic certificate of attendance and vote.

E.7. Indicate the attendance figures for the GSMs held during the year:

Attendance figures

Date of AGM	% attending in person	% by proxy	% remote voting	Total %
30-04-2004	59.920	13.850	0.000	74

E.8. Briefly indicate the resolutions adopted at the GSMs held during the year and the percentage of votes by which each resolution was passed:

During fiscal 2004, the Enagas General Shareholders' Meeting of 30 April adopted the following Resolutions in accordance with the majorities established by law and the Company Bylaws:

FIRST RESOLUTION:

"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 2003 for Enagas S.A. and its Consolidated Group. To approve the performance of the Board of Directors' for the 2003 financial year."

"Approve application of Enagas, S.A results for the 2003 financial year in line with the distribution proposal prepared by the Board of Directors"; Payment of a complementary dividend in the amount of 42,361,623 euros and 62 cents. The dividend will be paid on 7 July 2004.

Total number of votes cast: 176,114,596.

Number of votes in favour: 176,109,090 (99.997%).

Number of votes against: 1,200 (0.001%).

Number of abstentions: 4,306 (0.002%).

SECOND RESOLUTION

"To set, within the limits established in Article 35 of the Company Bylaws, the number of members of the Board of Directors at 16. In order to cover the existing vacancies on the Board of Directors, it is proposed that the General Shareholders' Meeting appoint the following persons as Directors of the Company for the statutory period of four years:

Mr. Enrique Locutura López and Peña Rueda S.L as Directors; Re-elect Mr. Antonio González-Adalid García-Zozaya, who will be an Executive Director, and Mr. Ramón Blanco Balín for a new further four year period as Directors. The aforementioned expressly accept their respective appointments.

Number of votes cast: 143,050,463.

Number of votes in favour: 143,050,463 (100.00%).

Number of votes against: 0 (0.000%).

Number of abstentions: 0 (0.000%).

THIRD RESOLUTION

To incorporate in the Company Bylaws a new Article 6 bis), amend Articles 8 "Shareholders' rights", 27 "Attendance at Meetings, Representation and Vote" and 31 "Right to information", of the Company Bylaws, and add a single temporary provision.

Number of votes cast: 176,114,596

Number of votes in favour: 176,111,745 (99.998%).

Number of votes against: 2,218 (0.0001%).

Number of abstentions: 633 (0.000%).

FOURTH RESOLUTION

To approve Regulations of the Enagas General Shareholders' Meeting, which shall be reproduced and incorporated as an appendix to the minutes.

Number of votes cast: 176,114,596.

Number of votes in favour: 176,111,745 (99.998%).

Number of votes against: 2,218 (0.001%).

Number of abstentions: 633 (0.000%).

FIFTH RESOLUTION

Set maximum remuneration to be paid to members of the Board of Directors for the year 2004.

Number of votes cast: 176,114,596

Number of votes in favour: 176,108,206 (99.996%).

Number of votes against: 4,497 (0.003%).

Number of abstentions: 1,893 (0.001%).

SIXTH RESOLUTION

Appointment of a new auditor for Enagas, S.A and its consolidated group, for a period of three years, for the financial years from 1 January to 31 December 2004, 2005 and 2006.

Number of votes cast: 176,114,596.

Number of votes in favour: 176,112,305 (99.999%).

Number of votes against: 8722 (0.000%).

Number of abstentions: 1,419 (0.001%).

SEVENTH RESOLUTION

Delegate in the Chairman, the Secretary to the Board of Directors and Vice Secretary so that any off them, indistinctly, may undertake the full execution of resolutions adopted by the GSM, and taking the actions that may be necessary to this effect.

Number of votes cast: 176,114,596.

Number of votes in favour: 176,113,934 (100.000%)

Number of votes against: 252 (0.000%).

Number of abstentions: 410 (0.000%)

E.9. Indicate the number of shares, if any, that are required to be able to attend the GSM and whether there are any restrictions on such attendance in the Bylaws.

Article 27 of the Company Bylaws states that: "Shareholders owning 100 shares, registered, at least five days prior to the date scheduled for the Shareholders' Meeting with the corresponding registers any of the entities participating in the Management Company for

the Registry, Clearing and Settlement of Securities or the entity replacing it, accordingly may attend and vote at the General Meetings".

Shareholders who do not hold the aforementioned number of shares are entitled to form groups and delegate another shareholder to represent them; for this purpose the shares corresponding to each person in his/her own right and by representation shall be cumulative. "

E.10. Indicate and explain the policies pursued by the company with reference to proxy voting at the GSM.

As indicated in section E.3, any shareholder with the right to attend may be represented at the GSM by another person, not necessarily a shareholder, and must use the delegation form envisaged by the Company for each meeting printed on the attendance card. The same shareholder may not be represented at the meeting by more than one representative. Representation shall be specific for each Meeting and conferred in writing via mail, recognised electronic signature or any other electronic media and, in general, any other means of remote communication envisaged by law, provided at all times that the identity of the subject exercising such representation is duly certified. Representation is always revocable. Personal attendance at the meeting shall immediately revoke the representation granted and must be communicated in good time to the representative to avoid the exercise of unauthorised representation.

E.11. Indicate whether the company is aware of the institutional investors' policy regarding whether or not to participate in the company's decision making:

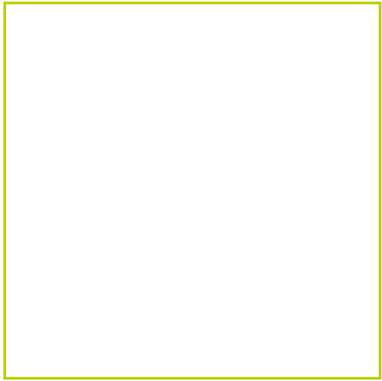
Describe the policy

YES NO

E.12. Indicate the address and mode of access to the content on corporate governance on your website:

All information on Enagas corporate government is available to the public on its website (www.enagas.es / www.enagas.com).

Access to the aforementioned information is as follows: Home page-Investor Relations-Corporate Governance.



Degree of compliance with corporate governance recommendations

Indicate how far the company has complied with existing recommendations on corporate governance or, where applicable, has not followed said recommendations.

Should the company not have complied with any of them, explain the recommendations, standards, practices and/or criteria that the company does apply.

Until the single document referred to in the ECO/3722/2003, of 26 December, is completed, the recommendations of the Olivencia Report and the Aldama Report should be used as reference when filling out this part.

For information regarding the level of compliance with good corporate governance the Olivencia code should be used, and updated with the contents of the Aldama report. In this way Enagas, S.A has redrafted the recommendations contained in both reports so as to give information in the most precise manner possible of compliance with the aforementioned recommendations.

RECOMMENDATION 1. DUTIES OF THE BOARD OF DIRECTORS

"That the Board of Directors expressly undertakes the general supervisory role as the core of its duties, exercises the non-delegatable responsibilities arising from its mission, and establishes a formal catalogue of the information reserved for its knowledge". (Olivencia code).

The Enagas 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.

RECOMMENDATION 2. INDEPENDENCE OF THE BOARD OF DIRECTORS

"That the Board of Directors be comprised of a reasonable number of independent Directors, with a profile of recognised professional prestige, without links to the management team and significant shareholders". (Olivencia code)

The Board of Directors of Enagas has a total of 16 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 posts, thereby guaranteeing their protection of minority shareholders' interests, recommendations expressly set out in Article 9 of the Regulations of the Board of Directors of Enagas.

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.

RECOMMENDATION 3. COMPOSITION OF THE BOARD OF DIRECTORS

"That the Board of Directors, through its members, represents the highest percentage of capital possible".

"Within the composition of the Board of Directors, external Directors (controlling and independent Directors) shall constitute a broad majority over the executives. The ratio of controlling to independent Directors shall be established taking into account the company shareholder structure and the share capital held by the Board of Directors." (Olivencia code)

The Enagas Board of Directors is composed of sixteen members, of which only one is executive. In turn, seven of the fifteen external Directors are independent, a significant proportion. The eight controlling Directors are appointed on the proposal from the seven largest Enagas shareholders, so that the greatest participation of capital is possible in the Board.

RECOMMENDATION 4. SIZE OF BOARD OF DIRECTORS

"The Board of Directors will have a reasonable number of members to ensure its operability and the work of each Director, and that it has the necessary means to best and most effectively perform its duties, including communication with those responsible for different business areas and services and, as applicable, ensure the attendance of professionals and external experts". (Aldama Report)

Article 35 of the Company Bylaws states that "the Board of Directors will be composed of a minimum of 6 members, and a maximum of 16, appointed 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.



RECOMMENDATION 5. DE-CONCENTRATION OF POWER

"Should the Board opt to endow the Chairman with chief executive powers, it should adopt due safeguards to reduce the risks of concentrating power in one single person." (Olivencia code)

The Chairman of the Board assumes the chairmanship of all management and governance bodies of the Company and, despite acting as Chief Executive Officer, there is a clear division between those powers that may be delegated and those that may not.

RECOMMENDATION 6. REGULATORY GUARANTEE

"The figure of Board Secretary shall be invested with maximum relevance, reinforcing his or her independence and highlighting his or her duty to oversee the formal and material legality of the Board's actions." (Olivencia code)

The Secretary of the Board of Directors of Enagas assists the Chairman in his work and provides for the smooth running of the body, and is 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 resolutions.

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.

RECOMMENDATION 7. COMPOSITION OF THE EXECUTIVE COMMITTEE

"The composition of the Executive Committee, where it exists, shall reflect the same balance as there is on the Board between the different categories of Directors. The relations between both bodies shall be informed by the principle of transparency, such that the Board has complete knowledge of the business dealt with and the resolutions that the Committee has adopted." (Olivencia Code)

"The Board of Directors shall determine the composition of this Committee, and it is recommended that when the Executive Committee assumes totally or significantly the powers of the Board, its composition be similar to that of the Board itself regarding participation in some of the different categories of Directors". (Aldama Report)

Due to the number of Directors and the recent establishment of the Appointments and Remunerations Committee and Audit and Compliance Committee, the Enagas Board of Directors has so far not felt it necessary to delegate powers to an Executive Committee. However, this is covered by the discretionary nature attributed to this Committee in the Aldama Report.

RECOMMENDATION 8. DELEGATED CONTROL COMMITTEES

"The Board of Directors should establish committees in which to delegate control, comprising exclusively external Directors, with respect to accounts control and information (audit); the selection of Directors and senior managers (Appointments); determination and review of remuneration policy (remuneration); and evaluation of the governance system (compliance)." (Olivencia Code)

The Enagas Board of Directors has established two delegated Committees: the Appointments and Remunerations Committee and the Audit 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.

RECOMMENDATION 9. INFORMATION FOR DIRECTORS

"Due arrangements shall be taken to ensure that the Directors can obtain sufficient information, specifically drafted and oriented to prepare Board meetings, in sufficient time. Except in exceptional circumstances, the importance or reserved nature of the information shall not be alleged as grounds to not do so." (Olivencia Code)

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.

Specifically, Article 6 of the Regulations of the Board of Directors establishes the procedure in which Directors may have the information necessary to prepare meetings of the Board of Directors with sufficient time, so that in practice and in compliance with the aforementioned precept, the call can be made a week before the meeting of the Board of Directors is to take place, and such call shall include, together with the venue and Agenda, all documentation considered relevant or appropriate in relation to same.

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, provided that duties as Directors so requires.

This right to information is channelled through the Chairman or Secretary to 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 requested examination.

RECOMMENDATION 10. FUNCTIONING OF THE BOARD OF DIRECTORS

"To ensure the Board operates correctly, its meetings shall be held as often as necessary to comply with its mission. The Chairman shall encourage all the Directors to take part and freely adopt positions. Special care shall be taken in drawing up the minutes, and the quality and efficiency of its operations shall be reviewed at least once a year." (Olivencia Code)

According to Article 6 of the Regulations of the Board of Directors, the Enagas Board of Directors 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, 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 Chairman is responsible for organising debate, achieving 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 Chairman and the Secretary. The Secretary to the Board looks after the Minutes Book.

The Audit and Compliance committee and the Appointments and Remunerations Committee, in keeping with the provisions of Article 8 of the Audit and Compliance Committee Regulations and Article 25 of the Regulations of the Board of Directors, must meet at least four times a year. In the 2004 financial year, the former met on five occasions and the latter on seven. Likewise, the resolutions adopted in each Committee are recorded in minutes, signed by the Chairman and Secretary of each body.

RECOMMENDATION 11. APPOINTMENTS POLICY

"The intervention of the Board in the selection and re-election of its members shall respect a formal, transparent procedure, based on a reasonably argued proposal from the Appointments Committee." (Olivencia Code)

Directors are appointed by the General Shareholders' Meeting, in accordance with Article 8 of the Regulations of the Board of Directors.

Appointments should fall upon persons who, in addition to meeting the legal and the statutory requirements required for 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 Shareholders' 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 relevant proposal from the Appointments and Remunerations Committee.

When the Board of Directors does not agree with the proposals of the Committee, it must explain the reasons for this and record the same in the Minutes, although this has not occurred to date.

The Appointments and Remunerations Committee of the Enagas 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, provides compulsory information on the proposal for re-election of Directors that Board of Directors resolve to present to the General Shareholders' Meeting.

As a general rule, appropriate rotation of Independent Directors has been obtained. For this reason, when one is proposed for re-election, the circumstances making such Director's continuity in the post advisable must be justified, although this situation has not yet arisen.

RECOMMENDATION 12. PROTECTION OF EXTERNAL DIRECTORS FROM REMOVAL

"Once the Shareholders' Meeting has appointed the controlling and independent external Directors, the Board should not propose their removal before they comply with the period of office as provided in the Bylaws, except for exceptional and justified causes approved by the Board of Directors, based on a report by the Appointments and Remuneration Committee." (Aldama Report)

Article 10 of the Regulations of the Board of Directors of Enagas establishes that "Directors shall remain in their posts for four years" and except in the cases of termination expressly set out herein, the Board of Directors may not propose the removal of Directors to the GSM.

RECOMMENDATION 13. LIMITATIONS ON DIRECTORS' POSTS

"Companies will include in their regulations the obligation of Directors to resign in situations which may have a negative effect on the functioning of the Board or the credibility and reputation of the company". (Olivencia Code)

Directors must place their post at the Board of Directors' disposal, 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.

RECOMMENDATION 14. AGE OF DIRECTORS

"The company which adopts a policy on this matter must state it clearly in its internal regulations". (Aldama Report)

The organisational and operational Regulations of the Board of Directors of Enagas does not include any age limit for Directors.

RECOMMENDATION 15. APPROPRIATE INFORMATION AND ADVISORY SERVICES

"The right of all Directors to gather and obtain the necessary information and advice to pursue their supervisory duties shall be formally recognised. Suitable arrangements shall be made for this right to be exercised, including the engagement of external experts under special circumstances." (Olivencia Code)

Throughout the text of the 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.

Specifically, Article 15 of these Regulations establishes in its section two that Directors shall be entitled to propose to the Board of Directors the engagement, at the Company's expense, of legal, accounting, technical, financial, commercial or any other type of experts considered necessary for the interests of the Company, for the purpose of assisting the Board in performing its duties when there are specific problems of a certain importance and complexity linked to such performance. The proposal must be communicated to the Chairman of the Board via the Board Secretary.

The Board of Directors may veto its approval when considering such request, deeming the same unnecessary in terms of the duties entrusted, the expense incurred (disproportionate in relation to the problem and assets and revenues of the Company) and finally, in terms of whether said technical assistance may be adequately provided by experts and technicians from within the Company itself.

RECOMMENDATION 16. DIRECTORS' REMUNERATION

"The remuneration policy for the Directors, which shall be reviewed and evaluated by the Remuneration Committee, shall respect the criteria of moderation and be related to the performance of the company and detailed, individualised information." (Olivencia Code).

The Appointments and Remunerations 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. Once the overall amount and the distribution criteria has been established by the General Shareholders' Meeting, the Appointment and Remunerations Committee proposes the specific remuneration of Board members in line with the general criteria set by the Board.

RECOMMENDATION 17. DIRECTORS' OBLIGATIONS

"The internal regulations of the company shall list the obligations emanating from Directors' general duties of diligence and loyalty. They shall, in particular, envisage the possibility of conflicts of interest arising, the duty of confidentiality, the exploitation of business opportunities and the use of corporate assets". (Olivencia Code)

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.

RECOMMENDATION 18. TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS

"The Board of Directors shall foster the adoption of due arrangements to extend the duties of loyalty to significant shareholders, establishing, especially, safeguards for transactions made between such shareholders and the company." (Olivencia Code)

As prescribed by the Board Regulations and the Enagas Internal Code of Conduct, transactions with significant shareholders are formally reserved for the Board of Directors, which adopts the resolution in view of the suitability of the transaction to market values, after reports from the Appointments and Remunerations Committee in co-ordination with the Auditing and Compliance Committee.

Furthermore, the Director proposed by the significant shareholder in question (or where appropriate, the physical person representing such shareholders must abstain in the vote concerning the resolution, which has actually occurred, as noted in the Minutes of the Board of Directors, prepared by the Secretary with the Chairman's approval.

RECOMMENDATION 19. GENERAL SHAREHOLDERS MEETING

"On the occasion of Shareholders' Meetings, and from the time they are convened, the company must disclose the full content of all the motions to be submitted to the Meeting on its website, regardless of other procedures for this purpose established by law or implemented voluntarily by the company." (Aldama Report)

In its relations with its shareholders, the Board of Directors of Enagas applies the principle of parity of treatment, creating the appropriate systems to ascertain the shareholders 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 the General Meetings, adopting as many measures as are appropriate to facilitate the General Shareholders' Meeting truly carrying out the functions attributed to it by law and Company Bylaws.

As of the publication of the call for the General Shareholders' Meeting, as well as during the course of the same, shareholders are provided with the following information, via the company website, toll-free telephone number and the Shareholder Information Office:

- a) The call.
- b) The full contents of all motions submitted to the GSM for approval.
- c) Comprehensive documentation on Enagas Annual Accounts and Consolidated Accounts for the Enagas Group for the financial year in question.
- d) Management Report and Consolidated Management Report
- e) Annual Corporate Governance Report.
- f) All other information that necessarily must be included or deemed appropriate by the Board of Directors.

RECOMMENDATION 20. GSM AND BOARD REGULATIONS

"All companies should have a set of rules or criteria for corporate governance, including at least GSM and Board of Directors' regulations". (Aldama Report)

At the Ordinary GSM held on 25 April 2003, a specific regulation was approved governing the General Shareholders' Meeting regulating, amongst other matters, the rules for the organisation, call, preparation, information, attendance and course of the GSM, with a view to assisting shareholders in the exercise of their corresponding rights. The aforementioned Regulations were amended by the Ordinary GSM held on 30 April 2004 to adapt it to Act 26/2003, on transparency of listed companies, and so that shareholders might know the bases to which the meeting is subject for better exercise of their corresponding information and voting rights.



Likewise, the Board of Directors, at its meeting of 19 February 2004, approved the internal framework and operating rules for the Board of Directors and its Committees; the Board of Directors at its meeting of 19 February 2004 approved regulations concerning the Audit and Compliance Committee, to provide this committee with organisational and operational rules as an independent and transparent body. The Board presented the content of both regulations at the GSM held on 20 April 2004.

RECOMMENDATION 21. TRANSPARENCY OF INFORMATION

"Measures should be adopted to make the mechanism for the delegation of votes more transparent and encourage communication between the company with its shareholders, in particular institutional investors". (Olivencia Code).

Pursuant to Articles 105.4, 106.2 and 112 of the Joint Stock Companies Act, relating to the representation of shareholders at General Shareholders' Meetings by remote communication media, and the means by which they may delegate or exercise the right to vote on proposals included on the Agenda via post, e-mail or any other means of communication and their right of information, the Ordinary GSM of 30 April 2004, approved the amendment of various articles of the Enagas Bylaws in reference to these issues.

Mechanisms established to encourage communication of the company with its shareholders are detailed and regulated extensively in the Regulations of the General Shareholders' Meeting and in the Enagas Company Bylaws.

RECOMMENDATION 22. MARKET TRANSPARENCY

"The Board of Directors, over and above the requirements imposed by prevailing regulations, shall be responsible for supplying the markets with rapid, exact, reliable information, especially with respect to the shareholding structure, substantial changes in the rules of governance, related operations of special relevance or treasury stock." (Olivencia Code).

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 Audit and Compliance Committee, regular provision of public information of a financial nature and to carry out as many functions as are imposed on it by the Company's status as a listed company pursuant to applicable legislation.

Enagas, through its Chairman, Director of Investor Relations, the Secretary to the Board, the Finance Director or the Director of Legal Affairs, within the terms and in accordance with the procedures established in legislation in effect, immediately report on the market, via communication to the CNMV, any relevant information. Such report shall be issued as soon as the fact is known, the decision is taken or an agreement is signed, in a clear, true and complete manner that does not give rise to any error or confusion.

RECOMMENDATION 23. INFORMATION ON CORPORATE GOVERNANCE

"That the duties of information on structures and practices of the governance of each company be extended, and in general, that measures are adopted to ensure the greatest quality of information, being redrafted into a single text to be published for the general knowledge of shareholders and investors". (Aldama Report)

This Corporate Governance Report shows compliance by Enagas with most of the recommendations included in the Good Governance Code drafted by the Special Committee for Encouraging Transparency and Security in Markets and Listed Companies, in the areas of publicity and rules of corporate governance.

RECOMMENDATION 24. PERIODICAL FINANCIAL INFORMATION

"All periodical financial information furnished to the markets, in addition to the Annual Accounts, shall be drawn up according to the same professional practices and principles as the Annual Accounts. Before being published, such information shall be verified by the audit committee." (Olivencia Code)

The Enagas 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 be furnished the markets, 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.

RECOMMENDATION 25. INFORMATION VIA THE INTERNET

"All listed companies should have a website through which it informs its shareholders, investors and the market in general about economic events and any other significant events that take place in connection with the company, as well as enabling shareholders to exercise their right to information and any other shareholder rights." (Aldama code)

Enagas has a corporate website (www.enagas.com /www.enagas.es), which contains information on the most relevant aspects of the company, financial information as well as all information relating to corporate governance.

Thus, on the website it is possible to consult Annual Corporate Governance reports, the Bylaws, the Regulations of the Board of Directors and the General Shareholders' Meeting as well as those of the Audit and Compliance Committee, information on significant shareholders and their representation on the Board of Directors, composition of the Board and Committees. Likewise, it is possible to consult quarterly reports and annual reports for the last few years and relevant facts communicated to the markets. Also available are the calls for the General Shareholders' Meetings and the information contained in same, motions and resolutions to be adopted, and the resolutions finally adopted.

RECOMMENDATION 26. INDEPENDENCE OF EXTERNAL AUDITORS

"The Board of Directors and the Audit Committee shall oversee situations that could jeopardise the independence of the company's External Auditors. Specifically, they shall verify the fees paid for all items as a percentage of the audit firm's total revenues, and provide public information on fees paid for professional services other than auditing". (Olivencia Code)

Among other functions, the Audit and Compliance Committee of the Enagas Board of Directors is responsible for proposing the appointment of the External Accounts Auditors to the Board of Directors, for submission to the General Shareholders' Meeting, in accordance with 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 put their independence at risk.

RECOMMENDATION 27. QUALIFICATIONS IN THE AUDITORS REPORTS

"The Board of Directors shall try to avoid the accounts it has filed being presented to the General Shareholders' Meeting with reservations and qualifications. When this is not possible, both the Board and the Auditors must clearly explain the content and scope of discrepancies to the markets and shareholders." (Olivencia Code).

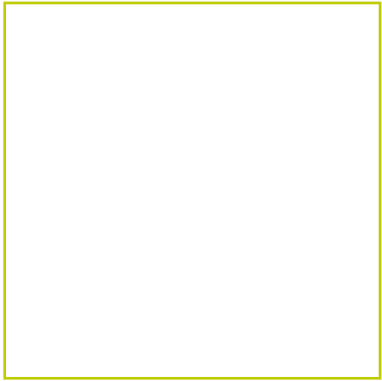
In accordance with its organisational and operational Regulations, the Board of Directors will endeavour to formulate the Accounts so that there is no need for provisos by the Company's Accounts Auditor.

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

RECOMMENDATION 28. CONTINUITY

"The Board of Directors shall include in its annual public report information on its governance rules, explaining those which do not meet the recommendations of this code". (Olivencia Code)

Both this report and the annual report include all information relevant to compliance by the Company with good corporate governance rules.



Other information of interest

List and explain below the contents of any relevant principles or aspects of corporate governance applied by the company that have not been covered by this report.

This section may include any other relevant but not re-iterative information, clarification or detail related to previous sections of the report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

CLARIFICATION TO SECTION A.1:

"Fill in the following tables on the company's share capital":

Enagas, S.A. share capital: 358,101,390 euros, fully subscribed and paid.

Number of shares: 238,734,260 shares of the same class and series, of 1.50 euros nominal value each (numbered correlatively from 1 to 238,734,260, both inclusive) represented by book entry securities, which is entrusted to Iberclear and its member bodies.

Date of last modification: 3 May 2002.

The Extraordinary GSM resolved, as a result of the request for admission to listings of Enagas shares, a rounding off of the nominal value of shares to 30 Euros and the subsequent reduction in share capital of 604,059,98 euros, resulting in a share capital total of 358,101,390 euros, as well as a fractioning and division by 20 of the nominal value of shares (from 30 euros to 1.5 euros nominal value per share), without variation in the share capital figure.

CLARIFICATION TO SECTION A.2: "List direct and indirect holders of significant holdings in your company at the end of its financial year, excluding members of the Board":

On 31 December 2004, the stake of Gas Natural SDG, S.A. in the share capital of Enagas rose to 62,309,642 shares, equivalent to 26.1%.

On 14 February 2005, the stake of Gas Natural SDG, S.A. in the share capital of Enagas was 59,668,387 shares, equivalent to 24.994%, according to information reported by said company to the CNMV.

"Indicate the most significant movements in share structure during the financial year":

At 31 December 2003, Gas Natural SDG, S.A. 39.552 % of the share capital of Enagas, as stated in its Annual Report. Therefore, throughout the 2004 financial year, its percentage fell by 13.45 % with respect to share capital, holding 26.1% of the share capital of Enagas at 31 December 2004..

On 26 December 2004, Cajastur informed this body of the transfer to its subsidiary, Cantábrica de Inversiones de Cartera, S.L of the 5% shareholdings that it held through Peña Rueda, S.L in Enagas.

CLARIFICATION TO SECTION A.3: "Fill in the following tables on members of the Board of Directors that hold company shares":

José Luis Olivas Martínez, representative of Bancaja on the Enagas Board of Directors, holds 1,668 Enagas shares.

CLARIFICATION TO SECTION B.1.2: "Fill in the following tables with Board members":

On 22 December 2000, the Board of Directors appointed as members of the same:

Luis Pérez de Ayala Becerril, as Secretary non-Director.

Beatriz Martínez - Falero García, Vice Secretary non-Director.

"Indicate any members leaving the Board during this period":

On 17 February 2005 the Enagas Board of Directors accepted the resignation of Enrique Locutura Rupérez.

CLARIFICATION TO SECTION B.1.3: "Indicate any variations, as applicable, to the type of each Director during the period":

On 17 February 2005, the Enagas Board of Directors resolved the change in the type of Directorship of Director of Rafael Villaseca Marco, who changed from independent to controlling Director on proposal from Gas Natural SDG, S.A.

CLARIFICATION TO SECTION B.1.6: "Identify, as applicable, Board members holding administrative or management posts in other companies in the Enagas group:

No member of the Enagas Board of Directors holds any position as administrator or Director in companies of the group.

CLARIFICATION TO SECTION B.1.8: "Fill in the following tables with details of the aggregate remuneration of Directors during the year:

During the 2004 financial year, the multi-annual remuneration plan approved by the Board of Directors at the proposal of the Appointment and Remunerations Committee in the 2003 financial year has remained in effect, and consists of a long-term incentive linked to the achievement of fixed objectives over three years. The upper management of the company, including executive Directors, form part of the possible beneficiaries of this remuneration system. In addition to the foregoing, Company has recognised a non consolidatable remunerations plan to compensate length of service to Enagas, comprising a sum paid annually for personnel included within its scope. The sum provided is paid in the case of thirty years' service, retirement, unfair dismissal or dismissal the Company without cause. During 2004, the sum paid by Enagas to senior management and executive Directors rose to 5.295 million euros.

Non-executive Company Directors have only received remuneration during 2004 in the form of allowances. Therefore, non-executive Directors have received no payments by way of fixed or variable remuneration.

Likewise, the amounts that, under section B.1.8, are included under the heading of "other benefits" have only been received by executive Company Directors, and non-executive Directors did not receive any remuneration during the 2004 financial year.

CLARIFICATION TO SECTION B.1.12: "Indicate, as applicable, the identity of Board members who are in turn members of the Board of Directors or hold Directorships in companies holding significant stock in the listed company and/or its group companies"

Following year-end, the following changes have taken place:

- Enrique Locutura Rupérez left the Enagas Board of Directors and on proposal from Gas Natural SDG, S.A his position as controlling Director was taken by Rafael Villaseca Marco, who is a Chief Executive of Gas Natural, SDG, S,A.
- Ramón Blanco Balín is no longer a Director at Gas Natural SDG, S.A.

CLARIFICATION TO SECTION B.1.21: "Indicate whether the Bylaws or the Board regulations establish any limit on the term of office for independent Directors":

Article 38 of the Company Bylaws establishes the duration of the position of Director at four years, and provides for re-election at the end of the period. For these effects it is understood that the appointment will terminate, once the period is over, at the time of the next GSM, or when the legal term for holding the ordinary GSM has passed.

Article 10 of Board regulations establishes that all Directors (internal and external, controlling and independent) hold their position for a maximum of 8 years and may be re-elected. Directors designated by co-option will hold their position until the first GSM is held. Generally, adequate rotation of independent Directors should take place. For this reason, when the re-election of any of these is proposed, it is necessary to justify the circumstances requiring them to remain.

CLARIFICATION TO SECTION B.1.29: "Indicate whether the audit firm carries out other jobs for the company and/or its group apart from the audit. If so, declare the fees it receives for the said jobs and what percentage these represent of the total fees it bills to the company and/or its group."

During 2004, fees invoiced by PriceWaterhouseCoopers Auditores, S.L. corresponding to accounts auditing of Group companies totalled 38,200 euros, while the auditing for Enagas accounts amounted to 34,400 euros. Fees relating to other services provided to Group companies not related to audits were 68,400 euros.

In this respect, it is important to note that at the GSM held on 30 April 2004, it was resolved to name Deloitte & Touche España, S.L. - currently Deloitte, S.L. as Auditor for Enagas, S.A. and its consolidated Group for the period of three years. The fees invoiced by the said company in 2004 for account audits totalled 11,500 euros; for other services not related to audits the total was 57,100 euros.

CLARIFICATION TO SECTION B.1.31: "List the company Directors' stock holdings in other companies with the same, analogous or complementary kind of activity as constitutes the corporate objective of the company and/or its group, that have been reported to the company. Indicate the positions or duties they hold in said companies":

Manuel Menéndez Menéndez, physical representative of Peña Rueda, S.A.U, is President of Naturcorp Redes, S.A.U.

José Luis Olivas Martínez holds 3,250 shares in Iberdrola.

CLARIFICATION TO SECTION B.2.2.: "List the Board Committees and their members":

By virtue of the resolution adopted at the Enagas Board of Directors session on 17 February 2005, the following modifications were made to the composition of the delegated committees of the Board of Directors:

In the Audit and Compliance committee, Ramón Pérez Simarro left the same and joined the Appointments and Remunerations Committee.

In the Appointments and Remunerations Committee, in addition to the aforementioned appointment of Ramón Pérez Simarro, Rafael Villaseca Marco stood down from the Committee.

CLARIFICATION TO SECTION C. "Associated operations":

This report includes information relating to operations with associated parties in conformance with Article 2 of Order EHA/350/2004, of 15 September, on information on associated operations that must be supplied to companies issuing shares listed for trading on secondary markets, despite the fact that this was not applicable until 30 June 2005, the date from which half-yearly information presented by companies must comply with the aforementioned order.

CLARIFICATION TO SECTION C.1.: " List any relevant operations entailing a transfer of resources or obligations between the company or its group companies and the significant shareholders in the company"

1º Operations linked to Gas Natural:

Enagas and Gas Natural have signed use agreements for the cooling of water leaving Enagas plants. The aforementioned agreements, at the date of this report, have not come into force.

2º Operations linked to Cajastur:

Cajastur participated with 20 million euros in the syndicated loan signed on 10 April 2003. The said loan was cancelled on 10 January 2005 and replaced by a "CLUB DEAL" loan, signed on 24 November 2004 and paid on 10 January 2005, in which Cajastur acquired, subsequent to its subscription, a participation of 30 million euros. The new loan was agreed under market terms and Cajastur participates under the same conditions as other lending bodies. With regards to interest, 0.5 million euros have accrued and been paid.

3º Operations linked to La Caixa:

La Caixa participated with 200 million euros in the syndicated loan agreed on 10 April 2003. The said loan was cancelled on 10 February 2005 and replaced by a "CLUB DEAL" loan signed on 24 November 2004 and paid on 10 January 2005, in which La Caixa participated with the amount of 109 million euros. The new loan was agreed under market terms and La Caixa participates under the same conditions as other lending bodies. With regards to interest, 5.2 million euros has accrued and been paid.

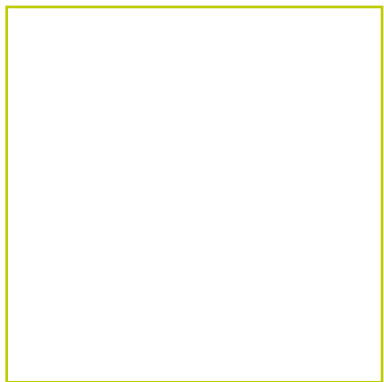


4° Operations linked to Repsol:

The AIE for engineering services constituted by Enagas together with Repsol YPF was dissolved in June 2004.

This annual corporate governance report was approved by the Company's Board of Directors at its meeting dated March, 17th, 2005.

Indicate the Directors or members of the governing body that voted against or abstained from approving this report.



Report on the Activities of the Audit and Compliance Committee

Report on the Activities of the Audit and Compliance Committee

The composition of the Committee in 2004 was as follows:

Chairman

Mr. Luis Javier Navarro Vigil

Members

BANCAJA (represented by Mr. José Luis Olivas Martínez)

Sir Robert Malpas

Mr. Ramón Pérez Simarro

Secretary

Mr. Luis Pérez de Ayala

After the end of the 2004 fiscal year, the Audit and Compliance Committee underwent a change in its composition. Mr. Ramón Pérez Simarro was obliged to leave his seat on the Committee due to his appointment to the Appointments and Remuneration Committee, as the two posts are incompatible. His position was occupied by Mr. Martí Parellada Sabata, as of the month of March 2005.

The Committee met five times during the 2004 year. In keeping with corporate regulations, the Committee called on a number of people related to the matters within its competence for consultation, and during the year Enagas' Finance Director, Mr. De Reina, the head of the Internal Audit Unit, Mr. Espejo, and the External Accounts Auditors (PriceWaterhouseCoopers and Deloitte) all attended sessions of the Committee.

The following is a summary of the most significant areas on which the Audit and Compliance Committee focused in 2004.

1. Approval of the Regulations for the Organisation and Operation of the Audit and Compliance Committee.

The first Audit and Compliance Committee milestone to highlight in fiscal 2004 was the approval of specific regulations for this body, drafted with a view to reinforcing its independence and the particular importance of the Committee within the Company management bodies.

Therefore, the Committee itself undertook the task of preparing a draft of the regulations, which it submitted to the Board of Directors. The final text was approved on 19 February 2004, and sets out a list of the matters on which the Committee is entitled to act, differentiating between a series of competencies inherent to the Committee, and other matters in which it acts by delegation of the Board of Directors. On this particular point, the Regulations of the Committee encompasses the provisions of recent legislation that have endowed Audit Committees in listed companies with their own, special functions. Other important points envisaged in the regulations are the appointment of its members, its operation and the adoption of resolutions.

The full text of the Regulations may be viewed on the Enagas corporate website.

2. Committee Activities relating to the formulation and approval of the Enagas Annual Accounts.

The Audit Committee was entrusted with the task of debating and analysing the Annual Accounts prior to their formulation by the Board of Directors. Within the scope of this work, the members of the Committee met with the External Company Accounts Auditor, as well as with the Finance Director and the head of the Enagas Internal Audit Unit.

Both the External Auditors and the financial officers of the Company offered the Committee their views on the financial statements, so that the Committee could be fully aware of the exact scope of the opinion of each.

The Audit Committee's study of the 2003 Annual Accounts reached the following conclusions.

- That the Annual Accounts of Enagas and those of its consolidated group reflected the Company's equity and the results of the fiscal year truthfully and accurately.
- That the aforementioned Accounts contained sufficient information to be clearly understood, as well as a description of the risks the Company faces.
- That the Accounts fully respected the generally accepted principles and regulations of accounting, in the same terms as were applied in previous years.
- That the principles of parity of treatment for shareholders and transparency of information reported to the markets had been upheld.

In view of the foregoing, the Committee resolved to recommend that the Board of Directors of Enagas formulate the said Accounts. The Board of Directors, at its session held in February 2004, followed the Committee's recommendation and formulated the Accounts in the same terms as indicated by the Committee.

In addition to the previous work, the Chairman of the Audit Committee, Mr. Navarro Vigil, also participated in the Ordinary General Shareholders' Meeting held on 30 April 2004, to explain the most important aspects of the Accounts to the Company shareholders, so to furnish them with all the necessary information to be able to vote on the aforementioned Accounts.

3. Activities related to the External Accounts Auditor

The Committee commissioned the Internal Audit Unit to organise a tender for the selection of the External Accounts Auditor. After the tender offers were received, the Committee undertook the task of evaluating them and proposing to the Board of Directors the name of the firm that would be submitted for approval to the Enagas General Shareholders' Meeting. After acknowledging the excellent quality of all the audit firms who participated in the tender, the Committee chose to propose the appointment of Deloitte as the new Enagas External Accounts Auditor. This proposal was accepted by the Board of Directors and submitted to the General Shareholders' Meeting, which, in effect, appointed Deloitte as Enagas External Accounts Auditor for a period of three years.

4. Monitoring of the relationships between Enagas and its significant shareholders.

The Committee was particularly vigilant in overseeing the relationships existing between Enagas and its significant shareholders, and the conclusion reached after its work in this area was that the aforementioned relationships have been totally normal, not giving rise to any incidents worthy of mention.

5. Process audits conducted during 2004

The Committee conducted a continual monitoring of the work done by the Internal Audit Unit in relation to risk audit processes. It paid particular attention to the most significant aspects of the processes analysed that could pose risks for the Company with a view to reducing and, if possible, eliminating the Company's exposure to risk. In those cases where



possible flaws were detected, the Committee provided the Internal Audit Unit with its recommendations for improvement.

The following is a summary of the processes studied and the subsequent conclusions:

- Infrastructure construction process: 32 recommendations issued.
- Underground storage exploration process: 17 recommendations issued.
- ATR service management process: 17 recommendations issued.
- Purchase and sale of gas process: 22 recommendations issued.

Likewise, the Committee specifically monitored the recommendations issued, to ensure that all had been implemented properly.

Furthermore, the action plan corresponding to the "audit of fixed operational expenses of the Gaviota group" and the "maintenance of transport infrastructures" process are both currently underway.

6. 2005 Audit Plan

On proposal from the head of the Internal Audit Unit, the Committee approved the audit plan for 2005, as well as the budget allotted to the Audit Unit for this purpose.

7. Quarterly accounting reviews

Within the measures established to avoid accounting provisos and to detect any discrepancies between the Company and the External Accounts Auditors in a timely manner, the Committee participated actively in the limited quarterly reviews done by the External Accounts Auditors. Thus, the Committee monitored Enagas' quarterly financial statements and met with the External Accounts Auditors every three months.

8. Activities after the end of the year

Throughout the first months of 2005, the Committee has continued its normal activities, particularly with regards to its participation in the formulation of the Annual Accounts by the Company Board of Directors. As in the previous financial year, the Audit and Compliance Committee has issued a prior favourable report on the 2004 Accounts to be submitted to the 2005 Ordinary General Shareholders' Meeting.

The present Report was drafted and approved by the Audit and Compliance Committee at its session held on 17, with the favourable vote of all its members.

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banco de imagen



Paseo de los Olmos, 19
28005 MADRID
www.enagas.es
investors@enagas.es

