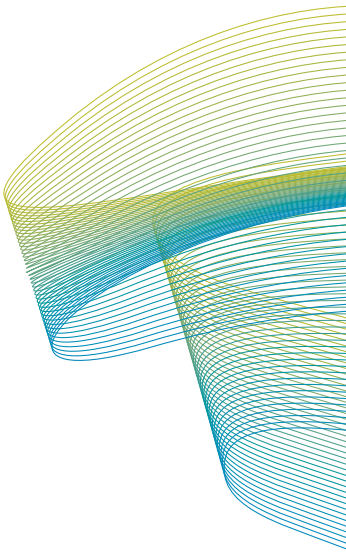


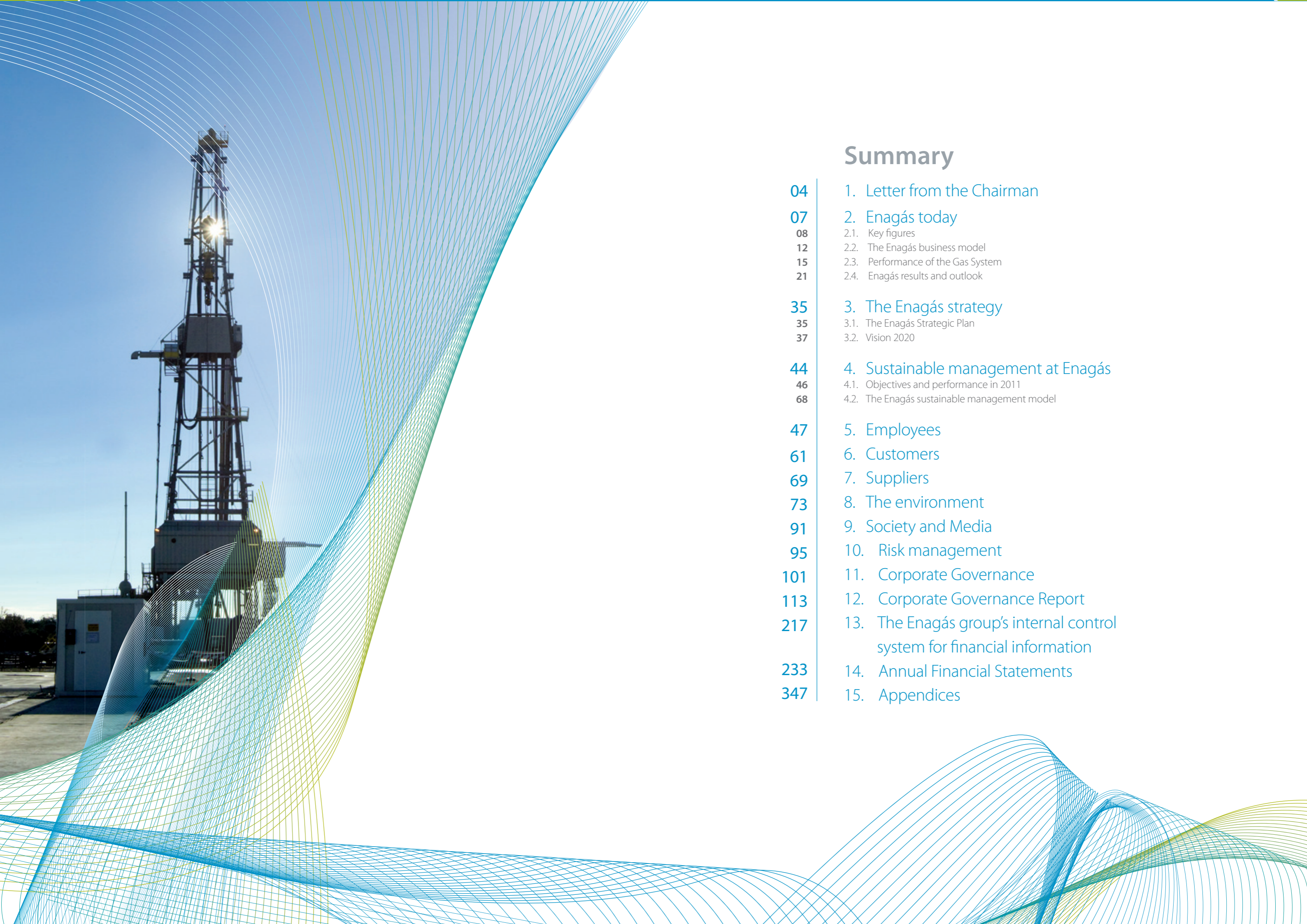


Annual Report
2011



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For the fifth consecutive year Enagás has met all the commitments outlined in its Strategic Plan.

Dear Shareholders:

It is a pleasure for me to address you once again on the publication of this Annual Report for 2011.

It has again been a difficult year for all of us, especially with regard to the current economic panorama. Against this backdrop, I am particularly pleased to confirm that for the fifth consecutive year Enagás has met all the commitments outlined in its Strategic Plan.

We finished the year safe in the knowledge that we had met and in fact surpassed all the targets set at the beginning of 2011. Specifically, net profit increased by 9.3% compared to our forecast of 5%. The higher profits and an increased pay-out will enable us to submit a gross dividend of €1 per share for approval at the General Shareholders' Meeting, a 19% increase on the previous year.

We also surpassed our targets in terms of investment and assets brought on stream, where both figures amounted to €780 million. This was possible because all the envisaged investment was deployed in a timely fashion with no delays, and also because we have continued our policy of prudent purchases of third-party assets in line with our core business. The Enagás acquisitions policy is based on strict financial and strategic discipline, always geared towards fostering profitable, low-risk growth, creating value without unduly increasing our levels of indebtedness.

The Company's solid financial structure likewise confirms its ability to steer its investment plan in the coming year. Sound financial management in 2011 enabled us once again to close the year with the lowest average cost of debt of all non-financial entities on Spain's Ibex-35 index.

The Spanish stock market in 2011 once again reflected the harsh nature of our economic and financial situation. Against this backdrop, Enagás shares outperformed the market average with one of the best performances among utilities in Spain and the vast majority of comparable companies in Europe.



In 2011 the Enagás free float increased from 70% of its capital in 2010 to 75%, one of the highest levels on the Ibex-35. This provides the shares with substantial market liquidity, highly prized by major international investors.

In terms of sustainability, I am extremely satisfied that during the year Enagás was acknowledged as world leader in the utilities sector on the Dow Jones Sustainability Index. We have achieved this and recognition elsewhere thanks to our CSR Policy and successful implementation of our Sustainable Management Model. Enagás remains committed to the ten principles of the United Nations Global Compact and the main activities demonstrating this commitment are described in this report.

Here I wish to highlight the solid performance of the Gas System in 2011 made possible by our solid asset base, the professional quality of our technical and human resources at Enagás, and the key role played by the Company as Technical Manager of the System.

I wish to end by extending my thanks to all our employees for their hard work during the year, and to you

as our shareholders for the trust you have placed in the Company. Cost efficiency, financial solidity, implementation of planned investment and prudence have been the watchwords of our management process and it is now, more than ever before, that they must continue to act as our guide. In 2012 we shall show the same commitment and continue to work hard to meet our targets, overcome new challenges and create value in a sustainable fashion.

Antonio Llardén
Chairman



2. Enagás today

08	2.1. Key figures
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21	2.4. Enagás results and outlook

2. Enagás today

- Enagás net profit amounted €364.6Mn, 9.3% higher than in 2010, mainly due to the strict OPEX and financial expenses control, and also as a result of the acquisitions made.
- Our solid asset base and our cost control effort, has enabled Enagás to increase its pay-out on 2011 results to 65% from 60% in 2010. For the 2012-2014 period, the pay-out will be 70%.
- In the €781Mn investments of 2011 it is included our first international investment: 40% of Altamira regasification plant in Mexico.
- In 2011 Enagas was rated world leader of the Utilities sector in the Dow Jones Sustainability Index, and continues to be a reference in Corporate Responsibility.

2.1. Key figures -2.8-

Enagás' key financial figures for 2011

Consolidated financial data

	2003	2004	2005	2006	2007	2008	2009	2010	2011
EBITDA (€Mn)	383.0	399.1	478.4	563.6	596.0	636.2	701.3	780.8	885.5
EBIT (€Mn)	249.5	275.1	332.8	378.7	408.3	433.1	484.7	530.9	585.9
Net profit (€Mn)	142.0	158.1	191.0	216.4	238.3	258.9	298.0	333.5	364.6
Dividends (€Mn)	71.0	79.1	95.5	112.6	143.0	155.3	178.8	200.1	237.0
Pay-out	50%	50%	50%	52%	60%	60%	60%	60%	65%
Investment (€Mn)	426.3	462.9	358.7	430.6	508.6	776.9	901.6	796.3	781.4
Net debt (€Mn)	1,278.7	1,421.0	1,546.5	1,779.2	1,942.7	2,351.3	2,904.0	3,175.3	3,442.6
Equity (€Mn)	932.4	997.8	1,110.4	1,235.2	1,344.8	1,456.1	1,593.4	1,738.8	1,867.4
Assets (€Mn)	3,093.0	3,101.4	3,225.6	3,626.2	3,976.0	4,717.8	5,777.9	6,829.1	7,717.4
Net debt / EBITDA	3.3x	3.6x	3.2x	3.2x	3.3x	3.7x	4.1x	4.1x	3.9x
Interest cover (EBITDA / interest)	12.1x	12.3x	11.1x	11.1x	9.8x	7.9x	9.6x	9.9x	9.0x
Net debt/total assets	41.3%	45.8%	47.9%	49.1%	48.9%	49.8%	50.2%	46.5%	44.6%
Net debt/Net debt+ shareholders' equity	57.8%	58.7%	58.2%	59.0%	59.1%	61.8%	64.6%	64.6%	64.8%
Average cost of debt	2.9%	3.0%	3.4%	3.6%	4.3%	4.7%	3.3%	2.7%	2.8%
ROE after tax (*)	15.9%	16.4%	18.1%	18.5%	18.5%	18.5%	19.5%	20.0%	20.2%
ROCE after tax (**)	7.5%	7.7%	8.5%	8.7%	8.8%	8.5%	8.2%	7.9%	8.0%
Headcount (31 December)	878	904	907	944	985	1,008	1,046	1,047	1,126

(*) Net profit/Average shareholders' equity.

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



Financial ratings

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Standard & Poor's	A+	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-
Moody's	A2	A2	A2	A2	A2	A2	A2	A2	A2

Stock market data

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Share price 31 Dec. (€)	8.60	12.20	15.80	17.62	19.99	15.56	15.43	14.92	14.29
Dividend per share (€)	0.30	0.33	0.40	0.47	0.60	0.65	0.75	0.84	0.99
Earnings per share (€)	0.59	0.66	0.80	0.91	1.00	1.08	1.25	1.40	1.53
Capitalisation (€Mn)	2,052.8	2,912.1	3,771.5	4,205.9	4,771.6	3,714.7	3,682.5	3,560.7	3,411.0
No. of shares (Mn)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7

Distribution of the 2011 gross dividend of €0.99 per share is subject to approval at the General Shareholders Meeting.

National gas demand

	2003	2004	2005	2006	2007	2008	2009	2010	2011
									GWh
Total demand	275,238	319,600	375,894	391,435	408,431	449,389	401,855	400,700	372,766



Customer relations management data

	2009	2010	2011
Number of TPA customer service incidents	ND*	78	43
Number of TMS customer service incidents	21	87	82
Average number of days to resolve TPA customer incidents	ND*	22	21
Average number of days to resolve TMS customer incidents	14	1.9	2.4
Overall assessment - TPA customer survey (1-6)**	4.6	4.8	4.8
Overall assessment - TMS transmission and distribution customer survey (1-6)	4.9	4.7	4.6
Overall assessment - TMS supplier customer survey (1-6)	4.5	4.6	4.8

* The Service Manager system was deployed in 2010.

** 2010 data differs from reported in Annual Report 2010 due to an error.

Supplier relations management data

	2009	2010	2011
No. approved suppliers	2,122	2,031	1,989
Supplier diversification percentage (suppliers receiving orders)	51.2%	47.0%	48.0%
Percentage of main suppliers (categories 1 and 2)	58.4%	43.0%	52.1%
Percentage of main suppliers with CSR ratings *	ND	71.0%	46.0%
Percentage of works and services contracted with Spanish companies	94.5%	91.6%	98.5%
Percentage of supplies contracted with Spanish companies	83.8%	85.9%	76.0%

* A CSR rating means the supplier is included in the RePro database. Last year's percentage decline was due to the removal of items from the database.

Data concerning good corporate governance

	2009	2010	2011
Number of members on the Board of Directors	16	16	15
Number of independent directors	8	8	8
Number of women on the Board	1	2	2
Non audit fees*	27.0%	37.0%	27.2%

* It is the Company's intention that remuneration paid to the Auditor or companies in the Auditor's group for services other than auditing should, as far as possible, be restricted to 10% of the total remuneration for audit services. Any new contracts in which this percentage is exceeded must be expressly authorised by the Audit and Compliance Committee. In 2011 the Committee considered it was essential to authorise the extension of an existing contract with the Auditor's group involving the information systems used for the operation and control of the Basic Gas System Network, in order to deal with the situation created by the inability of the contractor previously appointed to carry out the work.



Enagás' key social figures for 2011

Employee data

	2009	2010	2011
Rate of absenteeism	3.7%	3.8%	3.6%
Voluntary employee turnover	0.2%	0.1%	0.8%
Percentage of female employees	22.4%	23.0%	22.5%
Percentage of women in management posts	13.6%	15.9%	14.1%
Training hours per employee	41.1	42.5	48.9
Investment in training per employee (€)	426.3	860.7	956.2
Percentage of employees attending training	75.0%	96.7%	89.3%
Incidence rate of accidents resulting in sick leave (Enagás staff, + plant contractors and construction staff)	8.7	6.7	7.2
Integrated severity rate (Enagás staff, + plant contractors and construction staff)	0.3	1.1	0.2

Social data

	2009	2010	2011
Investment in social action (€Mn)	0.8	1.1	2.2
Investment in social action / net profit	0.28%	0.33%	0.60%

Key environmental figures for 2011

Environmental data

	2009	2010	2011
Water consumption (m ³)	84,282	64,990	67,438
Energy consumption (internal consumption of natural gas and electricity) (GWh)	1,086.2	1,274.4	1,218.5
Waste production (tonnes)	3,065	4,236	3,772
Hazardous waste **	76.7	50.8	43.9
Total GHG emissions – direct and indirect (tonnes CO ₂)*	283,269	314,197	293,344
Area restored (m ²)	10,589,973	2,703,242	8,263,647
Area replanted (m ²)	63,479	171,363	405,429
Environmental investment (€Mn)	35.1	38.8	23.3

* The data set out in previous reports on the years 2009 and 2010 were altered following a change to data concerning indirect emissions of CO₂ from electricity consumption due to the updating of average emissions of CO₂ (g/kWh) (Source: Spanish Electricity Industry Association - UNESA).

** Data reported in previous reports on the years 2009 and 2010 were altered due to additional data regarding muds in septic tanks, urban solid waste, Barcelona Plant collecting tanks waste and toner.

2.2. The Enagás business model

2.2.1. Profile – 2.2, 2.5, 2.6, 2.7 -

Our Mission

In its role as transmission company and technical manager, Enagás ensures that the Spanish gas system works properly in order to guarantee security of supply and encourage competition in a transparent and non-discriminatory manner.

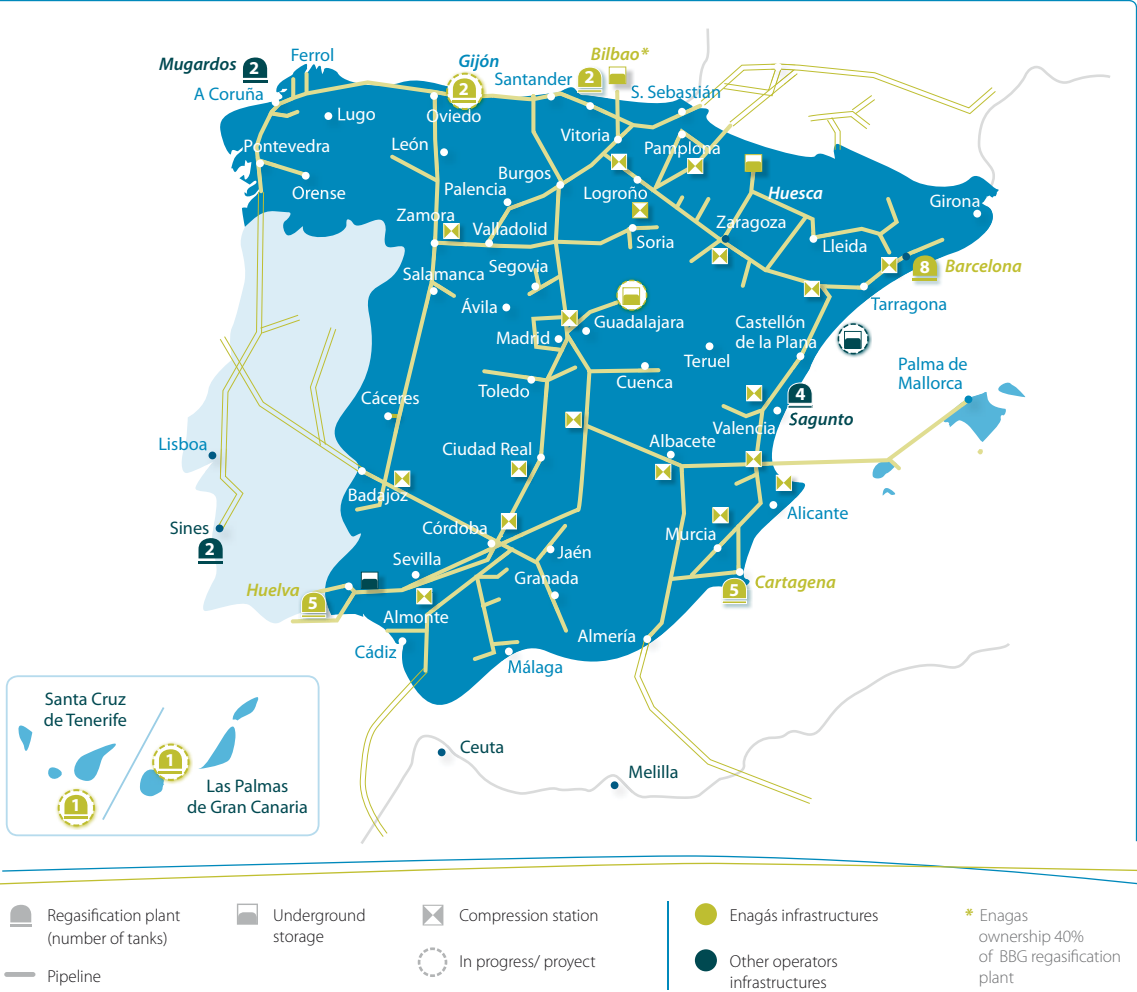
Enagás optimises the way the Spanish gas system works by coordinating its different agents and proposing measures for improvement. It develops the transmission network and manages infrastructure in a secure, efficient, profitable and environmentally-friendly manner. These functions are performed exclusively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

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

Our Values

- Operational security and reliability
- Impartiality and transparency
- Continuous improvement
- High professional standards
- Commitment to the environment
- Integrity
- A focus on results
- Team work
- Personal development

The Spanish Gas System infrastructures map



Trends in Enagás infrastructures

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Transmission network									
Km. of gas pipeline	6,522	7,158	7,538	7,609	7,655	8,134	8,884	8,981	9,280
Regasification plants *									
LNG storage capacity (m³)	560,000	710,000	987,000	1,287,000	1,287,000	1,437,000	1,437,000	1,887,000	2,037,000
Vaporisation capacity (m³(n)/h)	2,250,000	2,700,000	3,450,000	4,050,000	4,200,000	4,350,000	4,650,000	4,650,000	4,650,000
Underground storage facilities									
Extraction capacity (Mm³(n)/day)	12.5	12.5	12.5	12.5	12.5	6.9	6.9	6.9	12.4
Injection capacity (Mm³(n)/día)	8.4	8.4	8.4	8.4	8.4	4.0	4.4	4.4	8.9

* It does not include percentage of BBG and Altamira regasification plants.

Acquisitions in 2011 – HR1-

In 2011 administrative authorisations were finally received to make Enagás the effective owner of the entire Gaviota underground storage facility.

The required authorisation was also received to make the Company the owner of Gasoducto Escombreras S.L.U., formerly Iberdrola Infraestructuras Gasistas S.L.U.

On 13 September Enagás carried out its first investment outside Spain, purchasing 40% of the Altamira regasification plant in Mexico. Here Enagás is deploying its experience in the management of Spanish LNG plants to take up international opportunities with a satisfactory yield which entail little risk and do not increase the Company's gearing beyond acceptable levels.

On 16 September the Company also entered into a purchase agreement with Regional Canaria de Energías whereby Enagás acquired a 41.94% holding in Gascan from its industrial shareholders in the Canary Islands (*).

2.2.2. Markets and areas of business -2.6, 2.5, 2.7, 2.2-

Enagás is based mainly in Spain, where it operates practically all its facilities. However, its vast experience worldwide in the development and operation of regasification plants has brought the Company into contact with other multinationals in the sector in a bid to establish cooperation agreements in terms of training and consultancy, as recently in connection with the purchase of the Altamira regasification facility in Mexico.

All these new areas of business are strategically analysed in order to keep debt on target and guarantee a satisfactory yield.

Sole transporter for the primary gas transmission trunk network

Its role as sole transporter for the primary natural gas transmission trunk network (Royal Decree-Law 6/2009) makes Enagás a key player in the sector, providing strategic support for development of the gas network in Spain, helping to consolidate the process of liberalisation in the sector and competition between suppliers. The Company has developed the following infrastructures, which it makes available to suppliers via third-party access services:

- More than 9,000 km of gas pipelines throughout Spain
- Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara, commissioned in 2012) and Gaviota (Vizcaya)
- Three regasification plants in Cartagena, Huelva and Barcelona, and a fourth plant currently under construction at El Musel (Gijón)
- It also owns 40% of the BBG Regasification Plant (Bilbao) and 40% of the Altamira Plant (Mexico)

Technical Manager of the System

Enagás was appointed the Technical Manager of the Gas System pursuant to Royal Decree-Law 6/2000 of 23 June. Its core remits in this role include guaranteeing continuity and security of supply and efficient coordination between access points, storage facilities, and transmission and distribution networks.

Moreover, to reinforce its autonomy as Technical Manager of the System or TMS, the Company has segregated the activities it performs as System Operator from those it performs as gas transporter and manager of its own network, via a separate unit which is responsible for technical management of the Spanish gas system.

* The purchase was carried through after administrative and competence permits had been secured after year-end 2011.

Hive-down process

Pursuant to the provisions of Additional Provision Six of Act 12/2011 of 27 May, the Company has now commenced the hive-down process whereby Enagás, S.A. will create two subsidiaries to carry out respective functions as Technical Manager of the System and gas transporter. The process must be concluded before the Act has been in force for one year. At all times the process will maintain the principles of continuity and stability, observing strict compliance with legislation in force.

We are also increasingly working and interacting with European regulatory bodies and authorities.

Some of the major bodies alongside which Enagás works are the Ministry of Industry, Energy and Tourism, the National Energy Commission, the Gas System Monitoring Committee (led and coordinated by Enagás as TMS), European institutions (the European Commission, the European Parliament, the Council of Europe), ENTSOG, GIE, ACER and CEER, and forums such as the South Gas Regional Initiative or the European Gas Regulation Forum.

2.3. Performance of the Gas System

2.3.1. Regulatory developments in 2011

As a Company that operates almost exclusively in regulated areas of activity, Enagás works closely alongside regulatory bodies. Accordingly, many of our initiatives focus on providing support to these bodies and identifying needs and expectations that will help perfect the regulatory framework and the efficiency and quality of the services we provide.

Milestones reached in 2011

- ✓ ENTSOG's approval of the European Ten-Year Network Development Plan
- ✓ Adoption and implementation of regional cooperation between transmission companies as envisaged in Regulation 715/2009 for the harmonisation of the regulatory framework in the southern region - Spain, France and Portugal
- ✓ Publication of the Framework Guidelines for Europe within the scope of the Third Package

Other milestones in 2011

Implementation of the first Gas Regional Investment Plan 2011-2020, in coordination with Transmission System Operators in the Southern Region (Enagás, GRTgaz, REN Gasodutos and TIGF), and maintenance of consistence with the European and National Ten-Year Network Development Plans (TYNDPs)

Challenges 2012

Publication of the first European network code: Capacity Assignment Mechanisms

Publication of the European balance network code

Harmonisation of capacity assignment mechanisms between Spain and Portugal (monthly or quarterly products offered on an annual basis)

Main regulatory developments in 2011

Supra-national developments

ACER Framework Directive on capacity assignment mechanisms on gas transmission networks.

ACER Framework Directive on gas balances in transmission systems.

Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency.

Incorporation of Subsidiaries of ENAGÁS, S.A.

Act 12/2011 of 27 May 2011: governing civil liability for nuclear damage or damage caused by radioactive materials. Additional Provision Six amends Act 34/1998 of 7 October on the Hydrocarbons Sector.

Sustainable Economy Act

Act 2/2011 of 4 March 2011 concerning a sustainable economy which, among other reforms, includes good regulation principles applicable to regulatory initiatives and instruments for regulatory improvements and reform of regulatory bodies.

Remuneration And Tolls

Ministerial Order IET/3587/2011 of 30 December approving the tolls and fees for third-party access to gas facilities and remuneration for regulated activities.

Ministerial Order ITC/3128/2011 of 17 November regulates certain aspects in connection with third-party access to gas facilities and remuneration for regulated activities within the natural gas system.

Regulations for Technical Management of the System

Directorate-General for Energy Policy and Mines Resolution of 22 September 2011 amending protocol detail PD-01 "Measurement" of regulations for technical management of the gas system (Official State Gazette - BOE - 3 October 2011).

Directorate-General for Energy Policy and Mines Resolution of 22 March 2011 amending protocol detail PD-05 "Procedure for gauging the amount of energy offloaded from methane tankers" (BOE 1 April).

Compulsory Planning and Winter Plan

Announcement by the State Energy Secretariat of 31 August 2011 whereby a public consultation is conducted on the Environmental Sustainability Report and the preliminary version of Planning of Electricity and Gas Sectors 2012-2020.

Directorate-General for Energy Policy and Mines Resolution of 23 November 2011 approving the 2010-2011 winter plan for operation of the gas system, establishing exceptional winter operating conditions during 2011 and 2012.

Underground storage facilities

Order ITC/1767/2011 of 22 June authorising assignment of the operating concession of the underground hydrocarbon storage facility known as Gaviota to Enagás, S.A.

Resolution of 15 September on Basque Country Coastal Demarcation by the Ministry of the Environment and Rural and Marine Affairs, authorising transfer to Enagás, SA of concessionary rights originating from the administrative concession granted to Repsol Investigaciones Petrolíferas, SA by Ministerial Order of 13/06/1997 for the legalisation of facilities at 105 gas fields in Gaviota I and Gaviota II within the municipal and maritime district of Bermeo (Vizcaya).

Other provisions

Royal Legislative Decree 2/2011 approving the Revised Text of the State Ports and Merchant Navy Act. Royal Decree 704/2011 approving regulations for protection of critical infrastructures.

Directorate-General for Energy Policy and Mines Resolution of 19 July 2011 determining relevant areas of the system concerning which information should be published.

2.3.2. Demand for natural gas in 2011

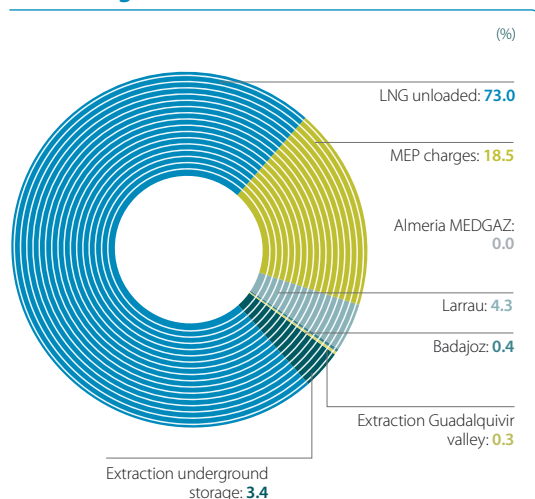
Trends in gas transmitted

	2007	2008	2009	2010	2011	GWh % Chg 2011-2010
Domestic market	408,431	449,389	401,855	400,700	372,766	-7.0%
Domestic conventional	266,372	261,921	241,062	265,083	262,891	-0.8%
Electricity sector	142,059	187,468	160,793	135,617	109,875	-19.0%
Exports international connections	1,857	2,145	11,564	12,576	11,161	-11%
Exits - Guadalquivir Valley	1,321	1,441	1,495	806	-	-100%
Ship loading *	332	-	-	77	8,091	>100%
Regulated transmission activity	411,941	452,976	414,914	414,160	392,018	-5.3%
Transfer MEP ** to REN	22,389	28,318	22,579	22,365	21,785	-3%
Total Exits	434,330	481,294	437,493	436,525	413,803	-5.2%
injection	9,019	13,601	7,579	12,224	15,681	+28.3%

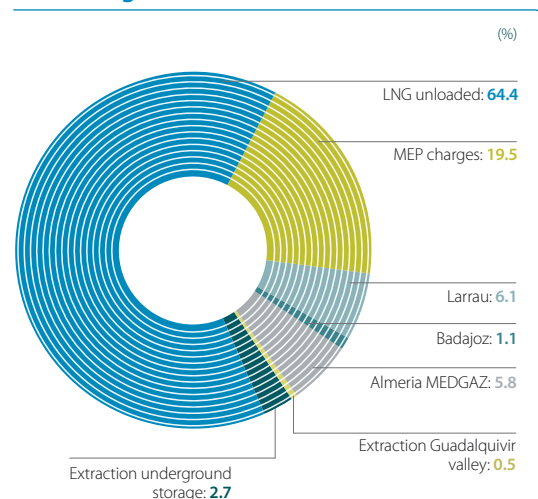
* Includes cold storage on ships.

** Maghreb - Europe gas pipeline.

Trends in gas transmitted 2010



Trends in gas transmitted 2011



Source of supplies

	2010		2011		% Chg 2011 - 2010
	GWh	%	GWh	%	
Argelia NG	79,398	>	104,019	>	31%
Argelia LNG	42,649		43,359		2%
Italy LNG*	10,291	2%	-	-	-100%
Qatar GNL	65,533	16%	51,540	13%	-21%
Oman LNG	1,931	0.5%	1,918	0.5%	-1%
Nigeria LNG	87,865	21%	74,180	18%	-16%
Egypt LNG	32,728	8%	25,933	6%	-21%
Norway LNG	20,680	5%	13,916	3%	-33%
France NG	18,637	5%	25,523	6%	37%
Libya LNG	4,128	1%	967	0.2%	-77%
T&T LNG	34,789	8%	27,618	7%	-21%
US LNG*	1,311	0.3%	1,850	0.5%	41%
Peru LNG	7,164	2%	21,086	5%	194%
Belgium LNG*	876	0.2%	2,965	1%	239%
Yemen LNG	2,968	1%	-	-	-100%
National NG	1,201	0.3%	1,933	0.5%	61%
Portugal NG	1,816	0.4%	4,485	1%	147%
Total	413.964	100%	401.291	100%	-3%

Domestic NG includes the extraction of non-basic storage in the Guadalquivir Valley

* Comercial origin.

2.3.3. Supply of natural gas in 2011

Input into the system 2011

		2010		2011	% Chg 2011 - 2010
GWh					
NG	Tarifa	79,398	80,220	1%	
	Almería	-	23,799	>100%	
	Larrau	18,637	25,272	36%	
	Nacional	1,201	1,933	61%	
	Tuy	-	-	-	
	Badajoz	1,816	4,485	147%	
	Irún	-	251	>100%	
Total NG		101,053	135,959	+ 34.5 %	
LNG	Barcelona port	77,484	62,382	-19%	
	Cartagena port	42,738	40,934	-4%	
	Huelva port	67,828	57,737	-15%	
	Bilbao port	50,660	37,507	-26%	
	Sagunto port	55,713	43,965	-21%	
	Mugardos port	18,489	22,807	23%	
	Total GNL		312,911	265,332	- 15.2 %
Total oferta		413,964	401,291	- 3.1 %	



Deliveries by source in 2011

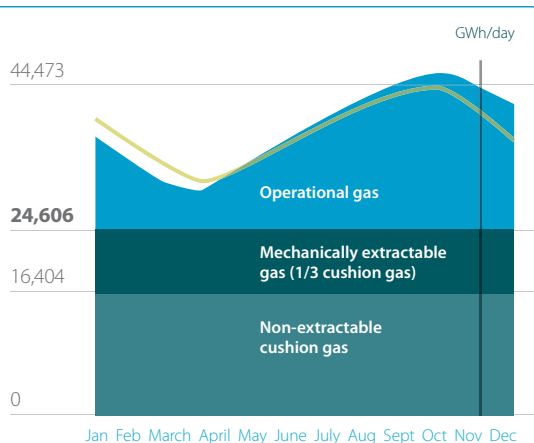
Number of deliveries in 2011	Nigeria	Argelia	Egypt	Qatar	T&T	Oman	Norway	Libya	US	Peru	Belgium	TOTAL	average volume delivered (GWh)
Barcelona	17	15	10	24	2	1	4	1		2		76	820
Cartagena	5	11	9	14	5	1	1	2		7		55	740
Huelva	29	29	1	8	6		4	1		2	1	81	710
Bilbao	12	3		1	15		2		1	7	1	42	890
Sagunto	6	34	9	11			3		1	1	1	66	670
Mugardos	15	4		1	7		1			1		29	790
TOTAL	84	96	29	59	35	2	15	4	2	20	3	349	
Average volume delivered (GWh)	880	450	890	870	790	960	920	240	930	1,050	990	760	
LNG quality in the Spanish system in 2011													
Basic SCP (KWh/Kg)	15.24	15.12	15.37	15.15	15.40	15.15	15.13	14.99	15.29	15.16	15.30		
SCP volume (KWh/m ³)	6,870	6,816	6,651	6,905	6,607	6,949	6,822	7,199	6,767	6,851	6,719		
LNG density (Kg/m ³)	450.88	450.93	432.63	455.75	429.09	458.79	450.89	480.42	442.67	452.01	439.05		

2.3.4. Natural gas storage

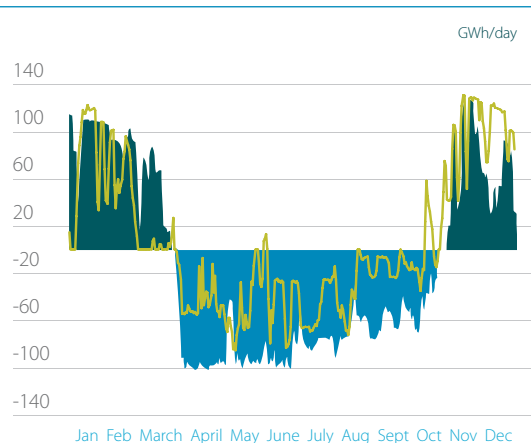
Underground storage stocks tracking

	2010	2011
U/g storage capacity	44,473	44,473
A Total stocks	35,769	40,311
A1 Non-extractable cushion gas (2/3)	16,404	16,404
A2 Extractable cushion gas (1/3)	8,202	8,202
A3 Operational gas	11,164	15,705
Operational gas % full	56%	79%
A1+A2 Cushion gas	24,606	24,606
A2+A3 Usable gas	19,366	23,907
Physical extraction	12,224	15,681
Physical extraction	14,785	11,140

Graph (STOCKS)



Graph (injection/extraction)



2.4. Enagás results and outlook

2.4.1. Adaptation of Enagás to developments in the Gas System

Enagás transmission network

Stations becoming operational in 2011

Villar de Arnedo compression station
Chinchilla compression station
Denia compression station

Gas lines established in 2011

Central axis reinforcement	Algete – Yela gas pipeline
Reinforcement of Tivissa node	Tivissa – Paterna (Phase I)
Regional gas lines	Gas line to Castor underground storage facility
Besós gas pipeline	

New gas delivery points

15.32.1	ECOCARBURANTES G2500	K02031A1	SAN ROQUE DETISA
20.04	VENCILLÓN	L02.2.1	MENGÍBAR II
25A	BÁRBOLES	L02.4.2	LINARES VILLACARRILLO
31EC	EC VILLAR DE ARNEDO	L11	SALOBREÑA
34	CENICERO	M00	CI ALMERÍA
A8	ZORONGO	M00R	ALMERÍA RESERVA
B14.03EM	PALAZUELOS DE ERESMA - TRG	N08	E-BADAJOS ESC
F02.2	CEPSA QUÍMICA	S06.04	MARBELLA
G07.01.1	LARRAGA-LOS ARCOS	S07	CÁRTAMA
G07.02	PUENTE LA REINA	S08.03	MÁLAGA ESTE

Enagás regasification plants

Barcelona Plant



Number of tanks	8
Storage capacity	840,000 m ³ LNG
Emission capacity	1,950,000 m ³ (n)/h
Docking capacity	263,000 m ³ LNG



Cartagena Plant



Number of tanks	5
Storage capacity	587,000 m ³ LNG
Emission capacity	1,350,000 m ³ (n)/h
Docking capacity	263,000 m ³ LNG



Huelva Plant



Number of tanks	5
Storage capacity	610,000 m ³ LNG
Emission capacity	1,350,000 m ³ (n)/h
Capacidad de atraque	140,000 m ³ LNG



BBG Plant (Bilbao)

(Ownership 40%)



Number of tanks	2
Storage capacity	150,000 m ³ LNG
Emission capacity	800,000 m ³ (n)/h
Docking capacity	270,000 m ³ LNG



Altamira Plant (México)

(Ownership 40%)

Number of tanks	2
Storage capacity	150,000 m ³ LNG
Emission capacity	850,000 m ³ (n)/h
Docking capacity	216,000 m ³ LNG



Notes:

- El Musel plant currently undergoing construction.
- Enagás holds a 41.94% stake in Gascan, which is building two regasification plants in the Canary Islands.



Underground storage facilities

Gaviota Underground Storage (Bermeo-Vizcaya)



Operating gas	979 Mm ³ (n)
Cushion gas	1,700 Mm ³ (n)
Injection (max)	4.5 Mm ³ (n)/d
Extraction (max)	5.7 Mm ³ (n)/d



Serrablo Underground Storage (Huesca)



Operating gas	680 Mm ³ (n)
Gas colchón	420 Mm ³ (n)
Injection (max)	4.4 Mm ³ (n)/d
Extraction (max)	6.7 Mm ³ (n)/d



Yela Underground Storage (Guadalajara) (In operation in 2012)



Operating gas	1,050 Mm ³ (n) (n)
Cushion gas	950 Mm ³ (n)
Injection (max)	10 Mm ³ (n)/d
Extraction (max)	15 Mm ³ (n)/d



Contracting capacity

At year-end 2011, 52% of Enagás' input facilities was contracted: 43% long-term and 9% short-term. In line with trends in recent years, short-term contracting, at 709 contracts, accounted for 86% of the total. This is the result of optimisation of gas supplier costs during the summer months and logistical management which seeks to improve

the contracting capacity ratio. In 2011 the capacity deployed at Enagás plants was 65.5% of contracted capacity.



Innovation and technological development in 2011 – EC9, S05, 4.13 –

Investment in Enagás RDI projects in 2011 totalled €1.6Mn.

Key areas of activity

- Base 0 review of design of gas regulating and metering stations
- Conclusion of conceptual definition of the new remote control and command communications system
- Conceptual and basic engineering on the tri-generation project for laboratories and the Green Data Center in Zaragoza
- Termination of Phase I of the transmission network's logistics optimisation and planning system
- Termination of the conceptual and basic design of electricity-generating facilities at the Barcelona plant using turbo-expanders
- Technical-economic feasibility survey of frequency converters for the Cartagena plant's seawater pumps

Other projects at the construction or operational phase (not included in investment figures)

- Commissioning and ENAC certification for the Zaragoza High-Pressure Meter Lab
- Commencement of performance and reliability tests on the Almendralejo compression station's electricity-generating facility using residual turbo-compressor exhaust gas heat
- Commencement of pre-operational tests on the Huelva plant's electricity-generating facility using ocean-thermal energy (using seawater in the hot reservoir and LNG in the cold reservoir).

Moreover, the Company has been increasingly involved in a number of national and international forums and organisations focusing on the capture, transmission and storage of CO₂, and Enagás currently holds the vice-chairmanship of the Spanish Technology Platform for CO₂.

Enagás ranks among the companies that set the international benchmarks in natural gas transmission, regasification and storage. Accordingly, with the aim of sharing gas industry experience, the Company makes cooperation with other companies and bodies one of its top priorities, in addition to contributing to national and international organisations and associations and attending conferences and forums, such as GIE, UNECE, GII GNL, CORES, ENTSG, MARCOGAZ, GERG, EPRG, SEDIGAS, EASEE-gas, AENOR, AEC, Forética or DIRCOM. –4.13, S05–



2.4.2. The Enagás trajectory in figures

2.4.2.1. 2011 milestones and achievements

2011 milestones

24/01/2011: Conventional demand for natural gas in Spain set a new all-time record on 24 January of 1,179 GWh, chiefly due to the effect of lower temperatures

18/02/2011: The shareholder Bancaja vacated its seat on the Enagás Board at the board meeting in February

25/03/2011: All the proposals placed on the agenda by the Board of Directors for consideration by the General Shareholders' Meeting were approved. The quorum was 57%.

18/04/2011: José Riva Francos, Independent Director, was appointed Chairman of the Audit and Compliance Committee to replace Martí Parellada Sabata, whose term of office had expired

12/05/2011: Enagás arranged a Euro Commercial Paper programme (ECP) for a maximum of €1Bn which was registered on the Irish Stock Exchange, enabling it to diversify its financing operations on capital markets with a very attractive funding cost

18/07/2011: The Enagás Board of Directors approved an improvement in shareholder remuneration. The pay-out was 65% on results during 2011, and 70% for 2012-2014. These pay-out increases must be approved at the General Shareholders' Meeting

08/09/2011: Enagás was proclaimed world leader of the utilities sector in the latest review of the Dow Jones Sustainability Index (DJSI)

14/09/2011: The joint venture involving Vopak (60%) and Enagás (40%) successfully completed acquisition of the regasification terminal in Altamira, Mexico, which had been announced in June. The jointly controlled entity acquired 100% of the shares in the terminal from Shell (50%), Total (25%) and Mitsui & Co. (25%) for \$408Mn. The new company took over operational management of the terminal when all the compulsory authorisations had been secured

16/09/2011: Enagás purchase a 41.94% stake in Gascan. The Company's acquisition of a stake in Gascan will drive the regasification plant projects in Tenerife and Gran Canaria

27/09/2011: Enagás and other energy sector companies created the Energy and Environmental Sustainability Foundation. In its constituent sitting, the new Foundation's Board of Trustees elected Antonio Llardén, Chairman of Enagás, as its President

21/11/2011: At its meeting in November 2011, the Board of Directors of Enagás, S.A. appointed Isabel Sánchez García, Independent Director, to the Audit and Compliance Committee

22/11/2011: Enagás signed a €200Mn loan with the European Investment Bank (EIB).

Achievement of 2011 objectives

- ✓ Keeping investment above €650Mn
- ✓ Putting assets of over €650Mn into operation
- ✓ EBITDA growth into double figures
- ✓ An increase in net profit of more than 5%
- ✓ Completion of the 2012-2020 Compulsory Infrastructure Planning process

2.4.2.2. Enagás share price performance in 2011

Stock market performance in 2011

2011 was a complicated year in terms of world stock markets. A lack of confidence in the ability of industrialised nations to recover from the economic crisis, the faltering pace of worldwide growth and increasing fiscal and financial uncertainties triggered a significant rise in the volatility and degradation of world equity markets.

Europe's sovereign debt crisis was the major setback to the global economy in 2011. The Eurozone's structure proved insufficient to enable urgent and decisive measures to be taken to eliminate the uncertainty afflicting businesses and sovereign bodies.

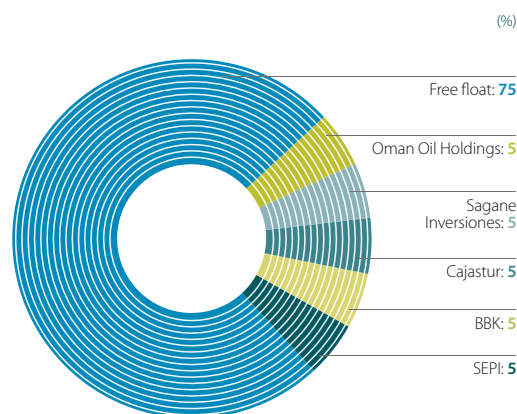
These events were certainly mirrored in Spain, where the Ibex 35 index ended the year at 8,566 points, down 13.1% versus the previous year.

Within this pessimistic context for the Spanish equity market, investors opted for largely defensive shares such as the Enagás share, which contracted 4.2% in 2011 but completed the year as one of the best performers versus its Spanish and European counterparts.

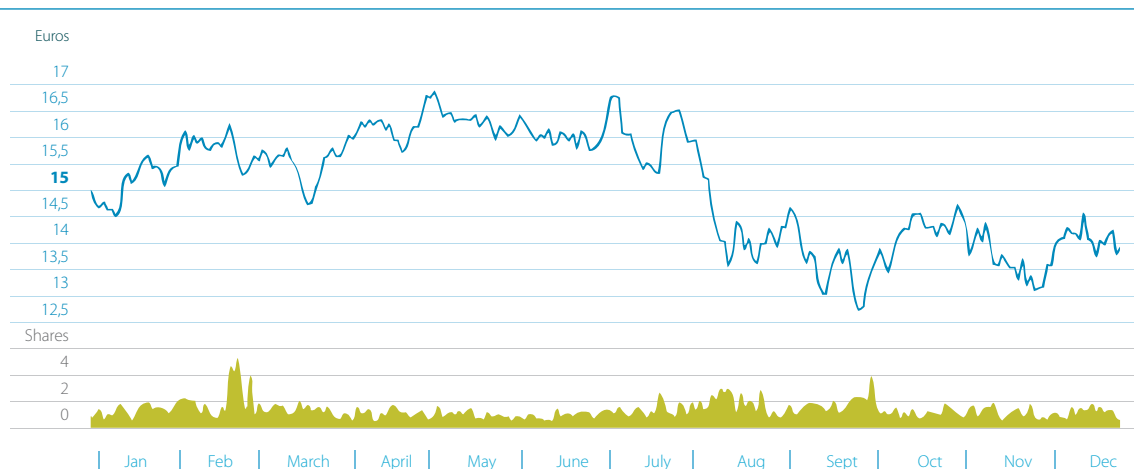
At year-end the share price was €14.290, equivalent to closing date market capitalisation of €3.4115 Bn. The share set a high for the year of €16.99 on 2 May, whereas its lowest value was €12.46, on 26 September.

A total of 532 million Enagás shares changed hands in 2011, a 14.6% increase on 2010 trading volumes, with a cash volume of €7.9297 Bn.

Share capital and shareholder structure - EC4, 2.9 -



Share Price Performance 2011





Change to shareholder remuneration policy

One noteworthy feature of 2011 was a change to the Enagás dividend policy. The Company's robust asset base as the result of its investment efforts and strict control of operating and financial expenses enabled the Board of Directors to approve more advantageous shareholder remuneration. The pay-out was 65% versus 60% in 2010, on results in 2011, and 70% for 2012-2014. These pay-out increases must be approved at the respective General Shareholders' Meetings.

There can be no doubt that the performance of the Company's share versus comparable equities and benchmarks in 2011 conveys a positive signal of Enagás' commitment to its shareholders, maintaining financial discipline and steadfastness in its strategic objectives.

Dividends and main stock market data

Stock market and financial variables per share

	2003	2004	2005	2006	2007	2008	2009	2010	2011
No. shares (millions)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7
Capitalisation (€Mn)	2,053.1	2,912.6	3,771.5	4,206.5	4,771.6	3,714.7	3,682.5	3,560.7	3,411.5
Price at 31 December (€)	8.60	12.20	15.80	17.62	19.99	15.56	15.425	14.915	14.290
High (€)	8.68	12.20	16.00	21.14	21.67	21.25	15.90	16.73	16.99
Low (€)	5.79	8.19	11.46	15.16	15.86	10.32	10.43	12.08	12.46
Average (€)	7.13	9.44	13.66	17.42	18.27	17.28	13.53	14.76	14.99
Days quoted	250	250	256	254	253	255	254	257	257
Share volume (millions)	223.3	255.7	425.8	443.6	771.2	548.8	439.7	464.2	532.1
Turnover (€Mn)	1,574.5	2,416.2	5,710.8	7,742.4	13,950.3	9,719.4	5,976.8	6,730.0	7,929.7
Net earnings per share (EPS) (€)	0.59	0.66	0.80	0.91	1.00	1.08	1.25	1.40	1.53
Dividend per share (DPS) (€)	0.30	0.33	0.40	0.47	0.60	0.65	0.75	0.84	0.99(*)
P/E (Price/earnings ratio)	14.58	18.42	19.75	19.36	20.03	14.36	12.36	10.68	9.36

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

Dividends

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total amount (€Mn)	71.0	79.1	95.5	112.6	143.0	155.2	178.9	200.1	237.0
Interim (€Mn)	28.6	31.0	38.2	45.4	57.3	62.1	67.6	74.5	91.0
Final dividend (€Mn)	42.4	48.0	57.3	67.3	85.7	93.1	111.3	125.6	146.0
Gross dividend per share (€)	0.30	0.33	0.40	0.47	0.60	0.65	0.75	0.84	0.99
Interim (€)	0.12	0.13	0.16	0.19	0.24	0.26	0.28	0.31	0.38
Final dividend (€)	0.18	0.20	0.24	0.28	0.36	0.39	0.47	0.53	0.61
% of nominal	20.0%	22.1%	26.6%	31.3%	39.9%	43.3%	50.0%	55.9%	66.2%
Dividend yield*	3.5%	2.7%	2.5%	2.7%	3.0%	4.2%	4.9%	5.6%	6.9%
Pay-out (%)**	50%	50%	50%	52%	60%	60%	60%	60%	65%

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

** Percentage of net profit allocated to dividends subject to approval at the General Shareholders' Meeting.

Active transparent dialogue with shareholders and investors

In 2011 Enagás continued to pursue its active policy of providing simple, transparent information concerning its strategy, activities and results to financial markets, despite their ongoing difficulties and uncertainties.

Communication with analysts has been fundamental to maintaining analytical coverage by 35 brokers. Like the rest of the market, they are given detailed, up-to-date information on Enagás' activity. At the end of 2011 the analyst consensus produced 25 BUY, 8 HOLD and 2 SELL recommendations, with an average target price of €17.83 per share.

Achievement of 2011 objectives

Financial objectives for investors and analysts in 2011:

- ✓ I. Investment: minimum investment of €650Mn
- ✓ II. Assets put into operation: €650Mn
- ✓ III. EBITDA growth into double figures
- ✓ IV. Increase in net profit of at least 5%
- ✓ Maintaining credit ratings
- ✓ Introduction of electronic voting at General Shareholders' Meeting and in shareholders' forum

✓ Achieved

✗ Not achieved

◊ In progress

Other milestones in 2011

Of top management roadshows in main financial centres to explain the strategic plan, Company objectives and future challenges.

Enagás Board of Directors approved a more advantageous shareholder remuneration. The pay-out was 65% on results during 2011, and 70% for 2012-2014. These pay-out increases must be approved at the General Shareholders' Meeting

The "Informe Reporta 2011", a report drawn up by a group of experts to assess the quality of compulsory and voluntary information submitted for public scrutiny at the General Shareholders' Meeting, ranked Enagás second out of 113 businesses analysed

The Enagás Chairman carried out four online webcasts on the corporate web site (www.enagas.es) to present details of the quarterly results, which were followed by an average of 82 listeners, and made visits to the world's major financial centres to present the Company's long-term objectives and strategy

Meetings were held with 260 institutional investors, 36 analysts and also with the three main rating agencies

Improvements to communication with minority shareholders, with major new features such as electronic voting at General Meetings and the shareholders' forum, created to facilitate shareholder access to Company's senior management



In addition, the Enagás Shareholder Information Office responds to the information needs of shareholders, especially regarding the General Meeting and the distribution of dividends for the year. Enagás provides an ongoing service to shareholders through four information channels: the freephone Shareholder Support Line (900 100 399), a dedicated e-mail address (accionistas@enagas.es), a fax number (+34 91 709 93 28) and the corporate web site (www.enagas.es).

2.4.2.3. Finance in 2011

Additions were made to Enagás' financial statements in 2011. A 40% stake was purchased in the Altamira Regasification Plant in Mexico, consolidated in the 2011 results using the proportional method as of September, and the Gaviota underground storage facility was added in for the first time - this was acquired in 2010 and posted to results after 1 January that year.



Finance

	2011	2010	% Chg 2011 - 2010
Total revenues (€Mn)	1,000.8	1,155.1	15.4%
Operating cash flow (€Mn)	780.1	885.5	13.4%
EBIT (€Mn)	530.9	585.9	10.4%
Net profit (€Mn)	333.5	364.6	9.3%
Dividends (€Mn)	200.1	237.0	18.4%
Pay-out	60%	65%	-
Net debt (€Mn)	3,175.3	3,442.6	-
Equity (€Mn)	1,738.8	1,867.4	-
Assets (€Mn)	6,829.1	7,717.4	-
Net debt/EBITDA	4.1x	3.9x	-
Interest cover (EBITDA/interest)	9.9x	9.0x	-
Net debt/total assets	46.5%	44.6%	-
Net debt/Net debt+ shareholders' equity	64.6%	64.8%	-
Average cost of debt	2.7%	2.8%	-
Investment (€Mn)	796.3	781.4	-1.9%
Assets brought on stream (€Mn)	644.6	780.5	21.1%

Allocation of the 2011 dividend is subject to approval at the General Shareholders' Meeting.

Revenue

Total revenue for the year stood at €1.1551Bn, an increase of 15.4% on 2010.

Operating expenses

Enagás' operating expenses increased by 22.5% in 2011 versus the previous year (2.7% excluding acquisitions and non-recurring expenditure posted in 2010).

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

- EBITDA increased by 13.4% versus 2010, above the 10% target set by the Company at the beginning of the year.
- The EBITDA margin on regulated revenues stood at 80.8%, unchanged with respect to 2010.
- The depreciation and amortisation charge for the year amounted to €299.6Mn, an increase of 19.9% on the previous year and in line with the higher volume of asset additions during the year and acquisitions carried out.
- ROCE and ROE yield ratios improved with respect to 2010 at 8% and 20.2% respectively. This demonstrates the gradual maturing of substantial investment in recent years.

Financial results

Financial results for the year show a negative €65.6Mn, down 12% versus 2010 as a result of an average cost of debt of 2.8%, slightly above the 2.7% observed in 2010, with average debt running approximately 8% higher than 2010, following considerable investment during the year and the addition of acquisitions.

The EBITDA interest cover ratio at 31 December 2011 was 9x, compared to 9.9x a year earlier.

Net profit

Healthy growth in earnings contributed to a net profit in 2011 of €364.6Mn, an increase of 9.3% on the

€333.5Mn recorded in 2010. The result comfortably exceeds the strategic target of 5% set at the beginning of the year.

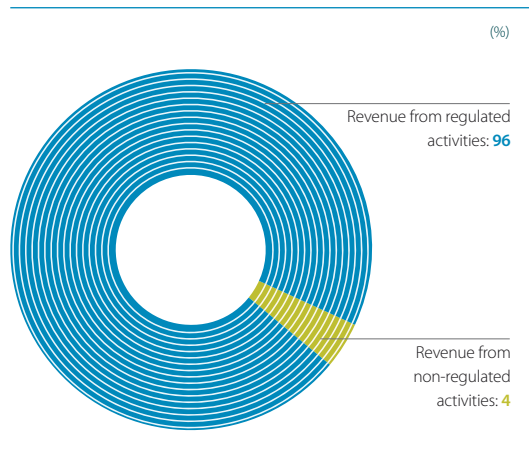
Investment

Investment (€781.4Mn) exceeded its target for the year, as did the assets brought on stream during the year (€780.5Mn), mainly as the result of the addition of new acquisitions. The increase in the asset base will produce a future flow of recurring revenue, and also guarantees a satisfactory return on investment.

Cash flow

The operating cash flow adjusted for changes in working capital totalled €567.5Mn, used to fund investment and pay out dividends. Accordingly, at 31 December 2011 the Company's net debt was €3.4426Bn, as opposed to €3.1753Bn at year-end 2010.

Percentage of revenue by types of business





Capital grants contributed by the state, the autonomous communities and the European Regional Development Fund (ERDF) totalled €21.2Mn, corresponding essentially to the EU structural funds assigned to the Gas Infrastructure Operational Programme. – EC4 –:

- Capital grants from the state: €3.0Mn (14.2% of all subsidies applied to earnings)
- Capital grants from the autonomous communities: €2.1Mn (9.9% of all subsidies applied to earnings)
- Capital grants from the ERDF Fund: €16.1Mn (75.9% of all subsidies applied to earnings)

Debt structure

At 31 December 2011, 82% of debt was long-term and 71% fixed-rate, compared to 70% in 2010, in line with the long-term Company policy of contracting most debt at fixed rates.

The average maturity period is six years and untapped liquidity is €2.126Bn.

In terms of main refinancing processes, in the first half of 2012 Enagás intends to refinance a bond issue to the tune of €500Mn, maturing in July 2012.

Financing strategy

The Company's financing strategy remains prudent, and it will continue to diversify instruments and maturities. The main instruments used and their respective maturities are as follows:

- Very long-term financing through a bond placement with AFLAC
- Long-term financing with loans from the ICO and EIB
- Medium-term financing through the issue of simple bonds and other loans.
- Short-term financing on the Euro Commercial Paper Programme and credit policies.

In 2011 Enagás commenced a new short-term financing project, the Euro Commercial Paper Programme.

The programme has a maximum amount of €1Bn, and allows Enagás a significant amount of repayment flexibility at a lower cost in comparison to traditional bank lending. At 31 December 2011 the outstanding balance on the issues stood at €455Mn.

Dividend policy

Enagás altered its dividend policy in 2011, raising the pay-out on 2011 results to 65% from 60% in 2010. For the 2012-2014 period, the pay-out will be 70%. Both increases must be approved at the 2012 and 2013 General Shareholders' Meetings.

Rating agency reports

The Enagás credit ratings were unchanged in 2011 with respect to 2010.

In October, however, Standard & Poor's altered the outlook from stable to negative following the downgrading of Spain's sovereign rating from AA to AA-. Subsequently, in December S&P added a negative CreditWatch after conducting a similar operation on Spanish sovereign debt. At the date of this Annual Report it still remains to be seen whether the negative Creditwatch will finally bring down our current rating.



2.4.3. The Enagás outlook for 2012

Objectives for 2012

- €550Mn in investment
- Assets brought on stream: €750Mn
- EBITDA growth of around 8%
- Net Profit in line with 2011
- Dividend growth of around 8%

Performance of the Spanish Gas System and uncertainties

Following an analysis of the energy market deregulation process in recent years, it may be said that the process in Spain has been a complete success.

Among other achievements, with no noteworthy restrictions it has proved possible to deal with demand that has risen steadily and solidly in recent years and enable third-party access to infrastructures in a transparent and non-discriminatory fashion. The level of competition and the number of active competitors in our gas system have also increased significantly, moving forward from operations based on a tariff

market to a fully deregulated market, and operational efficiency has also improved. As a result, it has been possible to ensure the continuity and reliability of gas supplies, and also boost the national energy systems with the assistance of combined cycles to generate electricity.

Looking ahead to the coming years, the ultimate objective of the Spanish gas system will remain the safe continuous supply of natural gas to meet current demand. In respect of the substantial degree of maturity attained (over 9,000 kms of network, European leadership of installed LNG capacity), the main challenge lies in continuing to guarantee safe supplies and deploy a genuine European interconnection via France to position Spain as an EU gas transit nation.

These priorities must be included in the Compulsory 2012-2020 Planning Schedule. However, in due consideration of the present economic situation and lower demand for gas to generate electricity, this schedule is expected to envisage a slower pace of infrastructure development than previous plans as of 2015.

Specifically, the expected trends in demand are as follows:

- Conventional demand: continuous growth of 2%-4% assisted by co-generation consumption
- Demand for electricity generation: reductions may continue during the first quarter of 2012, subsequently stabilising at the current low levels
- Some major underground storage infrastructures will also become operational (Yela, Castor and Marismas), in addition to reinforcement of the Levante Axis and completion of construction of the Musel Regasification Plant.

Opportunities in the medium term will thus be as follows:

- An increase in consumption of co-generation gas, ship propulsion and vehicular LNG
- International LNG exchange trade (ship loading)

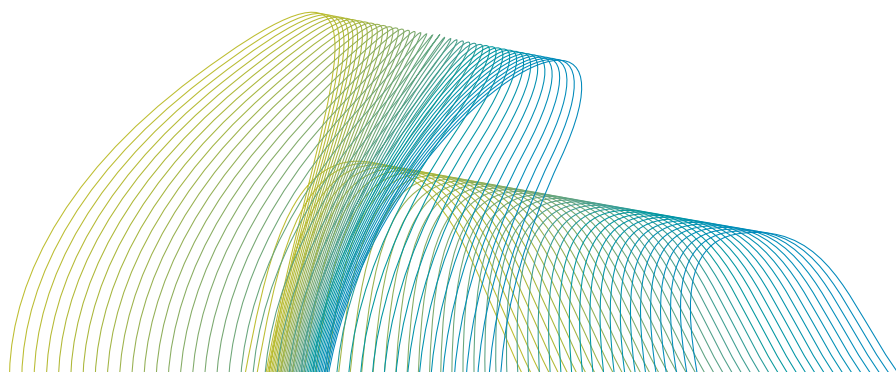


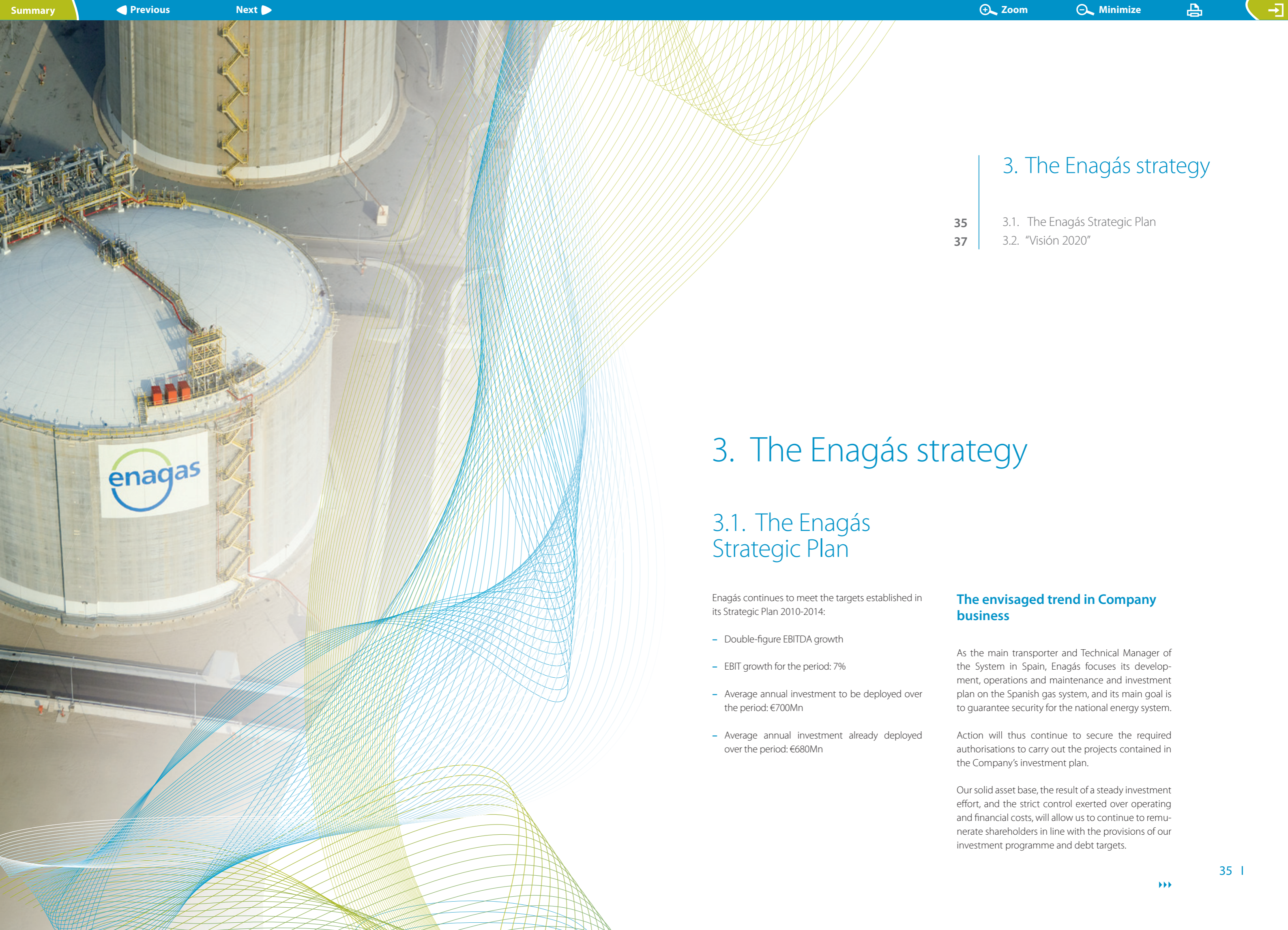
Concerning the regulatory framework, the 3rd Internal Gas Market Directive is pending implementation, already anticipated to a large extent by our gas system through an appropriate ownership separation model that has already been successfully deployed by Enagás. It is hoped that the implementation of the Directive into Spanish law will mainly concern vertically integrated companies, and thus no major changes are expected in relation to our Company. Here the European Union wished to take the issue one step further to foster a borderless internal European gas market moving towards the most harmonised EU regulation possible.

At the present time, in a bid to move towards a single market, work is ongoing on a regulatory framework the main challenge of which lies in securing the highest possible degree of harmonisation within the sector. The Iberian Peninsula hopes to become a major European location for incoming gas in order to provide the European Union with Spain's equilibrium and diversification of supply sources, in a bid to counteract an increasing dependence on other countries.

Enagás is focusing on Europe's new energy policy targets and is therefore working hard to assist in the implementation of future regulatory developments that are directly applicable to national regulation in harmony with the characteristics of the Spanish market, and allow Spain to make a better contribution to the EU's internal gas market.

Thus Enagás, in its capacity as Technical Manager of the System and Sole Transporter for the gas transmission trunk network, has taken an active part in building the future of the gas system, and will continue to do so in the years to come.





3. The Enagás strategy

35	3.1. The Enagás Strategic Plan
37	3.2. “Visión 2020”

3. The Enagás strategy

3.1. The Enagás Strategic Plan

Enagás continues to meet the targets established in its Strategic Plan 2010-2014:

- Double-figure EBITDA growth
- EBIT growth for the period: 7%
- Average annual investment to be deployed over the period: €700Mn
- Average annual investment already deployed over the period: €680Mn

The envisaged trend in Company business

As the main transporter and Technical Manager of the System in Spain, Enagás focuses its development, operations and maintenance and investment plan on the Spanish gas system, and its main goal is to guarantee security for the national energy system.

Action will thus continue to secure the required authorisations to carry out the projects contained in the Company’s investment plan.

Our solid asset base, the result of a steady investment effort, and the strict control exerted over operating and financial costs, will allow us to continue to remunerate shareholders in line with the provisions of our investment programme and debt targets.

The Enagás strategy



Enagás is also successfully adapting to the new global economic climate, and thus in terms of meeting the objectives in its Strategic Plan the Company will continue to examine the market in search of new investment opportunities that are best suited to its strict financial and strategic discipline.

The strategies on which the Company intends to base its future development, among others, are as follows:

- Consolidation of Enagás as sole transporter on the Spanish gas system's trunk network, deploying the infrastructures envisaged in compulsory planning.
- Positioning of Enagás as European TSO, in accordance with the creation of a European internal gas market, as intended by the 3rd EU Directive.
- Maintaining Enagás' technological leadership of the gas sector, particularly in the LNG market. In this area, the purchase of the Altamira regasification plant represents the first step in boosting Enagás' position as an international benchmark on the back of its vast experience in the sector.
- Market leadership in terms of Sustainability, Corporate Social Responsibility, Safety and the Environment.

Likewise, to deploy its plans, in 2012 the Company intends to adapt its structure in the form of a holding, whereby two subsidiaries will be created to carry out its regulated businesses (Transmission and Technical Management of the System), as required by Act 12/2011.

Strategic drivers at the Company

Creation of value and competitive remuneration for shareholders: a realistic plan for investment and growth, stepping up the efficiency policy, deployment of a stable remuneration framework.

Continuation of an acquisitions policy in response to Enagás' core business and to maintain the Company's profitability and debt targets.





3.2. Vision 2020

Enagás sees sustainability as a key factor to its success, and for this reason sustainability forms part of our strategy.

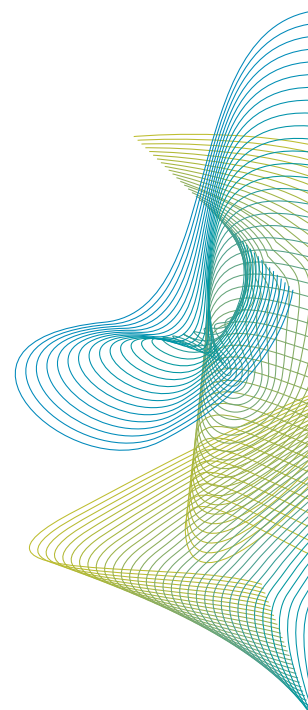
In this area Enagás carried out an in-depth process of reflection on its CSR strategy in 2011 in a bid to identify differential competences within sustainability to boost Company business.

This process included an external analysis of gas market drivers or key factors, CSR strategies followed by other companies, and Enagás' positioning in this regard. An internal analysis was likewise performed of the current and future contribution to Company business by sustainability.

The outcome of the reflection process was the Enagás CSR Strategy ("Visión 2020"), focusing on three strategic targets:

- A safe, reliable Company: sustainability must serve to boost the image of Enagás as a committed, safe, reliable Company.
- Excellent capacities: Enagás must have human resources with excellent capacities to enable it to take up opportunities in today's more competitive markets.
- Sustainable business: Enagás must identify opportunities to conduct sustainable business in an economy which will probably be low-carbon.

Enagás has defined a new 2012-14 Quality, Excellence and Sustainability Master Plan in accordance with its CSR Strategy, structured around these three strategic objectives.



4. Sustainable management at Enagás

39	4.1. Objectives and performance in 2011s
40	4.2. The Enagás sustainable management model

4. Sustainable management at Enagás

4.1. Objectives and performance in 2011

2012 objectives

- Defining and implementing courses of action on the Quality, Excellence and Sustainability Master Plan in accordance with the new CSR Strategy "Visión 2020".
- Boosting knowledge generation and knowledge sharing through practice communities (cooperation environments) in accordance with the Company's Knowledge Map.
- Maintaining rankings on the major sustainability indexes (DJSI, FTSE4Good, Ethibel Excellence etc.).
- Obtaining the EFQM +500 seal

Sustainable management at Enagás

Achievement of 2011 objectives

- ✓ Identifying a map of the knowledge available at the Company and associated resources - knowledge management
- ✓ Disseminating the results of the 2010 stakeholder survey and identifying courses of action to improve dialogue with stakeholders
- ✓ Maintaining rankings on the major sustainability indexes (DJSI, FTSE4Good, Ethibel Excellence, etc.)
- ✓ Creating a culture of innovation and continuous improvement through a range of initiatives such as the Ingenia 2011 innovation award

Other milestones in 2011

✓ Achieved ✗ Not achieved ⬢ In progress

Enagás was ranked world leader of the utilities sector on the DJSI index

Definition of the Enagás "Visión 2020" setting out the Company's strategic CSR directives

Consultation of stakeholders at specific meetings (working breakfasts)

Launch of the first practice community (cooperation environment) in accordance with the Company's Knowledge Map

4.2. The Enagás sustainable management model

The Enagás Sustainable Management Model, a vital tool for driving innovation and improving changes to Company management, is based on integration of the governance model, assessment tools to identify improvements and a specific action plan to define and integrate the courses of action associated with the areas identified for improvement.

To monitor the model, Enagás uses a scorecard system with indicators for each CSR area which are regularly reported to the Appointment, Remuneration and Corporate Responsibility Committee.

For further details on the Sustainable Management Model and the CSR scorecard system, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).



4.2.1. Sustainability Governance Model -4.12-

The Enagás governance model defines responsibilities in terms of quality, excellence and sustainability at the various organisational levels, and involves all departments of the Company.

Enagás operates a Corporate Responsibility policy, which is available for consultation in the Corporate Responsibility section on the Enagás web site (www.enagas.es). – 4.8 -

The online course on Enagás' Business Principles continued in 2011, and was completed by 78 employees. – HR3, S03 -.

For further details on the Company's business principles, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).

No instances of corruption were identified in 2011. The Enagás Business Principles and Ethics Channel constitute an essential tool for confidential and anonymous reporting of this type of incident and procedures on how such reports are dealt with. – S04 -.

Business Principles - HR3, HR8, HR11, S03 -

The Enagás Business Principles, a professional conduct guide for employees in relation to all Company stakeholders, stipulate that anyone, regardless of their relationship with Enagás, may draw up a confidential anonymous consultation or notification in connection with irregular conduct through a number of channels (by e-mail to canaletico@enagas.es, by post to a member of the Business Principles Supervisory Committee, by fax or using the intranet form provided).

Two communications were received in 2011, one via the Ethics Channel e-mail and another via the intranet form. Both instances were admissible consultations*. – HR11 -

4.2.2. Assessment tools -2.10, 4.13-

The Enagás management model includes integrated assessment tools covering the areas of Quality, Excellence, Sustainability and stakeholder relations. These tools are managed as an integrated package and coordinated using a common mechanism of continuous improvement.

For further details on the Company's assessment tools, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).



Quality

In 2011 the Company obtained ISO 9001:2008 certification for its process to develop new infrastructure, in addition to the certification secured in previous years for Technical Management of the System, management of Third-Party Network Access and of Information Systems



Excellence

In 2010 Enagás obtained the EFQM Model +400 Seal, and an EFQM self-assessment was performed in 2011 with a view to securing the +500 Seal in 2012



Sustainability

In 2011 Enagás was rated world leader of the utilities sector on the *Dow Jones Sustainability Index*

*Neither of the consultations concerned respect for human rights.

Annual Report 2011

Sustainable management at Enagás

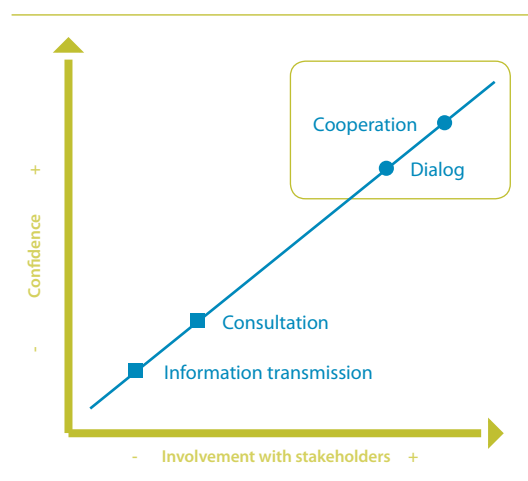


Enagás stakeholders


Enagás' relations with stakeholders – 3.5,
4.14, 4.15, 4.16, 4.17, EC1 –

The process to identify Enagás stakeholder groups is based on prioritisation by the Company's areas of business of the various groups in due consideration of their influence on Enagás and also the Company's influence on the groups.

The Enagás stakeholder management model aims to reach a level of dialogue and cooperation with the various groups that will detect and respond to their expectations, reducing potential risks and identifying areas of possible improvements to the management process.





Following identification and prioritisation of the Enagás stakeholders, the following major milestones were drawn up to manage stakeholders:

Management of stakeholders

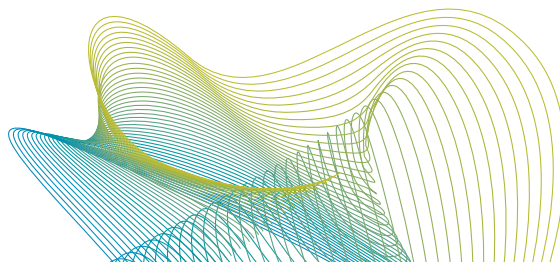


After analysis of the results of consultations with stakeholders in 2011, the results were discussed in depth at specific meetings (working breakfasts) with priority stakeholder groups, with the following aims:

- Improve comprehension of the results of the 2010 consultation
- Identify courses of action
- Improve the positioning of Enagás and future consultation processes
- Improve the information supplied by Enagás to stakeholders
- Identify improvements to the stakeholder management process

As a result of the consultation, Enagás was able to confirm the issues considered as relevant to its stakeholders, and thus intends to provide a response to the information and transparency requirements in this report. -3.5-

For further details on the stakeholder management model, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).



Sustainable management at Enagás

Economic value distributed (€Mn) - EC1 -

	2009	2010	ME 2011
Economic value generated	901.5	1,000.8	1,154.8
Economic value distributed	565.7	617.5	727.5
Suppliers	137.2	147.3	193.1
Company	127.7	144.3	164.8
Investment in social action	0.8	1.3	2.2
Taxes	126.9	143.0	162.6
Employees (personnel expenses)	60.7	67.2	67.0
Capital providers	240	258.7	302.6
Dividends paid to shareholders	178.8	200.1	237.0
Financial results	61.2	58.6	65.6
Economic value retained	335.9	383.3	427.3

4.2.3. Quality, Excellence and Sustainability Master Plan

Identification of management improvements using the assessment tools leads to courses of action set out in the Enagás Quality, Excellence and Sustainability Master Plan.

In 2011 the level of compliance with the Plan, with 128 planned courses of action, was 75%. There was compliance with courses of action identified as critical for Enagás, included in Company targets with an impact on the variable remuneration of staff:

- Creation of an Operating Committee and preparation of an action plan to reduce greenhouse gas emissions (compliance 100%).
- Identification of a map of the knowledge available at the Company and associated resources - knowledge management (compliance 100%).
- Dissemination of the results of the 2010 stakeholder survey and identification of courses of action to improve dialogue with stakeholders (compliance 100%).
- Publication of information on the assessment of the Board and its Committees and training for directors in aspects relating to Company business (compliance 50%).

- Identification of persons with potential at the Company (compliance 100%).
- Creation of a culture of innovation and continuous improvement through a range of initiatives such as the Ingenia 2011 innovation award (compliance 100%).
- Certification of processes to develop infrastructure to ISO 9001 (compliance 100%).

As a result of the strategic reflection process (see the section on "Visión 2020"), Enagás has defined a new 2012-14 Quality, Excellence and Sustainability Master Plan in accordance with CSR Strategy, structured around the Company's CSR strategic objectives.

For further details on the structure of the Quality, Excellence and Sustainability Master Plan, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).





5. Employees

5.1. Objectives and performance in 2011

2012 objectives

- Introduction of the Enagás training platform
- Deployment and notification of Enagás training itineraries and implementation of training for new recruits
- Preparation of a training programme for the El Musel plant
- Consolidation of the corporate volunteer scheme, with dissemination and training activities, diversification of areas of action and geographical distribution of courses of action towards settlement and participation by Enagás professionals
- Reformulation of the employee satisfaction survey, plan for dissemination and system to follow up action plans
- Establishment of information standards for investors and specific communication systems to



Key Indicators 2011

1,126
employees



0.84%
turnover rate

7.18

integrated frequency
index of accidents
entailing sick leave
(own staff + contract
staff)

0.17
integrated
seriousness index
(own staff +
contract staff)



3.65%
absenteeism
rate

22.47%
women

956.2€
training
investment per
employee

48.92
training hours
per employee





facilitate cultural change and integration of new facilities and acquisitions

- Implementation of an employment guide for trainees and temporary staff to facilitate their access to the job market
- Review and update of internal communication channels, mainly the internal magazine, with the addition of new sections, a style review and enhancement of the scope for participation by employees

- Design of the new structure of the Enagás prevention and environmental management systems in accordance with business segregation
- Identification of psychosocial indicators to perform new psychosocial factor surveys at various posts within the Company (Phase I)
- Configuration of the Enagás mobility plan (road safety)

Achievement of 2011 objectives

- ✓ Training in the management and development of human resources: performance management system, potential project tutors etc.*
- ✓ Dissemination of training scorecard and training school
- ◊ Development of the Enagás School training platform with greater emphasis on e-learning
- ✗ Deployment and communication of Enagás training itineraries**
- ✓ Extension of the pilot new performance management scheme to other units
- ✓ OHSAS 18001:2007 certification for infrastructure project management
- ✓ Introduction of the occupational hazard prevention management software application
- ✓ Production of a comparative study of good occupational hazard prevention practices at gas companies
- ✓ Support for specific analysis of jobs, including psychosocial and design factors
- ✓ Progress on noise reduction at different sites
- ✓ Identification of professionals with short, medium and long-term potential in order to retain talent and prepare the Company for the next generation and professional development within the Enagás management structure

* The Tutor Project has been replaced by external coaching schemes

** Postponed to 2012

✓ Achieved

✗ Not achieved

◊ In progress

Other milestones in 2011

Certification for the second year running as Top Employer 2011 by the CRF Institute, on the basis of information collated on companies to five criteria: Wages and Profits, Training and Development, Professional Careers, Working Conditions and Corporate Culture

First external courses at the Enagás Training School: SL-ATR 2.0 (four courses taught, attended by 26 customers)

Cooperation agreements with Business Schools (IESE, ESADE, ESIC, CEU) for training purposes

Distribution to all employees of the Enagás Work-Life Balance and Equality Guide, defining policies for integral management of people, a culture of commitment and the measures deployed in relation to equality and work-life balance

Implementation of new social benefits for employees (backup/relief programme for professionals with mentally disabled family members, 100% suspended salary for paternity leave, home IT and technology assistance to deal with problems regarding the installation and utilisation of IT units and free home installation of Microsoft Office 2010)

Introduction of a project to identify areas of personal development for staff covered by the collective bargaining agreement. Definition and implementation of the action plan

Promotion of a Company culture of prevention and respect for the environment in order to implement safe, healthy and environmentally responsible habits

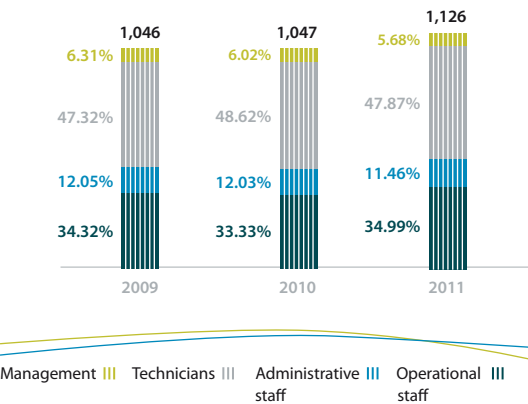
Implementation of almost 70% of the corrective measures arising from the psychosocial risk survey conducted in 2010

5.2. The Enagás workforce

The Enagás Human Resources Policy reflects the Company's continuous commitment to respect for human rights and public liberties, in accordance with internationally accepted codes of conduct. -4.12-

For further details on the Company's Human Resources policy, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).

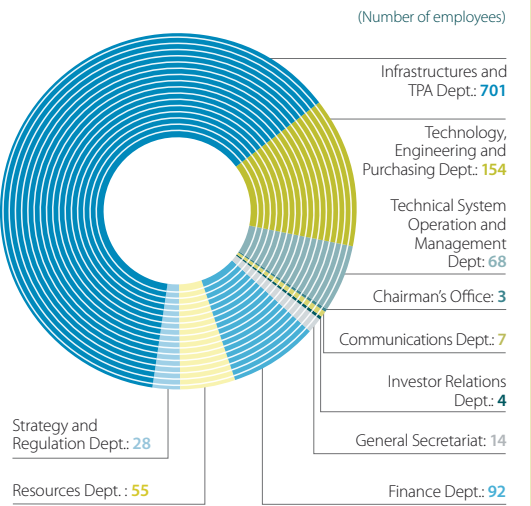
Total staff and breakdown by professional categories - LA1 -



Breakdown of employees by professional categories, age groups and gender - LA2, LA13 -

	Management		Technicians		Administrative staff		Operational staff	
	Male	Female	Male	Female	Male	Female	Male	Female
< 26 years	-	-	-	-	-	-	4	-
26-35 years	3	-	78	60	2	13	90	5
36-45 years	10	6	120	43	3	23	115	7
46-55 years	21	1	128	24	16	41	129	2
> 55 years	21	2	78	8	13	18	42	-
Total	55	9	404	135	34	95	380	14

Workforce breakdown by organisational units - LA1 -



Turnover and absenteeism rates – LA2 –

	2009	2010	2011
Total turnover: total permanent contracts terminated/total workforce	1.30%	3.72%	2.04%
Rate of absenteeism	3.70%	3.78%	3.65%

Turnover by gender and age groups – LA2 –

	Gender		Age Groups				
	Female	Male	< 26 years	26-35 years	36-45 years	46-55 years	> 55 years
Turnover in numbers: Permanent contracts terminated	9	14	1	10	-	2	10
Total turnover: contracts terminated/total workforce	3.56%	3.43%	0%	1.20%	0.91%	0%	18.13%
New recruits (no. of people)	19	73	-	44	25	20	3

* Turnover was calculated for each group, with a different criterion to previous years in which the calculation was performed with respect to the total workforce.

Types of contract by gender – LA1 –

	% Female	% Male	% Total employees
Permanent contract	95.26%	96.79%	96.45%
Temporary contract	4.74%	3.21%	3.55%
Full-time	92.89%	99.54%	98.05%
Part-time	7.11%	0.46%	1.95%

5.3. Freedom of association and union representation

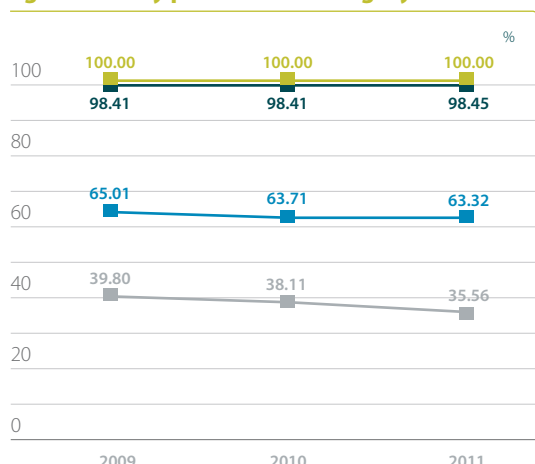
Enagás' employees are free to exercise their right to affiliate themselves with a trade union promoting and protecting their financial and social interests (Article 1 of the Organic Law on Trade Union Freedom). Furthermore, as stipulated in Article 64 of the XV Enagás Collective Bargaining Agreement, membership of trade unions and participation in their activities must not constitute a basis for discrimination in employ-

ment or working conditions, and any agreement or decision by the Company contrary to this principle is deemed null and void – HR5 –.

In 2011, following acquisition of the Gaviota Underground Storage Facility, legal representation of employees was instated for the ELA trade union, the largest union at the facility.

Trends in employees covered by the collective bargaining agreement – LA4

Staff covered by collective bargaining agreement by professional category



*The collective bargaining agreement does not apply to managerial staff.

■ Technicians ■ Administrative staff ■ Operational staff ■ Total

5.4. Equal opportunities and work-life balance

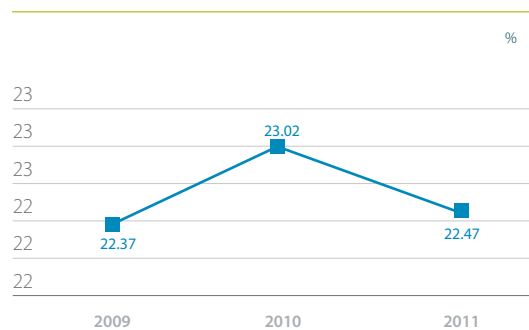
Equality plan

The following major courses of action were taken in 2011 pursuant to the Enagás equality commitment:

- Distribution to all employees of the Enagás Work-Life Balance and Equality Guide, setting out the measures deployed in relation to equality and work-life balance. The guide was distributed to all Enagás employees in order to set out the Company's position on this issue.
- A dissemination campaign on the Company's business and its commitment to people based on merit, equal opportunities and a balance between personal life and professional life at training centres. The campaign aims to encourage female employment in the knowledge areas required by Enagás, to which women previously had access in lower numbers than men.

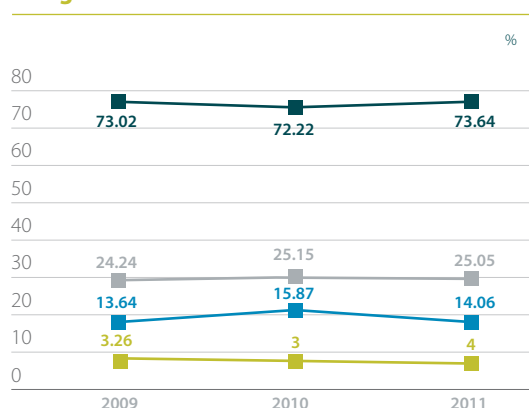
- An Enagás corporate volunteer scheme using the slogan "in our hands" to offer professional people the possibility of working with not-for-profit organisations and projects and solidarity initiatives such as the toy collection campaign for underprivileged children in 2010 and 2011.
- Distribution to all employees of training videos in relation to work-life balance, equality and prevention and how to take action in harassment situations, with a user-friendly dynamic format encouraging people to take part.
- Launch of the "Porque no nos da igual" campaign for equality, designed to make all Company staff appreciate its position with regard to equality, work-life balance and diversity.

Number of female employees – LA1 –



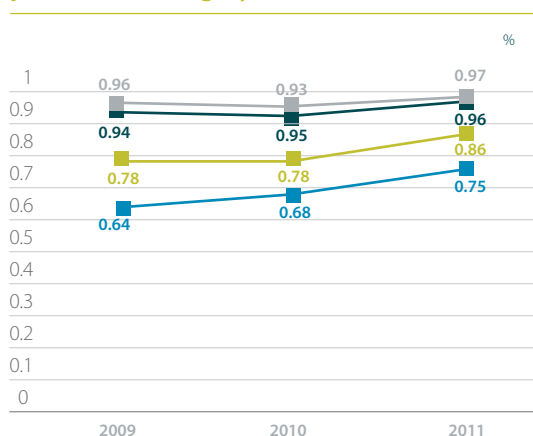
■ Technicians ■ Administrative staff ■ Operational staff ■ Total

Change in male/female ratio by professional categories – LA13 –



■ Management ■ Technicians ■ Administrative staff ■ Operational staff

Average female/male salary ratio by professional category – LA14 –



*The Chairman is not included. The survey was conducted among full-time employees.

— Management — Technicians — Administrative staff — Operational staff

No discrimination incidents were reported in 2011. The Business Principles Supervisory Committee received, via the Ethics Channel, two suggestions for improvement, which are now being implemented (for further information, see the Business Principles section).- HR4 –

With respect to integration of the disabled, Enagás has an agreement with the Juan XXIII Foundation aimed at helping disabled people into employment and, through sponsorship programmes, complying with the 2% statutory target on employment of people with disabilities.- LA13 –

Work-life balance measures

Enagás has obtained certification as a company that is committed to the work-life balance of its employees, and is acknowledged as a "Proactive Company".

New social benefits were introduced in 2011:

- Renewal of the backup/relief programme for professionals with mentally disabled family members.
- Home IT and technology assistance to deal with problems regarding the installation and utilisation of IT units.
- Free home installation of Microsoft Office 2010.

Social benefits (in the Enagás social benefits plan) most used by employees – LA3, EC3 –

	% of workforce taking advantage of benefits	% costs met by the Company
Pension plans: for all employees with at least two years' service with the company	92.19	95.75
Health care insurance for employees and dependent family members	96.18	95.74
Meal subsidies (financial assistance and luncheon vouchers)	86.51	100

Family assistance measures most used by employees – LA3 –

	% of workforce taking advantage of benefits
Tele-counselling	17.67
Homecare services	14.05
Assistance with official transactions	3.81

Maternity / paternity leave – LA15 –

Maternity / paternity leave in 2011		Instances of return to work prior to 31/12/11 after leave		Remaining at the Company 12 months after return	
No. men	No. women	% men	% women	% men	% women
41	9	97.6	66	95.5	100

For further details on equal opportunities and work-life balance at Enagás, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).

5.5. Human capital development

Enagás focuses on training its employees by defining training itineraries, extending its Training School facilities, and developing an e-learning platform.

This commitment was manifested in the results for 2011, with 89.3% training penetration, despite the considerable increase in the workforce during the last quarter of the year, and also in the increased investment in training (19%) and the number of courses given (36%).

**Type of training – LA10, LA11 –**

	2009		2010		2011		%
	Internal	External	Internal	External	Internal	External	
Hours of training	86.3	13.7	95.6	4.4	91.8	8.2	
Cost of training	74.7	25.3	94.7	5.3	89.9	10.1	

Training indicators* – LA10 –

	2009	2010	2011	
			Male	Female
Training hours per employee	41.10	42.52	48.06	51.72
Investment per employee (€)	426.3	860.7	956.2	
Number of courses	201	343	468	
Number of beneficiaries	1,599	2,906	3,188	906
Total investment (€)	445,884	901,122	1,076,724	
Total training hours	42,994	44,516	41,953	13,086

Training by professional groups (total hours/total employees)* – LA10 –

	2009	2010	2011
Management	48.03	63.57	83.68
Technicians	60.17	53.38	70.34
Administrative staff	15.52	8.69	17.45
Operational staff	22.52	35.09	24.16
Total	41.1	42.52	48.88

* Training data by genere not available. It will be reported from 2012.

No. of training hours by areas – LA10 –

	2009	2010	2011
Quality, Excellence and Sustainability	168	302	611
Management	6,392	6,440	7,741
Languages	8,893	1,445	8,547
IT	1,103	6,652	6,631
Risk Prevention and the Environment	12,239	13,601	13,515
Technical skills	8,465	6,389	6,815
Higher Studies and Management Development	5,632	9,391	10,399
Administrative skills	102	298	780

For further details on the Training School, the areas covered by the training programme and the list of training activities in 2011, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).

5.6. Performance assessment

Enagás evaluates the performance of its employees through two assessment systems:

a) Performance assessment

Enagás has introduced a performance review system for senior or middle management staff not covered by collective bargaining agreements. These reviews are a key determinant of their career advancement and fixed remuneration. In 2011 more employees were added to the new performance assessment system in accordance with the model defined the previous year.

Likewise, those covered by the collective bargaining agreement undergo an annual assessment linked to the professional development system, which also has a direct bearing on their fixed remuneration.

Thus 60.12% of the Enagás workforce is included in the performance assessment system, a decrease with respect to the previous year due to the addition during the last quarter of the year of staff from the Yela and Gaviota underground storage facilities – LA12 -.

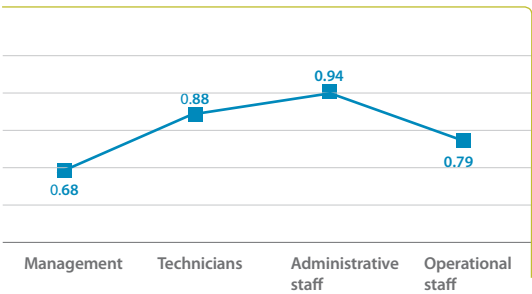
b) Management-by-objectives

Enagás has also introduced a management-by-objectives (MBO) model that enables it to align employee performance targets with the challenges facing the Company by setting objectives that are applicable at both departmental and individual level. This system applies to all those staff excluded from the collective bargaining agreement, and is directly reflected in their variable earnings (36.7% of the total workforce).

Moreover, compliance with company targets has a direct impact on possible increases to the fixed remuneration of staff covered by the agreement.

The Enagás remuneration model factors in considerations of equality and non-discrimination, and thus any differences between the salaries of different individuals are due solely to their positions in the organisation, levels of experience, length of service and contribution of value.

Average male/female salary ratio by professional categories* – LA14 –



* Full-time employees at the Company for the whole of 2011. The Chairman is not included.

In 2011, the standard entry level wage of an Enagás employee was twice the minimum cross-profession wage in Spain. There has been no significant change in this ratio in the past three years. - EC5 -

Number of employees receiving performance and career development reviews in the period – LA12 –

	2009	2010	2011		%
			Men	Women	
Percentage of employees receiving performance and career development reviews in the period	66.90	71.60	61.05	56.92	

5.7. Internal communication

Enagás continues to work on improving internal communications through the various channels it has in place, and by encouraging employee involvement through the Internal Communication Committee.

Internal channels of communication

	Description	2011 indicators
Intranet	<ul style="list-style-type: none"> Continuous updates to the online information in the news section 	<ul style="list-style-type: none"> Updates online 155 news items published
azulyverde	<ul style="list-style-type: none"> Quarterly internal magazine for all employees 	<ul style="list-style-type: none"> Quarterly 4 issues for each employee
Ráfagas	<ul style="list-style-type: none"> Electronic newsletter summing up the news for each fortnight 	<ul style="list-style-type: none"> Fortnightly 22 newsletters sent to all employees
Internal communication campaigns	<ul style="list-style-type: none"> Internal publicity aimed at promoting and raising awareness of important current issues for the company 	<ul style="list-style-type: none"> Prevention: "La Prevención es cosa de dos" Environment: "Harás que el planeta sonría" Equality: "Porque no nos da igual" Work-life Balance: "Conciliación x Compromiso" Innovation: "Ingenia 2011" Corporate volunteership: "En nuestras manos"

In 2011 a survey was performed on a workforce sample across all categories in order to assess the efficiency of internal communication, scoring 3.5 out of 5. The results demonstrate a greater interest in keeping abreast of news and improvements to internal communication, although there is still room for improvement in relation to information searches or addition of new contents.

in 2010, the major courses of action were added to the Quality, Excellence and Sustainability Master Plan.

Among these in 2011 were the following:

- Identification of the Company's knowledge map and innovation award (Ingenia 2011).
- Extension of the new performance management system
- Identification of employees with potential to fill posts of greater responsibility
- Equality and work-life balance awareness programmes igualdad y conciliación

5.8. Employee satisfaction

Una vez analizados los resultados de la encuesta bianual de satisfacción de empleados realizada en 2010, se han incorporado en el Plan Director de Calidad, Excelencia y Sostenibilidad las líneas de acción más importantes. Following analysis of the results of the biannual employee satisfaction survey carried out

5.9. Occupational health and safety

Managing occupational health and safety

Enagás' commitment to occupational health and safety (OHS) is reflected in all its business decisions and activities and in terms of its Risk Prevention Policy. Moreover, the Enagás Strategic Plan for the Environment and Risk Prevention sets out the general framework for action to be taken in key areas, among which are the search for excellence in industrial and occupational safety and the inclusion of environmental measures and prevention at all levels of the Company.

The Plan is reviewed each year and involves all the Company's management units, with a view to planning courses of action and monitoring their implementation at meetings of the groups and committees concerned with accident prevention and the environment.

All of the Enagás workforce is represented on the safety and health committees. - LA6, LA9 -

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

The Enagás Risk Prevention Management System has been certified to the international standard OHSAS

18001 in terms of storage and regasification of liquefied natural gas and also natural gas transmission and storage. In 2011 the Company was awarded OHSAS 18001:2007 certification for its management of gas transmission and storage infrastructures: gas lines, LNG storage and regasification plants, compression stations and underground storage facilities.

For further details on the OHS management model, meetings, prevention committees and groups, see the Corporate Responsibility section on the Enagás web site (www.enagas.es). - LA6, LA9 -

Health and safety in the value chain

Each year a review is carried out of Enagás' Risk Prevention Management System via safety inspections (visits and programmed observation) and internal audits, which allow instances of non-compliance to be identified and/or preventive/corrective action to be taken.

The new European Parliament and Council regulations concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) dispenses natural gas and biogas from the obligation to register. - PR1 -.

Enagás forms part of the Marcogaz-Eurogas Joint Group Environmental Health and Safety, and specifically the Life Cycle Assessment working group which is studying the life cycle of natural gas and analysing its impact at all stages in the chain. The Health and Safety Working Group also deals with issues related to occupational health and safety in the gas industry - PR1, LA6 -.

Total number of instances of non-compliance with regulations and voluntary codes concerning OHS impacts of products and services - PR2 -

	2009	2010	2011
Instances of non-compliance entailing payment of a fine or penalty	2	6	1
Instances of non-compliance entailing alerts/warnings	6	7	4
Instances of non-compliance with voluntary codes	0	0	0
Total	8	13	5

Workplace health and safety

The Prevention Service promotes healthy habits at Enagás, carries out regular medical checks on all its employees, and encourages them to take part in a number of public health campaigns: – LA7, LA8, LA9 –

At Enagás all accidents are reported, whether they lead to sick leave or otherwise, are fatal, serious or multiple, or other incidents. The corresponding records are completed in all cases and the most significant incidents are investigated (described in the “Treatment of accidents and incidents” procedure).- LA7 –

In 2011, 224 projects were carried out in relation to prevention awareness, such as the campaign “La seguridad es cosa de dos: empresa y trabajador” (Safety takes two: employer and employee) and a construction awareness campaign, considerably reducing the number of accidents at work. –LA7-

For further details on emergency protection measures and indicators, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).

Main medical service initiatives – LAB –

	2011
Care programme: No. of consultations	1,215
Vaccination campaigns:	
Flu and tetanus vaccinations	179
Health screening: Medical checks (including prevention of cardiovascular risks)	866

Frequency index* – LA7 –

(Calculation formula: [no. of accidents entailing sick leave/hours worked]* 1,000,000)

	2009	2010	2011
Frequency of accidents entailing sick leave for own staff	11.20	10.36	7.51*
Accident rate with sick leave	8.70	6.74	7.18

Seriousness index* – LA7 –

(Calculation formula: [no. of accidents entailing sick leave/hours worked]* 1,000,000)

	2009	2010	2011
Accident seriousness index with sick leave for own staff	0.1	0.27	0.07*
Index of seriousness of work-related accidents	0.3	1.1	0.17

*The seriousness frequency index was not calculated for women and men since all accidents entailing sick leave in 2011 occurred in the Transmission and Production Department, where the majority of employees are male (93%).

Professional illnesses, days lost, and absenteeism* – LA7 –

	2009	2010	2011
Rate of occupational illnesses	0	0	0
Rate of days lost	17.6	54.20	14.1
Rate of absenteeism	3.70%	3.78%	3.65%

* The seriousness frequency index was not calculated for women and men since all accidents entailing sick leave in 2011 occurred in the Transmission and Production Department, where the majority of employees are male (93%).

Number of deaths – LA7 –

	2009	2010	2011
Own staff	0	0	0
Contract staff	1	1	0

Enagás has specific procedures for providing information on all its activities.

Product information provided for the supplier: - PR3 -

- The source of the components of the product or service.
- Content, particularly in terms of substances that may have an environmental or social impact
- Safe use of the product or service
- Elimination of the product and social/environmental impact



Sign to indicate a gas pipeline

GAS TUBE BASIC PIPELINE NETWORK





6. Customers

6.1. Objectives and performance in 2011

2012 objectives

- Implementation of the measures agreed by the SGRI (South Gas Regional Initiative) for integration of the Iberian Gas Market and development of a pilot based on the future European Network Code on capacity assignment mechanisms (CAMs)
- Contribution to the creation of the Spanish Gas Hub to assist with our customers' business activities
- Development of rapid contract mechanisms to adapt processes to the needs of customers
- Development of tanker loading services and small-scaling at the Altamira Regasification Plant (Mexico)
- Preparation of guidelines for new agents joining the gas system, along with documentation concerning operations, access to systems etc.



Key Indicators 2011

100%
availability in all our storage, transmission and regasification services in accordance with customer schedules

4.8/6
Level of satisfaction among supply companies and **4.6/6** among transmission companies and distributors for the services provided by Enagás as GTS

0.07%
in Enagás' overall measurement difference ratio, below officially acceptable levels

7,101
Calls answered at the Main Control Centre

99,355
Visits to the GTS section of the website

8%
improvement to the self-supply ratios for gas transmitted to compressor stations

4,690
GWh loaded in **15** LNG loading operations in tankers, following investments to improve the Cartagena and Huelva plants. A record for Enagás

100%
compliance with binding delivery schedules at Enagás regasification plants

4.6/6
level of satisfaction among transmission companies and distributors and **4.6/6** among suppliers for services provided by Enagás in its capacity as GTS

149,800,000
Transactions handled by TPA logistics

Transactions on the secondary gas market, for an overall volume of **566 TWh**, equivalent to 144% of demand for gas transmitted

2.066
Requests for TPA access handled, equivalent to 18,801 GWh of energy



- A workshop with supply companies to explain the permissible ranges of basic control variables
- Electronic customer service survey on the assistance provided by Enagás GTS in 2012, reducing processing times and facilitating the service to customers

Achievement of 2011 objectives

- ◊ Review of TPA logistics: Progress on plans for this project (new processes introduced and functions updated), responding to requests from the sector
- ✓ 2011-2014 Enagás Management Improvement Plan (formerly the Efficiency Plan) introduced and developed, emphasising improvements in logistics and commercial dealings with our customers
- ✓ Management of elimination of exchanges: suppliers will be able to eliminate exchanges from MS-TPA and it will be possible to eliminate them in TPA logistics without intervention by GTS
- ✓ Improvements to logistics and commercial operations at regasification terminals: loading ships, study of improvements in availability of docking facilities, and better compatibility for ships at Enagás transportation plants
- ✓ Introduction of a new exchange system for unloading ships: suppliers will be able to combine exchanges at plants and the physical unloading of ships, so that if the unloading process is delayed the exchange will automatically be transferred to the date on which it takes place
- ✓ Development of model for connections contract, supporting its implementation by participation in a working group with the CNE
- ✓ Mapping of links between commercial fleets and physical journeys: this will ensure consistency between the identity and scheduling of the ship, physical unloading and the exchanges involved in unloading, if any, thereby increasing the reliability of information on N+2 balances
- ✓ Development of the Measurement Optimisation Plan to minimise leakage in Enagás regasification and transmission
- ✓ Creating a technical library of Gas System Monitoring Committee conferences available to the gas sector on the internet
- ✓ Scope of operations, scheduling: schedule for sending nominations and revised nominations opened before 8.00am and possible extension to 7.30am confirmed
- X Operations, distribution and balances: Include date and time information is generated when a TPA logistics balance is unloaded*
- ◊ Development of customer portal on web site and publication / catalogue of new suppliers operating contracts with Enagás
- ✓ Study to assess the introduction of a customer satisfaction survey in other areas of direct management of service at facilities

*The scheme has been postponed

✓ Achieved

X Not achieved

◊ In progress

Other milestones in 2011

100% availability in all our storage, transmission and regasification services in accordance with customer schedules

Logistics and commercial integration of the new Enagás facilities: the Gaviota storage facility, the Escombreras gas line and the Altamira regasification plant (Mexico)

Development of the ship loading service through investment to improve the Cartagena and Huelva plants. 4,690 GWh loaded over 15 operations

Biogas: technical development of regulatory implementation to bring biogas into the system to meet our customers' needs

Publication on the GTS section of the Enagás web site of "Snapshot" flow information at certain points on the network - inputs at regasification plants, inputs/outputs to and from international connections, underground storage inflows/outflows, interzonal flows, zonal outflows and other operating flows, in compliance with EU directives

In addition to the Enagás web site, the SL-ATR 2.0 is now up and running as a new exclusive communications channel for gas system operators, posting information and contents for these users. This constitutes a single point of SL-ATR, MS-ATR and SL-ATR 2.0 access and interaction for users. It also enables outstanding tasks to be managed centrally and features customised information depending on the user's profile, authorisations or selections.

6.2. Enagás' customers

The following companies were added to the Enagás customer portfolio in 2011: EON Energy Trading, S.E., Morgan Stanley Capital Group España, S.L., Molgas Energía, S.A.U., Orus Energía, S.L., Petronavarra, S.L., Gunvor International, B.V., Statoil ASA, Alpiq Energía España, S.A.U., Centrogas, GmbH, Rhodia Energy, SAS and Fortia Energía, S.L.

Enagás considers as customers companies which, having obtained authorisation to operate as suppliers to the Spanish gas system, have established a contractual relationship or have initiated contact to this end.

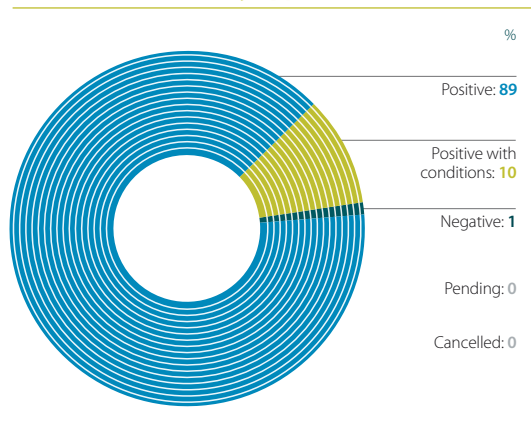
6.3. Customer care

Channels for providing service

Enagás has set up various channels to encourage communication between itself and its customers while also enabling Enagás to address their requests. They detail information on customer expectations and their degree of satisfaction regarding their relationship with the company. For further details on the Company's service channels, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).

Requests for access to the Spanish gas system

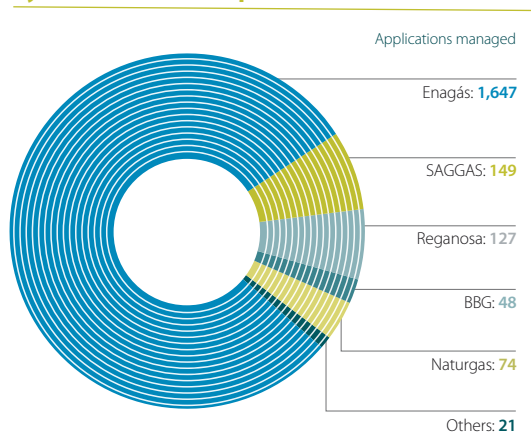
Responses to viability applications



By services requested

US (Underground storage)	21
TL (Tank loading)	134
R (Regasification)	455
TRC (Transmission reserve capacity)	537
TB (Cold storage)	1
TC (Transmission component)	843
ITE (International transit entry)	20
ITX (International transit exit)	22
Other services	33
Total	2,066

By transmission companies



Incidents

GTS

Incidents dealt with per service requested

2011	
Numbers of incidents recorded	82
Number of incidents closed	82
Average days to completion	2.4
Number of incidents still being processed from previous year	0

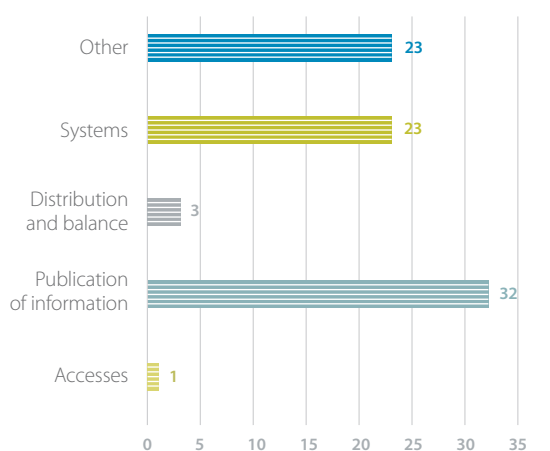
ATR

Incidents dealt with per service requested

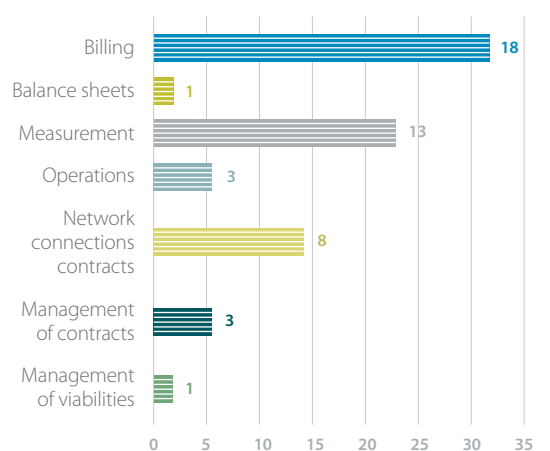
2011	
Numbers of incidents recorded	43
Number of incidents closed	47
Average days to completion*	21
Number of incidents still being processed from previous year	4

* Average resolution time is associated with the processes.

Nature of the incident



Nature of the incident



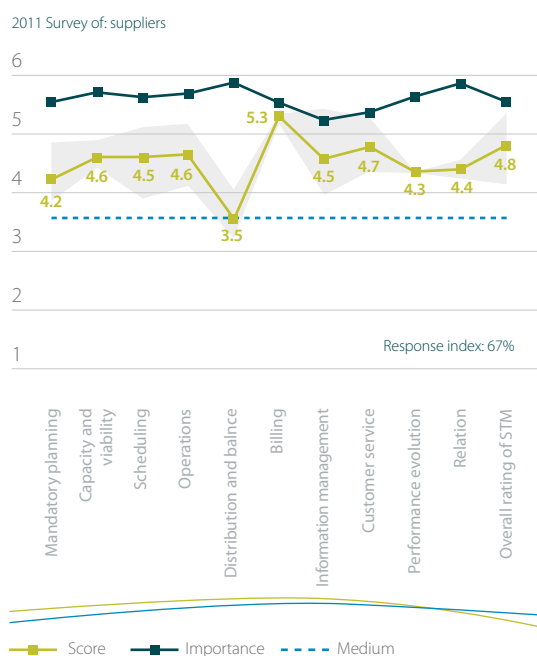
6.4. Customer satisfaction - 4.17, PR5 -

Results of customer satisfaction survey – PR5-

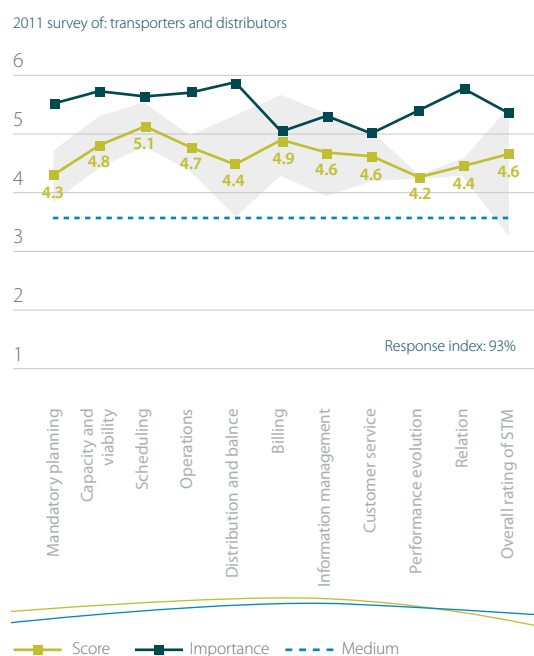
In 2011 the customer satisfaction surveys were redesigned in order to include aspects detected during consultations with stakeholders in 2010, and the scope of the surveys was broadened in response to the needs and expectations of Enagás stakeholders.

The results of the Enagás GTS customer satisfaction survey show that among the supply companies the perception of the Technical Manager of the System remained above average for all processes, and the assessment of the overall rating of STM rose by 3.9% versus 2010. As in 2010, the highest scoring process was billing, and the process requiring most improvement is distribution and balances. Among transporters and distributors, the overall perception of the Technical Manager of the System remained above average, similar to the previous year, across all processes in uniform fashion.

Results of Enagás GTS customer satisfaction survey – supply companies - PR5 –



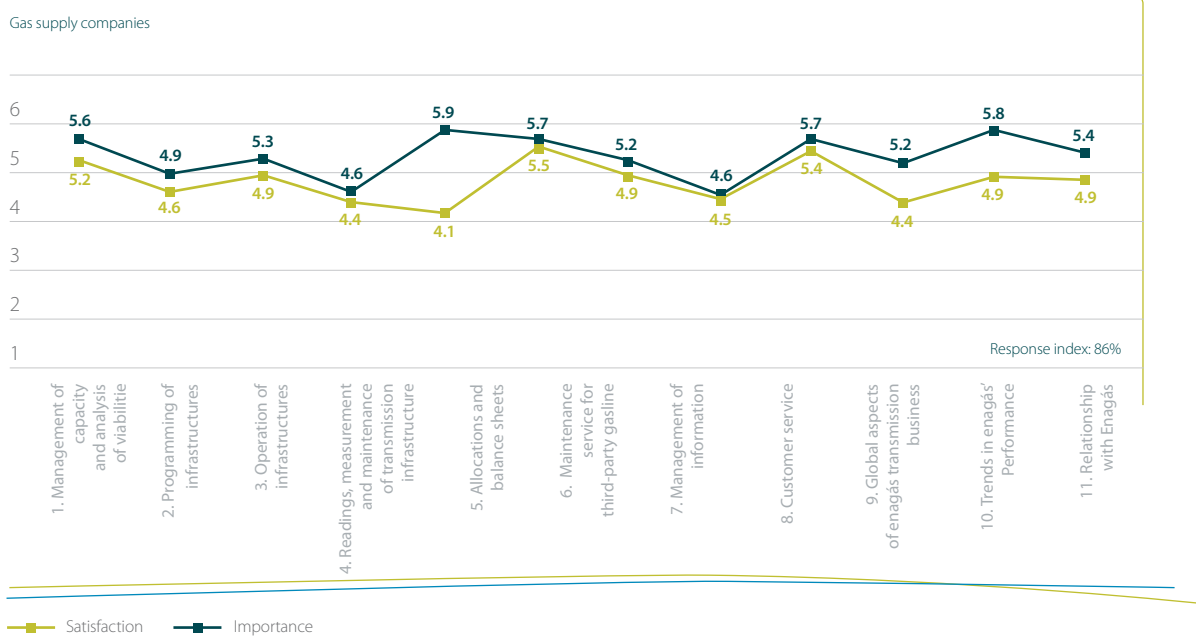
Results of Enagás GTS customer satisfaction survey – transporters and distributors - PR5 –



With regard to the customer satisfaction survey on Enagás as a transporter, two types of survey were deployed in 2011: one for supply companies, and another for other operators (distributors and transpor-

ters). This was decided in order to boost segmentation of the results, and thus provide a better understanding of their perception.

Results of customer satisfaction survey of Enagás as a transporter – supply companies - PR5 –

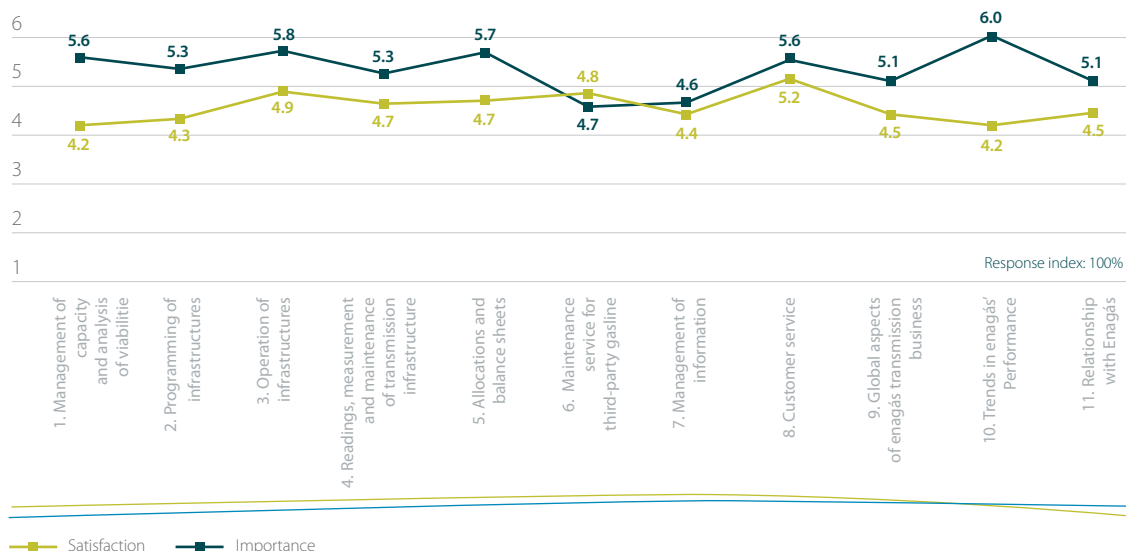


Annual Report 2011

Customers

Results of customer satisfaction survey of Enagás as a transporter – transporters and distributors – PR5 –

Transmission companies and distributors



Areas of improvement 2012

The results of customer satisfaction surveys are shared with Enagás customers, and their comments and feedback are used to draw up the Customer Satisfaction Improvement Plan

Areas for improvement 2012 – Enagás as transporter

- Process for management of capacity and analysis of viabilities: drawing up a procedure to provide a response to the need for daily and intraday contracting by customers dealing with the electricity market
- Development and implementation of CAM contracting mechanisms on the connection with Portugal and CMP mechanisms on the connection with France, as stipulated in the S-GRI 2011-2014 plan
- Proposal of new logistics products and contracting formulas for more flexible usage of Enagás facilities and response to our customers' new logistics requirements
- Infrastructure programming process: dispatch of update of annual plan following assignation of binding ship loading/unloading dates



- Reading, measurements and maintenance in connection with transmission infrastructure: investment in improving measurement for the purposes of optimisation of regasification and transmission shrinkage coefficients
- Billing: management of late payment interest following delayed payment of TPA bills
- Information management:

Notification to customers:

- 1) The 2011-2014 Efficiency Plan, based on optimisation of transmission infrastructure and plant efficiency. OPEX and CAPEX management.
- 2) Development of new products based on optimisation of Enagás infrastructures.
- 3) Involvement in working groups for management of the technical minimum at system plants.

Areas of improvement 2012 - Enagás in its role as Technical Manager of the Gas System

- Modification to the Gas Monitoring Committee schedule to prevent any clashes with the monthly programming week
- Proposal to the NGTS Working Group to give agents access to the minutes. If this is approved, the procedure will be carried out either through password-restricted access from the GTS section on the web site, or through the TPA logistics 2.0 portal
- Better response to requests for access in aspects such as clarity and coherence in the conditions imposed
- Reduction of response times for the most “weighty” TPA logistics consultations
- A workshop with supply companies to explain the permissible ranges of basic control variables
- Preparation of guidelines to provide technical backup for new agents joining the gas system
- Posting the guidelines on the Enagás web site along with documentation on operations, access to systems, description, characteristics of equipment, contacts etc.
- Electronic customer care survey for 2012, reducing processing times and facilitating answers to customers



7. Suppliers

7.1. Objectives and performance in 2011

2012 objectives

- Identification of new initiatives for working with suppliers

Achievement of 2011 objectives

- ♦ Implementing a supplier risk management approach in conjunction with Achilles*
- ✓ Starting up a supplier performance monitoring system and analysing its potential for decisions regarding contract awards

Other milestones in 2011

Review of the minimum prevention and environmental homologation and ratings for contractors, and implementation of the new homologations (in addition to application for OHSAS 18000 and 14001 certifications)

✓ Achieved ✗ Not achieved ♦ In progress

* The methodology is developed by the Achilles company, and has been implemented in the United Kingdom. The intention is to deploy the system in an Achilles database in Spain in 2012.

Key Indicators 2011

52.14%
Main suppliers



1,989
Approved suppliers



46.04%
Main CSR-rated suppliers



76.01%
Percentage of total supplies sourced in Spain



98.51%
Percentage of total works and services contracted nationally



48.01%
Suppliers receiving orders



Orders placed by Enagás - EC6 -

	National		International suppliers (rest of Europe)		International suppliers (rest of world)	
	Works & Services	Supplies	Works & Services	Supplies	Works & Services	Supplies
No. of orders	1,539	2,328	30	73	23	6
Value of orders (€Mn)	325.7	50.6	1.5	14.8	3.4	1.2
of total value						
per type of objects (%)	98.5%	76.0%	0.4%	22.2%	1.0%	1.8%

7.2. Promotion of local development

Enagás operates and invests mainly in Spain. Most of its contracts for goods and services are thus with Spanish companies – EC6 -.

Enagás is governed by Law 30/2007 of 30 October on public sector contracting, which includes companies operating in the regulated market. In compliance with this law, Enagás' contracting processes include prior selection of suppliers based on their technical capacity to undertake the work required and their quality standards. Subsequently financial aspects are considered, so that the best decision on adjudication can be taken. – EC6 -

7.3. Integrating suppliers in Enagás' Sustainability Model

Enagás encourages and promotes cooperation, on equal terms, with suppliers and contractors that meet the most stringent social, environmental and ethical standards. – HR2 -

Major distributors, contractors and other business partners that have undergone screening on human rights and action taken as a result* - HR2 -**

	2009	2010	2011*	2011**
Total major distributors/contractors	61	35	30	44
Percentage of contracts rejected or where additional conditions have been imposed (%)	0	0	3.3%	2.3%

* Suppliers with more than €2Mn awarded

** Suppliers on section A of the supplier ABC (those granted 80% of Enagás contracts)

*** Human rights analysis is not monitored, even though all contracts contain clauses in relation to compliance with the Enagás CSR policy



Investment agreements including human rights clauses which were subject to checks - HR1 -

	2009	2010	2011
Total major contracts (a)*	18	30	24
Total number of major contracts and investment agreements with clauses including human rights concerns or which have been analysed from the point of view of human rights (b)	18	30	24
Percentage of major contracts and investment agreements with clauses including human rights concerns or which have been analysed from the point of view of human rights (b/a)	100	100	100

* Major agreements are those amounting to more than €2Mn.

With respect to approval of suppliers, in 2011 assessment began of supplier reliability in 10 categories of products such as ball valves, construction of regulating and metering stations, civil engineering or mechanical projects, among others.

For further details on approval of suppliers, see the Corporate Responsibility section on the Enagás web site (www.enagas.es). – HR2 -

7.4. Channels for relations with suppliers

Enagás holds meetings with suppliers to maintain fluent communication, making available the following communications channels:



Customer care channels

	Description	2011 indicators
Web site	Provides information and documentation related to: the supplier accreditation process and initial application form; general contracting terms and conditions, the Business Principles, CSR etc.; and supplier support, including question forms on contracting or billing.	No. visits: 266
proveedores@enagas.es	The specific supplier support e-mail account for any type of query.	482 queries received



8. The environment

8.1. Objectives and performance in 2011

2012 objectives

- Publish the Enagás carbon footprint and set a CO2 emissions target
- Analysis and implementation of “Use of Co-Generation and Tri-Generation” projects in the Energy Saving and Efficiency Plan
- Implementation of an internal information management model to facilitate identification of options for reducing emissions and energy savings and efficiency
- Commencement of the process to implement EMAS certification at the three regasification plants

Key Indicators 2011



23.3 M€
Environmental investment

8.26 km²
of surface area restored

0.4 km²
of surface area replanted

1,025 GWh
in natural gas own consumption



293,344 TCO₂eq
GHG emissions (CO₂ + CH₄)



67,438 m³
Water consumption

3,772 T
Waste generated



Achievement of 2011 objectives

- ✓ 10% reduction in CO2 emissions from own consumption versus the forecast for own consumption and gas transmitted in 2011
- ✓ Evaluate and implement energy saving and efficiency initiatives in teams and system and plant operation initiatives*
- ✓ Anticipate risks and opportunities from future carbon scenarios based on EU targets for 2020 and 2050
- ✓ Integrate environmental risk analysis in company operations

* One noteworthy feature is the Green Data Center Project entailing the construction of a new data processing unit with certifiable energy efficiency levels - the unit took first prize at the international Mission Critical Innovation Awards.

✓ Achieved ✗ Not achieved ⬢ In progress

Other milestones in 2011

- Review of the biodiversity position (posted on the Enagás web site) and approval by the Sustainability Committee
- ISO 14001 certification for management processes in development of new gas transmission and storage infrastructures
- Standardisation of procedures for data pickup and capture in order to report major environmental indicators

8.2. Environmental management system

Enagás has operated a UNE-EN-ISO 14001-certified Environmental Management System since 2000-2001 for the following activities:

- Offload, storage and regasification of liquefied gas at the Huelva, Barcelona and Cartagena plants
- Underground storage of natural gas at the Serrablo plant
- Monitoring, inspection, maintenance, operation and control of gas transmission network facilities

- Development of technological innovation projects, and calibration and analysis at the Zaragoza laboratory

- The infrastructure development management processes were certified in 2011

For further details on the Company's Environmental Policy and certifications, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).



Activities	Environmental impact - EN12 -	Measures to protect the environment
Construction and engineering	<ul style="list-style-type: none"> • Impact on vegetation of opening up pipeline routes • Impact on wildlife due to invasion and destruction of habitats • Soil damage and pollution due to movement of earth • Water damage and pollution where pipelines cross water courses • Atmospheric impact of emissions of solid particles and noise 	<ul style="list-style-type: none"> • Programme of environmental surveillance including corrective measures, supervised onsite by an environmental technician
Regasification, storage and transmission of natural gas	<ul style="list-style-type: none"> • Emissions of greenhouse and other gases • Noise generation and emission • Wastewater discharges • Spills and soil pollution • Waste production 	<ul style="list-style-type: none"> • Identification and assessment of related environmental aspects in order to determine which have or may have a significant environmental impact. The assessment takes into account normal and abnormal operating conditions and emergency scenarios

8.3. Strategic Environmental Plan

The Enagás Strategic Environmental and Prevention Plan renews, updates and enhances the Company's commitments to prevention and the environment (climate change –EC2-, biodiversity and environmental management), and helps consolidate its position as one of the most advanced companies in the sector.

The main courses of action scheduled for 2012 in the Enagás Strategic Environmental and Prevention Plan are as follows:

- An enhanced presence within organisations for experience dissemination and exchange, such as the Spanish Institute for Occupational Health and Safety, Regional Health and Safety Institutes, AES-PLA, Marcogaz or Eurogas.
- Inclusion of preventive and environmental criteria during the phases of design, construction of facilities/purchase of equipment, operation and maintenance of facilities.
- A boost to environmental management in terms of technical and human resources, organisation of work and management of work by contractors' staff.

- Continued promotion of a Company culture of prevention and respect for the environment in order to implement safe, healthy and environmentally responsible habits
- Adaptation and integration of the current procedures of prevention and environmental management systems to the General Enagás Process Management System.

For further details on the structure of the plan, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).

8.4. Environmental expenditure and investment

Environmental investment - EN30, EC2 -

	2009	2010	2011
			(€)
Research and development	969,236	278,495	279,612
Implementation of environmental objectives	1,290,118	332,821	158,603
Environmental project studies	227,383	425,342	219,988
Archaeological studies and work	663,438	219,508	1,238,920
Habitat restoration	13,975,212	3,098,647	8,248,552
Onsite environmental monitoring	1,093,781	899,805	674,575
Targeted and horizontal drilling	1,124,127	1,689,114	3,653,974
Other environmental improvements	15,745,186	30,317,981	8,784,899*
Total	35,088,481	38,777,075	23,259,123

* The discrepancy with 2010 is chiefly due to work to adapt the boil-off system at the Huelva plant in 2010, an investment outlay of approximately €25Mn.

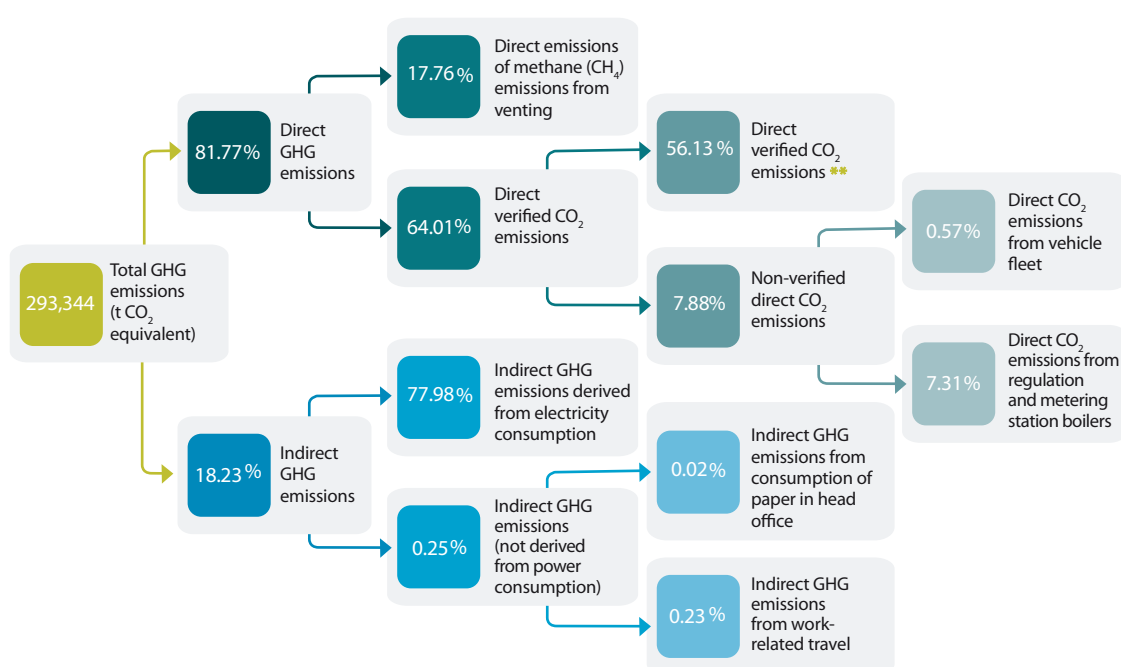
Environmental expenditure - EN30, EC2 -

	2009	2010	2011
			(€)
Environmental management systems	152,493	142,292	168,686
Analysis of environmental risks	-	30,876	17,800
Report on Ministry indicators	-	26,475	9,175
Environmental controls at installations (noise, emissions and effluents)	210,553	210,784	260,056
Waste management	488,644	722,739	401,725
Other environmental improvements	-	45,089	27,045
Total	851,689	1,178,255	884,487

8.5. Climate change

8.5.1. GHG emissions*

Emissions in 2011 - EN30, EC2 -



** CO₂ emissions from own consumption in combustion units and of diesel consumption for generating units and fire fighting pumps.

The Enagás carbon footprint: Emissions in 2011 – EN16, EN17, EN18 -

As Technical Manager of the System, Enagás guarantees continuity and security of supply, and also proper coordination between access points, storage, trans-

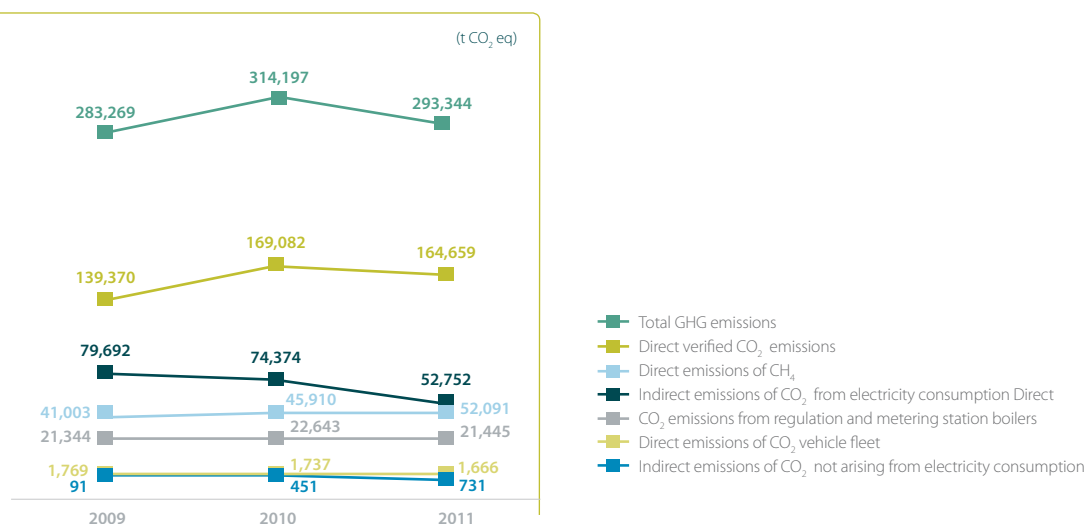
mission and distribution, operating the system as efficiently as possible and minimising the environmental impacts arising from the emission of greenhouse gases.

* After 2012, since as of 2013 equipment previously excluded from emission rights trading must be included in the utilisation and assignation of emission rights, emissions corresponding to flare consumptions at regasification plants and the Serrablo underground storage facility will be included in GHG emission statistics, and this will increase the total of emissions by Enagás.

Annual Report 2011

The environment

GHG emissions* - EN16, EN17 –



Direct emissions verified ** - EN16 –

	2009	2010	2011
Serrablo underground storage facility	13,811	25,592	26,157
Barcelona LNG regasification plant	2,637	2,077	1,854
Cartagena LNG regasification plant	1,227	378	1,090
Huelva LNG regasification plant	571	704	1,766
Algete compression station	7,070	1,702	301
Almendralejo compression station	40,922	36,518	39,589
Almodóvar compression station	1,303	733	3,734
Bañeras compression station	428	572	809
Córdoba compression station	2,347	12,327	7,302
Crevillente compression station	114	134	88
Dos Hermanas compression station	294	241	224
Haro compression station	10,568	10,342	7,576
Paterna compression station	340	1,079	4,038
Tivissa compression station	15,660	19,243	22,636
Zamora compression station	12,625	13,336	14,315
Zaragoza Compression station	1,822	1,066	4,782
Alcázar de San Juan compression station	26,544	40,913	24,057
Lumbier compression station	1,087	1,720	560
Montesa compression station	0	405	2,287
Villar de Arnedo compression station	0	0	1,494

* Data reported in 2009 and 2010 on indirect emissions of CO₂ arising from electricity consumption have been altered following the updating of the CO₂ emission factor (g/kwh) used for production of electricity in Spain (Source: UNESA), using the most recent emission factor published for each year.

** Emissions verified by AENOR for the facilities affected by the National Plan for Allocation of Emissions.



Initiatives to reduce GHG emissions – EN18, EN26 –

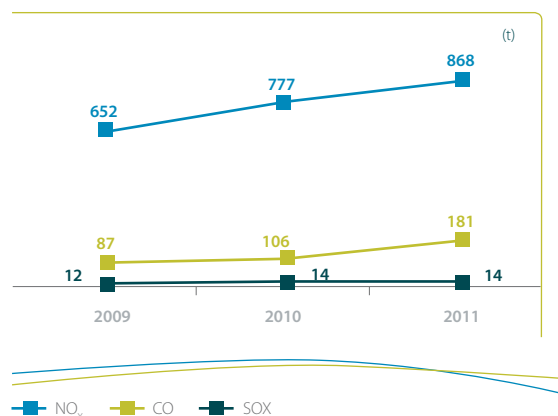
In 2011 Enagás implemented a number of projects identified by the Emissions Analysis and Monitoring Work Group, which have reduced auto-consumption of infrastructures by more than 10% with respect to the budget for the year* and thus minimised the Company's GHG emissions.

- At compression stations, a programming exchange process was carried out to make station maintenance match actual operational use. This reduces auto-consumption by half.
- Moreover, new phases were supplied and assembled for centrifugal compressors for the TC5 unit at the Almendralejo compression station in such a way as to optimise the unit's performance against real operating conditions, thereby reducing fuel consumption. The same process will be carried out in 2012 on the Serrablo storage facility (on the booster and the J2 well).
- In order to reduce venting, work continued on the project to replace pneumatic starter devices with electric devices, and the last electric starters were fitted to the Serrablo storage facility.
- A pilot survey was also conducted on rogue methane emissions from the Bañeras compression station and the Serrablo storage facility, using ultrasonic techniques for control and elimination of the emissions.
- Work was also carried out on compression station recirculation valves - the pneumatic natural gas valve system was replaced with compressed air, so that compressed air is vented instead of natural gas.
- With respect to regulating and metering stations, plans have been made in 2012 to monitor the facilities in order to analyse optimum adjustment of boiler temperatures, thereby reducing auto-consumption to a bare minimum.
- Finally, with regard to regasification plants, in addition to minimisation of the utilisation of underwater combustion vaporisers, already in use, all auto-consumption concepts have now

been identified, and thus in-depth analysis and monitoring in 2012 will enable future courses of action to be identified to reduce auto-consumption at these facilities.

8.5.2. Emissions of Non-GHG gases: ozone-depleting and other pollutant gases – EN20, EN26 –

Atmospheric emissions of other gases as a result of natural gas combustion



Initiatives to reduce impacts – EN20, EN26 –

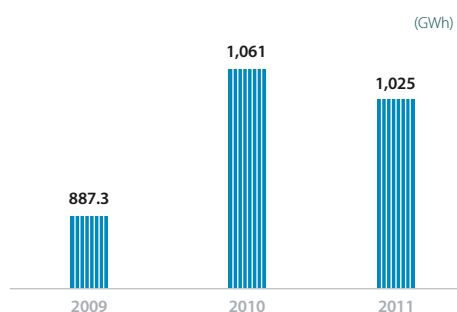
The Environmental Monitoring Programme involves the execution of a series of mandatory and voluntary environmental controls (auto-controls) applied at all points of combustion:

- In 2011, all the measurements programmed in the Monitoring Plan were carried out: regulation inspections by an external body at 298 points in the basic gas pipeline network, 13 inspections at combustion points in plants and eight at combustion points in the Serrablo underground storage facility.

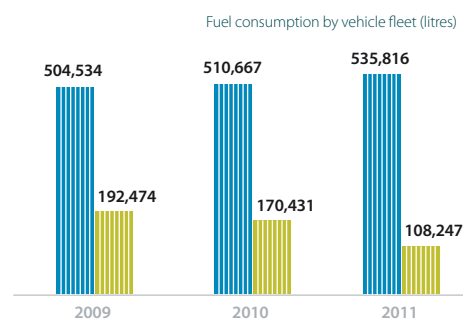
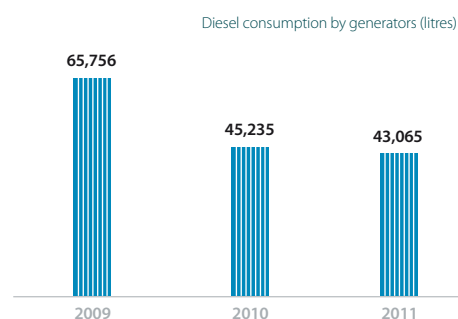
* The auto-consumption budget for 2011 had been equivalent to 274,100 t of CO₂, drawn up in due consideration of a number of factors such as the scheduling of gas supply and demand, maintenance programmes and start-up of stations, new system infrastructures, international connections etc. Data in relation to the Gaviota underground storage facility were included, even though they do not form part of the scope of this Annual Report. The actual auto-consumption was equivalent to 240,952 t of CO₂.

8.6. Energy efficiency

Consumption of natural gas -EN3-

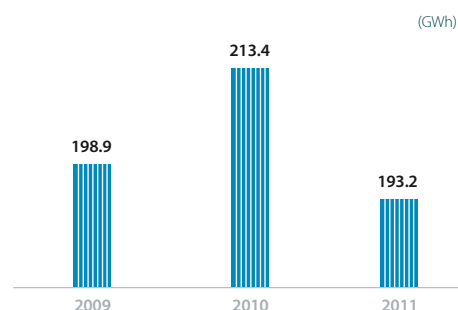


Consumption of fuel - EN3, EN29 -



Diesel vehicle fleet ■■■ Petrol vehicle fleet ■■■

Consumption of electricity -EN4-



The percentage of power consumed which comes from renewable sources is the same as that in the national energy mix.

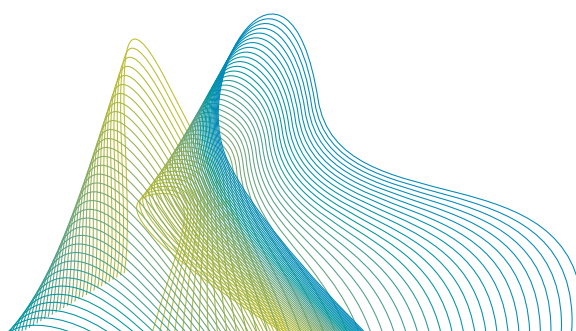




Initiatives to reduce energy consumption - EN5, EN6 -

Activities	Description	Quantification of energy savings
Compression stations	Power generation from residual heat energy that began with a pilot test at the Almendralejo compression station. It consists of a "tail-end" cycle that uses the residual heat energy from the exhaust gases emitted by turbine compressors to produce electricity via a Rankine cycle using pentane in a closed circuit	The facility's current electricity consumption is 710 MWh. When the facility is up and running normally the compression station will be generating 12,000 MWh, thereby fully covering its electricity consumption requirements and even obtaining an energy surplus
	Studies at compression stations of the suitability of the present stage configuration of the compressors	Following implementation of the TC5 at Almendralejo, during the last quarter of 2011 its electricity consumption fell by 26% versus 2010, a phenomenon brought about, among others, by this measure
Regasification plants	Electricity generation at the Huelva regasification plant as a pilot installation for generating more than 80% of the electricity consumed	When the facility is up and running normally, initial estimates are that output at the Huelva plant will be 30,000 MWh. The facility's current electricity consumption is 54,671 MWh. This means approximately 50% savings on electric energy consumption from the network
	Coordination between regasification plants and the Enagás Main Control Centre to monitor the emissions/electricity consumption ratio	The following electricity savings have been calculated following implementation of efficient configuration measures: Cartagena 1.55%, Barcelona 1.58%, and Huelva 0.92%.
	Improvements to the water pressurisation system at the plants	During 2010 and 2011 the operating time of pumps at the Cartagena plant was reduced by approximately 80% versus 2006-2009. The pumps are electrically powered

In 2012 Enagás intends to launch a Road Safety and Mobility Plan to examine areas for improvement in journeys by Company cars and also all journeys by employees.

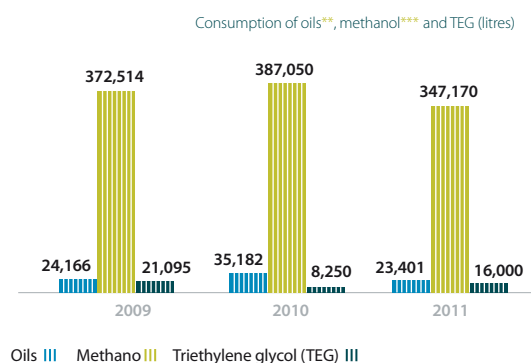
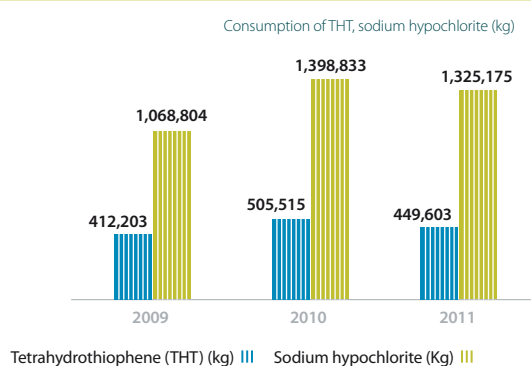


8.7. Major environmental concerns

8.7.1. Consumption of auxiliary materials, water and paper – EN1, EN2, EN8, EN9, EN26 –



Consumption of auxiliary materials* (business area: Natural gas transmission) – EN1 –

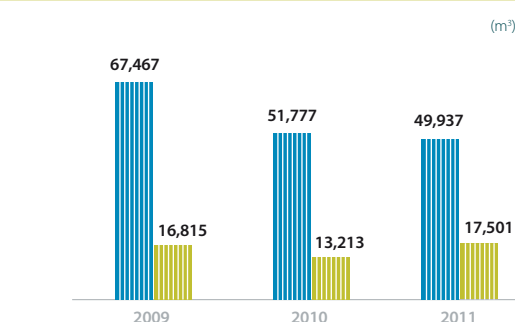


* Since Enagás' activities do not involve production processes per se, it is not considered that any raw materials are consumed.

** Data concerning consumption of oils in 2009 and 2010 show a discrepancy with respect to the figures in previous reports due to a data unit error at the Barcelona plant, where information was reported in kg instead of litres.

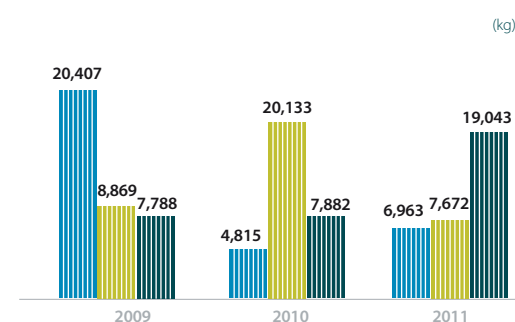
*** At the Serrablo methanol recovery unit in 2011, the necessary adjustments and modifications were made to secure the proper output for the facility. – EN2 –

Water consumption by sources – EN8 –



* Water used by Enagás comes from the local mains supply and wells. No well water is located in protected areas. – EN8, EN9 –

Paper consumption * – EN1 –



* Paper with FSC certification (Forest Stewardship Council): this ensures the adoption of sustainable forestry management practices.



Initiatives to reduce impacts – EN8, EN26 –

Sanitation water and service water:

- Installation of flow reducers in taps and showers
- Float adjustments in cisterns to reduce discharges

Irrigation water:

- Reduction of automatic watering times as far as possible

8.7.2. Noise pollution

The main sources of noise at Enagás are the regulators at regulating stations, and compressors, pumps and other equipment at compression stations, plants and underground storage facilities.

Initiatives to reduce impacts – EN26, EN29 –

Pursuant to Monitoring Programmes to control noise, a total of 68 noise measurements were made, covering the plants, the Serrablo storage facility, four compression stations and 54 regulation and metering stations - all facilities met the legal requirements applicable with the exception of four, where appropriate corrective measures will be taken. Specifically, Enagás has a noise-reduction programme for its regulating and metering stations (RMS) which entails the installation of silencers on regulating lines and insulation of doors and grates. Specific measures are applied at compression stations in view of the layout of the various items of equipment generating noise.

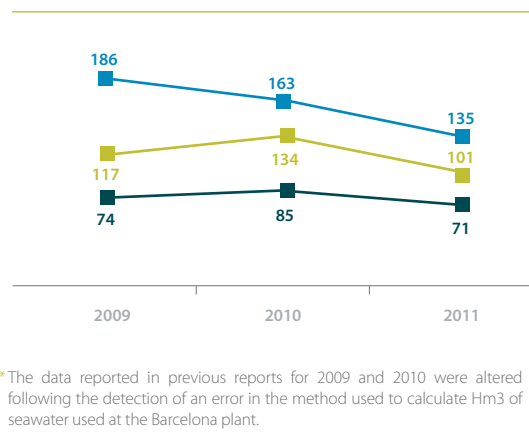
In order to reduce noise at the Algete and Almen-dralejo compression stations, a number of corrective measures have been taken, including noise-proofing of suction piping and other noise-producing apparatus.

8.7.3. Water discharge – EN21, EN26 –

Enagás generates two types of wastewater:

- Wastewater from sanitary use at regasification plants, underground storage facilities, transmission centres and compression stations, which is discharged into municipal sewage networks or purification plants at a total of 24 facilities and into authorised septic tanks at 14.
- Seawater used in evaporators at regasification plants, which is returned to the sea with its properties unaltered, the only change being a reduction in its temperature relative to the temperature of the water taken in.

Utilisation of seawater* (HM3)



*The data reported in previous reports for 2009 and 2010 were altered following the detection of an error in the method used to calculate Hm3 of seawater used at the Barcelona plant.



Initiatives to reduce the impact of sanitary wastewater discharge – EN21, EN26 –

Under the monitoring programmes established for 2010, 11 analyses of discharges into septic tanks at 11 transmission-network sites were carried out, and checks were performed on sanitary water and cooling-unit water used at regasification plants, in order to comply with the requirements of the relevant effluent and integrated environmental permits.

8.7.4. Spills and waste management

– EN22, EN23, EN26 –

Control of spills and soil pollution – EN23 –

	Spilled substance	Number	Estimated amount (litres)
TP/CS Zaragoza, TP San Fernando	THT	2	51
Cartagena regasification plant	Oil	4	4,305
	Coolant	1	10
	Diesel	1	6
Huelva regasification plant	Diesel	3	21
	Oil	1	30
Serrablo underground storage facility	Oil	3	1,500 kg contaminated soil
	Diesel	1	50

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

Measures to prevent spillage and soil pollution

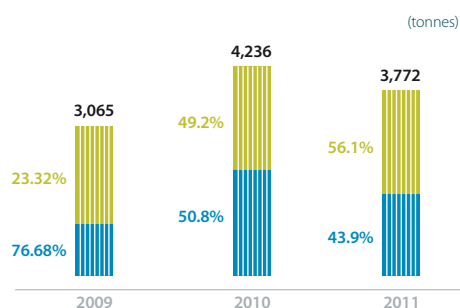
- Placing containment troughs and trays beneath storage facilities or equipment containing pollutant substances
- Regular inspection of underground tanks for leakage
- Installation of dual-wall underground tanks to improve oil and condensate collection

Corrective measures for spillage and soil pollution

- Assess damage caused by the spill
- Remove all the waste generated, label the waste and dispose of it in the area for hazardous waste
- Decontaminate the ground, removing the layer of soil affected, placing it in suitable containers to be transported to a landfill site
- Restore the site
- Inform the waste manager so that waste materials can be taken away and disposed of
- Draw up a report describing the incident, indicating its scope (extent, damage, area affected, etc.) and causes, and describing the corrective measures taken
- Submit documentation concerning the incident to the centre so that it can be placed on record



Waste management* -EN22-



* The data supplied in previous reports for 2009 and 2010 were altered following the addition of figures for septic tank sludge, comparable urban waste, waste from the Barcelona plant pick-up tank and toner.



Hazardous waste ■■ Non-hazardous waste ■■

Main hazardous waste handled (t)/LER Code - EN22 -

	2009	2010	2011	Treatment 2011
Water with methanol / 160709*	819.60	2,042.18	1,514.03	Upgrading
Oil/water/detergent mix / 130802*	45.30	26.02	79.32	Upgrading
Used oil / 130205*	19.50	12.84	16.14	Upgrading/Elimination
Electrical and electronic waste / 160213*	17.90	16.43	8.18	Upgrading

Main non-hazardous waste handled (t)/LER Code - EN22 -

	2009	2010	2011	Treatment 2011
Inert waste / 200301	157.1	106.4	81	Elimination
Paper and cardboard / 200101	65.6	71	106.8	Recycling/Recovery
Metal scrap / 200140	62.1	55.1	59	Recycling/Recovery

Method or treatment used for the various types of waste

	% Types of hazardous waste	% Types of non-hazardous waste
Recycling/Recovery (including energy recovery)	55	63
Physical-chemical treatment	10	0
Elimination	35	38

Initiatives to reduce impacts – EN26 –

- Use of alternative products
- Lengthening the working life of equipment
- Purchasing materials unpackaged, on pallets or in bulk
- Internal re-use of used containers
- Re-use of discarded IT equipment
- Dissemination of good practices for maintenance and cleaning of equipment and other measures
- Modification of conditions and requirements in contracts with suppliers to minimise painting waste on auxiliary facilities and equipment

8.8. Managing biodiversity

As part of its commitment to biodiversity, Enagás takes into account the existence of special protection areas and habitats of interest listed by the International Union for Conservation of Nature (IUCN), and protection of the cultural heritage associated with them. – EN15 –

For further details on the posture concerning biodiversity, recently altered and approved by the Sustainability Committee, areas of action and effects on biodiversity, see the Corporate Responsibility section on the Enagás web site (www.enagas.es). – EN14, EN15 –

Position with respect to protected area – EN11 –

	Operations	Occupancy 2009 (m ²)	Occupancy 2010 (m ²)	Occupancy 2011 (m ²)	Biodiversity value	
					Attributes of area	Protection status
Installations in protected areas (Natura 2000 network)	Gas pipelines	0	203,423	19,792	Overland	Natura 2000 (SCI/SPA)
	Concentrated facilities	0	774	0		
	TOTAL	0	204,197	19,792*		

* Projects which commenced in 2011 had a lower incidence on Natura 2000 protected natural spaces than in previous years since the survey at the design and construction stages of the environmental, technical and administrative constraints of projects took account of the protection schemes.



Main effects of Enagás pipeline construction on biodiversity

Preventive measures (study of routings or alternatives in Environmental Impact Assessments) - EN14 –

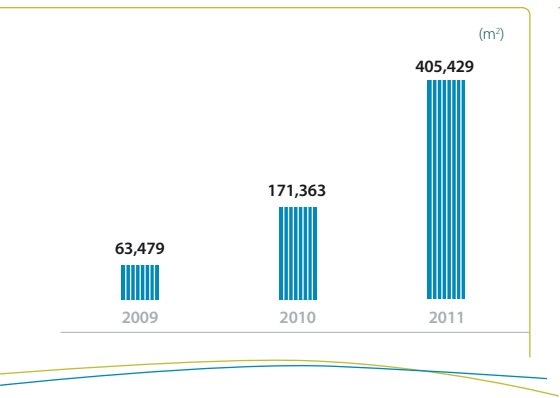
- Utilisation of corridors belonging to other infrastructures
- Using targeted drilling and locating crossing points with water courses at points with least impact
- Using existing access routes to work sites
- Using narrower work tracks
- Modifying the route to avoid affecting special tree species
- Adjusting the work schedule to the nesting and breeding season of certain species and removing specimens to similar habitats nearby

Corrective measures after pipeline construction - EN13 –

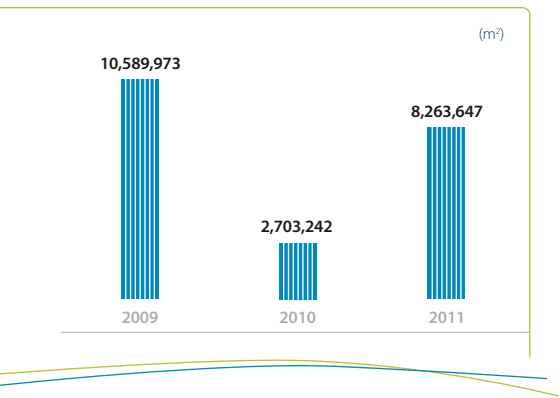
- Earth surface restored via decompacting and replacement of topsoil
- Restoration of affected water courses
- Replanting of affected land by sowing herbaceous species and planting trees and shrubs
- Restoration of banks and slopes

Restoration of habitats -EN13-

Surface area replanted



Surface area restored



The environment

Environmental audits of projects in 2011 - EN14 -

Algete - Yela gas line
 Besós gas line
 Gas line to Castor storage facility
 Tivissa-Paterna gas line
 Yela - Villar de Arnedo gas line
 Yela storage facility
 El Musel plant
 Chinchilla CS
 Villar de Arnedo CS
 Denia CS

GHG emission authorisations - EN11 -

New El Musel regasification plant
 Chinchilla CS

Projects where environmental procedures have commenced - EN11 -

Environmental Impact Survey on Musel-Llanera gas line
 Environmental Impact Survey on Guitiriz-Lugo gas line

Gas pipelines in operation subject to environmental monitoring in 2011 - EN14, EN13 -

Falces - Irurzun
 Pajares - alternative route
 South-west Madrid semi-circular pipeline
 Splitting of Arbós - Barcelona plant gas line
 Alcázar de San Juan - Villarobledo gas line
 Villarobledo - Albacete
 Albacete - Montesa
 Branch to Aceca
 Almería-Chinchilla
 Castellón branch line
 Balearics underwater link
 Lelmona-Haro

Environmental impact declarations - EN11 -

Zarza de Tajo - Yela gas line
 Musel-Llanera gas line

Individual courses of action towards biodiversity conservation - EN12 -

- During excavation work at the "La Gausa y La Balsa" site in Sagunto, documentation was drawn up on a number of structures comprising a thermal unit composed of a bathing area, a patio and/or atrium and a natalium dating back to between 15 BC and 15 AD. In view of the remains documented, a preventive measure was taken to preserve them, and a proposal was made to carry out horizontal drilling to run the gas line at sufficient depth so as not to interfere with the site.
- In a bid to promote and implement environmentally responsible patterns of behaviour, environmental awareness campaigns commenced this year during linear construction work. The measures targeted senior management of contractors and sub-contractors involved in building these infrastruc-

res, in order to disseminate the main environmental issues at sites for better supervision and control. A further aim was to pass on the obligation to meet the environmental conditions of the project as defined in the Environmental Impact Declaration. For a better understanding of the issues dealt with, an information guide, "El Libro de los Casos" or Case Book, was produced of examples of environmental accidents and bad practices at previous sites, in addition to a number of posters.





9. Society and Media

9.1. Objectives and performance in 2011

2012 objectives

- Implementation of the Social Media Online Communication Plan as a new communication tool to be deployed with the Company's stakeholders
- As a continuation of the Global Corporate Image Plan deployed in 2011, the intention in 2012 is to produce a style book with recommendations concerning certain aspects to be borne in mind for Company documents
- Plans to redesign the corporate web site, in accordance with new design trends, in a bid to improve user-friendliness
- Definition of a strategy to boost and unify the image of Enagás at sector events and forums, and subsequent dissemination of the information obtained there
- Strengthening relations with regional media in communities in which Enagás operates, with meetings and events

€2.2 Mn
Social
investment

Key Indicators 2011

Enagás had close
to **4,000**
mentions in
the press



Enagás social action
investment
amounted to
0.6% of net
profit for the
year 2012



13
press releases
sent to more than
400 journalists



Nearly **75**
interviews and articles
by Enagás senior
management



Over **2,500**
queries and
requests dealt with
by e-mail



Achievement of 2011 objectives

- ✓ Increase the number of information meetings and events in communities where the Company operates and implements its infrastructure projects
- ✓ Strengthen relations with recipients of sponsorship, patronage and donations to allow the Company to improve continuously in terms of CSR
- ✓ Conduct a feasibility survey on communication initiatives in the 2.0 environment to provide the Company with new communication channels
- ✓ Produce a more interactive and dynamic web site, without undermining accessibility, with new developments such as content subscription, interactive presentations and new multimedia content
- ✓ Develop new publications and audiovisual material to increase stakeholders' knowledge of the Company and its activities

✓ Achieved ✗ Not achieved ⬢ In progress



Junta de protectores del Teatro Real

In addition to financial assistance, Enagás also makes donations in kind such as computers for institutions with few resources, promotional items for charity raffles etc.

In 2011 the Company also started up its voluntary scheme, whereby employees allocate part of their time to help improve all areas of entities working alongside Enagás, especially in terms of the most socially disadvantaged groups: the elderly, small children and the disabled. –EC8–

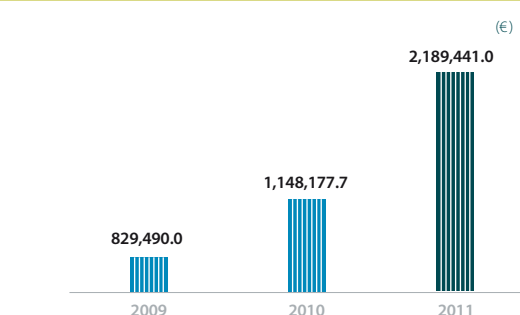
9.2. Our contribution to the community

– 4.13, EC8, S01, S05–

The Enagás social action programme makes an active contribution to communities in all areas: social, cultural, educational, and also in terms of improvements to infrastructures in areas in which it operates.

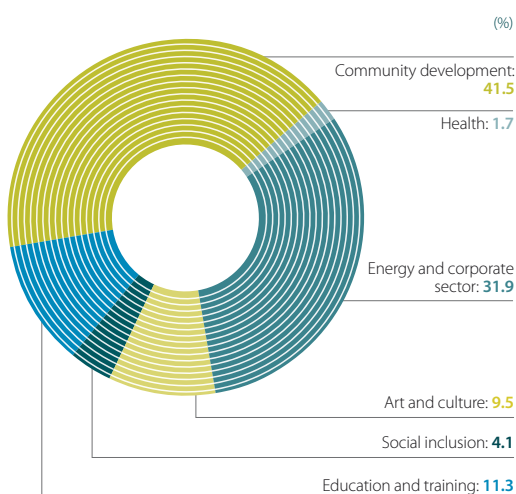
Some of its major social actions in 2011 included reconstruction work in Murcia on the Alfonso X el Sabio School in Lorca, and assistance to the Barbate Town Council to build a park for children, arrangements for which are still pending.

Sponsorship, patronage and donations –EC8–



Total social investment increased substantially in 2011 versus 2010, chiefly due to massive assistance in the reconstruction of the Alfonso X El Sabio School in Lorca, which was destroyed following the earthquake in the town.

Sponsorship, patronage and donations –EC8–



Assistance was also provided in the following areas:

- Education and training: Colegios del Mundo Unido Foundation, Foundation for Energy and Environmental Sustainability.
- Community development: In Murcia, reconstruction of the Alfonso X El Sabio School following May's earthquake. A sponsorship in Brihuega (Guadalajara) to publish books on the history of the region.
- Art and culture: Teatro Real, the Isaac Albéniz Foundation.
- Health: Alzheimer International 2011, the Pasqual Maragall Foundation, the Josep Carreras Foundation.
- Integration: the Juan XXIII Foundation, the Down Syndrome Foundation.

This assistance is provided at locations where Enagás operates, and covers 100% of its regasification business and head office, 66% of storage locations, and 13% of transmission business. –S01–

Of all the various types of business conducted by Enagás, it is construction which could generate adverse effects on local communities, chiefly environmental effects. –S09– See section 8.8. Biodiversity management

for the main effects on biodiversity of gas line construction work by Enagás –S010–

Monitoring of assistance is carried out by in situ meetings, by phone or a form to be filled in by entities, setting out the impact of the Company and their level of satisfaction.

For further details on Sponsorship, Patronage and Donations (applications and assessment criteria), see the Corporate Responsibility section on the Enagás web site (www.enagas.es). –S01–

9.3. Our commitment to transparency of information in the media

The Enagás communication policy is based on transparency of information, accuracy and rigour, and also trust in its dealings with the media. This enables the company to publicise its activities, development and management practices, and keep all its stakeholders informed.

For further details on the Enagás communication policy and the communication channels available to media, see the Corporate Responsibility section on the Enagás web site (www.enagas.es).



10. Risk management

10.1. Objectives and performance in 2012

2012 objectives

- Assistance to Enagás management and monitoring of implementation of the action plans defined in the Company's Criminal Responsibility Risk Management Model
- Assistance to Enagás management and monitoring of implementation of the action plans defined in the Company's Reputational Risk Management Model

Achievement of 2011 objectives

- ✓ Definition of action plans to deal with reputational risks evaluated as critical in 2010
- ✓ Analysis of the need to include scenarios corresponding to critical reputational risks in the General Regulations for Communication in Crisis Situations
- ✓ Drawing up of a procedure reflecting the evaluation of legal risks, in response to the reform of the criminal code in 2010

✓ Achieved X Not achieved ◇ In progress

Key Indicators 2011



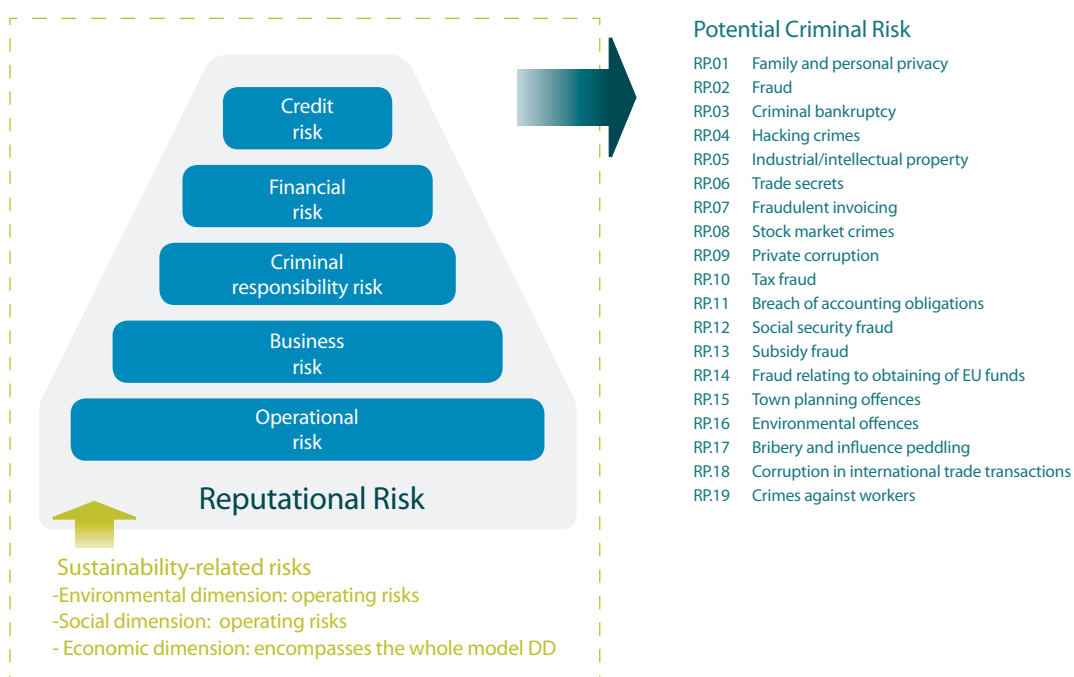
10.2. Integral risk management model

- 1.2, 4.10, 4.11, S02, S04 -

Enagás operates an Integral Risk Management Model, in accordance with its Risk Policy, to manage the Company's risks and opportunities, thereby boosting its ability to generate sustainable value for all stakeholders.

In 2011 the Company conducted a review of its Integral Risk Management Model to include criminal liability arising from reform of the Spanish Criminal Code.

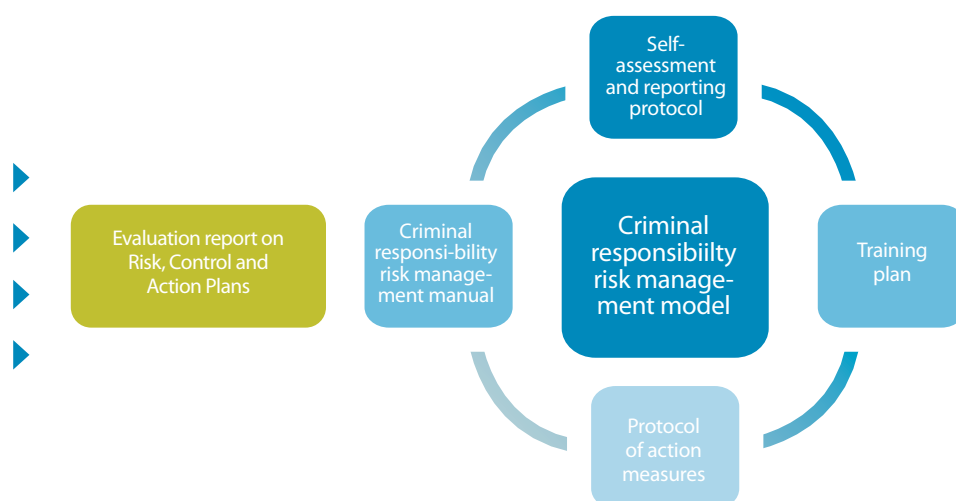
Integrated risk model



Enagás approved the Criminal Liability Risk Management Model for Spanish companies within its business group, in due consideration of the current mechanisms in place in the Company's internal control model, and added the necessary controls to prevent any offences covered by reform of the Spanish Criminal Code.



Integrated risk management model



In its implementation of the Criminal Liability Risk Management Model, Enagás has taken appropriate measures to prevent and detect any offences that could be committed in the future by executives or employees in the exercise of their functions (for example: corruption, bribery, fraud etc.). – S02, S04 –

The Model has been approved by the Management Committee and the Board of Directors, including the courses of action to be implemented by each department throughout 2012 such as, for example, regulations concerning acceptance of gifts. – S02, S04 –

Update of the Strategic Risk Map

– S02, S04 –

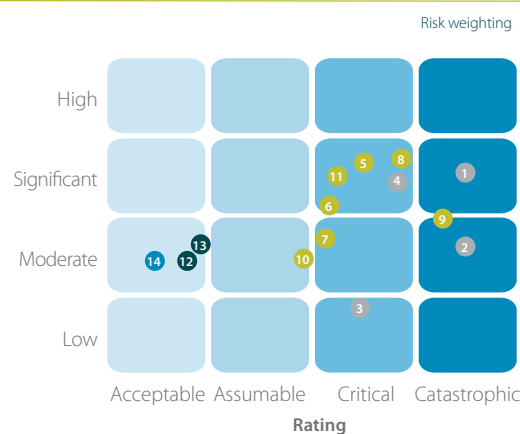
The Enagás Strategic Risk Map (2011-2014) sets out the results of the last risk profile update in terms of operational risk (30 October 2011), financial/liquidity risk and counterparty risk (31 December 2011).

Thus Enagás has now updated the operational risk self-assessment process and model produced in 2008, featuring incidents of “fraud and unauthorised activities”. The results of the self-assessment process show that operational risk still has a critical rating for the Company overall, although unexpected loss (the eco-

nomic costs that would ensue if the operational risk were to materialise) has declined by 13%.

The Enagás rating for counterparty risk and financial/liquidity risk, meanwhile, is acceptable.

Enagás Strategic Risk Map (2011-2014)



- Key business risk (as at October 2010)
- Key operating risk: assessed at October 2011
- Counterparty risk: assessed at 31 December 2011
- Financial/liquidity risk: assessed at 31 December 2011

Note: In the case of operating and business risk, only those that are considered critical for the Company are reflected.

Annual Report 2011

Risk management

The Enagás 2011 Strategic Risk Map sets out the measurement of risk for each type of event, application of the various Enagás criteria and the risk thresholds defined, which portray the Company's risk aversion.

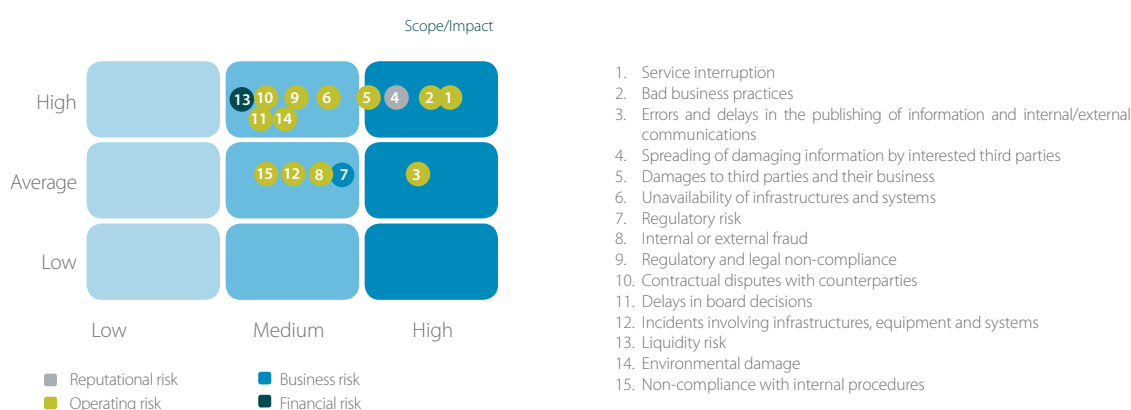
Enagás established a Reputational Risk Self-Assessment Process in 2010. At the beginning of 2011 Enagás updated the self-assessment by adding in the results obtained from an appraisal of the expectations of Company stakeholders arising from the consultation performed in 2010.

In the course of the first half of 2011, definitions were drawn up with each Company department of the

action plans considered necessary to mitigate reputational risk, and these were subsequently approved by the Sustainability Committee.

The action plans defined included, among others, modification of the General Regulations for Communication in Crisis Situations, or addition of anti-fraud controls to the Internal Financial Information Control System. – S02, S04 –

Enagás Strategic Reputational Risk Map 2011



Enagás also considers the following as risks in association with sustainability:

- **Environmental:** the operational risk "Damage to the environment or to third parties"
- **Social:** the operational risks "Health, hygiene and safety", "Incorrect business practices" and "Regulatory and legal non-compliance"
- **Economic:** operational risks, business risk, financial and counterparty risk



Roles and responsibilities in risk management - 4.9 –

	Develop an internal ethos	Approval of Corporate Management profile	Determine level of risk acceptable to Corporate Management	Approval of global risk map	Risk management and control
Governing bodies (Board of Directors and Audit and Compliance Committee)		■		■	
Sustainability Committee	■	■		■	■
Management Committee	■	■	■	■	
Department Managers			■		■
General Secretariat - Internal Audit	■				■

For further details on the Enagás risk policy, its Integral Risk Management Model and Strategic Risk Map, see the Corporate Responsibility section on the Enagás web site (www.enagas.es). -1.2, 4.10, 4.11-



11. Corporate Governance

11.1. Objectives and performance in 2011

2012 objectives

- Presentation of the report by independent directors on the progress made in terms of Corporate Governance in which, among other issues, the opportunity of establishing independence between the Chairman of the Board of Directors and the Chief Executive at the 2012 General Shareholders' Meeting will be discussed .
- Legal adaptation of the Company's new organisational structure, if the 2012 General Shareholders' Meeting approves segregation into two companies, Enagás Transporte S.A. and Enagas GTS S.A., and the required administrative permits are obtained.
- Modification of the articles of association, GSM regulations, Board regulations, regulations of the Audit and Compliance Committee and regula-



Key Indicators 2011

15

Members of the Board of Directors



8

Independent members of the Board of Directors



51

Recommendations of the Code of Good Governance followed

56.98%

General Shareholders' Meeting attendance



2

Women on the Board of Directors





tions for internal conduct in relation to securities markets for the purposes of compliance with the Sustainable Economy Act and other legal stipulations.

- Increasing the Internal Control System coverage about Financial information in order to incorporate the best practices in control of fraud

Achievement of 2011 objectives

- ✓ A new electronic voting system for the 2010 General Shareholders' Meeting and creation of the Shareholder Electronic Forum at www.enagas.es
- ◊ Training of Board members during 2011 in matters related to the regulatory framework, risk management and control, internal control, corporate social responsibility, and corporate governance*
- ✓ Publication of detailed information on the training and experience of Enagás Board members
- ✓ Publication of information on evaluation of the Board and its Committees

* An examination is being conducted into training sessions with an internationally renowned business school and deployment of an intranet for the training of Directors.

✓ Achieved

✗ Not achieved

◊ In progress

Other milestones in 2011

A female Independent Director was appointed to the Audit and Compliance Committee, in line with the Company's commitment to increase the number of women in its governing bodies

Approval during the 2011 General Shareholders' Meeting of modifications to the articles of association and GSM regulations, among which the elimination of the 100-share requirement for GSM attendance and voting.

The Appointments, Remuneration and Corporate Responsibility Committee took on the duty of implementing and monitoring general policies on corporate social responsibility and corporate governance.

Approval of the 2011 Report concerning compliance with Business Principles (Code of Ethics) by the Audit and Compliance Committee.

11.2. Composition of Governing Bodies -2.3, 4.1, 4.2, 4.3-

Management Committee

Name of Member of Management Committee	Post held by Member of Management Committee
Antonio Llardén Carratalá	Chairman
Juan Andrés Díez de Ulzurrun Moreno	General Manager of Technology, Engineering and Purchasing
Francisco Javier González Juliá	Chief Operating and Technical System Management Officer
Erundino Neira Quintas	Corporate Resources and CSR Manager
Rafael Piqueras Bautista	General Secretary
Juan Pons Guardia	General Manager of Strategy and Regulation
Diego de Reina Lovera	Chief Financial Officer
Ramón Sánchez Valera (*)	General Manager of Infrastructures and Third-Party Access

(*) Ramón Sánchez Valera passed away after year-end 2011, and was replaced by Claudio Rodríguez Suárez.

Board of Directors and Committees

Name of Director	Board Post	Type	Post on Audit and Compliance Committee	Post on Appointments, Remuneration and Corporate Social Responsibility Committee
Antonio Llardén Carratalá	Chairman	Executive	-	-
Jesús David Álvarez Mezquiriz	Director	Independent	-	-
Bilbao Bizkaia Kutxa-BBK (Represented by Joseba Andoni Aurrekoetxea Bergara)	Director	Proprietary (BBK)	-	Member
Sagane Inversiones, S.L. (Represented by Carlos Egea Krauel)	Director	Proprietary (Sagane Inversiones, S.L.)	-	Member
Sultan Hamed Khamis Al Burtamani	Director	Proprietary (Oman Oil Holdings Spain S.L.)	-	-
Teresa García-Milá Lloveras	Director	Independent	-	Member
Miguel Ángel Lasheras Merino	Director	Independent	-	-
Dionisio Martínez Martínez	Director	Independent	-	Chairman
Luis Javier Navarro Vigil	Director	External	Member	-
Martí Parellada Sabata	Director	Independent	Member	-
Peña Rueda, S.L.U. (Represented by Manuel Menéndez Menéndez)	Director	Proprietary (CIC, S.L., Cajastur)	-	-
Ramón Pérez Simarro	Director	Independent	-	Member
José Riva Francos	Director	Independent	Chairman	-
SEPI - Sociedad Estatal de Participaciones Industriales (represented by Enrique Martínez Robles) (*)	Director	Proprietary (SEPI)	Member	-
Isabel Sánchez García	Director	Independent	Member	-
Rafael Piqueras Bautista	Secretary	-	Secretary	Secretary

(*) SEPI: After year-end 2011, at the Board meeting held on 6 February 2012 representation of SEPI passed to Ramón Aguirre Rodríguez, the new Chairman of SEPI, appointed by Royal Decree 129/2012 of 13 January (Official State Gazette of 14 January), who replaced the previous Chairman, Enrique Martínez Robles.

Antonio Llardén Carratalá

- Executive Chairman of Enagás.
- Member of the Board of Directors and Executive Committee of Club Español de la Energía.
- Member of the Amics de la UPC Association (Universitat Politècnica de Catalunya).
- ENAGÁS representative as a trustee of Real Instituto Elcano de Estudios Internacionales y Estratégicos.
- Member of the Board of Trustees of Teatro Real.
- Chairman of the Foundation for Energy and Environmental Sustainability (comprising the main energy companies).

Jesús David Álvarez Mezquíriz

- Independent Director of Enagás.
- Chairman of Biocarburantes Peninsulares, S.L.
- Director of EULEN, S.A.

Bilbao Bizkaia Kutxa-BBK

represented by **Joseba Andoni Aurrekoetxea Bergara**

- Proprietary Director of Enagás and member of the Enagás Appointments, Remuneration and Corporate Responsibility Committee.
- Physical member:
- Chairman of the BBK Control Committee.
- Director at Bahía Bizkaia Gas, S.L.

Sagane Inversiones, S.L.

represented by **Carlos Egea Krauel**

- Proprietary Director of Enagás and member of the Enagás Appointments, Remuneration and Corporate Responsibility Committee.
- Physical member:
- Chairman of Caja de Ahorros de Murcia (CAJAMURCIA).
- Chief Executive of Banco Mare Nostrum, S.A.
- Secretary of the Spanish Confederation of Savings Banks (CECA).
- Deputy Chairman of Ahorro Corporación.
- Represents Caja Murcia on Caser, S.A.'s Board of Directors.
- Deputy Chairman of CYUM Tecnología y Comunicaciones, S.L.
- Director of Infocaja, S.L.

Sultan Hamed Khamis Al Burtamani

- Proprietary Director of Enagás.
- Director at Saggas - Planta de Regasificación de Sagunto, S.A.
- Director, Infraestructuras de Gas.
- Director at Oiltanking Ofjell Oman.
- Project Manager, Business Development Department, Oman Oil Company, S.A.O.C.

Teresa García-Milá Lloveras

- Independent Director of Enagás and member of Enagás Appointments, Remuneration and Corporate Responsibility Committee.
- Professor of Economics and Head of the Department of Economics and Business at the Pompeu Fabra University.
- Director at Banco Sabadell.
- Member of Banco Sabadell Audit and Control Committee and the Delegate Risk Control Committee.
- Member of the Círculo de Economía.
- Board Member of the Centre de Recerca en Economia Internacional (CREI).

Miguel Ángel Lasheras Merino

- Independent Director of Enagás.
- Consultant for OTR Energía S.L.
- Former Executive Chairman of Intermoney Energía S.A. and Wind to Market S.A.
- Former director of National Electricity System Commission.
- Former Director General of Institute of Fiscal Studies.
- Former Director of AVIACO.
- Former Director of Musini.

Dionisio Martínez Martínez

- Independent Director of Enagás and Chairman of Enagás Appointments, Remuneration and Corporate Responsibility Committee.
- Lawyer.
- Member of the General Codification Committee.
- Former partner of the Garrigues law firm.
- Former General Secretary at Tabacalera.
- Former Director of Telefónica de España.
- Former Director of Iberia, Líneas Aéreas.

Luis Javier Navarro Vigil

- External Director of Enagás and member of the Enagás Audit and Compliance Committee.
- Director at BP ESPAÑA, S.A.U.
- Director at E.ON ESPAÑA, S.L.U.
- Director at E.ON RENOVABLES, S.L.U.
- Director at TLA, S. DE R.L.- MEXICO.
- Jury Member for the Príncipe de Asturias Awards.
- Member of the Trustee Board at Universidad de Comillas-ICAI.
- Executive Board Member, British Hispanic Foundation.
- Jury Member for the Rey Jaime I Awards.
- Trustee Board Member, Reina Sofía School of Music and Member of the Albéniz Foundation.
- Founding member of Círculo de Confianza.
- Holder of Order of the British Empire.

**Martí Parellada Sabata**

- Independent Director of Enagás and member of the Enagás Audit and Compliance Committee.
- Trustee of ICO Foundation.
- Trustee of the Energy and Environmental Sustainability Foundation.
- Member of the Board of Trustees of the Hospital Clínic, Barcelona.
- Deputy Chairman of the Barcelona Economic Institute Foundation.
- Professor at the University of Barcelona.

Peña Rueda, S.L.U.

represented by **Manuel Menéndez Menéndez**

- Proprietary Director of Enagás.
- Physical member:
- Board Chairman, Hidroeléctrica del Cantábrico, S.A. (HC).
- Board Chairman, NATURGAS ENERGÍA GRUPO S.A.
- Director of EDP RENOVABLES, S.A.
- Chairman and CEO of Liberbank, S.A.

Ramón Pérez Simarro

- Independent Director of Enagás and member of Enagás Appointments, Remuneration and Corporate Responsibility Committee.
- Partner at ENERMA CONSULTORES.
- Former Director General of Energy.
- Former General Secretary of Energy and Mineral Resources.
- Former General Technical Secretary of the Ministry of Industry.
- Former lecturer, Universidad Autónoma de Madrid.

José Riva Francos

- Independent Director of Enagás and Chairman of the Enagás Audit and Compliance Committee.
- Deputy Chairman of SUARDIAZ Group.
- Director of Logista, S.A.
- Director of Garanair, S.L.

SEPI -Sociedad Estatal de Participaciones Industriales

represented by **Enrique Martínez Robles (*)**

- Proprietary Director of Enagás and member of the Enagás Audit and Compliance Committee.
- Physical member:
- Chairman of Sociedad Estatal de Participaciones Industriales (SEPI).
- Chairman of the SEPI Foundation.

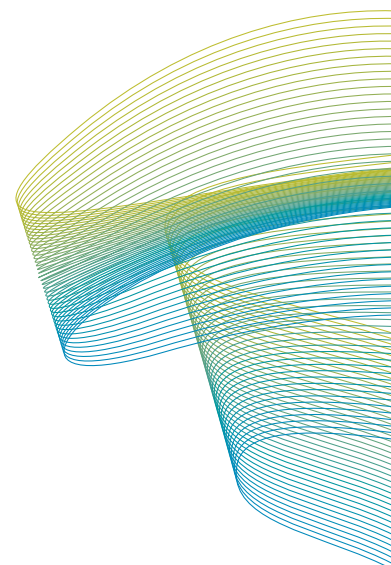
Isabel Sánchez García

- Independent Director of Enagás and member of the Enagás Audit and Compliance Committee.
- Vice-Rector and Director of the Business Administration Programme, IE University.
- Former Director of Competition Development at the Spanish Anti-Trust Regulator.
- Former Consultant, Private Sector and Energy Development Department, Latin America and the Caribbean, World Bank.
- Former Chief of Staff to the Secretary of State for Scientific and Technology Policy, Ministry of Science and Technology.

Rafael Piqueras Bautista

- Secretary to the Board of Directors of Enagás.
- Secretary of the Enagás Audit and Compliance Committee.
- Secretary of the Enagás Appointments, Remuneration and Corporate Social Responsibility Committee.
- Board Secretary, Gasoducto Al-Andalus, S.A. (an Enagás subsidiary).
- Board Secretary, Gasoducto de Extremadura, S.A. (an Enagás subsidiary).
- Board Member of the Spanish Association of Issuers.

(*) SEPI: After year-end 2011, at the Board meeting held on 6 February 2012 representation of SEPI passed to Ramón Aguirre Rodríguez, the new Chairman of SEPI, appointed by Royal Decree 129/2012 of 13 January (Official State Gazette of 14 January), who replaced the previous Chairman, Enrique Martínez Robles.



11.3. Enagás corporate governance standards - 4.4, 4.6, 4.7, 4.8 -

The Enagás Corporate Governance Policy lays down the general principles covering the Company's policy in this area.

Good Governance practices have become an integral part of the Enagás Corporate Social Responsibility, where the Company has obtained some major recognitions. Enagás is listed on the Dow Jones Sustainability World (DJSI) index, the FTSE4Good Index and the Ethibel Excellence Investment Register, among others.

Enagás also has separate regulations for specific areas: Regulations for General Shareholders' Meetings, Regulations for the Board of Directors and each of its Committees, and the Internal Code of Conduct in Matters Relating to the Securities Market. These give fuller details of the rules and procedures for the

activities of the different governing bodies and their dealings with securities markets (full details are available on the Company web site www.enagas.es).

Lastly, Enagás has drawn up a set of Business Principles (Code of Ethics) as a guideline for correct professional conduct by employees.

11.4. Activities of Governing Bodies

General Shareholders' Meeting

The Enagás General Shareholders' Meeting was held on 25 March 2011 at second call, with the highest attendance ever:

Share capital	358,101,390
Total shares	238,734,260
Number of shares	210,085,474

Shareholders	No. of shareholders	No. of shares	% total share capital
1. Present:	435	18,614,212	8.860 %
In person	107	18,182,734	8.655 %
By remote means	328	431,478	0.205 %
2. Represented by proxy:	5,248	101,093,501	48.120%
TOTAL	5,683	119,707,713	56.980 %



Relevant issues discussed

- To approve, if appropriate, the performance of the Board of Directors of Enagás, S.A. in 2010
- Approval of substantial amendments to the articles of association and GSM regulations in order to update them in the light of certain legislative reforms that have lately affected the law on public limited companies
- Approval of elimination of the requirement of holding at least 100 shares for GSM attendance and voting. This amendment is intended to eliminate a distinction between shareholders on the basis of the number of shares they hold and facilitate attendance by all shareholders at General Meetings

Board of Directors

No. of meetings	11
Attendance	27 absentees, 25 with delegation of vote and 2 without

Relevant issues discussed

- Proposal to the Meeting to approve implementation of electronic voting as a new feature for the 2011 GSM
- Proposal to the Meeting to approve the creation of the Shareholder Forum on a specific platform within www.enagas.es during the convening and up to the holding of each GSM, to enable all shareholders who wish to do so to submit proposals to the Board which may be included on the Meeting's agenda where appropriate
- Appointment of a female Independent Director to the Audit and Compliance Committee, Isabel Sánchez García

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Corporate Governance



- Formulation of the “Hive-Down Project” in compliance with the modifications introduced by Hydrocarbon Sector Act 34/1998 stipulating that Enagás, S.A. must create two subsidiaries accounting for 100% of share capital and carrying out the functions of Technical Manager of the System (TMS) and transporter, respectively*
- Implementation of a new Director assessment process in 2011

* The two subsidiaries must be created within one year of publication of the 12/2011 Act in the Official State Gazette, i.e. by 29 May 2012.

The hive-down process must proceed according to the procedures established in the Act, including approval at the General Shareholders' Meeting, and is subject to the pertinent administrative authorisations being secured.

The Madrid Companies Register recorded the Hive-Down Project on 2 December 2011, and appointed KPMG AUDITORES, S.L. as independent expert for the process on 15 December 2011.

Appointments, Remuneration and Corporate Responsibility Committee

No. of meetings	6
Attendance	4 absentees, with votes delegated in all cases

Relevant issues discussed

- Preparation of a report favouring the formulation of the “Hive-Down Project” by the Board of Directors
- Implementation and follow-up of the general policy in relation to Corporate Social Responsibility and Good Corporate Governance

Audit and Compliance Committee

No. of meetings	6
Attendance	1 absentee, with no delegation of votes

Relevant issues discussed

- Preparation of a report favouring the formulation of the “Hive-Down Project” by the Board of Directors
- Examination and approval of the Report concerning compliance with Business Principles (the Enagás Code of Ethics) in 2011



11.5. Good corporate governance practices – 4.5, 4.10 -

Enagás continues to honour its commitment to comply with the Unified Code of Good Governance:

- Enagás fully complies with 51 recommendations. (*)
- Enagás partly complies with 3 recommendations: numbers 20, 26 and 40
- Enagás explains 1 recommendation, the first
- Three recommendations, numbers 2, 42 and 43, are not applicable to Enagás

Enagás identified good corporate governance practices at the international level, and took the following steps in 2011:

- Electronic voting was introduced as a new form of shareholder participation at the 2011 General Meeting
- A shareholder forum was created using a specific platform on www.enagas.es to enable shareholders to make suggestions to the Board regarding resolutions to be discussed and voted on at the General Meeting, where appropriate
- A female Independent Director was appointed to the Audit and Compliance Committee, in line with the Company's commitment to increase the number of women in its governing bodies.

(*) In 2011 Enagás has made significant improvements in its compliance with the recommendations compared to the previous year. Specifically, it now complies with three additional recommendations, numbers 9, 15 and 30. Its Board of Directors now consists of 15 members (recommendation 9, which was the subject of an explanation in 2010). An independent female director is now a member of the Audit and Compliance Committee (recommendation 15, with which Enagás partly complied in 2010) and on 21 February 2011 BANCAJA resigned as proprietary director after the sale of its holding in the share capital of Enagás (recommendation 30, with which the Company complied partly in 2010). As a result of its resignation as director, BANCAJA ceased to be Deputy Chairman of the Board of Directors and member of the Audit and Compliance committee.

- An assessment was undertaken of the performance of the Board, the Chairman and Board committees. Confidential interviews with all directors were conducted in 2011. The assessment process also involved individual evaluation of External Directors prior to their nomination for re-election
- The Appointments, Remuneration and Corporate Responsibility Committee took on the duty of implementing and monitoring general policies on corporate social responsibility and corporate governance

11.6. Governing bodies - assessment and remuneration

Assessment of Directors

In 2007 the Company amended its Regulation for the Organisation and Operation of the Board of Directors to adapt it to the Unified Good Governance Code, expressly including the following in relation to the Board: *"Assessment, on a plenary and annual basis, the quality and efficiency of the Board; on the basis of the report by the Appointments and Remuneration Committee, of the performance of functions by the Board Chairman and the Chief Executive of the Company and the functioning of Committees on the basis of the report by the Committees."*

Following this modification, the Appointments, Remuneration and Corporate Social Responsibility Committee assessed the performances of the Board, the Committees and the Board Chairman and the Chief Executive of the Company. The assessment was approved by the entire Board.

Each year the Audit and Compliance Committee approves a "Report on Activities" which it submits for consideration by the Board, in addition to the Annual Corporate Governance Report published by the Company.



The Company considers that, in accordance with best Corporate Governance practices, it must introduce the greatest transparency and objectivity in assessment of the performances of the Board and its Chairman. By way of a first step, in 2011 it implemented a “self-assessment” procedure to enable each and every member of the Board to express their views confidentially in two assessment questionnaires (Board and Board Chairman), drawn up in conjunction with an external consultant.

The questionnaire concerning the Board contains questions on its functioning; the functioning of its meetings (number of meetings, prior information, duration, efficiency etc.); knowledge (composition, continuous training etc.); relations with senior management (contribution to the Board, replies from senior management, level of dialogue etc.); relations with shareholders and investors (level of dialogue etc.); relations with Committees (information supplied to the Board, level of dialogue etc.); and an overall assessment.

The questionnaire concerning the Chairman of the Board of Directors contains questions in relation to the preparation of meetings; management of the meetings; presentation of alternatives; separation of functions between the Chairman of the Board and the Chief Executive; monitoring of targets and courses of action; and communication with shareholders.

The Chairman did not assess his own performance.

The conclusion of the Board members was that the performances of the Board, the Committees and the Chairman in his functions were highly positive. “Life-long learning” was assessed as moderately positive.

The conclusions of the assessment were approved by the Appointments, Remuneration and Corporate Social Responsibility Committee at its meeting on 6 February 2012. They were subsequently submitted to the Board of Directors, where they were likewise approved.

Assessment of the Chairman as chief executive of the Company is carried out on an independent basis. The Appointments, Remuneration and Corporate Social Responsibility Committee assesses the level of compliance by the Chairman with the year’s targets set by the Board, at the request of the Committee. The level of compliance with these targets determines the annual variable remuneration that may be allocated to the Chairman and is approved by the Board.



Remuneration of the Board of Directors

Director	Board	Audit And Compliance Committee	Appointments, Remuneration and Corporate Responsibility Committee	(Thousand €)			Total
				FIX. REM.	Other VAR. REM.	Non-cash retrib.	
Antonio Llardén Carratalá	64	–	–	960	554	64	1642
Jesús David Álvarez Mezquiriz	64	–	–	–	–	–	64
Bilbao Bizkaia Kutxa (Represented by Joseba Andoni Aurrekoetxea Bergara)	64	–	12	–	–	–	76
Sagane Inversiones, S.L. (Represented By Carlos Egea Krauel)	64	–	12	–	–	–	76
Sultan Hamed Khamis Al Burtamani	53	–	–	–	–	–	53
Teresa García-Milá Lloveras	64	GWh	12	–	–	–	76
Miguel Ángel Lasheras Merino	64	–	–	–	–	–	64
Dionisio Martínez Martínez	64	–	17	–	–	–	81
Luis Javier Navarro Vigil	64	12	–	–	–	–	76
Martí Parellada Sabata	64	13	–	–	–	–	77
Peña Rueda, S.L.U. (Represented by Manuel Menéndez Menéndez)	64	–	–	–	–	–	64
Ramón Pérez Simarro	64	–	12	–	–	–	76
José Riva Francos	64	16	–	–	–	–	80
SEPI (Sociedad Estatal de Participaciones Industriales) represented by Enrique Martínez Robles	64	12	–	–	–	–	76
Isabel Sánchez García	64	–	–	–	–	–	64
BANCAJA	17	3	–	–	–	–	20
TOTAL	966	56	65		1,578		2,665

12. Annual Corporate Governance Report

114	A. Ownership Structure
122	B. Company Management Structure
155	C. Related-Party Transactions
161	D. Risk Control Systems
167	E. General Shareholders' Meetings
183	F. Degree of Compliance with Corporate Governance Recommendations
199	G. Other Information of Interest
208	Anexos
211	Report on the Activities of the Audit and Compliance Committee

A. Ownership structure

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
03/05/2002	358,101,390.00	238,734,260	238,734,260

Indicate whether different types of shares exist with different associated rights:

NO

A.2 List the direct and indirect holders of significant ownership interests in your organisation at year-end, excluding directors:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Atalaya Inversiones, S.R.L.	0	11,936,714	5.000
Caja de Ahorros de Asturias (Cajastur)	0	11,937,395	5.000
Oman Oil Company, S.A.O.C.	0	11,936,702	5.000

Name or corporate name of indirect shareholder	Through: Name or corporate name of director	Number of direct voting rights	% of total voting rights
Caja de Ahorros de Asturias (Cajastur)	Cantábrica de Inversiones de Cartera, S.L. (CIC, S.L.)	11,937,395	5.000
Atalaya Inversiones, S.R.L.	Sagane Inversiones, S.L.	11,936,714	5.000
Oman Oil Company, S.A.O.C.	Oman Oil Holdings Spain S.L.U.	11,936,702	5.000



A.3 Complete the following tables on company directors holding voting rights through company shares:

Name or corporate name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Mr. Antonio Llardén Carratalá	56,396	0	0.024
Bilbao Bizkaia Kutxa (BBK)	0	11,936,713	5.000
Mr. Dionisio Martínez Martínez	2,010	0	0.001
Mr. Luis Javier Navarro Vigil	10	7,075	0.003
Mr. Martí Parellada Sabata	910	0	0.000
Ms. María Teresa García Millá Lloveras	1,500	0	0.001
Mr. Ramón Pérez Simarro	100	0	0.000
Sagane Inversiones, S.L.	11,936,714	0	5.000
Sociedad Estatal de Participaciones Industriales (SEPI)	11,936,713	0	5.000
Mr. Sultan Hamed Khamis Al Burtamani	1	0	0.000

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
Bilbao Bizkaia Kutxa (BBK)	Kartera 1, S.L.	11,936,713	5.000
Mr. Luis Javier Navarro Vigil	Newcomer 2000, S.L.U.	7,075	0.003
% of total voting rights held by the Board of Directors			15.028

Complete the following tables on share options held by directors:

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

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A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Type of relationship:

Commercial

Brief description:

Credit policy agreement for €2,000 thousand cancelled in second quarter of 2011.

Name or corporate name of related party

Caja de Ahorros de Asturias (Cajastur)

Type of relationship:

Commercial

Brief description:

Loan falling due in 2011. Amount (€ thousand): 30.000. Cancelled in second quarter of 2011

Name or corporate name of related party

Caja de Ahorros de Asturias (Cajastur)

Type of relationship:

Commercial

Brief description:

Provision of guarantee line. Amount (in € thousand): 12.000

Name or corporate name of related party

Caja de Ahorros de Asturias (Cajastur)

Type of relationship:

Corporate

Brief description:

Payment of final dividend for the 2010 financial year: 6,280; payment of interim dividend for 2011 financial year: 4,548; total dividend for 2011 financial year: 10,828 (all amounts in € thousand).

**Name or corporate name of related party**

Kartera 1, S.L.

Oman Oil Holdings Spain S.L.U.

Sagane Inversiones, S.L.

Type of relationship:

Corporate

Brief description:

Payment of final dividend for the 2010 financial year: 6,281; payment of interim dividend for 2011 financial year: 4,548; total dividend for 2011 financial year: 10,829 (all amounts in € thousand).

Name or corporate name of related party

Cantábrica de Inversiones de Cartera, S.L. (CIC, S.L.)

Type of relationship:

Corporate

Brief description:

Payment of final dividend for the 2010 financial year: 6,280; payment of interim dividend for 2011 financial year: 4,548; total dividend for 2011 financial year: 10,828 (all amounts in € thousand).

Name or corporate name of related party

Sociedad Estatal de Participaciones Industriales (SEPI)

Type of relationship:

Commercial

Brief description:

Provision of guarantee line. Amount (in € thousand): 6,000.

Name or corporate name of related party

Bilbao Bizkaia Kutxa (BBK)

Type of relationship:

Commercial

Brief description:

Provision of credit line. Amount (in € thousand): 25,000.

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Name or corporate name of related party

Bilbao Bizkaia Kutxa (BBK)

Type of relationship:

Commercial

Brief description:

Loan. Amount (in € thousand): 100,000.

Name or corporate name of related party

Bilbao Bizkaia Kutxa (BBK)

A.6 Indicate whether any shareholders' agreements have been notified to the company pursuant to article 112 of the Securities' Market Act (Ley del Mercado de Valores) . Provide a brief description and list the shareholders bound by the agreement, as applicable:

NO

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

NO

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year:

Not applicable.

A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 4 of the Spanish Securities' Market Act: If so, identify.:

NO



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

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	%of total share capital
0	0	0.0000

(*) Through:

Total	0
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Give details of any significant changes during the year, in accordance with Royal Decree 1362/2007.:

Gain/(loss) on treasury shares during the year	0
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A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting authorising the Board of Directors to purchase and/or transfer the treasury shares.

The Annual General Meeting of 30 April 2010 adopted the following resolution:

In accordance with the provisions of articles 75 et seq. of the Spanish Companies Act, to authorise and empower the Board of Directors with the faculty of substitution, to use derivatives to acquire treasury shares, either directly or via any of the Group companies, in the following terms:

- 1.- The acquisition may be performed via sale-purchase or any other business method for consideration.
- 2.- The authorisation pertains to shares which, together with those already held, do not exceed 10% of the Company's share capital.
- 3.- The purchase price shall not exceed by 50% or fall short by 50% of the average trading price of the seven sessions previous to the purchase date.
- 4.- The authorisation is extended for a five-year period, as from the date of this agreement.

Acquisition of treasury shares must enable the Company, at all events, to provision the reserve stipulated in article 79.3 of the Companies Act, without diminishing either the share capital or the unavailable reserves. The shares to be acquired must be fully paid in.

The shares acquired may be conveyed, entirely or in part, to employees, management or directors of the Company, or of Group companies, in accordance with the provisions of article 75.1 of the Spanish Companies Act.

This authorisation for the acquisition of treasury shares shall, as appropriate, replace all authorisations previously granted by the General Shareholders' Meeting.

A.10 Indicate, as applicable, any restrictions imposed by Law or the company's bylaws on exercising voting rights, as well as any legal restrictions on the acquisition or transfer of ownership interests in the share capital. Indicate whether there are any legal restrictions on exercising voting rights:

YES

Maximum percentage of legal restrictions on voting rights a shareholder can exercise

3.000

Indicate whether there are any restrictions included in the bylaws on exercising voting rights.:

YES

Maximum percentage of restrictions under the company's bylaws on voting rights a shareholder can exercise

3.000

Description of restrictions under law or the company's bylaws on exercising voting rights

There are no restrictions on the transfer of shares. Restrictions on voting rights:

Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, in force since the enactment of Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that:

No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the parent company (ENAGÁS S.A.), nor may they exercise voting rights in such company of over 3%. Under no circumstances may such share holdings be syndicated. Those parties that operate within the gas sector, including natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights of over 1%. These restrictions will not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may equity holdings be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, in addition to the shares or other securities held or acquired by entities belonging to its same group, as defined by article 4 of the Spanish Securities Market Act 24/1988, dated 28 July, stakes shall be attributed to one and the same individual or body corporate when they are owned by:

a) Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, members of the Board of Directors of a body corporate shall be deemed to act on its behalf or in a concerted fashion with it.

b) The partners together with whom that individual or body corporate exercises control over a controlled entity under the provisions of article 4 of Act 24/1988, dated 28 July, Governing the Securities Market.

Nevertheless, both the actual ownership of the shares and other securities and the voting rights held through any certificate shall be taken into account.



Non-compliance with the limitation on a stake in the capital referred to in this article shall be deemed a very serious breach in accordance with the terms set out in article 109 of this Act. Responsibility shall lie with the individuals or bodies corporate that end up as owners of the securities or whoever the excess stake in the capital or in the voting rights can be attributed to, pursuant to the provisions of the preceding paragraphs. Whatever the case, the penalty system stipulated herein will apply.

In accordance with the aforementioned legal provision, article 6 bis ("Limitation of interest in share capital and of the exercise of voting rights") of Enagás, S.A.'s Articles of Association stipulates the following:

No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company, nor exercise voting rights in such company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the System Technical Manager of over 1%. These restrictions will not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may equity holdings be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, the 20th Additional Provision of Act 34/1998 of 7 October (the Hydrocarbons Industry Act) shall apply.

Additional Provision Twenty of the Spanish Hydrocarbons Industry Act 34/1998, of 7 October, was modified by Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials. It establishes the same limitations on interest in share capital and the exercise of voting rights as specified in Additional Provision Thirty-one of Act 34/1998, governing the Hydrocarbons Industry.

Indicate if there are any legal restrictions on the acquisition or transfer of share capital:

YES

Description of legal restrictions on the acquisition or transfer of share capital

In accordance with the provisions of the Thirty-first Additional Provision of Act 34/1998, of 7 October, on the Hydrocarbons Sector, article 6 bis of the Company's Articles of Association establishes that no individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the company responsible for the technical management of the system. Under no circumstances may such share holdings be syndicated. These restrictions do not apply to direct or indirect interests held by public-sector enterprises. Under no circumstances may equity holdings be syndicated.

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

NO

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

B. Company Management Structure

B.1 Board of Directors

B.1.1 List the maximum and minimum number of directors included in the bylaws:

Maximum number of directors	17
Minimum number of directors	6

B.1.2 Complete the following table with board members' details:

Name or corporate name of director	Representative	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Mr. Antonio Llardén Carratalá	--	Chairman	22/04/2006	30/04/2010	Vote at general shareholders' meeting
Bilbao Bizkaia Kutxa (BBK)	Mr. Joseba Andoni Aurrekoetxea Bergara	Director	28/11/2007	25/04/2008	Co-option
Mr. Dionisio Martínez Martínez	--	Director	31/05/2002	30/04/2010	Vote at general shareholders' meeting
Ms. Isabel Sánchez García	--	Director	30/04/2010	30/04/2010	Vote at general shareholders' meeting
Mr. Jesús David Álvarez Mezquíriz	--	Director	25/04/2003	25/03/2011	Vote at general shareholders' meeting
Mr. José Riva Francos	--	Director	31/05/2002	30/04/2010	Vote at general shareholders' meeting
Mr. Luis Javier Navarro Vigil	--	Director	09/07/2002	25/03/2011	Co-option
Mr. Martí Parellada Sabata	--	Director	17/03/2005	27/03/2009	Co-option
Ms. María Teresa García-Milá Lloveras	--	Director	22/04/2006	30/04/2010	Vote at general shareholders' meeting
Mr. Miguel Ángel Lasheras Merino	--	Director	22/04/2006	30/04/2010	Vote at general shareholders' meeting
Peña Rueda, S.L. Unipersonal	Mr. Manuel Menéndez Menéndez	Director	30/04/2004	25/04/2008	Vote at general shareholders' meeting
Mr. Ramón Pérez Simarro	--	Director	17/06/2004	27/03/2009	Co-option

Nombre o denominación social del consejero	Representante	Cargo en el consejo	F. Primer nombram	F. Ultimo nombram.	Procedimiento de elección
Sagane Inversiones, S.L.	Mr. Carlos Egea Krauel	Director	27/04/2009	30/04/2010	Co-option
Sociedad Estatal de Participaciones Industriales (SEPI)	Mr. Enrique Martínez Robles	Director	25/04/2008	25/04/2008	Vote at general shareholders' meeting
Mr. Sultan Hamed Khamis Al Burtamani	--	Director	21/12/2010	25/03/2011	Co-option
Total number of directors					15

Indicate any board members who left during this period:

Name or corporate name of director	Status of the director at the time	Leaving date
Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja	Proprietary	21/02/2011

B.1.3 Complete the following tables on board members and their respective categories:

Executive Directors

Name or corporate name of director	Committee proposing appointment	Post held in the company
Mr. Antonio Llardén Carratalá	Nomination, Remuneration And Corporate Social Responsibility Committee	Chairman
Total number of executive directors		1
% of the board		6.667

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External Proprietary Directors

Name or corporate of director	Committee proposing appointment	Name or corporate name of significant shareholder represented or proposing appointment
Bilbao Bizkaia Kutxa (BBK)	Appointments and remunerations committee	Bilbao Bizkaia Kutxa (BBK)
Peña Rueda, S.L. Unipersonal	Appointments and remunerations committee	Cantábrica de Inversiones de Cartera, S.L. (CIC, S.L.)
Sagane Inversiones, S.L.	Nomination, remuneration and corporate social responsibility committee	Sagane Inversiones, S.L.
Sociedad Estatal de Participaciones Industriales (SEPI)	Appointments and remunerations committee	Sociedad Estatal de Participaciones Industriales (SEPI)
Mr. Sultan Hamed Khamis Al Burtamani	Nomination, remuneration and corporate social responsibility committee	Oman Oil Holdings Spain S.L.U.
Total number of proprietary directors		5
%of the board		33.333

Independent External Directors

Name or corporate name of director	Profile
Mr. Dionisio Martínez Martínez	-Independent director of Enagás and Chairman of Enagás Appointments, Remuneration and Corporate Responsibility Committee. - Lawyer. Member of the General Codification Committee. – Former partner of the Garrigues Law Firm. – Former Head of Corporate Affairs at Tabacalera. – Former Director of Telefónica De España. – Former Director of IBERIA, Líneas Aéreas.
Ms. Isabel Sánchez García	Independent Director of Enagás and member of the Enagás Audit and Compliance Committee. - Vice-rector and Director of the Bachelor's Programme In Business Administration, Instituto De Empresa (IE) - Former Director of Competition Development at the Spanish Anti-Trust Regulator. - Former Consultant, Private Sector and Energy Development Department, Latin America and the Caribbean, World Bank. - Former Director of the Office of the Secretary of State for Scientific and Technological Policy, Spanish Ministry of Science and Technology.
Mr. Jesús David Álvarez Mezquíriz	Independent Director of Enagás. - Chairman of Biocarburantes Peninsulares, S.L. - Director of Eulen, S.A.
Mr. José Riva Franco	Independent Director of Enagás and Chairman of the Enagás Audit and Compliance Committee. - Deputy-chairman of Suardiaz Group. -Director of Logista, S.A. - Director of Garanair, S.L.
Mr. Martí Parellada Sabata	Independent Director of Enagás and member of the Enagás Audit and Compliance Committee. - Trustee of ICO Foundation. - Trustee of the Energy and Environmental Sustainability Foundation. - Member of the Board of Trustees of the Hospital Clinic in Barcelona. - Deputy Chairman of the Barcelona Economic Institute Foundation. – Professor at the University of Barcelona.
Ms. María Teresa García-Milá Lloveras	Independent Director of Enagás and member of Enagás Appointments, Remuneration and Corporate Responsibility Committee - Professor of Economics and Head of the Department of Economics and Business at the Pompeu Fabra University. - Director of Banco Sabadell. - Member of Banc Sabadell Audit and Control Committee and the Delegate Committee for Risk Management - Member of the Círculo de Economía. - Board Member of the Centre de Recerca en Economia Internacional (CREI).



Name or corporate name of director	Profile
Mr. Miguel Ángel Lasheras Merino	Independent Director of Enagás. - Consultant for OTR Energía S.L. - Former Executive Chairman of Inter-money Energía S.A. and Wind to Market S.A. - Former director of National Electricity System Commission. - Former Director General of Institute of Fiscal Studies. - Former director of AVIACO. - Former director of MUSINI.
Mr. Ramón Pérez Simarro	Independent Director of Enagás and member of Enagás Appointments, Remuneration and Corporate Responsibility Committee. - Partner at Enerma Consultores - Former Director General of Energy. - Former General Secretary of Energy and Mineral Resources. - Former General Technical Secretary of the Ministry of Industry. - Former lecturer, Universidad Autónoma de Madrid.
Total number of independent directors	8
% of the board	53.333

Others External Directors

Nombre o denominación del consejero	Comisión que ha propuesto su nombramiento
Mr. Luis Javier Navarro Vigil	Nomination, Remuneration And Corporate Social Responsibility Committee
Total number of other external directors	1
% of the board	6.667

List the reasons why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders.

Name or corporate name of director

Mr. Luis Javier Navarro Vigil

Company, executive or shareholder with whom the relationship is maintained

BP ESPAÑA, S.A.U.

Reasons

B.P. ESPAÑA S.A.U., a former significant shareholder of Enagás, S.A, proposed his appointment as a Proprietary Director on 9 July 2002 and sold its entire stake in the Company on 15 November 2006. However, Mr Navarro is not considered to be an Independent Director as he maintains or has maintained a significant business relationship with the Company.

Nonetheless, it was decided to classify Mr. Luis Javier Navarro Vigil under the category of "Other External Directors" as he did not meet all the conditions required to be classified as an "Independent Director" as stipulated by the "Unified Good Governance Code" related to Order ECO/3722/2003 of 26 December and CNMV Circular 4/2007 of 27 December.

List any changes in the category of each director which have occurred during the year:

B.1.4 Explain, when applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 5% of the share capital.

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained.

NO

B.1.5 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board his/her reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director:

YES

Name of director

Caja de Ahorros de Valencia, Castellón y Alicante Bancaja

Reasons for resignation

BANCAJA tendered its resignation as a legal person director of Enagás, S.A. at the Board meeting on 21 February 2011. It was a Proprietary Director represented by Mr. José Luis Olivas Martínez as an individual. BANCAJA resigned after the sale of its holding in the share capital of Enagás S.A. As a result of its resignation as director, BANCAJA ceased to be Deputy Chairman of the Board of Directors and member of the Audit and Compliance Committee.

B.1.6 Indicate what powers, if any, have been delegated to the Chief Executive Officer:

B.1.7 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group:

B.1.8 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company:

Name or corporate name	Name of listed company	Post
Ms. María Teresa García-Milá Lloveras	Banco de Sabadell, S.A.	Director



B.1.9 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit:

NO

B.1.10 In relation with Recommendation 8 of the Unified Code, indicate the company's general policies and strategies that are reserved for approval by the Board of Directors in plenary session:

Investment and financing policy	YES
Design of the structure of the corporate group	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
The strategic or business Plans, management targets and annual budgets	YES
Remuneration and evaluation of senior officers	YES
Risk control and management, and the periodic monitoring of internal information and control systems	YES
Dividend policy, as well as the policies and limits applying to treasury stock	YES

B.1.11 Complete the following tables on the aggregate remuneration paid to directors during the year:

a) In the reporting company:

Concept (in thousands €)	Fixed remuneration
Fixed remuneration	960
Variable remuneration	554
Per diems	1,086
Statutory compensation	0
Share options and/or other financial instruments	0
Other	65
Total	2,665

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Other benefits**In thousands €**

Advances	0
Loans	0
Funds and pension plans: Contributions	10
Funds and pension plans: Obligations	0
Life insurance premiums	34
Guarantees issued by the company in favour of directors	0

b) For company directors sitting on other governing bodies and/or holding senior management posts within:**Concept****In thousands €**

Fixed remuneration	0
Variable remuneration	0
Per diems	0
Statutory compensation	0
Share options and/or other financial instruments	0
Other	0
Total	0

Other benefits**In thousands €**

Advances	0
Loans	0
Funds and pension plans: Contributions	0
Funds and pension plans: Obligations	0
Life insurance premiums	0
Guarantees issued by the company in favour of directors	0



c) Total remuneration by type of director:

Type of director	By company	By group
Executive Directors	1,642	0
External Proprietary Directors	365	0
External Independent Directors	582	0
Other External Directors	76	0
Total	2,665	0

d) Remuneration as percentage of profit attributable to the parent company:

Total remuneration received by directors (in thousands €)	2,665
Total remuneration received by directors/profit attributable to parent company (%)	0.70

B.1.12 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year:

Name or corporate name	Post
Mr. Diego De Reina Lovera	CFO
Mr. Ramón Sánchez Valera	General Director of Infrastructure Department And Third-Party Access (TPA) Services
Mr. Francisco Javier González Juliá	General Director of Technical Management of The System and Operations Officer
Mr. Juan Andrés Díez De Ulzurrun Moreno	General Director of Technology, Engineering And Purchases
Mr. Erundino Neira Quintas	Head of Resources and Corporate Social Responsibility
Mr. Juan Pons Guardia	General Manager of Strategy and Regulation
Mr. Rafael Piqueras Bautista	General Secretariat
Mr. José Manuel Castro del Real	Internal Audit
Total remuneration received by senior management (in thousands €)	2,133

B.1.13 Identify, in aggregate terms, any indemnity or “golden parachute” clauses that exist for members of the senior management (including executive directors) of the company or of its group in the event of dismissal or changes in control. Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group:

Number of beneficiaries	8
-------------------------	---

	Board of Directors	General Shareholders’ Meeting
Body authorising clauses	YES	NO
Is the General Shareholders’ Meeting informed of such clauses?		NO

B.1.14 Describe the procedures for establishing remuneration for board members and the relevant provisions in the bylaws.

Procedures for establishing board members’ remuneration and relevant provisions in the bylaws

The process for establishing remuneration for Board members is covered in article 36 of the Company's Articles of Association, which establishes the following:

The position of Director shall be remunerated. The General Meeting shall determine the total maximum remuneration to be paid to Directors, and this shall comprise a cash sum payable on an annual basis or in respect of such period as the General Meeting may determine.

When setting remuneration, the General Meeting may resolve that part of such pay remunerate the office of director itself, equally for all directors, and another part be apportioned by the Board on such basis as may be determined at the General Meeting.

Directors may receive additional remuneration in the form of company shares, share options or other securities that enable the holder to obtain shares, or through other remuneration systems based on the price of the shares quoted on a public exchange. The application of said systems shall be presented to the General Meeting for approval, and the Meeting shall determine the value of the shares granted to each Director, the price for the exercise of option rights, the term of duration and all other conditions deemed appropriate.

Remuneration established herein shall be compatible with and independent from salaries, wages, indemnifications, pensions or compensations of any type established in general or in particular for those members of the Board of Directors who are linked to the company through a normal labour relationship, special senior manager contract, or a contract for services. Such relationships must be compatible with the position of member of the Board of Directors. Directors shall be entitled to the payment or reimbursement of expenses incurred as a result of attendance at meetings and other tasks directly related to the performance of their duties, such as travel, accommodation, meals and any other which may arise.



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

Likewise, article 16 of the Regulations of the Board of Directors stipulates that the Nomination, Remuneration and Corporate Social Responsibility Committee establish payment criteria for Company Directors, within the scope of the Company's Articles of Association and in accordance with resolutions of the General Meeting, while the Board of Directors is responsible for final distribution of the overall sum within the limits established by the Articles of Association for this purpose. The Board of Directors may, on an annual basis, delegate the powers conferred upon it in respect of the remuneration of Directors to the Nomination and Remuneration Committee, subject to the restrictions laid down in the Articles of Association.

Payments to Directors shall be transparent. The Notes to the financial statements, as an integral part of the financial statements, shall include accurate, detailed information on the remuneration received by each Director, and on the remuneration received by Executive Directors for performing senior management functions. This information will also be included in the Annual Corporate Governance Report.

Indicate whether the board has reserved for plenary approval the following decisions.

On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.	YES
Directors' remuneration, and, in the case of executive directors, the additional remuneration for their executive functions and other contract conditions.	YES

B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and specify the points included:

YES

The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to.	YES
Variable components	YES
The main characteristics of pension systems, including an estimate of their amount of annual equivalent cost.	YES
The conditions that the contracts of executive directors exercising executive functions shall respect.	YES

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B.1.16 Indicate whether the board submits a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. Explain the points of the report regarding the remuneration policy as approved by the board for forthcoming years, the most significant departures in those policies with respect to that applied during the year in question and a global summary of how the remuneration policy was applied during the year. Describe the role played by the Remuneration Committee and whether external consultancy services have been procured, including the identity of the external consultants:

YES

Issues covered in the remuneration policy report

In accordance with the provisions of article 36 of the Company's Articles of Association, the Company's Board of Directors each year proposes to shareholders at the General Meeting the maximum compensation that should be paid to Directors for performance of their functions, as well as the breakdown between remuneration for attendance and membership of Board Committees, remuneration for Chairing said Committees and remuneration for serving as Vice-Chairman of the Board.

The remuneration paid to the Chairman for performance of his executive functions is approved by the Board of Directors.

Role of the Remunerations Committee

The Committee formulates all proposals relating to the Company's remuneration policy.

Have external consultancy firms been used?

NO

Identity of external consultants

B.1.17 List any board members who are likewise members of the boards of directors, or executives or employees of companies that own significant holdings in the listed company and/or group companies:

Name or corporate name of director	Name or corporate name of significant shareholder	Post
Mr. Sultan Hamed Khamis Al Burtamani	Oman Oil Company, S.A.O.C.	Project Manager of Business Development



List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies:

B.1.18 Indicate whether any changes have been made to the regulations of the Board of Directors during the year:

NO

B.1.19 Indicate the procedures for appointing, re-electing, appraising and removing directors. List the competent bodies and the processes and criteria to be followed for each procedure.

Appointment of Directors:

Pursuant to Article 8 of the Board Regulations, Enagás, S.A. Directors shall be appointed by the General Meeting or by the Board of Directors, in conformity with the provisions contained in the Spanish Companies Act and the Company Articles of Association.

Appointees for Directorships must be persons who, in addition to satisfying the requirements for office under the law and the Articles of Association, have recognised prestige and the professional expertise and experience appropriate to the performance of their duties.

Any nomination for a Directorship which the Board lays before the General Meeting and any appointment made by the Board in the exercise of its statutory powers of co-option must be preceded by an appropriate proposal from the Nomination and Remuneration Committee.

Following Good Governance Recommendations, when the Board of Directors departs from the Committee's recommendations it must explain its reasons, and such reasons must be duly recorded in the minutes.

The process of filling Board vacancies has no implicit bias against women Candidates; The Company makes a conscious effort to include women with the target profile among the candidates for board places.

Special mention should be made of the specific requirements that have been established to ensure the impartiality and independence of Independent Directors appointed to the Board, which are set out in article 9 of the Regulations of the Board of Directors: Independent Directors are defined as those who, appointed based on their personal and professional aptitudes, may perform their duties without being affected by dealings with the Company, its Significant Shareholders or its Executives. Under no circumstances may the following be classified as Independent Directors:

- a) Persons who have been employed by or served as Executive Directors of Group companies, unless three or five years, respectively, have lapsed since the termination of said relationship.
- b) Persons who receive any sum or benefit other than Director's remuneration from the Company or its Group, unless such benefit is negligible. Dividends and pension supplements received by a Director on account of his/her prior professional or employment relationship shall not be taken into account for purposes of this

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section provided that such supplements are unconditional and, consequently, the company providing them may not, on a discretionary basis, suspend, modify or revoke any accrual thereof, without incurring a breach of obligations.

- c) Persons who are, or have been during the past three years, a partner of the external auditor or party responsible for the auditor's report reviewing the accounts of Enagás, S.A. or any other Group company for that period.
- d) Persons who are executive directors or senior managers of another company where an Executive Director or Senior manager of Enagás, S.A. is an External Director.
- e) Persons who maintain, or have maintained in the past year, a significant business relationship with Enagás, S.A. or any other Group company, whether on his/her own behalf or as a significant shareholder, director or senior manager of any company that maintains or has maintained such relationship. Business relationships shall be defined as relationships whereby the company serves as a provider of goods or services, including those of a financial nature, or as an advisor or consultant.
- f) Persons who are Significant Shareholders, Executive Directors or Senior Managers of any entity that receives, or has received during the past three (3) years, significant gifts from Enagás, S.A. or its Group. Patrons or trustees of any foundation that receives donations shall not be included under this section.
- g) Spouses, partners or relatives up to the second degree of any of the Company's Executive Directors or Senior Managers.
- h) Persons who have not been nominated, whether for appointment or renewal, by the Nomination and Remuneration Committee.
- i) Persons who, in respect of a significant shareholder or one represented on the Board, find themselves in any of the circumstances described under a), e), f) or g). In the event of kinship as described under letter g), this limitation shall apply not only in respect of the shareholder, but also in respect of its proprietary directors at the investee. Proprietary Directors who lose their status as such as a result of the sale of their interest by the shareholder that they represented may only be re-elected as Independent Directors if the shareholder that they represented until that time has sold all of its shares in the Company.

Any Director holding an interest in the Company may hold the status of Independent Director provided that he/she meets all of the conditions established under this article and, further, that his/her interest is not significant.

Re-Election:

Article 10 of the Regulations of the Board of Directors stipulates that "Directors may hold office for a period of four years, and may be re-elected. Directors who are co-opted shall hold office until the date of the first subsequent General Meeting.

As a general rule, an appropriate rotation of Independent Directors shall be sought. For this reason, when an Independent Director is proposed for re-election, the circumstances making this Director's continuity in the post advisable must be justified. Independent Directors shall not remain as such for a period in excess of twelve consecutive years.



Appraisal:

Article 11 of the Regulations of the Board stipulates that the Nomination and Remuneration Committee, responsible for evaluating the quality of work and dedication to their offices of the Directors proposed during the previous term of office, shall provide information required to assess proposal for re-election of Directors presented by the Board of Directors to the General Meeting.

Removal and dismissal:

Directors shall leave their post after the first General Meeting following the end of their term of appointment and in all other cases in accordance with the law, the Articles of Association and these Regulations (article 12.1 of the Regulations of the Board).

The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the board, based on a proposal from the Nomination Committee.

B.1.20 Indicate the cases in which directors must resign.

In accordance with Corporate Governance recommendations, article 12 of the Regulations of the Board of Directors stipulates that:

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

- a) When they are involved in any of the statutory circumstances of incompatibility or prohibition.
- b) When they are in serious breach of their duties as Directors.
- c) When they may put the interests of the Company at risk or damage its credibility and reputation. The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Act, the board shall examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director shall be called on to resign.
- d) When the reason for which they were appointed as Directors no longer holds.
- e) When Independent Directors cease to meet the conditions established under article 9.
- f) When the shareholder represented by a Proprietary Director sells its entire interest. They shall also do so, in the appropriate number, when that shareholder reduces its stake to a level requiring a reduction in the number of its Proprietary Directors.

Shall the Board of Directors not deem it advisable to have a Director tender his/her resignation in the cases specified in points d), e) and f), the latter must be included in the category that, in accordance with these Rules and Regulations, is most appropriate based on his/her new circumstances.

The Board of Directors shall not propose the removal of Independent Directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board, based on a proposal from the Nomination Committee.

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After a Director resigns from his/her post, he/she may not work for a competitor for a period of two (2) years, unless exempted from this duty or the duration of the duty is shortened by the Board of Directors.

B.1.21 Indicate whether the duties of chief executive officer fall upon the Chairman of the Board of Directors. If so, describe the measures taken to limit the risk of powers being concentrated in a single person:

YES

Measures for limiting risk

The Chairman of the Board of Directors exercises the functions of chief executive of the Company. In addition to the powers and duties attributed to him/her by law and the Articles of Association, the Chairman shall exercise the management in practice of the Company's affairs, always in accordance with the decisions and criteria laid down by the General Meeting and the Board of Directors in their respective spheres of authority.

Measures for limiting risk

However, the Board of Directors' Regulations contain a detailed list of issues which must be presented to the Board; in general terms, the Board retains sole authority on operations valued at over €3 million. Similarly, Enagás internal regulations on investment and tendering also reserve decision making powers for the Board for sums of over €3 million.

Indicate, and if necessary, explain whether rules have been established that enable any of the independent directors to convene board meetings or include new items on the agenda, to coordinate and voice the concerns of external directors and oversee the evaluation by the Board of Directors.

YES

Explanation of rules

Article 17 of the Regulations of the Board of Enagás, S.A. stipulates that, if the Chairman of the Board is also the Company's Chief Executive, the Board may give powers to one of the Independent Directors to demand that a Board meeting be convened or that additional items of business be included on the Agenda, to collate and voice the concerns of External Directors, and to direct the Board's assessment of the Chairman's performance.

Since 2010 the Chairman of the Appointments, Remuneration and Corporate Responsibility Committee has had powers to call board meetings or include new items on the Agenda in order to coordinate and convey the concerns of Directors and to lead the Board's evaluation of its Chairman.

B.1.22 Are qualified majorities, other than legal majorities, required for any type of decisions?:

NO

Describe how resolutions are adopted by the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions:

Description of resolution:
All resolutions

Quorum	%
The Board of Directors shall be properly constituted when at least half its members plus one member are present in person or by proxy, except when the meeting has not been duly convened, in which case the attendance of all members is required.	51.00

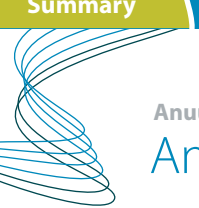
Type of majority	%
Resolutions shall be adopted with the vote in favour of an absolute majority of Directors present in person or by proxy, irrespective of the type of decision in question, except when votes are cast in writing and in the absence of a meeting.	51.00

B.1.23 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman.

NO

B.1.24 Indicate whether the Chairman has the casting vote:

NO



B.1.25 Indicate whether the bylaws or the regulations of the Board of Directors set any age limit for directors:

NO

Age limit for Chairman	Age limit for CEO	Age limit for directors
0	0	0

B.1.26 Indicate whether the bylaws or the regulations of the Board of Directors set a limited term of office for independent directors:

YES

Maximum number of years in office	12
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B.1.27 If there are few or no female directors, explain the reasons and describe the initiatives adopted to remedy this situation.

Explanation of reasons and initiatives

Enagás is aware that it must continue to encourage and facilitate the presence of women in the event of any vacancy arising on the Board, particularly for Independent Directorships. In 2011 MS. ISABEL SÁNCHEZ GARCÍA was appointed to the Audit and Compliance Committee as an Independent Director, in line with the Company’s commitment to increase the number of women in its Governing Bodies.

This development was consistent with article 8 of the Regulations of the Board of Directors. The process of filling Board vacancies has no implicit bias against women candidates. The Company makes a conscious effort to include women with the target profile among the candidates for board places.

At present two (2) of a total of fifteen (15) members of the Board of Directors are women, MS. MARÍA TERESA GARCÍA-MILÁ LLOVERAS and MS. ISABEL SÁNCHEZ GARCÍA. There is also one woman member of the Audit and Compliance Committee, ISABEL SÁNCHEZ GARCÍA.



Indicate in particular whether the Appointments and Remunerations Committee has established procedures to ensure the selection processes are not subject to implicit bias that will make it difficult to select female directors, and make a conscious effort to search for female candidates who have the required profile. :

YES

Indicate the main procedures

In the exercise of its functions, and in accordance with the Regulations of the Board of Directors, whenever a vacancy arises, the Appointments, Remunerations and Corporate Social Responsibility Committee analyses the professional profile of potential female candidates and thus endeavours to ensure that the number of female Directors on the Company's Board is progressively increased.

B.1.28 Indicate whether there are any formal processes for granting proxies at board meetings. If so, give brief details.

Article 39 of the Articles of Association stipulates that a Director may grant a proxy to another Director, but no Director present at a meeting may hold more than two proxies.

Furthermore, in accordance with article 7.3 of the Regulations of the Board, proxies for the representation of absent Directors may be granted by any means, with a telegram or facsimile addressed to the Chairman or Secretary of the Board being valid.

B.1.29 Indicate the number of board meetings held during the year and how many times the board has met without the Chairman's attendance:

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

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Indicate how many meetings of the various board committees were held during the year:

Number of meetings of the Executive or Delegated Committee	0
Number of meetings of the Audit and Compliance Committee	6
Number of meetings of the Appointments and Remunerations Committee	6
Number of meetings of the Appointments Committee	0
Number of meetings of the Remunerations Committee	0

B.1.30 Indicate the number of board meetings held during the financial year without the attendance of all members. Non-attendance will also include proxies granted without specific instructions:

Number of non-attendances by directors during the year	27
% of non-attendances of the total votes cast during the year	16.000

B.1.31 Indicate whether the individual and consolidated financial statements submitted for authorisation for issue by the board are certified previously:

YES

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorisation for issue by the board:

Name	Post
Mr. Diego De Reina Lovera	Financial Director
Mr. Antonio Lladén Carratalá	Chairman

B.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.

The Board of Directors and Audit and Compliance Committee are required to ensure that the annual financial statements are published without qualifications:



Article 5, paragraph c) of the Regulations of the Board of Directors states that among the functions of the Board of Directors regarding the Annual Financial Statements are the following:

To authorise for issue, in clear and precise terms facilitating comprehension of their contents, the individual and consolidated financial statements and the Directors' report, after obtaining the report issued by the finance department and the relevant report issued by the Audit and Compliance Committee, all appropriate clarifications having been made.

Upon authorising the financial statements for issue, the Board shall attend to any comments or recommendations submitted by the Audit and Compliance Committee in its prior report. If the financial statements depart from the prior report issued by the Audit and Compliance Committee, the Board of Directors shall provide an adequate explanation of the reasons for the discrepancy.

The Board of Directors shall endeavour to present the financial statements in such a way that there are no grounds for qualification from the Company's Accounts Auditor. However, if the Board of Directors determines that it must stand by a contrary view, it shall publicly explain the content and extent of the discrepancy.

Article 7, paragraph c) of the Audit and Compliance Committee Regulations states that said Committee shall serve "as a channel for communications between the Auditors and the Board of Directors, evaluating the results of each audit and the management team's responses to its recommendations, and mediating and arbitrating in the event of disagreement between the two concerning the principles and criteria to be applied in the preparation of the financial statements.

Enagás, S.A. has established quarterly reviews of its financial statements to detect any possible risks that could affect these and any qualifications which may arise. It consequently carries out suitable measures to resolve any qualifications.

B.1.33 Is the Secretary of the board also a director?

NO

B.1.34 Explain the procedures for appointing and removing the Secretary of the board, indicating whether his/her appointment and removal have been notified by the Appointments Committee and approved by the board in plenary session.

Appointment and removal procedure

Article 20 of the Regulations of the Board of Directors details the procedures for the appointment and dismissal of the Secretary of the board:

The Secretary to the Board of Directors shall be appointed by the Board and need not be a Director. The Secretary shall exercise the functions conferred upon such position under commercial law and in these Rules and Regulations. To ensure the independence, impartiality and professionalism of the Secretary, his/her appointment and removal shall be the subject of a prior report from the Nomination and Remuneration Committee and must be approved by the Board in plenary session. Article 25 of the aforementioned Regulations also establishes that, the functions of the Nomination, Remuneration and Corporate Social Responsibility Committee shall include reporting on the appointment and dismissal of the Secretary of the Board of Directors.

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Does the Appointments Committee propose appointments?	YES
Does the Appointments Committee advise on dismissals?	YES
Do appointments have to be approved by the Board in plenary session?	YES
Do dismissals have to be approved by the Board in plenary session?	YES

Is the Secretary of the board entrusted in particular with the function of overseeing corporate governance recommendations?

YES

Remarks

In accordance with article 20.3 of the Regulations of the Board, the Secretary shall also be responsible for the formal and substantive legality of the Board of Directors' actions and ensure that its governing procedures and rules are respected and regularly revised. In particular he/she shall ensure that the actions of the Board:

- a) Adhere to the spirit and Letter of primary enactments and their implementing Regulations, including those issued by Regulatory Agencies.
- b) Comply with the Company Bylaws and the Regulations of the General Shareholders' Meeting, the Board of Directors and others;
- c) Are informed by those Good Governance Recommendations that the Company has subscribed to.

B.1.35 Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Measures in aid of preserving auditor independence:

The Audit and Compliance Committee is the organ nominated by the Board of Directors to liaise with the company's external auditors.

The chief purposes of the Audit and Compliance Committee are to evaluate the Company's accounting verification system, ensure the independence of the External Accounts Auditor, review the internal control system, safeguard the transparency of information, and ensure compliance with internal rules of conduct.

In addition, it is responsible for making proposals to the Board of Directors for submission to shareholders at the General Meeting, in accordance with applicable laws and regulations, and providing information on the remuneration payable to the External Accounts Auditor, and liaising with the latter to obtain information on any issues that could compromise their independence.

Where appropriate, the Audit and Compliance Committee shall invite the external auditors to attend its quarterly meetings in order to:



- Obtain information on the quarterly reviews of the financial statements.
- Analyse any incidents encountered.
- Ask the Directors to come up with a plan of action to resolve the incidents encountered.

Measures in aid of preserving the independence of financial analysts, rating agencies and investment banks:

In accordance with the Regulations, the Board of Directors shall adopt and execute all acts and measures required to ensure transparency of the Company with regard to the financial markets, uphold the proper formation of prices for the Company's and its subsidiaries' shares, and perform all functions attending the Company's status as a listed company pursuant to current laws and regulations.

The Investor Relations Department manages communications with financial analysts, investors and rating agencies so as to assure that relations with all parties remain objective, fair and non-discriminatory.

In addition, within the scope of its activities the Finance Department provides investment banks with the information they need.

Shareholders, investors and analysts can avail themselves of full and updated information by the following channels: The Investor Relations Department and the Shareholder Information Office.

Finally, Enagás, S.A. presentations to financial analysts, investors and other parties are published on the company's website (www.enagas.es or www.enagas.com) .

B.1.36 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor:

NO

Outgoing auditor

Incoming auditor

Explain any disagreements with the outgoing auditor and the reasons for the same:

NO

B.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

YES

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	Company	Group	Total
Amount of non-audit work (in thousands €)	483	0	483
Amount of non-audit work as a % of the total amount billed by the audit firm	27.370	0.000	27.220

B.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

NO

B.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	Group
Number of consecutive years	8	8
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	30.0	30.0

B.1.40 List any equity holdings of the members of the company's Board of Directors in other companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the company and/or its group, and which have been reported to the company. Likewise, list the posts or duties they hold in such companies:

Name or corporate name of director	Corporate name of the company in question	% share	Post or duties
Bilbao Bizkaia Kutxa (BBK)	Iberdrola, S.A.	5.000	---
Bilbao Bizkaia Kutxa (BBK)	Gas Natural Fenosa S.A.	0.110	---
Mr. Luis Javier Navarro Vigil	BP, PLC	0.000	---
Mr. Luis Javier Navarro Vigil	E.on Renovables S.L.U.	0.000	Director
Mr. Luis Javier Navarro Vigil	BP España, S.A.	0.000	Director
Mr. Luis Javier Navarro Vigil	Terminal de LNG de Altamira S de R.L.	0.000	Director

Name or corporate name of director	Corporate name of the company in question	% share	Post or duties
Mr. Luis Javier Navarro Vigil	E.on España S.L.U.	0.000	Director
Mr. Sultan Hamed Khamis Al Burtamani	Infraestructuras de Gas	0.000	Director
Mr. Sultan Hamed Khamis Al Burtamani	Saggas-Planta de Regasificación de Sagunto, S.A.	0.000	Director
Mr. Sultan Hamed Khamis Al Burtamani	Oman Oil Company, S.A.O.C.	0.000	Project Manager of Business Development

B.1.41 Indicate and give details of any procedures through which directors may receive external advice:

YES

Details of procedure

Article 15 of the Regulations of the Board stipulates that Directors shall further 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 such performance.

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

The Company shall organise induction programmes for new Directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. It shall also offer Directors refresher courses when circumstances so dictate.

B.1.42 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:

YES

Details of procedure

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

Notices convening ordinary sessions shall be issued by the Chairman or the Secretary, or by the Deputy Chairman on order of the Chairman, may be effected by any channel, and shall specify the meeting venue and Agenda.

The notice of meeting, which other than in exceptional circumstances shall be issued at least three (3) days in advance of the intended date of the meeting, shall contain all information and documents thought appropriate or relevant for Directors to be properly informed.

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The power to set the Agenda of a meeting rests with the Chairman, but any Director may request in advance of the calling of such meeting that there be added to the agenda any items which in his/her view ought to be addressed by the Board.

In practice, the convening notice shall be issued a week before the meeting and, in addition to the meeting venue and the agenda, shall include all documentation considered appropriate or relevant.

B.1.43 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:

YES

Details of rules

Pursuant to Corporate Governance recommendations, article 12 of the Regulations of the Board of Directors establishes that Directors place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, when they may put the interests of the Company at risk or damage its credibility and reputation. The moment a Director is indicted or tried for any of the offences stated in article 124 of the Companies Act, the Board shall examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director shall be called on to resign.

B.1.44 Indicate whether any director has notified the company that he/she has been indicted or tried for any of the offences stated in article 124 of the Spanish Companies Act (LSA for its initials in Spanish):

NO

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office.

NO

Decision

Explanation



B.2 Committees of the Board of Directors

B.2.1 Give details of all the committees of the Board of Directors and their members:

Audit and compliance committee

Name	Post	Type
Mr. José Riva Francos	Chairman	Independent director
Ms. Isabel Sánchez García	Member	Independent director
Mr. Luis Javier Navarro Vigil	Member	Other external
Mr. Martí Parellada Sabata	Member	Independent director
Sociedad Estatal de Participaciones Industriales (SEPI)	Member	Proprietary

Comisión de Nombramientos, Retribuciones y Responsabilidad Social Corporativa

Nombre	Cargo	Tipología
Mr. Dionisio Martínez Martínez	Chairman	Independent director
Bilbao Bizkaia Kutxa (Bbk)	Member	Proprietary
Ms. Teresa García-Milá Lloveras	Member	Independent director
Mr. Ramón Pérez SimarroVocal	Member	Independent director
Sagane Inversiones, S.L.	Member	Proprietary

B.2.2 Indicate whether the Audit Committee is responsible for the following.

To supervise the preparation process and monitoring the integrity of financial information on the company and, if applicable, the group, and revising compliance with regulatory requirements, the adequate boundaries of the scope of consolidation and correct application of accounting principles.	YES
To regularly review internal control and risk management systems, so main risks are correctly identified, managed and notified.	YES
To safeguard the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.	YES
To establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	YES

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To submit to the Board proposals for the selection, appointment, reappointment and removal of the external auditor, and the engagement conditions.	YES
To receive regular information from the external auditor on the progress and findings of the audit programme and check that senior management are acting on its recommendations.	YES
To ensure the independence of the external auditor.	YES
In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.	YES

B.2.3 Describe the organisational and operational rules and the responsibilities attributed to each of the board committees.

Committee name

Audit and Compliance Committee

Brief description

- Regulations for the Audit and Compliance Committee were approved at the meeting of the Board of Directors of 19 February 2004. They are designed to provide the Committee with an organisational and operational framework that enables it to operate as an independent and transparent body, and thereby comply with the regulations contained in article 44 of the Company's Articles of Association and article 26 of the Regulations Governing the Organisation and Operation of the Board of Directors. At its meeting of 29 March 2007, the Board amended article 26 of the Regulations of the Board of Directors to incorporate as many of the recommendations of the Unified Code as possible and thus also amended the Regulations of the Audit and Compliance Committee to bring them in line with changes made to the Regulations of the Board of Directors.
- The Audit and Compliance Committee is comprised of (5) five members, which is within the limits established in article 44 of the Company's Articles of Association and article 3 of the Audit and Compliance Committee Regulations, which set a minimum of (3) three and maximum of (5) five members, appointed by the Board of Directors. (3) Three of the Committee's members -including the Chairman- are Independent Directors, (1) one are Proprietary Directors, and the (5) fifth is classified as "Other External Director".
- Article 3 of the Regulations of the Audit and Compliance Committee states that none of its members may be Executive Directors, in order to preserve the transparency and objective nature of its decisions, and the parity between Proprietary and Independent Directors must be maintained. The aforesaid article also stipulates that the Chairman of the Board of Directors and members of other committees may not sit on the Audit and Compliance Committee.
- As established in article 4 of the Committee Regulations, the term of a Committee member shall be the same as the term of office for a Directorship. On ceasing to be a Director, a Committee member's period of service is automatically concluded. Serving Directors may cease to be Committee members at any time the Board of Directors so decide. The foregoing notwithstanding the Committee Chairman shall be replaced every (4) four years. A former Chairman may be re-elected after the lapse of (1) one year from his vacating office. The foregoing shall be without prejudice to an outgoing Chairman remaining on the Committee if so resolved by the Board of Directors on adequately reasoned grounds.
- The remuneration of Committee members, as provided for in article 5 of the Committee Regulations, will be approved as established in the Articles of Association and the Rules and Regulations of Board of Directors for the setting of remuneration to Directors, subject to the same requirements of public disclosure.
- In the exercise of his office, a Committee member, as provided for in article 6 of the Committee Regulations, shall be under the same duties and subject to the same principles of action as those prescribed for Directors in the Articles of Association, the Rules and Regulations of the Board of Directors and current legislation.



- In keeping with article 8 of its Regulations, the Committee must meet at least (4) four times a year and the Chairman shall call as many further meetings as he/she believes are required for the Committee to discharge its duties. In 2011, the Committee met six (6) times.
- The tasks to be performed by the Audit and Compliance Committee are set out in article 44 of the Company's Articles of Association article 26 of the Regulations of the Board of Directors and article 7 of the Committee Regulations.
- The chief purposes of the Committee are to evaluate the Company's accounting verification system, ensure the independence of the External Accounts Auditor, review the internal control system, safeguard the transparency of information, and ensure compliance with internal rules of conduct.
- To fulfil these objectives, in addition to the functions established by law for the Audit and Compliance Committee, the Committee shall have the following duties:

a) In relation to the financial statements:

- Overseeing the preparation process and monitoring the integrity of financial information on the Company and, where relevant, the Group, and checking compliance with regulatory requirements, the due definition of the scope of consolidation and correct application of accounting principles.
- Providing information on the financial statements prior to their authorisation for issue by the Board of Directors. In its Report, the Committee shall include the information that it deems necessary on the application of accounting criteria, internal control systems and any other relevant facts.

The Board of Directors must properly explain any departure from the Audit and Compliance Committee's prior Report in the financial statements finally authorised for issue.

- Examining the information on the Company's activities and results that is produced regularly in compliance with securities market regulations, and ensuring that such information is transparent and accurate.

b) In relation to Internal Audits:

- Monitoring the independence of the Internal Audit unit.
- Supervising the Company's Internal Audit services and verifying the internal control systems, in order to achieve optimum monitoring of the execution of the Annual Internal Audit.

In particular, the Committee shall monitor the quality of the work of the internal audit unit in areas including: accuracy and integrity of information, compliance with policies, plans, legislation and standards and asset protection measures.

The Committee shall have full access to Internal Audit systems and shall meet regularly, in plenary session or through its Chairman, with the Internal Audit Manager, from whom it may request all the information necessary for its work.

- Providing information and putting forward proposals to the Board of Directors regarding the selection, appointment, reappointment and dismissal of the head of Internal Audit.

c) In relation to External Audits:

- Making proposals to the Board of Directors for submission to Shareholders at the General Meeting concerning the appointment of the External Accounts Auditor, in accordance with applicable laws and regulations, and providing information on the remuneration payable to the External Accounts Auditor and other terms and conditions of their engagement.

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- Liaising with the External Auditors to obtain information on any issues that could compromise the latter's independence or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the Annual Audit Process and in technical auditing standards.
- Taking receipt of the external auditor's regular reports on the Audit Programme and results of its execution, and ensuring that senior management takes account of its recommendations.
- Serving as a channel for communications between the Auditors and the Board of Directors, evaluating the results of each Audit, and the management team's responses to its recommendations, and mediating and arbitrating in the event of disagreement between the two concerning the principles and criteria to be applied in the preparation of the financial statements.
- Overseeing the execution of contracted audit work and ensuring that the auditor's opinion on the Financial Statements and the main contents of the Auditors' Report are written clearly and accurately.
- Providing information on non-Auditing contracts between the Company and the Accounts Auditors.
- Ensuring that the External Accounts Auditor is provided with access to all the information necessary for him/her to do his/her work.

d) In relation to the Company's risk map:

- Identifying and analysing, in conjunction with the Internal and External Auditors, the main risks to which the Company is exposed, and, in particular, those affecting its financial position.
 - Producing a risk assessment report for the Board of Directors.
 - Proposing, where appropriate, to the Board of Directors measures required to manage, mitigate or prevent risks detected.
 - Establishing, if the Committee thinks fit for the purposes of risk of detection, and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.
- NOTE: DUTIES e) and f) are detailed in section G1) CLARIFICATION OF SECTION B.2.3.

Committee name

Nomination, Remuneration and Corporate Social Responsibility Committee

Brief description

- It should be noted that the Nomination, Remuneration and Corporate Social Responsibility Committee has no specific regulations, as it is sufficiently regulated under article 25 of the Regulations of the Board of Directors and article 45 of the Company's Articles of Association, which was altered at the General Meeting of 30 April 2010.
- The Nomination, Remuneration and Corporate Social Responsibility Committee comprises five (5) members appointed by the Board of Directors, which is within the limits established in the Company's Articles of Association and the Regulations of the Board, which set a minimum of three (3) and maximum of five (5) members.
- It comprises mainly Independent Directors, as dictated in the Company's Articles of Association and the Regulations of the Board. Three (3) of the Committee's members, including the Chairman, are Independent Directors and two (2) are Proprietary Directors.



- On 28 June 2010, MR. DIONISO MARTÍNEZ MÁRTINEZ was appointed Chairman of the Nomination, Remuneration and Corporate Responsibility Committee as Independent Leader Director, with powers to call board meetings or include new items on the agenda in order to coordinate and convey the concerns of Directors and to lead the Board's evaluation of its Chairman.
- Pursuant to article 25 of the Regulations of the Board of Directors, the Appointments and Remunerations Committee must meet at least four (4) times a year. In 2011, the Committee met six (6) times.
- The duties of the Nomination, Remuneration and Corporate Social Responsibility Committee are detailed in article 45 of the Company's Articles of Association and article 25 of the Regulations of the Board of Directors and are as follows:
 1. To establish remuneration criteria for the Company's Directors, in accordance with the stipulations of the Articles of Association and in line with resolutions passed at the General Meeting, and to ensure that remuneration is transparent.
 2. To establish a general remuneration policy for Enagás, S.A. Management personnel, providing a rationale to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers, in order to ensure that the Company has appropriate highly qualified staff for administering its business at all times.
 3. To review the structure of the Board of Directors, the criteria for the renewal of Directors required under the Bylaws, the addition of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that it considers necessary.
 4. To report on the appointment and dismissal of the Secretary of the Board of Directors.
 5. To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Code of Conduct regarding the securities market.
 6. To formulate and revise the criteria to be followed in the composition of the Board of Directors and for the selection of the candidates proposed for the office of Director.
 7. To provide information, objectively and in the Company's interest, concerning the proposals for appointment, re-election and ratification of Directors, as well as for the appointment of members of Board Committees.
 8. To formulate proposals to the Board of Directors regarding the Company's organisational structure, including the creation of senior management posts in order to achieve improved and more efficient Company administration.
 9. To produce reports on intended appointments and dismissals of Senior Management Staff, and, where necessary, approve special terms in their contracts.
 10. To approve the remuneration of Senior Management, providing that this does not diverge from criteria established in the general remuneration policy for executives.
 11. To report to the Board of Directors on any Related-Party Transactions before authorisation thereof. Under no circumstances shall any such transaction be authorised without a prior report evaluating the transaction from the point of view of arm's length conditions. If the transactions are ordinary, a generic authorisation of the type of transaction and its terms and conditions shall suffice.
 12. To report to the Board of Directors on measures to be taken in the event of breach of these Regulations or the Internal Code of Conduct on matters relating to the Securities Markets on the part of Directors or other persons subject to those rules. In performing this duty, the Nomination and Remuneration Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

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B.2.4 Identify any advisory or consulting powers and, where applicable, the powers delegated to each of the committees:

Committee name

Audit and Compliance Committee.

Brief description

Tasks 1 to 18 listed in section b.2.3 of this report.

Committee name

Nomination, Remuneration and Corporate Social Responsibility Committee.

Brief description

Tasks 4 to 11 listed in section b.2.3 of this report.

B.2.5 Indicate, as appropriate, whether there are any regulations governing the Board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also indicate whether an annual report on the activities of each committee has been prepared voluntarily.

Committee name

Audit and Compliance Committee

Brief description

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

Article 44 of the Articles of Association was amended by the Annual General Meeting held on 25 March 2011 and establishes that: The Board of Directors shall appoint from among its members an Audit and Compliance Committee that shall comprise a minimum of three and a maximum of five Directors. No Executive Directors may be included among the members of the Committee. At least one member of the Committee must be independent and will be appointed in light of his knowledge and track record in matters of accountancy, auditing, or both. The Board of Directors shall elect a Chairman from amongst the Committee members, but the Chairman shall not have the casting vote. The Chairman must be replaced every four years, but may be re-elected once the term of one year has elapsed from his or her removal.



- Providing information at General Meetings on issues raised by shareholders that fall within the scope of its powers.
- To see to the proper operation of the Company's internal control, its internal audit function, if applicable, and risk management systems, and discuss with the auditors any significant weaknesses in the internal control system detected in the course of audit.
- To oversee the process of preparation and presentation of statutory financial reporting.
- Proposing to the Board of Directors, for submission to the General Meeting, the appointment of the external accounts auditor, in accordance with article 264 of the LSC, and the fees payable to the auditor.
- Liaising with the account auditors to obtain information on any issues that could compromise the latter's independence for appraisal by the Committee or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in auditing standards. At all events, they must annually receive from the auditors a written confirmation of their being independent from the Company and any entity directly or indirectly related to it, and a disclosure of any manner of additional services provided to such entities by the auditors or persons or entities related to them in accordance with the Ley 19/1988 (Audit Act 1988).
- To issue annually, prior to the issue of the audit report, a report giving an opinion on the independence of the auditors or audit firms. The report must at all events make reference to the provision of additional services referred to in the above sub-section.

Committee meetings shall be called by the Chairman and shall take place at least four times a year. The Company's external Auditor may attend Committee meetings and the Finance Director, head of the Enagás Internal Audit Unit or any other Director the Committee deems appropriate, may also be asked to give account at meetings. The Committee may obtain support and assistance from the aforesaid executives in the execution of its duties.

The Regulations of the Audit and Compliance Committee are available for consultation at the headquarters of Enagás, S.A. and on its website at www.enagas.es or www.enagas.com. No changes were made to the Regulations of the Audit and Compliance Committee in 2009, although the Board may agree to amend them during 2012.

The Audit and Compliance committee has drafted a report on its activities in 2011, available both at the headquarters of Enagás, S.A. and on its corporate website.

Committee name

Nomination, Remuneration And Corporate Social Responsibility Committee.

Brief description

The Nomination, Remuneration and Corporate Social Responsibility (CSR) Committee has no specific regulations, as it is sufficiently regulated under article 25 of the Regulations of the Board of Directors and article 45 of the Company's Articles of Association.

Article 45 of the Articles of Association was altered at the General Meeting of 30 April 2010 so as to read as follows:

ARTICLE 45.- APPOINTMENTS, REMUNERATION AND CSR COMMITTEE.

The Board of Directors shall appoint from among its members an Appointments, Remuneration and CSR Committee that shall be comprised of a minimum of three (3) and a maximum of five (5) Directors. A majority of Committee members must be Independent Directors and no Executive Directors may be included among its number. The Board of Directors shall elect a Chairman from amongst the Committee members, but the Chairman shall not have the casting vote.

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The Committee shall have powers and responsibilities in respect of the following matters:

- To establish remuneration criteria for the Company's Directors, in accordance with the stipulations of the Articles of Association and in line with resolutions passed at the General Meeting, and to ensure that remuneration is transparent.
- To establish a general remuneration policy for Enagás, S.A. Management Personnel and guidelines relating to the appointment, selection, promotion and dismissal of senior managers, in order to ensure that the Company has the appropriate highly qualified staff for administering its business at all times.
- To revise the structure of the Board of Directors, the criteria for the re-appointment of Directors pursuant to the Company's bylaws, the incorporation of new members and any other aspects relating to its composition that it deems appropriate.
- To report to the Board on transactions that entail or could entail a conflict of interest.
- To establish a general CSR and Corporate Governance policy, ensuring the adoption and effective application of best practices, both those which are compulsory and in line with generally-accepted recommendations. To do this, the Committee may submit to the Board the initiatives and proposals it deems appropriate and shall provide information on proposals submitted to the Board and information the company releases to shareholders annually regarding these issues.

The Committee shall meet at least four times a year, with meetings being called by the Chairman. The Committee may seek advice both internally and externally and request the attendance of senior management personnel, as deemed necessary in the execution of its duties.

Moreover, on 28 June 2010, the Board of Director also approved the appointment of the Chairman of the Nomination, Remuneration and Corporate Responsibility Committee, Mr. Dionisio Martínez Martínez, as Independent Leader Director, with a power to call board meetings or include new items on the Agenda in order to coordinate and convey the concerns of Directors and to lead the Board's evaluation of its Chairman.

B.2.6 Indicate whether the composition of the Executive Committee reflects the participation within the board of the different types of directors:

NO

f the answer is no, explain the composition of the Executive Committee.

There is no Executive Committee.



C. Related-Party Transactions

C.1 Indicate whether the board plenary sessions have reserved the right to approve, based on a favourable report from the Audit Committee or any other committee responsible for this task, transactions which the company carries out with directors, significant shareholders or representatives on the board, or related parties:

YES

C.2 List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies and the significant shareholders in the company:

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousands €)
Atalaya Inversiones, S.R.L.	Enagás, S.A.	Corporate. Paid to Sagane Inversiones, S.L. (significant shareholder).	Dividends and other benefits paid	10,828
Caja de Ahorros de Asturias (Cajastur)	Enagás, S.A.	Commercial	Guarantees and sureties	12,000
Caja de Ahorros de Asturias (Cajastur)	Enagás, S.A.	Commercial	Finance agreements, loans and capital contributions (lender)	30,000
Caja de Ahorros de Asturias (Cajastur)	Enagás, S.A.	Corporate. Paid to CIC, S.L. (significant shareholder).	Dividends and other benefits paid	10,829
Caja de Ahorros de Asturias (Cajastur)	Enagás, S.A.	Commercial	Finance agreements, loans and capital contributions (lender)	2,000
Oman Oil Company, S.A.O.C.	Enagás, S.A.	Corporate. Paid to Oman Oil Holdings Spain S.L.U. (significant shareholder).		10,828

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C.3 List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies and the company's managers or directors:

Name or corporate name of director or senior manger	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousands €)
Bilbao Bizkaia Kutxa (BBK)	Enagás, S.A.	Commercial	Guarantees and sureties	6,000
Bilbao Bizkaia Kutxa (BBK)	Enagás, S.A.	Commercial	Finance areements, loans and capital contributions (lender)	125,000
Bilbao Bizkaia Kutxa (BBK)	Enagás, S.A.	Corporate. Paid to Kartera 1, S.L. (significant shareholder)	Dividends and other benefits paid	10,828
Sagane Inversiones, S.L.	Enagás, S.A.	Corporate	Dividends and other benefits paid	10,828
Sociedad Estatal de Participaciones Industriales (SEPI)	Enagás, S.A.	Corporate	Dividends and other benefits paid	10,828

C.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities:

Corporate name of the group company

Bahía de Bizkaia Gas, S.L.

Amount (In thousands €)

644

Brief description of the transaction

Receipt for the provision of engineering services.

Corporate name of the group company

Enagas-Altamira, S.L. Sociedad Unipersonal

Amount (In thousands €)

2,094

Brief description of the transaction

Short-term loan granted by enagás maturing on 5 september 2011

**Corporate name of the group company**

Gasoducto Al-Andalus, S.A.

Amount (In thousands €)

16,994

Brief description of the transaction

Transmission service charges paid..

Corporate name of the group company

Gasoducto Al-Andalus, S.A.

Amount (In thousands €)

9,007

Brief description of the transaction

Loan granted by Enagás, S.A.

Corporate name of the group company

Gasoducto Al-Andalus, S.A.

Amount (In thousands €)

6,331

Brief description of the transaction

Dividends received by Enagás, S.A. For the 2010 financial year.

Corporate name of the group company

Gasoducto Al-Andalus, S.A.

Amount (In thousands €)

5,593

Brief description of the transaction

Income from pipeline maintenance and franchise royalties..

Corporate name of the group company

Gasoducto de Extremadura, S.A.

Amount (In thousands €)

5,105

Brief description of the transaction

Income from pipeline maintenance and franchise royalties.

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Corporate name of the group company

Gasoducto de Extremadura, S.A.

Amount (In thousands €)

41

Brief description of the transaction

Loan granted by Enagás, S.A.

Corporate name of the group company

Gasoducto de Extremadura, S.A.

Amount (In thousands €)

4,032

Brief description of the transaction

Dividends received by Enagás, S.A. For the 2010 financial year.

Corporate name of the group company

Gasoducto de Extremadura, S.A.

Amount (In thousands €)

8,898

Brief description of the transaction

Transmission service charges paid.

Corporate name of the group company

Gasoducto Escombreras, S.L. (Unipersonal)

Amount (In thousands €)

4,715

Brief description of the transaction

Credit line granted by Enagás, S.A. Maturing in 2012 (renewable annually).



C.5 Identify, where appropriate, any conflicts of interest affecting company directors pursuant to article 127 of the LSA.

NO

C.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

Mechanisms for detecting and regulating possible conflicts of interest between Enagás, S.A. and/or its Group, and its Directors, Managers or Shareholders are primarily set out in Enagás, S.A.'s Internal Code of Conduct in Matters Relating to Stock Markets.

The Internal Code of Conduct in Matters Relating to Stock Markets is applicable to the following persons:

- Members of the Board of Directors.
- Managing Directors and members of the Management Committee.
- Board members and, in the appropriate cases, members of the Management Committee of subsidiary or partially owned companies in which Enagás S.A. has operational control.
- People concerned with Stock Market activities.
- In general, everyone who has access to the Company's privileged or reserved information.

Concerning operations carried out with Related Parties, the company must adopt the following measures:

- a) Report them twice a year to the CNMV and include them in the Annual Report in the Corporate Governance section.
- b) Submit them to the Board for formal information purposes and for prior authorisation before they are finalised, which, following a report from the Appointment, Remuneration and CSR Committee, must judge their appropriateness taking into account market criteria.

All those described as being subject to this Internal Code of Conduct must:

- Inform the Board, through its Secretariat, of any possible conflicts of interest which may result from their family relationships, personal property or any other cause. Communications must be made within a fortnight and, in any case, before the decision that may be affected by the potential conflict of interest is taken.
- Keep the information updated, taking into account any modification or cessation of previously reported situations as well as the emergence of new conflicts of interest.
- Refrain from participating in any decision-making process that may be affected by such a conflict of interest with the The Nomination, Remuneration and Corporate Social Responsibility Committee is the body responsible for regulating and resolving any conflicts of interest that may arise and, pursuant to article 25 of the Regulations of the Board of Directors, is assigned the following duties:

- a) To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Code of Conduct regarding the securities market.
- b) To report to the Board of Directors on any related-parties transactions before authorisation thereof. Under no circumstances shall any such transaction be authorised without a prior report evaluating the transaction from the point of view of arm's length conditions. If the transactions are ordinary, a generic authorisation of the type of transaction and its terms and conditions shall suffice.
- c) To report to the Board of Directors on measures to be taken in the event of breach of these Rules and Regulations or the Code of Conduct on matters relating to the securities markets on the part of Directors or other persons subject to those rules. In performing this duty, the Nomination and Remuneration Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

C.7 Is more than one group company listed in Spain?

NO

Identify the listed subsidiaries in Spain:



D. Risk Control Systems

D.1 Give a general description of risk policy in the company and/or its group, detailing and evaluating the risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk.

Enagás' Risk Policy establishes the guiding principles and mechanisms to enable Management to deal effectively with the uncertainties, contingencies and opportunities that may arise, thereby improving the Company's ability to create value and offer both shareholders and other stakeholders a higher standard of assurance as regards profitability and environmental and social impact.

All initiatives aimed at controlling and mitigating risk shall follow these Basic Principles:

- Segregation and Independence among risk managers and supervisors.
- Global supervision and like-for-like measurement of risks assumed by Enagás.
- Consistent understanding of risk management.
- Focus on decision-making: providing the information required for decision-making within their stated areas of responsibility.
- Establish efficient coordination among the Company's different Business Areas/Units to guarantee the optimum use of the knowledge and resources available.
- Transparency (simplicity, objectivity and accountability) regarding the processes and methodologies used.
- Facilitate active supervision by the Audit and Compliance Committee and the Management Committee.
- Constantly update and make improvements by regularly reviewing the risks and adopting best practices concerning risk supervision and management.
- Responsibilities: to entrust overall risk management to the Enagás Board of Directors, Management and employees, each within their area of responsibility.

The Sustainability Committee, in accordance with the duties and responsibilities described in the Procedures of the Sustainability Committee, has implemented the action plans proposed at its twice-yearly meetings concerning the assessment and measurement of risk. This has enabled Enagás to ensure it has a common culture on risk management in line with the strategies and targets set by Senior Management.

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In 2010, formal specification of the Integrated Risk Management Procedure established an integrated risk management framework that identifies the roles of the company's various decision-making bodies and the constituent parts of the risk management system:

1. Nurturing an internal risk management environment that guides the Company's actions and directly influences employee awareness of internal control issues.
2. Setting goals for the Organisation as a precondition of identifying potential scenarios with an impact on the achievement of those goals.
3. Every unit Manager or Head Must systematically identify relevant events.
4. Evaluating risks to enable the Company to consider the scope of potential events impacting the Company's achievement of its goals and the probability of such events arising.
5. Responding to risks: The aim is to take decisions – to avoid, mitigate, share or accept a given risk – on the basis of the outcome of an assessment as to whether the particular risk needs to be addressed.
6. Establishing control actions as necessary to ensure that risk responses are implemented properly and on time by Department and Unit Heads.
7. Within the Risk Management Framework, reporting and communicating at all organisational levels to identify, evaluate and respond to risks, and, ultimately, take decisions and achieve the objectives set down at the Organisation-wide level.
8. Risk management is to be overseen by the Audit and Compliance Committee and the Sustainability Committee, by the individual department/unit "owning" each risk, and by the Internal Audit Unit in the performance of its assigned role.

Integrated Risk Management is a dynamic, multi-directional and iterative process involving ongoing monitoring, review and supervision, thereby allowing the identification of events that could affect the Company as a result of changes in its environment, goals and strategies.

In 2011, the Company's Board of Directors approved a Risk Management Model for Criminal Responsibility proposed by the Audit and Compliance Committee. This introduced the necessary controls and measures to prevent crimes which could be committed by the Company's managers or employees for which the Company could be held criminally liable in accordance with the reformed Spanish Criminal Code that came into force in December 2010.

Enagás, S.A. categorises risks, separating them in terms of the nature of the risk and bearing in mind the different measurement methods applied, as follows:

- Operational Risk: This is the possible loss of value or earnings as a result of events caused by inadequacies or failures in processes, human resources, business teams and IT systems, or due to external factors.
- Business Risk: the possible loss of value or earnings due to external factors such as regulation, the economic cycle, competition levels, demand patterns, the structure of the industry, etc. as well as the possible loss of value or earnings arising from taking incorrect decisions regarding business plans and the Company's future strategies.
- Criminal Responsibility Risk: risk of the Company being held criminally responsible for the crimes defined in Organic Law 5/2010 of 22 June, reforming the Criminal Code, which may be committed by its managers or employees in the exercise of their duties and in its interests, in which case the Company would be deemed to have failed to exercise due control.



- Credit or Counterparty Risk: the possible loss of value or earnings as a result of a counterparty's failure to meet its contractual obligations.
- Financial Risk: the uncertainty concerning a portfolio's value due to exchange and interest rate fluctuations, etc., as well as the liquidity and solvency of the Companies.
- Reputational Risk: any action, event or circumstance that may adversely affect stakeholders' perceptions and opinions of the Company.

The risks have been measured in terms of their impact and probability in quantitative and qualitative terms. Also, the necessary controls and action plans have been established to maintain these risks within the admissible thresholds.

In 2011, the heads of the various divisions and business units at Enagás, S.A. managed their risks based on a self-assessment of some of these and by permanently monitoring control activities and risks in relation to the Company's accepted level of risk.

Moreover, the Enagás Group continues to cement and reinforce its System of Internal Control of Financial Reporting (Spanish "SCIIF") with a view to adopting best practices towards the reliability and transparency of the financial reporting process.

D.2 ndicate whether the company or group has been exposed to different types of risk (operational, technological, financial, legal, reputational, fiscal...) during the year.

YES

If so, indicate the circumstances and whether the established control systems worked adequately.

Risks occurring in the year

Operational and Business Risks

Circumstances responsible for this occurrence

Operational Risks (incidents in infrastructures and systems) and Business Risks (Markets, Competition and Regulatory and Legal issued).

No significant risks were reported during the year apart from some non-material risks inherent in Enagás' activities due to the specific nature of its operations and business.

Operation of control systems

The control systems put in place proved adequate for risks arising in 2011.

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D.3 Indicate whether there is a committee or other governing body responsible for establishing and supervising these control systems.

YES

En caso afirmativo detalle cuales son sus funciones.

Name of the Committee or Body

INTERNAL AUDIT

Description of duties

The key risk management functions include:

- Proposing risk management strategy to the Sustainability Committee
- Nurturing a risk-aware culture across the company and helping to train employees in risk management skills
- Designing and reviewing the risk management process.
- Supporting the Sustainability Committee in framing, adopting and updating internal risk management regulations
- Supporting individual departments in risk identification and assessment

The key roles of the Internal Audit Unit are:

- Focusing audit work on the most significant identified risks and on established internal controls.
- Reporting on the progress of control activities as regards design-related matters to the Audit and Compliance Committee and the departments concerned.

Name of the Committee or Body

AUDIT AND COMPLIANCE COMMITTEE

Description of duties

- Identifying and analysing, in conjunction with the internal and external auditors, the main risks to which the Company is exposed, and, in particular, those affecting its financial position.
- Producing a risk assessment report for the Board of Directors.
- Proposing, where appropriate, to the Board of Directors measures required to manage, mitigate or prevent risks detected.



Name of the Committee or Body

MANAGEMENT COMMITTEE

Description of duties

- Creating the structures and environment required for the Integrated Risk Management model to operate effectively.
- Establishing the company's risk management philosophy: accepted risks, integrity, ethical values and staff competencies.
- Approving the accepted risk level for the company as a whole.
- Permanently reviewing the organization's activities and potential inherent risks with reference to the accepted level of risk for the Company.
- Proposing to the Audit and Compliance Committee the measures needed to manage those risks identified.

Name of the Committee or Body

SUSTAINABILITY COMMITTEE

Description of duties

- Establish a general policy on risk management, defining the Company's stance in the short-, medium- and long-term.
- Encourage at all levels of the Company, and in all its activities, a common culture on risk management in line with the strategies and targets set by Senior Management.
- Reporting to the Audit and Compliance Committee on progress made in risk management and proposing actions in response to breaches of Risk Policy or internal regulations and/or conflicts arising in connection with risk management.

Name of the Committee or Body

MANAGEMENT OR BUSINESS UNIT

Description of duties

- As the owners of the risk, it is their responsibility to manage the risks inherent in their activity by establishing suitable controls and action plans.
- Introducing risk management objectives in all functions.

D.4 Identify and describe the processes for compliance with the regulations applicable to the company and/or its group.

Each of the Divisions and Business Units at Enagás, S.A. is cognisant of the applicable legislation and regulations. Their duties include ensuring that new mandatory legislation and regulations are analysed and applied.

New legislation or regulatory amendments will often necessitate amendments to the company's internal regulations or the establishment of new actions or processes to comply with said regulations.

If there are various divisions involved in complying with the regulations, the Executive Committee will set up various working groups to develop and implement the new processes or activities.

The Regulating Committee monitors the implementation and functioning of regulations in different parts of the Company.

The Procedure to deal with new regulations affecting the management of third-party access identifies, assesses and applies newly published regulations, including modifications to existing regulations and interpretations of official regulations or requirements that may have an impact on the management of third-party access to the grid.

The General Secretariat deals with, clarifies and establishes the criteria for all issues on which the Divisions or Business Units have reasonable doubts.

Moreover, in each of the audits carried out the Internal Audit Department shall verify compliance with prevailing legislation and internal regulations.

The main compliance processes of the various regulations entail:

- Legislation and regulations affecting Enagás S.A. as a Gas Transporter and as Technical Manager of the System.
- Mercantile law.
- Fiscal law.
- Environmental law.
- Legislation regarding prevention.

E. General Shareholders’ Meetings

E.1 Indicate the quorum required for constitution of the General Shareholders’ Meeting established in the company’s bylaws. Describe how it differs from the system of minimum quorums established in the LSA.

NO

	Quorum % other than that established in article 102 of the LSA for general cases	Quorum % other than that established in article 103 of the LSA for the special cases described in article 103
Quorum required for first call	0	0
Quorum required for second call	0	0

E.2 Indicate and, as applicable, describe any differences between the company’s system of adopting corporate resolutions and the framework set forth in the LSA.

NO

Describe how they differ from the rules established under the LSA.

E.3 List all shareholders’ rights regarding the General Shareholders’ Meetings other than those established under the LSA.

Shareholders’ rights in relation to general meetings are those established in the *Ley de Sociedades de Capital* (henceforth LSC), enacted in Royal Legislative Decree 1/2010, of 2 July, which rescinds legislation including the Spanish Companies Act (*Ley de Sociedades Anónimas*, LSA).

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The General Shareholders' Meeting held on 25 March 2011 amended the Articles of Association and the Rules and Regulations of the General Shareholders' Meeting in the light of certain legislative reforms that have lately affected the law on public limited companies, incorporating new legislation dealing with shareholders' rights. We would draw particular attention to the elimination of the requirement that a shareholder own at least 100 shares to be entitled to attend and vote at a General Meeting. The purpose of this change is to remove any distinction among Company shareholders based on the number of shares they hold and so enable all shareholders to take part in General Meetings.

The Regulations of the General Meeting of Enagás, S.A. recognise the following Shareholders' rights:

1.- Rights to information

This right is regulated by article 7 of the Regulations, which has the following content and scope:

7.1.- To facilitate the exercise of information rights in connection with the business to be addressed as the ordinary General Meeting, on the date of publication of the Notice of Meeting the Shareholder Information Office shall make the following documents available to shareholders:

- a) The full text of the notice of General Meeting, setting out the resolutions proposed for adoption, and, where appropriate and as far as practicable, reports from the Board of Directors concerning their rationale and appropriateness.
- b) Comprehensive documentation on the Enagás Annual Accounts and the Consolidated Annual Accounts of the Enagás Group, and on the proposed appropriation of Enagás profit or loss for the financial year in question.
- c) Enagás Directors' Report and Consolidated Directors' Report for the financial year.
- d) Auditors' Reports on the Consolidated Annual Accounts and Enagás Annual Accounts.
- e) Annual Corporate Governance Report.
- f) Any other report or information required by law or deemed appropriate by the Board of Directors.

If an extraordinary General Meeting is to be held, the Company shall make available to all Shareholders any documents necessary for them to be properly informed as regards the proposed resolutions on the Agenda.

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

- The Shareholder Information Office.
- A toll-free telephone number to be specified in the Notice of Meeting.
- The Company website.

In addition, the Company shall make the above documents available to shareholders on the occasion of the General Meeting itself.

The Shareholder Information Office shall be at shareholders' disposal to provide any information required for the General Meeting.

7.2.- Up to the seventh day before the meeting is held, Shareholders may request from Directors any information or clarification they deem appropriate concerning business on the agenda, or submit in writing the questions they judge relevant. Shareholders may likewise put written questions and require particulars and clarification about any



publicly available information the Company may have filed since the last General Shareholders' Meeting with CNMV, the Spanish Securities Market Regulator.

The Directors shall be under a duty to supply the information requested in accordance with the foregoing paragraph, in writing, up until the day on which the General Meeting is held.

During the General Meeting, Shareholders may verbally request any information or clarifications they deem appropriate concerning business on the Agenda, and, if it is impracticable to meet such requests at that time, Directors must provide written answers within a period of seven days following the end of the Meeting.

The Directors are under a duty to furnish the information requested under article 197 of the LSC unless, in the view of the Chairman, publishing the requested information would harm the Company's interests, or supply of the information is barred under the law, the Articles of Association or a judicial or administrative decision.

No such refusal may be made if the request is put forward by Shareholders representing at least twenty-five percent of the Company's share capital.

The information requested under article 197 of the LSC shall be provided to the Shareholder requesting it in writing, within the period running from the date of the Notice of Meeting until the date of the Meeting inclusive, provided such request conforms to the time limit for exercise and scope determined by law and the Rules and Regulations of the General Meeting. The Shareholder shall set out in writing the questions he/she thinks appropriate and the particulars or clarifications he/she thinks necessary, and shall expressly request that the Company reply in writing, and for that purpose shall indicate the address to which the information should be sent.

7.3.- A Shareholder is entitled to make a written or oral request for any information he/it thinks relevant, even beyond the time limits stipulated in section 7.2 of these Rules and Regulations.

The Company shall as far as practicable endeavour to ensure to reply orally in the course of the General Meeting or in writing within such time frame as it thinks appropriate.

7.4.- Insofar as envisaged by prevailing legislation, and in accordance with the technical and legal terms thereof, the Company shall create an Electronic Shareholder Forum on its website with all safeguards duly in place. This forum will be available to individual shareholders and to any voluntary associations that may be set up and is intended to facilitate communication and dialogue before the General Meeting is held. The forum will be a venue for publishing proposed resolutions to be tabled as a supplement to the agenda set out in the notice of meeting, requests for adherence to such proposed resolutions, initiatives to achieve a sufficient percentage for the exercise of a statutory minority-interest right, and offers and requests for voluntary representation by proxy. The Board of Directors of the Company shall set the rules from time to time governing the functioning of the Forum made available for the General Meeting.

2.- Rights to participate

These rights are regulated in article 8 of the Rules and Regulations.

Following accreditation in compliance with the provisions of article 9 of the Rules and Regulations of the General Shareholders' Meeting, shareholders may at any time propose questions of interest for the Company, or related to their shareholding, through the Shareholder Information Office, the toll-free telephone number made available to them or the e-mail address included on the website.

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

3.- Right of attendance

This right is regulated by article 9 of the Rules and Regulations for the General Shareholder Meeting in accordance with article 27 of the Articles of Association.

Under article 27 of the Articles of Association, the right to attend and vote at a General Meeting shall be subject to the ownership of shares on record in the appropriate register at least five days in advance of the meeting.

Shareholders entitled to attend must prove their entitlement by any of the following forms of evidence:

- A) An appropriate attendance and voting card to be issued by Member Entities of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores [Spanish central securities clearinghouse] or such body as may replace it in future, properly filled out for the purpose.
- B) An electronic attendance and voting certificate issued by the Entity entrusted with the Register of Dematerialised Shares or the Authorised Share Certificates Depository Entity, properly filled out for the purpose.

Shareholders entitled to attend under article 27 of the Articles of Association may attend the General Meeting held at the venue specified in the Notice of Meeting, in person or represented by proxy.

The Board of Directors may in future create a shareholder right to attend General Meetings by remote means if such manner of proceeding is permitted by the state of the art and an appropriate standard of certainty is assured as to shareholders' identity, the effectiveness of their rights and the proper conduct of the meeting.

4.- Proxy rights

This right is regulated by article 10 of the Rules and Regulations for the General Shareholder Meeting in accordance with article 27 of the Articles of Association: Any shareholder entitled to attend the Meeting may procure to be represented by another person, who need not be a shareholder.

Proxies must be conferred in writing, by post, a recognised electronic signature, or any of the other legally permitted electronic or remote communication methods. In all cases, the identity of the proxy must be duly guaranteed, and shall be valid only for the particular meeting in question.

The Board of Directors shall determine which electronic or remote media may be used to confer proxies for each General Meeting pursuant to the provisions of this article and having regard to the state of the art. Such means of remote communication must satisfy the security standards required to ascertain shareholders' identities and the effectiveness of their rights and the proper conduct of the meeting, as indicated by the Board in the Notice of Meeting and on the Company's website.

A proxy may be revoked at any time. If the principal attends the meeting in person, his/her proxies are automatically revoked, and he/she must inform the proxy-holder in order to ensure that such person does not attempt to exercise proxy rights he/she does not hold.

Shareholders who are natural persons disqualified from exercising their civil rights and shareholders that are juristic persons may be represented by any duly accredited legal representative. Both in cases of legal representation and delegation of attendance rights, no shareholder shall have more than one representative at the Meeting.



Call for proxies

Calls for proxies issued by Directors, custodian entities of the share certificates, entities entrusted with the register of dematerialised shares or any other person or entity publicly making such call on its own or on a third party's behalf shall be subject to article 186 of the LSC. A call for proxies shall be deemed to have been made if one and the same person holds proxies for more than three shareholders.

In particular, the document containing the call for proxies must contain, or have attached to it, the meeting Agenda, the request for instructions for the exercise of voting rights and the manner in which the proxy-holder should vote in the event that no specific instruction are given.

In the event of a proxy requested and obtained by a Director, if no instructions are extant the proxy shall be treated as demanding a vote in favour of the motion of the Board of Directors, subject to any applicable statutory restrictions.

If Company Directors, or any other person acting on behalf of such Directors, effect a call for proxies, the Director that obtains such proxy may not exercise voting rights attaching to the shares thus represented in the event of conflict of interest specified in article 514 of the Spanish Enterprise Act (Ley de Sociedades de Capital, LSC) as to the following decisions:

- a) His/her own appointment or ratification as a Director.
- b) His/her removal, dismissal or termination as a Director.
- c) The bringing by the Company of an action for liability against him/her.
- d) The adoption or ratification, as applicable, of Company transactions with the Director in question or with companies controlled or represented by him/her or by persons acting on his/her behalf.

A call for proxies may be made electronically in accordance with the implementing regulatory provisions issued on the matter and in such manner as these Rules and Regulations shall determine.

5.- Voting rights

This right is regulated in article 27 of the Articles of Association and article 11 of the Regulations of the General Meeting .

11.1.- Means of exercising voting rights

A shareholder entitled to attend under article 27 of the Articles of Association and under the implementing provisions of article 9 of these Rules and Regulations shall be entitled to vote, and may do so in person or by proxy, by any of the following means:

- A) By personally attending and voting at the General Meeting, with an attendance and voting card properly filled out and signed for the purpose.
- B) By post, by casting votes at the Shareholder Information Office, by recognised electronic signature or any other electronic means or, in general, by any other means of remote communication permitted by law, attaching an electronic attendance and voting certificate.

The Board of Directors shall determine which electronic or remote media may be used to vote at each General Meeting pursuant to the provisions of this article and having regard to the state of the art. Such means of remote communication must satisfy the security standards required to ascertain shareholders' identities and the effective-

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ness of their rights and the proper conduct of the meeting, as indicated by the Board in the Notice of Meeting and on the Company's website.

The right to attend and vote using remote or electronic means, votes cast at the Shareholder Information Office or any other means of remote communication permitted in future must conform to any such statutory requirements as may be laid down and to the formalities and procedures directed by these Rules and Regulations.

11.2.- Validity of votes

A) Voting by personal attendance at the General Meeting.

To exercise his/her voting rights, a shareholder present at the General Meeting in person must, in addition to producing proof of identity in accordance with article 9 of these Rules and Regulations, identify him/herself as follows:

If he/she is a natural person, he/she shall exhibit a national identity card or passport.

If the shareholder is a juristic person, the natural-person representative attending and voting on its behalf shall exhibit his/her national identity card or passport and a document proving his/her power of attorney.

B) Votes cast by remote means of communication

To be valid, a vote cast by any of the means of remote communication must be received by the Company at the Shareholder Information Office between the day of publication of the Notice of Meeting and no later than twenty-four hours prior to the earlier scheduled date and time of the General Meeting, subject to the Board's power to determine a shorter time limit.

A shareholder using such means of communication shall bear the burden of proof that notice was sent to the Company in due time and form.

A postal vote shall be valid provided that the shareholder sends to the registered office of the Company in a sealed envelope an attendance and voting card clearly stating the shareholder's identity, number of shares held and his/her vote on each item of the agenda, bearing his/her handwritten signature and having attached a copy of his/her national identity card or passport, if the shareholder is a natural person, and, additionally, a document accrediting power of attorney, if the shareholder is a juristic person.

If a shareholder votes by electronic or remote means, such vote shall be valid if a record is created, by an appropriate electronic attendance and voting certificate, of the shareholder's identity, by means of a recognised electronic signature satisfying appropriate conditions of authenticity and identification of the shareholder thus exercising his/her voting rights, the number of shares he/she holds and his/her vote on each item on the Agenda.

If a shareholder decides to cast his/her vote in person or by proxy at the Shareholder Information Office, he/she must produce an attendance and voting card clearly stating the shareholder's identity, number of shares held and his/her vote on each item of the agenda, bearing his/her handwritten signature, and shall further exhibit his/her identity card or passport, if the shareholder is a natural person, and a document accrediting proxy rights, if applicable.

11.3.- A shareholder casting his/her votes remotely shall for the purposes of constitution of any General Meeting count as being present.



11.4.- A vote cast by remote means may be invalidated only:

- a) If later expressly revoked by the same means used for its original issue, within the time limit for such issue; or
- b) If the shareholder casting the vote is present at the General Meeting in person.

Any sale of voting shares effected at least five days before the scheduled date of the Meeting shall render void any vote cast prior to such sale.

E.4 Indicate the measures, if any, adopted to encourage shareholder participation at General Shareholders' Meetings.

The following developments are of particular interest:

- 1) The requirement that a shareholder own at least 100 shares to be entitled to attend and vote at a General Meeting was eliminated, as approved at the general Shareholders' Meeting of 25 March 2011. The purpose of this change is to remove any distinction among Company shareholders based on the number of shares they hold and so enable all shareholders to take part in General Meetings.
- 2) A Shareholder Forum was introduced on our website (www.enagas.es) to enable shareholders to make suggestions regarding resolutions to be discussed and voted on at the Annual General Meeting.
- 3) Electronic voting was introduced for General Shareholders' Meetings.

Other significant measures introduced in 2011 to increase the participation of shareholders in General Shareholders' Meetings were as follows:

- Publishing the convening notice in the main communications media (on 18 February 2011 the notice was published in 10 newspapers), in the BORME and on our website (www.enagas.es). The announcement includes details of Shareholders' Information, Participation, Attendance, Representation and Voting Rights.
- Offering gifts as incentives for Shareholders' personal attendance of general meetings.
- Holding meetings at a venue offering the best possible conditions for the meeting and easy access for Shareholders and making transport available to them to facilitate their attendance.
- Offering personal assistance and directions for Shareholders who wish to attend through personnel at the Shareholder Office.
- Offering personal assistance and guidance to Shareholders via the free telephone help line and e-mail account on the www.enagas.es website.

E.5 Indicate whether the General Shareholders' Meetings is presided by the Chairman of the Board of Directors. List measures, if any, adopted to guarantee the independence and correct operation of the General Shareholders' Meeting:

YES

Details of measures

The smooth operation and progress of the Meeting is ensured by the provisions established in the Regulations of the General Meeting, which establish the following:

- In accordance with article 12.2 of the Rules and Regulations of the General Meeting: The General Meeting shall be chaired by the Chairman of the Board of Directors, or, in his/her absence, by the Shareholder elected in each case by Shareholders present. The Chairman shall be assisted by the Secretary to the Board of Directors, or, in his/her absence, by the shareholder elected in each case by Shareholders present.
- The Board of Directors shall appoint a Notary to attend general meetings, who shall be responsible for taking and drawing up the minutes, with the accompanying guarantee of neutrality and independence for all Shareholders.
- The Chairman of the Audit and Compliance Committee of Enagás, S.A., in representation of the Committee, shall be available at meetings to respond to questions from shareholders on issues under the Committee's competency.
- The General Meeting must be attended by the Company's External Auditor, who shall be convened for such purpose by the Board of Directors. The Auditor shall intervene, whenever deemed expedient by the Chairman, to clarify questions relating to its work as the Company's External Auditors.

Requirements and standards that definitively guarantee the smooth progress of General Meetings are contained in articles 13 to 18 of the Regulations of the General Meeting, of which the following are of note:

- Before addressing Agenda items, an Attendance List shall be drawn up, detailing the nature or representation of each attendee and the number of shares, owned or represented, by virtue of which they are attending, such that the summary of the Attendance List shall determine the number of Shareholders, present or represented, as well as the share capital they hold. Capital with voting rights shall be specified. The Deputy Secretary of the Board or the person so appointed by the Chairman in his/her absence shall provide the Directors with two copies of that summary duly signed by him/her or a scrutinising shareholder. Attendance shall be considered closed for the purposes of establishing a quorum at the time stated in the Notice of Meeting for the commencement of the Meeting.
- For the purposes of verifying the valid constitution of the meeting, Enagás prepares and proposes to the Management Company of Registry, Compensation and Settlement of Securities, the format of the attendance card to be issued to Shareholders, ensuring that such format is uniform and incorporates a bar code so it can be read electronically, thus facilitating the electronic counting of attendees at the Meeting.
- From the moment they enter the venue of the meeting and throughout the same, shareholders shall have the support of personnel from the Shareholder Office for resolving any queries and facilitating their contribution.
- With the aim of guaranteeing the smooth course of the Meeting, Shareholders or representatives arriving late at the Meeting venue may attend the Meeting once the admission of attendance and voting cards has been closed, but shall not be included on the attendance list nor, therefore, form part of the quorum for voting purposes.
- Once the meeting has been validly constituted, the Notary called by the Company to draw up the minutes shall ask participants if they have any reservations or challenges to the details of shareholders and share capital read by the Chairman. Any Share-



holder with reservations shall show the member of the Panel his/her attendance card to verify and correct, as applicable, any possible errors.

- To facilitate the smooth running of the meeting, the Chairman shall request that Shareholders who wish to take the floor approach the Chair and show their attendance cards so that an order for contributions may be established. Said request will be made before commencing the presentation of the financial year and proposals to be submitted to the Meeting. The Chairman shall also be responsible for keeping debate within the limits of the Agenda and responding to Shareholders either jointly or individually.
- In the event of any occurrence that substantially affects the proper order of the Meeting, the Chairman of the meeting may agree to suspend the same for as long as necessary, and may even postpone the session until the next possible business day should the circumstances persist.
- The Meeting Secretary shall read out the results of the vote on each resolution, indicating the number of votes for, number of votes against, and number of abstentions.
- The Scrutineers shall prepare a note on the result of each vote, including the votes previously issued and any change that may have occurred in the course of the Meeting.
- Once all resolutions have been put to the vote, the Secretary shall deliver to the Notary, if the Company has requested the attendance of a notary, the Scrutineers' Note containing data on the results of the vote on each resolution before the Chairman proceeds to close the session.
- If the meeting has been held in the presence of a Notary, the notarial instrument shall be taken to constitute the Minutes of the Meeting, which shall not therefore require adoption.

E.6 Indicate the amendments, if any, made to the General Shareholders' Meeting regulations during the year.

- The General Shareholders' Meeting held on 25 March 2011 approved a substantial change to the Rules and Regulations of the General Shareholders' Meeting, with a view to updating their content in the light of certain recent changes to legislation affecting limited companies.
- In its Sixth Resolution the Meeting approved modification of the following articles of the rules and regulations governing the General Shareholders' Meeting. 4 Powers of the General Meeting, 5 Convening the General Meeting, 7 Shareholders' rights to information, 9 Attendance rights, 10 Representation rights, 11 Voting rights, 12 Organization and Constitution of the General Meeting, 13 Proceedings of the General Meeting, 14 Attendance and intervention of other persons, 15 Minutes of Proceedings of the General Meeting.
- The change approved is intended to accommodate the new rules introduced by the new statutory provisions referred to in the rationale for the proposed alterations to the Articles of Association in the manner which the Board of Directors thinks most appropriate for the Rules and Regulations of the General Meeting. This review has provided the opportunity to propose further enhancements to the Rules and Regulations of the General Meeting in the form of a number of clarifications and stylistic improvements.

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- In addition, the General Meeting agreed an amendment to article 9, in line with the proposed amendment to article 27 of the Articles of Association, the aim being to eliminate the requirement of having to own at least 100 shares in order for shareholders to be able to attend and vote at General Meetings.

Finally, the changes to articles 10 and 11 pursue the additional aim of lending flexibility to the technical means made available to give proxies and vote by electronic means, having regard to new developments.

The following modifications were agreed by the meeting:

1. Amendment to article 4, titled “Powers of the General Meeting”, with the aim of:
 - a. Introducing the new responsibilities expressly afforded to the General Meeting of Spanish companies limited by shares in accordance with art. 160 LSC, while avoiding any reiteration of the previous drafting of this article of the Rules and Regulations.
 - b. To replace references to the LSA with updated references to the LSC.
2. Amendment to article 5, titled “Convening the General Meeting”, with the following aims:
 - a. To adapt sub-section 5.1 to the wording of LSC article 168 as regards the time limit for convening and holding the General Meeting.
 - b. To introduce into section 5.2.1 the new announcement procedure through the Company’s website as envisaged under art. 173 LSC, in accordance with the drafting given by RDL 13/2010, this without prejudice to the obligation to publish the announcement in a daily newspaper up to the date in question, so as to ensure better awareness by shareholders, avoiding any reiteration.
 - c. To adapt sub-sections 5.2.1 and 5.2.2 to the wording of LSC article 174 as regards the content of the notice of meeting.
 - d. In sub-section 5.2.2, to replace certain references to the LSA with their updated equivalents in the LSC.
3. Amendment to article 7.2 (“Shareholders’ Right to Information”), the aim being to change all references to articles of the LSA to the corresponding articles of the LSC.
4. Introduction of section 7.4 to article 7 (“Shareholders’ Right to Information”), the aim being to include the concept of the Electronic Shareholder Forum in accordance with art. 528 LSC, deriving from art. 117 LMV, pursuant to the drafting given by Act 12/2010.
5. Amendment to article 9 (“Right of Attendance”). In line with the amendment to article 27 of the Articles of Association also put before this General Meeting, the aim here being to eliminate the requirement for shareholders to own at least 100 shares in order to be able to attend and vote at General Meetings.
6. To alter the sub-section of article 10 (“Representation Rights”) in order to replace references to provisions in the LSA with their updated equivalents in the LSC and bring the wording more closely into line with the wording of those articles of the LSC. In addition, changes were proposed so that proxies may be given by electronic means, having regard to technical developments.
7. To alter sub-section 11.1 (“Modes of Exercising Voting Rights”), to correct an erratum whereby reference was mistakenly made to “giving a proxy” instead of “voting”. A further amendment is also proposed with a view to encouraging voting via electronic channels, according to new technical developments.
8. To alter sub-section 11.2 (“Validity of Votes”), so that votes may be cast by electronic means, having regard to new developments.



9. Amendment to article 12.1 ("Convening the General Meeting"), with the aim of:
 - a. Updating references to articles of the LSA to the corresponding articles of the LSC.
 - b. Bringing it into line with the provisions of article 194 LSC (deriving from art. 103 LSA, pursuant to the text of Act 3/2009, relating to qualified quorums).
10. Amendment to article 13 ("Proceedings of the General Meeting"), with the aim of:
 - a. Changing, in all sections, references to articles of the LSA to the corresponding articles of the LSC.
 - b. Bringing section 13.3 in line with the provisions of article 194 LSC (deriving from art. 103 LSA, pursuant to Act 3/2009, on reinforced quorums, and to introduce certain elements mistakenly omitted from the existing wording on the rules for tallying votes).
11. Amendment to article 14 ("Attendance and Intervention of other persons"), the aim being to change all references to articles of the LSA to the corresponding articles of the LSC, and to reflect the drafting of art. 203 LSC in relation to the timeframe for procuring a notary to attend the General Meeting.
12. To alter article 15, "Minutes of the General Meeting", to adapt its wording to the approach taken in LSC articles 202 and 203.

E.7 Indicate the attendance figures for the General Shareholders' Meetings held during the year:

Attendance data

Date of general meeting	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
25/03/2011	8.655	48.120	0.000	0.205	56.980

E.8 Briefly indicate the resolutions adopted at the General Shareholders' Meetings held during the year and the percentage of votes with which each resolution was adopted.

The General Shareholders' Meeting was held on 25 March 2011. The resolutions adopted at the meeting are detailed below, along with the percentage of votes with which each resolution was passed.

RESOLUTION 1. "To adopt the Financial Statements (Balance Sheet, Income Statement, Statement of changes in equity, cash flow Statement and Notes to the Financial Statements) and the Directors' Report of Enagás and its Consolidated Group for the year ending 31 December 2010."

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- EVoting on the Resolution was as follows: For: 118,903,103 (99.328 %); Against: 798,855 (0.667 %); Abstentions: 5,755 (0.005%); Total votes cast: 119,707,713.

RESOLUTION 2. “To approve the distribution of Enagás, S.A. profit for financial year 2010, which included net profits of €327,065,448.74, in line with the following proposal prepared by the Board of Directors: Appropriation (in €): Legal Reserves: 0; Voluntary Reserves: €126,976,715.31; Dividend: €200,088,733.43; Total: €327,065,448.74.

- To pay out an additional dividend to the value of €125,603,644.31. Said amount is the result of deducting from the financial year's total dividend, €200,088,733.43, the interim dividend of €74,485,089.12 that was agreed by the Board of Directors on 22 November 2010 and paid to shareholders on 21 December 2010.
- The final dividend will be paid on 5 July 2011.
- The total dividend for the financial year being proposed for approval in accordance with the previous paragraph equates to a gross payment of 0.83812325 euros per share.
- Once the interim dividend already paid (0.312 euros gross per share) is deducted, the remaining payment will be for 0.52612325 euros per share, before tax deductions.
- The resolution carried. The results of the vote were as follows: For: 119,704,288 (99.997 %); Against: 1,135 (0.001 %); Abstentions: 2,290 (0.002%); Total votes cast: 119,707,713.

RESOLUTION 3. To approve the performance of the Board of Directors of Enagás, S.A. in 2010.

- The resolution carried. The results of the vote were as follows: For: 119,607,916 (99.917 %); Against: 91,422 (0.076 %); Abstentions: 8,375 (0.007%); Total votes cast: 119,707,713.

RESOLUTION 4. To re-appoint Deloitte S.L. as auditor of Enagás, S.A. and its consolidated Group for the period of one year. The firm shall also be placed in charge of providing any other mandatory auditing services that are required by the Company until the next Ordinary General Meeting is held.

- The resolution carried. The results of the vote were as follows: For: 117,587,195 (98.229 %); Against: 1,356,852 (1.133%); Abstentions: 763,666 (0.638%); Total votes cast: 119,707,713.

RESOLUTION 5. To amend the following Articles of the Company's Articles of Association: 1 (“Name”), 8 (“Shareholders' Rights”), 10 (“Usufruct of Shares”), 11 (“Pledging of Shares”), 14 (“Preemptive Subscription Right”), 15 (“Capital Reduction by Purchase of Treasury Shares”), 16 (“Bond Issues”), 18 (“General Meeting”), 21 (“Extraordinary General Meetings”), 22 (“Convening the General Meeting”), 23 (“Exceptional Convening of a General Meeting”), 26 (“Special Quorum”), 27 (“Attendance, Proxies and Voting at General Meetings”), 32 (“Minutes of Proceedings”), 33 (“Notarised Minutes”), 34 (“Challenging Resolutions of the General Meeting”), 35 (“Composition of the Board”), 42 (“Challenging Resolutions”), 44 (“Audit and Compliance Committee”), 47 (“Employees”), 50 (“Appointment of Auditors”), 52 (“Appropriation of Profit or Loss”) and 54 (“Restitution of Dividends”).

- We would draw special attention to the amendment of Article 27 of the Articles of Association to remove the requirement that a shareholder own at least 100 shares to be entitled to attend and vote at a General Meeting. This amendment is intended to eliminate a distinction between shareholders on the basis of the number of shares they hold and facilitate attendance by all shareholders at General Meetings.

Article 27 (Attendance, proxies and voting) of the Articles of Association now reads as follows:

- Shareholders owning shares, registered at least five days prior to the date scheduled for the General Meeting with the corresponding registers of any of the entities participating in the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores [securities clearing and settlement entity], or the entity replacing it, may attend and vote at General Meetings.



- Any shareholder having attendance and voting rights under this article may exercise such rights to vote on motions on the business on the agenda at any class of General Meeting by attending such meeting and voting in person or by post, by recognised electronic signature or other electronic means, or by any other medium of remote communication satisfying the requirements prescribed by laws and regulations, provided that the identity of the person exercising voting rights is properly assured.
- A shareholder having attendance rights may have himself represented by proxy at a General Meeting by another person, who need not be a shareholder. Proxies must be conferred in writing, by post, a recognised electronic signature, or any of the other legally permitted electronic or remote communication methods. The identity of the representative must be duly guaranteed, and shall be valid only for the particular meeting in question.
- In the event of a call for proxies, there shall apply articles 186 and 514 of the LSC.
- A granted proxy shall always be revocable, and personal attendance at a General Meeting by the principal shall operate as a revocation.
- The Rules and Regulations of the General Meeting shall implement the means and requirements for the proper exercise of rights of attendance, voting and representation by proxy and the procedures in place for those purposes.
- Subject to the relevant provisions of the Rules and Regulations of the General Meeting, and at all events in fulfilment of statutory requirements, the Board of Directors shall be competent to determine the time as from which shareholders may cast their votes or grant proxies by electronic or other remote communication means, having regard to the state of the art of the technical means required.
- A shareholder casting his/her votes remotely shall for the purposes of constitution of any General Meeting count as being present."
- The resolution carried. The results of the vote were as follows: For: 119,696,908 (99.991 %); Against: 1,255 (0.001 %); Abstentions: 9,550 (0.008%); Total votes cast: 119,707,713.
- Amendments to other articles of the articles of Association are intended to update those texts in the light of certain legislative reforms that have lately affected the law on public limited companies. Please see our website (www.enagas.es) and the CNMV website (www.cnmv.es; filing 141,043, on 28/03/11) for further details of the resolutions passed and the percentage of votes in favour of each resolution.

RESOLUTION 6. To amend the following Articles of the Regulations of the General Meeting: 4 (" Powers of the General Meeting"), 5 (" Convening the General Meeting"), 7 (" Shareholders' rights to information"), 9 (" Attendance rights"), 10 (" Representation rights"), 11 (" Voting rights"), 12 (" Organization and Constitution of the General Meeting"), 13 (" Proceedings of the General Meeting"), 14 (" Attendance and intervention of other persons"), 15 (" Minutes of Proceedings of the General Meeting").

- We would draw attention to the approval of the redrafting of Article 7 of the Rules and Regulations of the General Meeting to allow for the introduction of a Shareholder Forum on the www.enagas.es website as a new way for shareholders to participate in General Meetings.
- The resolution carried. The results of the vote were as follows: For: 119,693,133 (99.988 %); Against: 1,375 (0.001 %); Abstentions: 13,205 (0.011 %); Total votes cast: 119,707,713.
- We would draw special attention to the amendment of Article 11 of the Rules and Regulations of the General Meeting to remove the requirement that a shareholder own at least 100 shares to be entitled to attend and vote at a General Meeting. This amendment is intended to eliminate a distinction between shareholders on the basis of the number of shares they hold and facilitate attendance by all shareholders at General Meetings.

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- The resolution carried. The results of the vote were as follows: For: 119,693,133 (99.988 %); Against: 1,375 (0.001 %); Abstentions: 13,205 (0.011 %); Total votes cast: 119,707,713.
- Amendments to other articles of the Rules and Regulations of the General Meeting are intended to update those texts in the light of certain legislative reforms that have lately affected the law on public limited companies. Please see our website (www.enagas.es) and the CNMV website (www.cnmv.es; filing 141.043, on 28/03/11) for further details of the resolutions passed and the percentage of votes in favour of each resolution.

RESOLUTION 7. To ratify, appoint, renew or re-elect members of the Board of Directors.

7.1.-To re-appoint Mr. Jesús David Álvarez Mezquíriz as Director for the four-year term stipulated by the Articles of Association. Mr. Álvarez Mezquíriz shall serve as an Independent Director.

- The resolution carried. The results of the vote were as follows: For: 119,385,279 (99.730 %); Against: 312,191 (0.0261 %); Abstentions: 10,243 (0.009 %); Total votes cast: 119,707,713.

7.2.-To re-appoint Mr. Luis Javier Navarro Vigil as Director for the four-year term stipulated by the Articles of Association. Mr. Navarro shall serve as an External Director.

- The resolution carried. The results of the vote were as follows: For: 105,163,830 (87.850 %); Against: 13,780,469 (11.512 %); Abstentions: 763,414 (0.638 %); Total votes cast: 119,707,713.

7.3.- The re-appointment of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA) as director for the four-year term stipulated by the Articles of Association had been included in the Agenda.

- Subsequent to the convening of the General Meeting, BANCAJA, a Proprietary Director, tendered its resignation, having sold its entire shareholding in the Company and having declined to be re-appointed to the post. The Chair of the General Meeting, by the powers awarded to it in accordance with Article 12.2 of Rules and Regulations of the General Meeting, therefore withdrew Resolution 7.3 from the Agenda and it was not put to the vote.

7.4.-To ratify and appoint Mr. Sultan Hamed Khamis Al Burtamani for the four-year statutory period. Mr. Al Burtamani shall serve as Proprietary Director proposed by the shareholder Oman Oil Holdings Spain, S.L.U.

- The resolution carried. The results of the vote were as follows: For: 117,689,530 (98.314 %); Against: 1,254,469 (1.048 %); Abstentions: 763,714 (0.638 %); Total votes cast: 119,707,713.

RESOLUTION 8. To approve Directors' remuneration for 2011.

The General Meeting, in accordance with the second paragraph of article 36 of the Articles of Association, agrees to set the figure of €1,249,733 as the maximum remuneration for members of the Board of Directors for 2011, to be paid in accordance with the following method and criteria:

- Each Board member attending a minimum of two meetings during the year will be entitled to a payment of €22,050.
- In addition, actual attendance at meetings will entitle each Director to a maximum payment of €42,446. The Board of Directors shall establish the amount paid for attending each meeting, in person or by proxy.
- Additionally, Board Committee members shall be entitled to the sum of €11,025 per annum, with chairmanship of the same entitling them to an additional €5,513 per annum.
- The post of Deputy Chairman of the Board of Directors shall be remunerated by the additional amount of €32,025 per annum.



- The aforementioned sums are separate from remuneration or salary payments which may be additionally paid for work done or services provided by Directors, and also from the right to payment or reimbursement of expenses incurred in the course of their duties.
- The resolution carried. The results of the vote were as follows: For: 119,350,647 (99.701 %); Against: 339,682 (0.284 %); Abstentions: 17,384 (0.015 %); Total votes cast: 119,707,713.

RESOLUTION 9. To authorise the Board of Directors to issue bonds or other fixed income securities, which may or may not be convertible into shares of the Company and/or exchanged for shares in the Company or in other companies, to the value of four thousand million euros (€4,000,000,000) for a five-year period starting from the date of the resolution; to set the bases and terms for the share conversion or exchange and for any required capital increase, rendering void the resolution passed by the General Meeting on 27 March 2009.

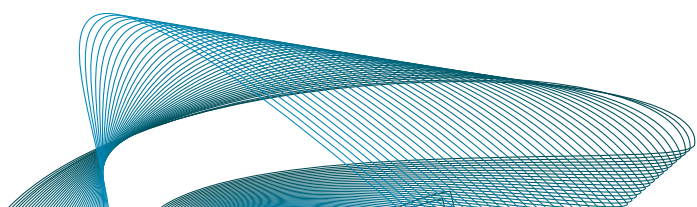
- The resolution carried. The results of the vote were as follows: For: 102,840,886 (85.910 %); Against: 16,857,635 (14.082%); Abstentions: 9,192 (0.008%); Total votes cast: 119,707,713.

RESOLUTION 10. Presentation of the explanatory report on the items stipulated under article 116 bis of the LMV.

- This item was not submitted to the General Meeting for approval, but rather, in accordance with article 116 bis of the LMV, in force when the General Meeting was convened, the Board of Directors presented to the General Meeting its annual report detailing aspects included in said legal requirement. The full report, containing all the information required concerning said aspects, was made available to Shareholders after the General Meeting was convened.

RESOLUTION 11. To delegate powers to supplement, implement, perform, rectify and formalise the resolutions adopted at the General Meeting.

- The resolution carried. The results of the vote were as follows: For: 119,704,809 (99.997 %); Against: 797 (0.001 %); Abstentions: 2,117 (0.002%); Total votes cast: 119,707,713.



E.9 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Meetings.

NO

 Number of shares required to attend the General Shareholders' Meetings

E.10 Indicate and explain the policies pursued by the company with reference to proxy voting at the General Shareholders' Meeting.

In accordance with article 27 of the Company Bylaws and article 10 of the General Meeting Regulations, all shareholders entitled to attend General Meetings may appoint another person, who need not be a shareholder, to represent them using the delegation form provided by the Company for each meeting that is printed on the attendance card. The same shareholder may not be represented at the meeting by more than one representative.

Proxies must be conferred in writing or by any other legally permitted electronic or remote communication methods, provided that the identity of the proxy is properly assured, and shall be valid only for the particular meeting in question. A proxy may be revoked at any time.

If the principal attends the meeting in person, his/her proxies are automatically revoked, and he/she must inform the proxy-holder in order to ensure that such person does not attempt to exercise proxy rights he/she does not hold.

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

NO

E.12 Indicate the address and mode of accessing corporate governance content on your company's website.

All information on Enagás, S.A.'s Corporate Governance is available to the public on its website: (www.enagas.es or www.enagas.com).

Access to the aforementioned information is as follows:

In Spanish: Página Principal - Accionistas e Inversores - Gobierno Corporativo.

In English: Home - Investor Relations - Corporate Governance.



F - Degree of Compliance with Corporate Governance Recommendations

Indicate the degree of the company's compliance with Corporate Governance recommendations. Should the company not comply with any of them, explain the recommendations, standards, practices or criteria the company applies.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Explain

There are no restrictions on the transfer of shares.

Restrictions on voting rights:

Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, in force since the enactment of Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that:

No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the parent company (ENAGÁS, S.A.), nor may they exercise voting rights in such Company of over 3%. Under no circumstances may such shareholdings be syndicated. Any party operating within the gas sector, including natural persons or bodies corporate that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. These restrictions will not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share holdings be syndicated.

The sum of direct and indirect shares held by individuals or legal entities operating in the natural gas industry may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, in addition to the shares or other securities held or acquired by entities belonging to its same group, as defined by article 4 of Act 24/1988, dated 28 July, on the Securities Market, stakes shall be attributed to one and the same individual or body corporate when they are owned by:

- a) Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, it shall be deemed that the members of the Board of Directors of a body corporate act on its behalf or in a concerted fashion with it.
- b) The partners together with whom that individual or body corporate exercises control over a controlled entity under the provisions of article 4 of Act 24/1988, dated 28 July, governing the securities market.

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In all cases, both the actual ownership of the shares and other securities and also the voting rights held through any certificate shall be taken into account.

Non-compliance with the limitation on a stake in the capital referred to in this article shall be deemed a very serious breach in accordance with the terms set out in article 109 of this Act. Responsibility shall lie with the individuals or bodies corporate that end up as owners of the securities or whoever the excess stake in the capital or in the voting rights can be attributed to, pursuant to the provisions of the preceding paragraphs. Whatever the case, the penalty system stipulated herein will apply.

In accordance with the aforementioned legal provision, article 6 bis ("Limitation of interest in share capital and of the exercise of voting rights") of Enagás, S.A.'s Bylaws stipulates the following:

No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the company responsible for the technical management of the system, nor may they exercise voting rights in such company of over 3%. Under no circumstances may such share holdings be syndicated. Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the System Technical Manager of over 1%. These restrictions will not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share holdings be syndicated.

The sum of direct and indirect shares held by individuals or legal entities operating in the natural gas industry may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, the 20th Additional Provision of Act 34/1998 of 7 October (the Hydrocarbons Industry Act) shall apply.

Additional Provision Twenty of the Spanish Hydrocarbons Industry Act 34/1998, of 7 October, was modified by Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials. It establishes the same limitations on interest in share capital and the exercise of voting rights as specified in Additional Provision Thirty-one of Act 34/1998, governing the hydrocarbons industry.

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.
See sections: C.4 and C.7

Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

- a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. real-locating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;



- b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
- c) Operations that effectively add up to the company's liquidation

Complies

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Complies

5. Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

- a) The appointment or ratification of directors, with separate voting on each candidate;
 - b) Amendments to the bylaws, with votes taken on all articles or group of articles that are materially different.
- See section: E.8

Complies

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

Complies

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies

8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

- a) The company's general policies and strategies, and, in particular:
 - i) The strategic or business plans, management targets and annual budgets;
 - ii) Investment and financing policy;
 - iii) Design of the structure of the corporate group;
 - iv) Corporate governance policy;
 - v) Corporate social responsibility policy

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- vi) Remuneration and evaluation of senior officers
- vii) Risk control and management, and the periodic monitoring of internal information and control systems;
- viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

See section: B.1.14

- ii) Directors' remuneration, and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

See section: B.1.14

- iii) The financial information that all listed companies must periodically disclose.
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
- v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

- 1^a. They are governed by standard form contracts applied on an across-the-board basis to a large number of clients.
- 2^a. They go through at market prices, generally set by the person supplying the goods or services.
- 3^a. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.

See sections: C.1 and C.6

Complies

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Complies



10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3 and B.1.14

Complies

11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.

See section: B.1.3

Complies

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.
2. In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Complies

13. The number of independent directors should represent at least one third of all board members.

See section: B.1.3

Complies

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 and B.14

Complies

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15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

- a) The process of filling board vacancies has no implicit bias against women candidates;
- b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: B.1.2, B.1.27 and B.2.3

Complies

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See section: B.1.42

Complies

17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

See section: B.1.21

Complies

18. The Secretary should take care to ensure that the board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- b) Comply with the company bylaws and the regulations of the General Shareholders' Meeting , the Board of Directors and others;
- c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full board meeting; the relevant appointment and removal procedures being spelled out in the board's regulations.

See section: B.1.34

Complies



19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

Complies

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.1.30

Partially complies

In 2011 the Company endeavoured to restrict director absences to events of strict necessity. There were a total of twenty-four (27) absences, and bearing in mind that 11 board meetings were held, this represents 16% of the total votes during the year and, in all cases but one, the absent directors delegated their vote to the Chairman or another director.

The Audit and Compliance Committee met on six (6) occasions, with all committee members being present at each meeting, except on one occasion, when one member appointed a proxy, representing 3% of total votes cast in 2011. Finally, the Nominations, Remuneration and Corporate Social Responsibility Committee met on six (6) occasions, with four (4) committee members being absent, these members appointing proxies representing 13% of total votes cast over the course of

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies

22. The board in full should evaluate the following points on a yearly basis:

- a) The quality and efficiency of the board's operation;
- b) Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;
- c) The performance of its committees on the basis of the reports furnished by the same.

See section: B.1.19

Complies

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23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B.1.42

Complies

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: B.1.41

Complies

25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Complies

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of directorships their board members can hold.

See sections: B.1.8, B.1.9 and B.1.17

Partially complies

Point a) of article 13 of the Regulations of the Board of Directors ("Duty of diligent administration") stipulates that board members shall apprise the Nominations Committee of any professional obligations in case they might detract from the necessary dedication. The Company may limit the number of directorships its board members can hold if this may also detract from the commitment required.

The Enagás, S.A. Regulations of the Board of Directors place no quantitative limit on the number of directorships its board members can hold but expressly incorporates the content of this Recommendation.

27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

a) On the proposal of the Nomination Committee, in the case of independent directors.

b) Subject to a report from the Nomination Committee in all other cases.

See section: B.1.2

Complies



28. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director's classification as executive, proprietary or independent; In the case of proprietary directors, stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments as a company director; and
- e) Shares held in the company and any options on the same.

Complies

29. Independent directors should not stay on as such for a continued period of more than 12 years.

See section: B.1.2

Complies

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and B.1.2

Complies

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III. 5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the

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company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report..

See sections: B.1.43 and B.1.44

Complies

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

This terms of this Recommendation should also apply to the Secretary of the board, director or otherwise.

Complies

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Complies

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

- a) The amount of the fixed components, itemised, where necessary, of board and board committee attendance fees, with an estimate of the fixed annual remuneration they give rise to.
- b) Variable components, in particular:
 - i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items;
 - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;
 - iii) The main parameters and grounds for any system of annual bonuses or other non cash benefits; and
 - iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.



- d) The conditions to apply to the contracts of executive directors exercising senior management functions, among them:
- i) Duración;
 - ii) Notice periods; and
 - iii) Any other clauses covering hiring bonuses, as well as indemnities or “golden parachutes” in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

Complies

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company’s performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3 and B.1.3

Complies

37. External directors’ remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Complies

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor’s report.

Complies

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company’s sector, atypical or exceptional transactions or circumstances of this kind.

Complies

40. The Board should submit a report on the directors’ remuneration policy to the advisory vote of the General Shareholders’ Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year, with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

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The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Partially complies

In accordance with the provisions of article 36 of the Company's Articles of Association, the Company's Board of Directors each year proposes to Shareholders at the General Meeting the maximum compensation that should be paid to Directors for performance of their functions, as well as the breakdown between remuneration for attendance and membership of Board Committees, remuneration for chairing said Committees and remuneration for serving as Vice-chairman of the Board.

The remuneration paid to the Chairman for performance of his executive functions is approved by the Board of Directors.

The Nomination, Remuneration and Corporate Social Responsibility Committee informs the Board of Directors of all proposals relating to remuneration policy.

In 2011, the Nomination, Remuneration and Corporate Social Responsibility Committee did not feel it was necessary to engage an external advisor to establish its directors' remuneration policy.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

a) A breakdown of the compensation obtained by each company director, to include where appropriate:

- i) Participation and attendance fees and other fixed directors payments;
- ii) Additional compensation for acting as chairman or member of a board committee;
- iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
- iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
- v) Any severance packages agreed or paid;
- vi) Any compensation they receive as directors of other companies in the group;
- viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:

- i) Number of shares or options awarded in the year, and the terms set for their execution;
- ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
- iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
- iv) Any change in the year in the exercise terms of previously awarded options.

c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Complies



42. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

See sections: B.2.1 and B.2.6

Not applicable

43. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Not applicable

44. In addition to the Audit Committee mandatory under the Securities Market Act, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the composition and functioning of the Audit Committee and the Committee or Nomination and Remuneration Committees are included in the Board Regulations, and include the following:

- a) The Board of Directors should appoint the members of such Committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;
- b) These Committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.
- c) Committees should be Chaired by an independent director.
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Meeting proceedings should be minuted and a copy of the minutes sent to all board members.

See sections: B.2.1 and B.2.3

Complies

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Complies

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Complies

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47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Complies

48. The head of internal audit should present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

Complies

49. Control and risk management policy should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational, ...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks;
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Complies

50. The Audit Committee's role should be:

1° With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.
- c) To safeguard the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit ; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- d) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2° With respect of the external auditor:

- a) Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms of his engagement.



- b) To receive regular information from the external auditor on the progress and findings of the audit programme and check that senior management are acting on its recommendations.
- c) Monitor the independence of the external auditor, to which end:
 - i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
 - ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
 - iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.
- d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

- a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Complies

53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Complies

54. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.

See section: B.2.1

Complies

55. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.
- c) Report on the senior officer appointments and removals which the chief executive proposes to the board.
- d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Complies

56. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

Complies

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Make proposals to the Board of Directors regarding:
 - i) The remuneration policy for directors and senior officers;
 - ii) The individual remuneration and other contractual conditions of executive directors.
 - iii) The standard conditions for senior officer employment contracts.

- b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14 and B.2.3

Complies

58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies



G - Other Information of Interest

If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report, specify and explain below.

Clarification of section A.2:

On 18 February 2011 BANCAJA INVERSIONES, S.A. reported to the CNMV as a significant event that through Deutsche Bank AG (London Branch) it had sold its 5% ownership interest in Enagás (11,936,713 shares) by means of an accelerated bookbuild. As a result of this transaction BANCAJA INVERSIONES S.A. no longer has a holding in Enagás and is not a significant shareholder in the Company.

- After the end of the reporting period, shareholder PEÑA RUEDA, S.L.U. informed us that CANTÁBRICA DE INVERSIONES DE CARTERA, S.L. (CIC. S.L.) is still the direct holder of 11,937,395 shares in Enagás (a direct holding of 5%) and that ownership of the shares held by CIC, S.L. has been transferred to LIBERBANK, S.A. as a result of the hive-down of assets and accessories belonging to the CAJASTUR banking business and the transfer of said business en bloc to LIBERBANK, S.A. Consequently, LIBERBANK, S.A. now has a 5% holding in Enagás, as owner of 11,937,395 shares in the Company.
- On 27 January 2012, CARLOS EGEA KRAUEL, representing shareholder SAGANE INVERSIONES, S.L. on the Board of Enagás, informed us that BANCO MARE NOSTRUM, S.A. has an indirect holding of 2.79% of Enagás share capital, as holder of 42,550,080 shares in SAGANE INVERSIONES, S.L., representing 54.9% of its share capital. SAGANE INVERSIONES, S.L. itself holds 11,936,714 shares in Enagás, equivalent to 5% of share capital.

Clarification of section A.3:

- On 21 February 2011 BANCAJA tendered its resignation as a legal person Director of Enagás. BANCAJA was a Proprietary Director represented by Mr. José Luis Olivas Martínez as an individual. BANCAJA resigned after the sale of its holding in the share capital of Enagás. As a result of its resignation as Director, BANCAJA ceased to be Deputy Chairman of the Board of Directors and Member of the Audit and Compliance Committee.
- On 4 January 2012, BBK notified the CNMV that it had transferred all of the interest it held indirectly through KARTERA 1, S.L. The transfer took place outside the market as part of a hive-down process. BBK changed its name to "KUTXABANK, S.A.", following the merger of the three Basque savings banks (Kutxa, BBK and Vital), becoming KUTXABANK, S.A. significant participant in the 5% indirect owner of the share capital of Enagás, continuing to be KARTERA 1, S.L. the direct participant holder of 5% of the share capital of Enagás. BBK Advisor Enagás remains, but no longer significant indirect participant Enagás.
- On 25 March 2011, MR. ANTONIO LLARDÉN CARRATALÁ notified the CNMV that at the time of the Enagás General Shareholders' Meeting he held 13,338,775 indirect voting rights, equivalent to 5.587 % of all voting rights corresponding to Enagás share capital, on behalf of 5,036 shareholders.

Clarification of section B.1.2:

- On 21 February 2011 BANCAJA tendered its resignation as a legal person Director of Enagás. BANCAJA was a proprietary director represented by MR. JOSÉ LUIS OLIVAS MARTÍNEZ as an individual. BANCAJA resigned after the sale of its holding in the share capital of Enagás. As a result of its resignation as director, BANCAJA ceased to be Deputy Chairman of the Board of Directors and Member of the Audit and Compliance Committee.
- After the end of the year, MR. ENRIQUE MARTÍNEZ ROBLES resigned from his position as Chairman of SEPI, as stated in Royal Decree 12/2012, of 13 January, and reported in the Official State Gazette on 14 January 2012, thus ceasing to represent shareholder SEPI as an individual. At the Board of Directors' meeting held on 6 February 2012 representation of SEPI passed to MR. RAMÓN AGUIRRE RODRÍGUEZ, the new Chairman of SEPI, appointed in Royal Decree 129/2012, of 13 January (Official State Gazette of 14 January), who replaced the previous Chairman, MR. ENRIQUE MARTÍNEZ ROBLES.

Clarification of section B.1.8:

- CARLOS EGEA KRAUEL, who represents SAGANE INVERSIONES, S.L., is Secretary of the Board of CONFEDERACIÓN ESPAÑOLA DE LAS CAJAS DE AHORROS (CECA).

Clarification of section B.1.11:**Remuneration Payable to Board of Directors:**

- Attendance expenses paid to members of the Board of Directors as of December 31, 2011 totalled €1.086Mn. Attendance fees (€1.086Mn) paid to Directors who resigned in the course of 2011 were also included in the calculation of these payments. Specifically those paid to BANCAJA until 21 February 2011, totalling €20,000.
- Payments to individual members of the Board as at 31 December 2011, are detailed below (in thousands of euros). They do not include insurance policies or pension plans: Mr. Antonio Llardén Carratalá: 1,642; Mr. Sultan Hamed Khamis Al Burtamani: 53; Mr. Jesús David Álvarez Mezquíriz: 64; BBK: 76; BANCAJA (from 1 January to 21 February 2011): 20; Ms. Teresa García-Milá Lloveras: 76; Mr. Miguel Ángel Lasheras Merino: 64; Mr. Dionisio Martínez Martínez: 81; Mr. Luis Javier Navarro Vigil: 76; Mr. Martí Parellada Sabata: 77; PEÑA RUEDA, S.L.U.: 64; Mr. Ramón Pérez Simarro: 76; Mr. José Riva Francos: 80; SAGANE INVERSIONES, S.L.: 76; SEPI: 76; Ms. Isabel Sánchez García: 64.

The remuneration paid to the Chairman of the Board, MR. ANTONIO LLARDÉN CARRATALÁ, which totalled €1.642Mn, included both fixed remuneration for 2011 totalling €960,000, and performance-related variable remuneration amounting to €554,000, as approved by the Board of Directors. It also included attendance fees (€64,000) and remuneration in specie (€65,000). Neither payments made to pension funds/plans (€10,000) nor life insurance premiums (€34,000) are included in this amount. For further details on remuneration, see Section B.1.11 above. For further details on remuneration, see Section B.1.11 above.

Clarification of section B.1.12.

- The total paid to Senior Managers and the Head of Internal Audit in 2011 came to €2.133Mn.
- In addition, Senior Managers and the Head of Internal Audit were paid €66,000 in respect of pension plans and €44,000 in respect of life insurance premiums.
- MR. CLAUDIO RODRÍGUEZ SUÁREZ has been General Manager of Infrastructures and TPA since 26 January 2012, replacing MR. RAMÓN SÁNCHEZ VALERA, after the latter's death.



Clarification of section B.1.17:

- MR. MANUEL MENÉNDEZ MENÉNDEZ, representing shareholder PEÑA RUEDA, S.L.U. is Chairman and Managing Director of LIBERBANK, S.A. to which ownership of the shares held by Cantábrica de Inversiones de Cartera, S.L. (CIC, S.L.) was transferred as a result of the hive-down of assets belonging to the banking business of CAJASTUR and the en bloc transfer of said banking business to LIBERBANK, S.A.
- MR. JOSEBA ANDONI AURREKOETXEA BERGARA, representative of shareholder BBK is Chairman of the Control Committee of BBK.
- After the end of the year, MR. ENRIQUE MARTÍNEZ ROBLES resigned from his position as Chairman of SEPI, as stated in Royal Decree 12/2012, of 13 January, and reported in the Official State Gazette on 14 January 2012, thus ceasing to represent shareholder SEPI as an individual. At the Board of Directors' meeting held on 6 February 2012 representation of SEPI passed to MR. RAMÓN AGUIRRE RODRÍGUEZ, the new Chairman of SEPI, appointed in Royal Decree 129/2012, of 13 January (Official State Gazette of 14 January), who replaced the previous Chairman, MR. ENRIQUE MARTÍNEZ ROBLES.

Clarification of section B.1.21 y E.5:

After the end of the year the Independent Directors, headed by the Chairman of the Appointment, Remuneration and Corporate Responsibility Committee (Independent Leader Director), agreed to draw up a report on advances in Corporate Governance, to be presented to shareholders at the 2012 General Shareholders' Meeting. Among other matters, this was to deal with the possibility of separating the roles of CEO and Chairman of the Board of Directors.

Clarification of section B.1.37:

It is the Company's intention that remuneration paid to the Auditor or the companies in the Auditor's Group for services other than auditing should not exceed 10% of the remuneration for audit services. Any new contract in which this percentage is exceeded must be expressly authorised by the Audit and Compliance Committee. In 2011 the Committee considered it indispensable to authorise the extension of an existing contract with the Auditor's group involving the information systems used for the operation and control of the Basic Gas System Network, because the contractor originally designated was unable to carry out the work.

Clarification of section B.1.40:

- MANUEL MENÉNDEZ MENÉNDEZ, who represents PEÑA RUEDA, S.L. on the Board of Enagás, S.A., is also, as an individual, Chairman of the Board of Directors of Hidroeléctrica del Cantábrico, S.A. (H.C.), Chairman of the Board of Directors of NATURGAS ENERGÍA GRUPO, S.A. and a Director of EDP RENOVABLES, S.A.
- MR. JOSEBA ANDONI AURREKOETXEA BERGARA, who represents BBK as a Director of Enagás, holds 107 shares in REPSOL as an individual and is a Director of BAHÍA BIZKAIA GAS, S.L.
- MR. CARLOS EGEA KRAUEL, representing SAGANE INVERSIONES, S.L., holds 9,716 shares in IBERDROLA, S.A. and 4,690 shares in GAS NATURAL - FENOSA, S.A.
- OMAN OIL HOLDINGS SPAIN, S.L.U. (the shareholder proposing the appointment of MR. SULTAN HAMED KHAMIS AL BURTAMANI as a Proprietary Director of Enagás) has a 7.5% indirect holding in SAGGAS, through the direct shareholder INFRAESTRUCTURAS DE GAS.

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Clarification of section B.2.1:

BANCAJA tendered its resignation as a legal person director of Enagás at the Board meeting on 21 February 2011. It was a proprietary director represented by Mr. José Luis Olivas Martínez as an individual. BANCAJA resigned after the sale of its holding in the share capital of Enagás. As a result of its resignation as director, BANCAJA ceased to be Deputy Chairman of the Board of Directors and member of the Audit and Compliance Committee.

Clarification of section B.2.3:

Duties of the Audit and Compliance Committee:

e) In relation to Corporate Governance:

- Assessing compliance with the Internal Code of Conduct on matters relating to the securities markets, the Regulations of the Board of Directors and the Company's governance regulations in general, and making the proposals necessary for their improvement. In fulfilling this duty, the Audit and Compliance Committee shall liaise with the Nominations and Remuneration Committee in considering Company Directors' and managers' compliance with the Code.
- Preparing an Annual Report on the work of the Audit and Compliance Committee that shall form part of the Corporate Governance Report.
- Assisting with drafting the Annual Corporate Governance Report, especially in areas concerning transparency of information and conflicts of interests.

f) En relación con los Accionistas:

- Providing information on questions within the scope of its competencies at the General Meeting.
- The above functions, with the exception of those attributed directly to the Audit and Compliance Committee by law or the Bylaws, shall be considered delegated functions and may accordingly be reclaimed and exercised directly by the Board of Directors itself. Resolutions adopted by the Committee in the exercise of delegated functions shall not be binding for the Board of Directors. However, the Board must provide due justification of any decision it adopts without taking account of the reports or recommendations of the Audit and Compliance Committee on issues within its purview.

Clarification of section C.2:

Transactions with Cajastur

- As at 31 December 2011 Enagás has a €12Mn bank guarantee line with CAJASTUR.
- In the second quarter of 2011, Enagás, S.A. cancelled a €2Mn loan agreement and a €30Mn loan with Cajastur which matured in 2011. Both operations are recorded in Section C.2 of this report, which identifies commercial operations involving finance agreements: loans and capital contributions (as borrower) in the amounts indicated above.
- The terms in all financial agreements with CAJASTUR are normal market interest rates, fees, expenses and guarantees.



Clarification of section C.3:

Transactions with Bbk:

- Enagás has a €25Mn credit line and a €100Mn loan with BBK. Both operations are recorded in Section C.3 of this report, which identifies commercial operations involving finance agreements: loans and capital contributions (as borrower), in the amount of €125,000.
- Enagás also has a €6Mn bank guarantee line in place with BBK.
- The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with BBK are all arranged on an arm's length basis.
- In accordance with the provisions of section a) of point 4.1. of Ministerial Order EHA 3050/2004, pertaining to transactions with directors, executives and their close family members:

1) Remuneration payable to board of Directors

- Attendance expenses paid to members of the Board of Directors as of December 31, 2011 totalled €1.086Mn. Attendance fees paid to directors who resigned in the course of 2011 were included in the calculation of these payments. Specifically those paid to BANCAJA until 21 February 2011, totalling €20,000.
- Payments to individual members of the Board as at 31 December 2011, are detailed below (in thousands of euros). They do not include insurance policies or pension plans. MR. ANTONIO LLARDÉN CARRATALÁ: 1,642; MR. SULTAN HAMED KHAMIS AL BURTAMANI: 53; MR. JESÚS DAVID ÁLVAREZ MEZQUÍRIZ: 64; BBK: 76; BANCAJA (from 1 January to 21 February 2011): 20; MS. TERESA GARCÍA-MILÁ LLOVERAS: 76; MR. MIGUEL ÁNGEL LASHERAS MERINO: 64; MR. DIONISIO MARTÍNEZ MARTÍNEZ: 81; MR. LUIS JAVIER NAVARRO VIGIL: 76; MR. MARTÍ PARELLADA SABATA: 77; PEÑA RUEDA, S.L.U.: 64; MR. RAMÓN PÉREZ SIMARRO: 76; MR. JOSÉ RIVA FRANCOS: 80; SAGANE INVERSIONES, S.L.: 76; SEPI: 76; MS. ISABEL SÁNCHEZ GARCÍA 64.
- Also, the remuneration paid to the Chairman of the Board, MR. ANTONIO LLARDÉN CARRATALÁ, which totalled €1.642Mn, included both fixed remuneration for 2011 totalling €960,000, and performance-related variable remuneration amounting to €554,000, as approved by the Board of Directors. It also included attendance fees (€64,000) and remuneration in specie (€65,000). The figure excludes contributions to pension plans/funds (€10,000) and life insurance premiums (€34,000). For further details on the remuneration, see Section B.1.11 above.

2) Remuneration paid to Senior Management

- The total paid to Senior Managers and the Head of Internal Audit in 2011 came to €2.133Mn. (See Section B.1.12 above).
- In addition, Senior managers and the Head of Internal Audit were paid €66,000 in respect of pension plans and €44,000 in respect of life insurance premiums.

3) Other related parties:

- We would also mention other transactions between Enagás, S.A. and Other Related Parties, section b) of point 4.1. of Ministerial Order EHA 3050/2004) relating to 2011. Included are transactions with companies with a significant influence over Enagás, S.A. and Companies over which Enagás, S.A. has a significant influence (Ministerial Order EHA 3050/2004).

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- We would also mention other transactions between Enagás, S.A. and Other Related Parties, section d) of point 4.1. of Ministerial Order EHA 3050/2004) relating to Third Party Access services (henceforth TPA) provided in 2011. All TPA contracts are standard forms approved by the Ministry for Industry, Trade and Tourism. The tolls billed by Enagás are also set by the Ministry.

I. Transactions with Banco Mare Nostrum (Caja Murcia):

- In October 2011, Enagás, S.A. renewed its €35Mn credit line with Banco Mare Nostrum (Caja Murcia), which had expired in September.
- It also has a €6Mn bank guarantee line in place.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with Banco Mare Nostrum are all arranged on an arm's length basis.

II. Transactions with Catalunya Caixa:

- In December 2011, Enagás, S.A. cancelled a €10Mn credit policy with Catalunya Caixa.
- It also has a €12Mn bank guarantee line in place.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with Catalunya Caixa are arranged on an arm's length basis.

III. Transactions with Banco Sabadell:

- Banco Sabadell and Enagás, S.A. have an agreement under which the bank will broker a loan for €100Mn corresponding to tranche C of the €1Bn loan granted by the EIB.
- Enagás, S.A. also has a three-year €6Mn credit line.
- And a €6Mn bank guarantee line with Banco Sabadell.
- In addition, Enagás has a three-year €150Mn loan with Banco Sabadell maturing in 2012.
- Lastly, Enagás S.A. arranged an interest-rate swap (IRS) with Banco Sabadell for €50Mn for the period running from November 2009 to November 2012.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with Banco Sabadell are arranged on an arm's length basis.

IV. Transactions with Eulen S.A.:

- Enagás S.A. incurred €2.4Mn in expenses for building and facility maintenance services rendered.

V. Transactions with Naturgás, S.A.:

- Enagás, S.A. incurred expenses of €2.7Mn consisting of €2.7Mn for gas purchases for its own consumption and €7,000 for gas services.

VI. Transactions with Naturgás Comercializadora S.A.:

- Enagás, S.A. has a total of 16 TPA contracts in force with Naturgás Comercializadora, of which 15 are long-term and one is short-term.

Between 1 January and 31 December 2011 the following services were rendered: regasification of 4,126 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €6.2Mn); transmission of 3,341 GWh (billings for these services, including the transmission component of tolls, were €1.4Mn); storage of a daily average of 2,067 GWh (billings for these services were €10Mn).



VII. Transactions with Iberdrola, S.A:

- Enagás, S.A. incurred expenses of €9.1Mn consisting of €7.9Mn for gas purchases for its own consumption, €0.8Mn for electricity and €0.3Mn for office rental.
- Enagás, S.A. has a total of 21 third-party access (TPA) agreements in force with Iberdrola S.A., of which one is short-term and 20 long-term. One TPA agreement was arranged in 4Q11, which is no longer in force.

Between 1 January and 31 December 2011 the following services were rendered: regasification of 13,248 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €12Mn); transmission of 15,809 GWh (billings for these services, including the transmission component of tolls, were €12.2Mn); storage of a daily average of 4,449 GWh (billings for these services totalled €26.9Mn).

VIII. Transactions with Hidrocantabrico:

- Enagás, S.A. incurred expenses of €25.3Mn for electricity services.
- Enagás, S.A. has a total of eight long-term TPA contracts in force with Hidrocantábrico Energía. Three TPA agreements were signed in 4Q11, of which one remained in force at 31 December 2011. No regasification services were carried out and only the fixed amount stipulated by law was billed. A total of 2,932 GWh of gas was transmitted for Hidrocantábrico with €1.1Mn billed

Clarification of section C.4:

Transactions with Gasoducto de Extremadura, S.A.

- In December 2011, Enagás, S.A. cancelled a €0.041Mn loan to this company.

Transactions with Enagás Altamira, S.L. Sociedad Unipersonal:

- Enagás, S.A. has granted Enagás-Altamira, S.L. Sociedad Unipersonal a €2.1Mn loan. This short-term loan was granted in the third quarter of 2011, and matured on 5 September 2011.
- The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.
- Under the terms and conditions of the loan, Enagás, S.A. lent Enagás – Altamira S.L. Sociedad Unipersonal the amount needed in respect of down payments or advances and fees for extending the deadlines relating to the sale and purchase of shares in Altamira LNG Investment I, BV, Altamira LNG Investment II, BV and Altamira LNG Investment III, BV.
- Under the terms of the contract, the purchaser (Altamira LNG CV) pledged to pay the vendors certain amounts, including down payments or advances on the price and fees for extending the deadlines to meet the conditions precedent. These amounts were subsequently deducted from the price.
- In this regard, the following must be noted:
 - (i) As Altamira LNG CV did not have sufficient funds to honour these payments, the partners of Altamira LNG CV advanced the amounts stipulated in the sale and purchase agreement, thereby giving rise to a loan in favour of the Altamira LNG CV partners for the amounts advanced.
 - (ii) As Enagás-Altamira, S.L. Sociedad Unipersonal (as a partner of Altamira LNG CV) had not yet been established and subsequently did not have sufficient funds to make the payments noted in point (i) above, Enagás, S.A. (as sole partner of Enagás-Altamira, S.L. Sociedad Unipersonal) advanced these funds to Enagás-Altamira, S.L. Sociedad Unipersonal, thereby giving rise to the loan between both parties.

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Operaciones entre Enagás Altamira, S.L. Sociedad Unipersonal y Altamira LNG C.V.:

- On 6 September 2011 Vopak LNG Holding Mexico B.V and Enagas-Altamira S.L. Sociedad Unipersonal signed a Shareholder Loan in favour of Altamira LNG C.V. for \$17.5Mn (€11.9Mn). Enagas-Altamira S.L. Sociedad Unipersonal contributed \$7Mn (€4.7Mn). The initial maturity date is 5 September 2012. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.
- Enagás-Altamira, S.L. Sociedad Unipersonal and Altamira LNG C.V. have therefore signed a subordinated shareholder loan for \$7Mn (€4.7Mn) as per the terms and conditions of this shareholder loan.

Clarification of section F. Corporate Governance Recommendations.

- Enagás continued to honour its commitment to comply with the Unified Code of Good Governance:
- Enagás complies with 51 recommendations.
- Enagás partly complies with 3 recommendations: numbers 20, 26 and 40.
- Enagás explains 1 recommendation, the first.
- Three recommendations, numbers 2, 42 and 43, are not applicable to Enagás.

In 2011 Enagás has made significant improvements in its compliance with the recommendations compared with the previous year. It now complies with three additional recommendations, numbers 9, 15 and 30. Its Board of Directors now consists of 15 members (recommendation 9, which was the subject of an explanation in 2010). An Independent female Director is now a member of the Audit and Compliance Committee (recommendation 15, with which Enagás partly complied in 2010) and on 21 February 2011 BANCAJA resigned as proprietary director after the sale of its holding in the share capital of Enagás (recommendation 30, with which the Company complied partly in 2010). As a result of its resignation as director, BANCAJA ceased to be Deputy Chairman of the Board of Directors and member of the Audit and Compliance Committee.

Enagás, S.A. identified good Corporate Governance practices at the international level, and took the following steps in 2011:

- Electronic voting was introduced as a new form of shareholder participation at the 2011 General Meeting.
- A Shareholder Forum was created using a specific platform on www.enagas.es to enable shareholders to make suggestions to the Board regarding resolutions to be discussed and voted on at the Annual General Meeting.
- A woman was appointed to the Audit and Compliance Committee as an Independent Director, in line with the Company's commitment to increase the number of women in its governing bodies.
- An assessment was undertaken of the performance of the Board, the Chairman and Board Committees. Confidential interviews with individual directors were conducted in 2011. The assessment process also involved individual evaluation of External Directors prior to their being nominated for re-election.
- The Appointments, Remuneration and Corporate Responsibility Committee took on the duty of setting and monitoring general policies on Corporate Social Responsibility and Corporate Governance.



Clarification of section G.2.

Enagás director MR. MIGUEL ANGEL LASHERAS MERINO resigned from his position as Chairman of Intermoney Energía, S.A., who had acted as advisors to Enagás, S.A, and the binding definition of Independent Director therefore no longer applies to him.

You may include in this section any other information, clarification or observation related to the above sections of this report.

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

Binding definition of independent director:

List any independent directors who maintain, or have maintained in the past, a relationship with the company, its significant shareholders or managers, when the significance or importance thereof would dictate that the directors in question may not be considered independent pursuant to the definition set forth in section 5 of the Unified Good Governance Code.

YES

Nombre del consejero

Mr. Jesús David Álvarez Mezquíriz

Tipo de relación

Contractual

Explicación

Even though Mr. Álvarez is a Director of Eulen, S.A., an entity which maintained a commercial relationship with Enagás, S.A. in 2011, the Nomination, Remuneration and Corporate Social Responsibility Committee and the Board of Directors believe that the abstention of this Director in the negotiation and decision-making process of both parties; the rigorous procedures usually followed for contracting works and services, which were not excluded on this occasion, and the express intervention of the Committee and the Board, given the related-party nature of this relationship, means that there are not sufficient or important enough reasons why this Director may not remain Independent.

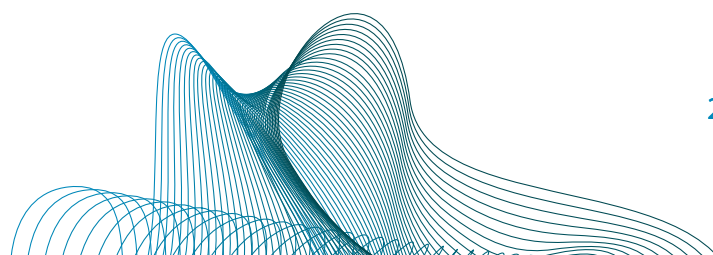
Date and signature:

This annual corporate governance report was adopted by the company's Board of Directors at its meeting held on:

06/02/2012

List whether any directors voted against or abstained from voting on the approval of this Report.

NO



Additional Information to the Prevailing ACGR.

Información adicional al modelo de IAGC vigente.

Pursuant to final provision five of the 2011 Sustainable Economy Law which adds a new Chapter VI to Recital IV of the Securities Market Act (Law 24/1988) (LMV for its initials in Spanish), the following additional information is attached to this Report:

I. Information on the capital structure, including securities that are not traded on an EU-regulated market, noting, if applicable, the various share classes held and, for each class, the rights and obligations conferred and the percentage of share capital represented (article 61 bis 4, a, 3 LMV).

No information available.

II. Information regarding applicable legislation concerning amendments to the company's articles of association (article 61 bis 4, a, 4 LMV).

Provisions of the Articles of Association affecting amendments to the Articles of Association:

ARTICLE 26. - SPECIAL QUORUM.

An ordinary or extraordinary General Meeting may validly resolve to increase or reduce capital, make any other alterations to the Articles of Association, issue bonds, remove or restrict the pre-emptive subscription right for new shares, and restructure, merge or split the company, transfer all the assets and liabilities thereof, or move the registered office to outside Spain, if, at the original date and time specified in the notice of meeting, there are present, in person or by proxy, shareholders representing at least fifty percent of voting subscribed capital.

At the adjourned date and time specified in the notice of meeting, the presence of twenty-five percent of voting subscribed capital shall suffice.

III. Any restrictions on the transfer of securities and any restrictions on voting rights (article 61 bis 4, b LMV).

There are no restrictions on the transfer of shares.

Restrictions on voting rights:

Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, in force since the enactment of Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that:

"No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the parent company (ENAGÁS), nor may they exercise voting rights in such Company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights of over 1%. These restrictions will not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of computing holdings in share capital, one and the same natural person or body corporate shall be deemed to hold the shares and other securities held or acquired by entities of its same "group", within the meaning of article 4 of Law 24 of 28 July 1988, the Securities Market Act, in addition to those shares held by:

a) Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, it shall be deemed that the members of the Board of Directors of a body corporate act on its behalf or in a concerted fashion with it.

(b) Any partner with whom the aforesaid exercises control over a subsidiary entity, pursuant to article 4 of the Securities Market Act.

In all cases, both the actual ownership of the shares and other securities and also the voting rights held through any certificate shall be taken into account.

Non-compliance with the limitation on a stake in the capital referred to in this article shall be deemed a very serious breach in accordance with the terms set out in article 109 of this Act. Responsibility shall lie with the individuals or bodies corporate that end up as owners of the securities or whoever the excess stake in the capital or in the voting rights can be attributed to, pursuant to the provisions of the preceding paragraphs. At all events, there shall apply the system of penalties set out in the Act."

In accordance with the aforementioned legal provision, article 6 bis ("Limitation of interest in share capital and of the exercise of voting rights") of Enagás, S.A.'s Articles of Association stipulates the following:

"No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company, nor exercise voting rights in such company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the System Technical Manager of over 1%. These restrictions will not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating holdings in the Company's share capital, the provisions of Additional Provision Twenty of the Spanish Hydrocarbons Industry Act 34/1998 of 7 October shall apply".

Additional Provision Twenty of the Spanish Hydrocarbons Industry Act 34/1998, of 7 October, was modified by Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials. It establishes the same limitations on interest in share capital and the exercise of voting rights as specified in Additional Provision Thirty-one of Act 34/1998, governing the hydrocarbons industry.

IV. The powers of members of the Board of Directors, and, in particular, those relating to the ability to issue or buy back shares (article 61 bis 4, c, 3 LMV).

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

Notwithstanding the above, resolution 10 adopted by the General Shareholders' Meeting held on 11 May 2007 is now in effect under the following terms:

"To empower the Board of Directors, as broadly as is legally necessary, so that, in accordance with article 153 b) of the Spanish Companies Act, it may, at any time, increase share capital one or more times within a period of five years as of the date of this General Meeting, by a maximum amount of €179 million through the issuance of new shares, with or without voting rights or issue premium, and with consideration for such new shares being monetary contributions. The Board is entitled to set the terms and conditions of the capital increase and the characteristics of the shares; freely offer the new unsubscribed shares with a period or periods of preferred subscription; establish that, in the event of incomplete subscription, the capital shall be increased only in the amount of the subscriptions made; and provide new wording for the article of the Company's Articles of Association governing share capital. The Board of Directors is also empowered to exclude the pre-emptive subscription right under the terms of article 159 of the Spanish Companies Act."

V. Any significant agreements that have been entered into by the Company, that come into force, have been modified or terminate in the event of a change in control of the Company due to a public tender offer, and the effects thereof, except when disclosure thereof is seriously detrimental to the Company. This exception shall not apply if the company is legally required to publish this information (article 61, bis, 4, c, 4 LMV).

No agreements of this kind exist.

VI. Any agreements between the Company and its directors and managers or employees that provide for severance pay should they resign or be unfairly dismissed or if the employment relationship concludes on account of a public tender offer (article 61, bis, 4, c, 5 LMV).

The Company has an agreement with the Executive Chairman and seven of its managers that include express severance pay clauses.

The clauses in each case are applicable in cases of unfair disciplinary dismissal, dismissal for the reasons outlined under article 52 of the Workers' Statute or as decided by the manager citing one of the reasons outlined under article 50 of the Workers' Statute provided the resolution is declared justified by means of conciliation between the parties, legal judgment, arbitration award, or resolution by a competent administrative body. The clauses are not applicable if termination is due to a unilateral decision of the executive employee for no stated reason.

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

VII. Description of the main features of the internal control over financial reporting and risk management systems (article 61 bis. 4, h LMV).



Report on the Activities of the Enagás, S.A. Audit and Compliance Committee in 2011

Composition of the Committee 2011

Chairman

Martí Parellada Sabata, Independent Director from 1 January to 29 March, departing on expiry of the legal term of office.

José Riva Francos, Independent Director from 18 April to 31 December.

Members

Bancaja (represented by José Luis Olivas Martínez), Proprietary Director from 1 January to 21 February.

Luis Javier Navarro Vigil, "Other External" Director from 1 January to 31 December.

Sociedad Estatal de Participaciones Estatales (SEPI), Proprietary Director, represented by its Chairman, Enrique Martínez Robles, from 1 January to 31 December.

José Riva Francos, Independent Director from 1 January to 18 April.

Isabel Sánchez García, Independent Director from 21 November to 31 December.

Secretary

Rafael Piqueras Bautista

The BANCAJA board seat became vacant in the course of 2011, represented by José Luis Olivas Martínez, due to his departure as Director following the sale of its entire stake in the Company.

The vacancy was filled during the year following the appointment of an Independent Director, Isabel Sánchez García.

The legal four-year term of Martí Parellada Sabata also came to an end, and José Riva Francos, another Independent Director, was appointed to replace him.

Annual Corporate Governance Report

As provided in the Company's constitutional documents and rules and regulations, the Committee called on a number of persons related to matters under its competence for consultation. Accordingly, Committee meetings were regularly attended by the Enagás Finance Director, Diego De Reina Lovera, and the head of the Internal Audit Unit, José Manuel Castro del Real. External auditors from Deloitte also attended Committee meetings on a number of occasions.

Activities of the Committee

The Committee met on six (6) occasions in 2011. The main areas on which the Audit and Compliance Committee focused in 2011 are summarised below.

1.- Committee activities relating to the preparation and approval of the Enagás Financial Statements for 2010

As in previous years, the Audit Committee was entrusted with the task of discussing and analysing the financial statements prior to their authorisation for issue by the Board of Directors. To this end the members of the Committee met with the Company's external auditor (Deloitte S.L.) on 31 January 2011, and also with the Chief Financial Officer and the head of the Enagás Internal Audit Unit.

Both the external auditors and the financial officers of the Company offered the Committee their views on the financial statements. Differences in accounting criteria in no case exceeded the materiality threshold above which Deloitte's opinion on the financial statements could be affected. Deloitte informed the Audit Committee that its report would be without reservations or qualifications.

The following conclusions emerged from the Audit Committee's examination of the 2010 financial statements:

- That the financial statements of Enagás and its consolidated group, as submitted to the Committee, gave a true and fair view of the Company's equity and results of operations for the year.
- That the financial statements contained sufficient information to be clearly understood, in addition to a sufficient description of the risks faced by the Company.
- That the financial statements followed generally accepted accounting principles and regulations, on the same terms applied in previous years.
- That the principles of parity of treatment for shareholders and transparency of information reported to the markets had been upheld.

Pursuant to the provisions of Additional Provision 19 section 4-6 of Securities Market Act 24/1988 of 24 July, the Committee issued a report prior to issuance by Deloitte S.L. of its audit report on the individual and consolidated financial statements of Enagás, S.A. and its Group for the year ended 31 December 2010, stating as follows:

- There has again been appropriate liaison with the auditors to obtain information on any issues that could compromise their independence for appraisal by the Audit and Compliance Committee or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in technical auditing standards.
- The Audit and Compliance Committee has received from the auditors written confirmation of their independence with regard to Enagás and any entity directly or indirectly related to it, and information on any kind of additional services provided to such entities by the auditors or persons or entities related to the auditors, pursuant to the provisions of the 19/1988 Audit Act of 12 July.



The Committee accordingly resolved to recommend that the Board of Directors of Enagás authorise the financial statements for issue. At a meeting held on 31 January 2011, the Board of Directors adopted the Committee's recommendation and authorised the financial statements for issue in line with the terms indicated by the Committee. The financial statements and directors' report for 2010 were approved at the General Shareholders' Meeting held on 25 March 2011.

In addition to his abovementioned function, as in previous years the Chairman of the Audit Committee, Mr Parellada, also attended the Ordinary General Meeting held on 25 March 2011, at which he explained the major issues concerning the financial statements to the Company's shareholders, thus ensuring they had all the information required to enable them to vote on the financial statements, which were adopted as proposed by the Board of Directors.

2.- Committee activities in connection with the hive-down process pursuant to the Act of 12/2011

The Company is currently involved in a business restructuring operation consisting of a hive-down process for the purposes of compliance with the obligation to create two separate subsidiaries to carry out regulated activities, as required by Additional Provision 31 of the Hydrocarbons Industry Act 34/1998 of 7 October (introduced by Final Provision 6 of Act 12/2011 concerning Civil Liability for Nuclear Damage).

The balance sheet taken as the "Spin-off Balance Sheet" was that with closure date 30 September 2011. This balance sheet must be audited, and the Company's external auditors issued their report on the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011", taken as the "Spin-off Balance Sheet", with no exceptions whatsoever.

At its meeting on 21 November 2011, the Committee agreed to inform that Board that, in accordance with the information supplied by Company management and the external auditors, the opinion of the Audit and Compliance Committee is as follows:

- That the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011" as presented, taken as the "Spin-off Balance Sheet", gives a true and fair view of the Company's equity and results of operations for the year.
- That it contains the necessary information to be clearly understood, and also sufficient description of the risks faced by the Company.
- That generally accepted accounting principles and regulations have been duly observed, on the same terms applied in previous years.
- That the principles of parity of treatment for shareholders and transparency of information reported to the markets have been upheld.
- That a recommendation is issued to the Enagás Board of Directors to approve the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011", taken as the "Spin-off Balance Sheet" in the terms expressed.

The Committee also agreed to a favourable report on the "Hive-down Project" to be submitted for approval by the Board of Directors.

The Balance Sheet and the Hive-Down Project were approved by the Board of Directors on the same date, 21 November 2011, and were deposited at the Companies Register with a favourable rating. The Board will submit the Balance Sheet and the Hive-Down Project for approval at the next General Meeting of Shareholders.

3.- Monitoring of relationships between Enagás and its significant shareholders

The Committee continued to monitor relationships between Enagás and its significant shareholders, and no noteworthy incidents emerged.

4.- Audit and risk control plan for 2011

Following the retirement of the former head of the Internal Audit Unit, the Committee discussed a replacement, and during its meeting on 21 February agreed to appoint José Manuel Castro del Real as the new head of the Company's Internal Audit Unit.

Concerning External Auditors, the Committee produced a favourable report concerning the proposal at the General Shareholders' Meeting to renew Deloitte S.L. as the Auditor of Enagás, S.A. and its consolidated Group for the financial year 2011. The proposal was approved at the General Meeting of 25 March 2011.

It is the Company's intention that remuneration paid to the Auditor or companies in the Auditor's group for services other than auditing should, as far as possible, be restricted to 10% of the total remuneration for audit services. Any new contracts in which this percentage is exceeded must be expressly authorised by the Audit and Compliance Committee. In 2011 the Committee considered it was essential to authorise the extension of an existing contract with the Auditor's group involving the information systems used for the operation and control of the Basic Gas System Network, in order to deal with the situation created by the inability of the contractor previously appointed to carry out the work.

All meetings of the Audit Committee have included as items of business on the agenda both a general review of progress in the implementation of the audit plan for 2011, and a specific analysis of the main audit processes underway at that particular time.

This area of the Audit Committee's work is therefore considered to be of particular importance. In 2003, with the assistance of external consultants, the Company carried out an exhaustive review of business and related risks, pinpointing the internal processes that might be affected by each of these risks. On the basis of the results obtained, processes that should be given the most urgent attention by the Internal Audit Unit and Audit Committee were identified. However, the Committee deemed it necessary to review the Company Risk Model and, as a result, with appropriate external assistance, the Company's risk services drew up a new model which was approved by the Committee on 30 January 2009.

The Audit Plan implemented throughout 2011 focused on monitoring the processes set as objectives in the new Risk Model.

The Internal Audit Unit identified several non-essential weaknesses in its review of the reports, and has issued recommendations it believes will help eliminate or mitigate the impact of the risks associated with certain activities forming part of this process.

Specifically, in 2011 the Committee supervised and approved work on "Counterparty risks in financial transactions", "Assessment of reputational risk" and also on "Prevention of criminal risks". The latter prompted the Board to approve a criminal risk prevention model which has now been implemented.

The Committee also supervised the Internal Financial Reporting System Review Project deployed by the Company with appropriate assistance by external consultants. This reporting system is intended to guarantee that the financial information prepared and published by the Company is complete and accurate. Companies listed on US stock exchanges are required to implement this system under the provisions of the Sarbanes Oxley Act and, although such a review of the financial reporting system is not compulsory for companies such as Enagás, it is considered to be a



"good practice". The consultants taking part in the review stated that "in general, Enagás has an appropriate level of control of its internal financial reporting system". A review of the level of compliance with this system was performed in 2011.

5.-Quarterly accounting reviews

Throughout 2011 the Committee continued to review the limited quarterly report issued by the auditors, as in previous years.

Specifically it analysed, in conjunction with Deloitte, the reports issued by the latter for the first, second and third quarters, respectively. Performing these reviews enables the Committee to minimise the impact of any accounting issues arising in the course of the year, and the members of the Committee and Board of Directors to keep abreast of the opinions of the Company's external auditors on annual developments in the balance sheet and income statement.

The Audit Committee considers that both the quarterly reviews carried out by the external auditor and the Committee's own analysis of these reports are essential to ensuring strict control over the Company's accounting, and also facilitate the issue of a clean year-end report.

The Committee also reviews and approves financial information disclosed by the Company each quarter, in line with the good corporate governance recommendations it has adopted.

It made a specific report on the financial statements for the first half-year which, on its recommendation, were approved by the Board of Directors in July 2011.

6.- Report on the activities of the Business Principles Supervisory Committee (Ethics Channel)

The Committee examined the activities of the Business Principles Supervisory Committee (Ethics Channel), and approved its report for the financial year 2011 with no noteworthy incidences emerging.

7.- Activities after year-end

In the opening months of 2012 the Committee continued with its usual activities, in particular assisting the Board of Directors in drawing up the financial statements. As in the previous financial year, at its meeting on 6 February 2012 the Audit and Compliance Committee issued a preliminary favourable report on the 2011 financial statements to be submitted for approval at the 2012 Ordinary General Meeting.

This report was drawn up and approved by the Audit and Compliance Committee at the meeting held on 6 February 2012, and was approved by the Board of Directors at a meeting on the same day.

The Secretary of the Enagás, S.A. Audit and Compliance Committee.



13. The Enagás group's internal control system for financial information

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219	13.2. Description of the ICFR system

The Enagás group's internal control system for financial information

13.1. Introduction

As part of its internal control systems the Enagás Group has in place an internal control over financial reporting (ICFR) system to ensure the implementation of best practices with regard to the reliability and transparency of the financial reporting process.

The Group's ICFR system involves the whole organisation and entails the implementation and periodic monitoring of the various control mechanisms in the financial reporting process.

The ICFR system currently in force at the Enagás Group stems from a voluntary improvement initiative. The resulting ICFR system, with its updated control mechanisms, has been reviewed by an independent third party since 2008.

The ICFR system is aligned with applicable internal control regulatory benchmarks (including the COSO framework). An effective ICFR system allows the Group to ensure that:

- Transactions, facts and other events presented in the financial information exist in reality and were recorded at the right time.
- The information includes all transactions, facts and other events in which the entity is the affected party.
- Transactions, facts and other events are recorded and valued in accordance with applicable standards.
- Transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards.
- Financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards.

The system formed by these interlinked controls should provide reasonable assurance as to the reliability of the financial information disclosed to the markets.

In addition to the above, we would note that significant progress has been made in Spain in the area of internal control and would highlight the recommendations contained in the report on "Internal Control over Financial Reporting" prepared by the Internal Control Working Group on the financial reporting of listed companies (ICWG) set up by the Spanish stock market regulator (CNMV) and based on COSO standards, which defines a series of principles and good practices grouped into 16 indicators across 5 areas.

13.2. Description of the ICFR system

The basic structure of the ICFR system at Enagás, S.A. is formally documented in the "ICFR Manual". The main features of the ICFR system are (for further information please see section 2.3.1):

- **General controls:** interlinked controls throughout the organisation, specifically affecting the ICFR system.
- **Process controls:** specific controls over each process which has a relevant impact on the preparation of financial information which are rolled out by:
 - **Areas affected by the ICFR system:**
 - Acquisitions
 - Fixed assets
 - Inventories
 - Revenue
 - Payroll and personnel
 - Financial management
 - Support services
 - Financial reporting
- 29 formally-documented **cycles**.
- 69 formally-documented **sub cycles**.

These areas, cycles and sub cycles are formally documented in an IT tool.

The main points of this model can be summarised as follows:

- 297 **control activities** (approximately 12% are automated).
- 790 **operating activities** (approximately 12% are automated).

A continuación, se exponen con mayor nivel de profundidad los principales atributos que caracterizan al modelo de SCIIF de Enagás, S.A.

13.2.1. The entity's control environment

13.2.1.1. Bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The control environment at Enagás, S.A. is based on specific mechanisms deployed in order to maintain an internal control environment conducive to comprehensive, reliable and timely financial reporting, and which acknowledges the possible existence of failures or irregularities which must be detected or corrected. In this regard, there are various departments, governing bodies and organisational units which develop, maintain and oversee all matters concerning the model and the preparation of financial information.

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The Enagás group's internal control system for financial information

More specifically, according to article 5, section c of the "Rules and Regulations of the organisation and functioning of the Board of Directors of Enagás, S.A.", one of the Board of Directors' duties is "to frame policy on risk control and management, and the periodic monitoring of internal information and control systems".

According to section 2.1.2., there are various organisational levels within Enagás in charge of maintaining, implementing and overseeing the ICFR system. In this regard, we would note the responsibility of the Finance Department, as part of senior management, in designing, implementing and ensuring that there is an up-to-date and efficient ICFR system. The Internal Audit area, which reports functionally to the Audit and Compliance Committee of Enagás, S.A, in its annual action plan, helps assess the efficiency of the ICFR system and reports periodically to the Committee on any weaknesses detected (see section 2.5.2).

Likewise, the various organisational units are responsible for the controls defined in their areas of responsibility.

13.2.1.2. The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company, with particular regard to the financial reporting process.

At Enagás, S.A., the Resources and Corporate Social Responsibility Department is responsible for designing, implementing, reviewing and updating the organisational structure of Enagás in general. In this regard, we would note the guidelines defined in the "General Regulations Governing Management by Objectives", "Job Analysis AND Description Sheets" and the "Human Resources Development Procedure", which, among other issues, determine the framework around which the general organisational structure is designed, including functions and responsibilities. In addition to these internal regulations, the "ICFR System Manual" attributes all ICFR duties.

More specifically, in addition to the lines of responsibility and authority mentioned above, there are other regulations and procedures in place within the company's main governing bodies and senior management and there are also mandatory procedures for the preparation, review and approval of the financial statements for Enagás Group companies.

We would highlight here the "Internal Code of Conduct in matters relating to Stock Markets" and the "Enagás, S.A. Business Principles", referred to in section 2.1.3.

The "Corporate Governance Policy" is also important for corporate governance best practices which must be adhered to by senior management and the Board of Directors.

ICFR at Enagás, S.A. also has two different hierarchical pillars:

- Functional responsibility - **Level 1:**
 - Audit and Compliance Committee
- Functional responsibility - **Level 2:**
 - Internal Audit.
 - Internal control over financial reporting.
 - Persons responsible for ICFR system management.



At Level 1, the Audit and Compliance Committee, which reports to the Board of Directors, has its own regulations ("Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A.") setting out the rules of organisation and functioning, specifically referring to ICFR supervision. Its responsibilities have been delegated by the Board of Directors and the Committee has in turn passed on specific review functions to the Internal Audit area.

Within "Level 2" and with regard to ICFR, the Internal Audit area shall:

- Carry out periodic reviews, on a selective basis, to guarantee that all information is up-to-date in accordance with the Annual Audit Plan.
- Design and carry out a Test Plan on (i) general controls; (ii) control for the area, cycle and sub cycle; and (iii) established procedures which complement the self-assessments carried out by the people in charge.
- Verify, on a selective basis, compliance with the flowcharts designed.
- Draw up and issue reports on ICFR audits in accordance with the Annual Audit Plan.
- Verify the correct implementation of corrective action concerning ICFR in accordance with the Annual Audit Plan.

The ICFR Unit is also key to ICFR management. Its main tasks are:

- Manage the self-assessment of the ICFR system and monitor the results.
- Coordinate the ICFR risk assessment and ensure that the Enagás ICFR risk map is updated periodically.
- Carry out an annual evaluation of the requirements to update the document attributing the accounts to ICFR areas, in order to maintain the required standard of financial reporting.
- Draw up and update the Enagás Internal Control over Financial Reporting System Manual ("ICFRS Manual").
- Update and disseminate applicable ICFR regulations, both internal and external.
- Identify the training needs and organisational/execution needs for courses relating to ICFR or other related issues (these are channelled via the "Training School" programme included in the Training Plan and applicable internal procedures).
- Monitor and update the model for defining scopes.
- Monitor the updating and documentation of the sub cycles/processes which affect the preparation of financial information (carried out by the people in charge of the sub cycles/processes).
- Collaborate with the Internal Audit area concerning any pertinent clarification.
- Collaborate in classifying any flaws detected in the ICFR process (material weaknesses, significant flaws, insignificant flaws).
- Collaborate in implementing corrective measures detected in the external audit.
- Guarantee the coherence of ICFR at Enagás, S.A.
- Oversee the updating and maintenance of the tools used to manage the model.

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The Enagás group's internal control system for financial information

Finally, the people responsible for ICFR management, as the primary owners of the processes, have been attributed the following duties:

- Supervise the actions and evaluations carried out for each of the processes for the cycles in the Areas, with the possibility of eventually carrying out tests to confirm the results of specific controls.
- Establish, monitor and evaluate the effectiveness of the control activities within the cycles/sub cycles, mainly concerning communication, allocating responsibilities, delegating competences, segregating functions and managing access to information and other critical resources, developing and modifying the processes (both operational and control) and support systems.
- Coordinate the design, documentation and implementation of ICFR processes, ensuring objectives to manage all processes in the sub cycle in question are met.
- Ensure that all documentation concerning the process is kept up-to-date (who, what, how, rules, proof, etc.) as well as that concerning the ICFR control and risk objectives.
- In the case of amendments or updates to regulations, procedures, instructions etc., the owner of the process shall notify ICFR.
- Report, formally and periodically on the outcome of the self-assessments carried out.
- Collaborate in identifying qualitative factors which may affect the inclusion of this process in the general ICFR model.
- Implement and promote the implementation of corrective action in the area of ICFR.

13.2.1.3. Code of conduct, approving body, dissemination and instruction, principles and values covered, body in charge of investigating breaches and proposing corrective or disciplinary action.

At this level we would note the “Internal Code of Conduct in Matters Relating to Stock Markets” and the “Enagás, S.A. Business Principles”, which determine the Company's ethical values in matters relating to the securities markets and the behaviour of employees both within the company and with stakeholders. Point 6.3 of the “Enagás, S.A. Business Principles” describes the conduct with regard to internal control and fraud prevention, in addition to conflicts of interest, which determine the general lines of action for ICFR.

At this level, and in order to ensure maximum discipline among employees, an “Ethics Channel”, which is fully confidential and anonymous, has been put in place, to alert senior management of the existence of any malpractice, including any irregularities of a financial nature.

- We would also note the internal regulations of the **Sustainability Committee**, whose aim is to integrate the expectations of all stakeholders and manage the risks to which Enagás is exposed. There is also the **Business Principles Supervisory Committee**, whose members are chosen by the Enagás Executive Committee and which is responsible for various internal audit duties, legal advisory services, external relations, human resources and corporate social responsibility.



13.2.1.4. 'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The Company has in place an "Ethics Channel" which governs the management process for queries and reporting behaviour that does not comply with the Company's values (see above). Should this process be rolled out, confidentiality is fully guaranteed.

13.2.1.5. Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

The "Enagás, S.A. Training School" which is part of the Resources and Corporate Social Responsibility Department, manages and plans all the training programmes and other instruction initiatives for all Enagás, S.A. employees. Specific training in accounting, internal control and risk management is offered to all Internal Control and Internal Audit staff, with the general lines of the programmes being planned and approved one year before the new financial year commences. We would also note the training initiatives for all personnel involved in preparing financial information.

Each department and employee is subject to control, with the number of hours of training accumulated throughout the year being assessed.

Here we would highlight attendance at various seminars concerning management of fraud risk, accounting courses specific to the Enagás Group, tax accounting, the new corporate income tax regulations, and IFRS amendments.

13.2.2. Risk assessment in financial reporting

13.2.2.1. The main characteristics of the risk identification process, including risks of error or fraud.

Identifying risk is one of the core fundamentals in risk analysis with regards to the preparation of financial information. The "Enagás risk policy" document acts as a reference in the area of risk identification, as it states the company's policies on how to deal effectively with uncertainty, risks and the associated opportunities, thereby improving its capacity to generate value in order to achieve the aims of the organisation, which include reliable financial reporting.

The "Integrated Risk Management Procedure" establishes a framework for Integrated Risk Management, identifying the factors involved and the role to be played by each part of the Company. The Internal Audit Unit is charged with identifying risks, including those specific to ICFR. Any identified risk is immediately communicated to senior management and the Sustainability Committee. The following are among the main risks that have been defined:

- **Counterparty or credit risk:** Possible loss due to breach of contract by a counterparty or a more general reason, due to uncertainty over the ability or willingness of a counterparty to fulfil their obligations.

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- **Financial Risk:** Possible financial profit or loss due to exposure to market fluctuations in variables and prices.
- **Business Risk:** Inherent in the gas sector, this includes demand and competition risk, regulatory risk and strategic risk.
- **Operational Risk:** Possible loss of value or earnings as a result of events caused by inadequacies or failures in processes, human resources, business teams and IT systems, or due to external factors.
- **Reputational Risk:** Any action, event or circumstance that may adversely or favourably affect stakeholders' perceptions and opinions of the company.
- **Criminal Responsibility Risk:** Risk of the Company being held criminally responsible for the crimes defined in Organic Law 5/2010 of 22 June, reforming the Criminal Code, which may be committed by its managers or employees in the exercise of their duties and in its interests, in the event the Company is deemed to have failed to exercise due control.

Analysing these risks together meets the ICFR definition of the different control processes that must be applied in preparing financial information in order that it is sufficiently transparent and accurate. These control processes, both by design and in practice, aim to sufficiently cover the following specific risks as per the ICFR recommendations:

- **Riesgo de integridad:** to ensure that all transactions are registered.
- **Validity Risk:** that transactions made are not valid.
- **Registry Risk:** that transactions are incorrectly registered.
- **Cut off Risk:** that transactions are not fully registered within the accrual period.
- **Valuation Risk:** that transactions are incorrectly valued.
- **Presentation Risk:** that transactions are presented in a confusing manner, or do not fully meet current regulatory requirements.

At least once a quarter the Internal Control Unit on Financial Information fully evaluates all control processes and corresponding specific risks measures in place, and at the same time, evaluates if new risks need to be added, as was the case in the last review in 2011, with respect to the risk of fraud associated with financial information. This new measure, which comes within the framework of defined operating risks at a Group level, has meant, among other things, changing certain procedures related to the control process when necessary.



13.2.3. Control activities

Enagás, S.A. has a wide range of specific **“Control activities”** to mitigate the risks of errors or irregularities that can be caused by the process of preparing financial information at all levels.

13.2.3.1. 2.3.1. Procedures for reviewing and authorising financial information and the description of the ICFR to be disclosed to the market, indicating the corresponding lines of responsibility, as well as documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Having **“Control Activities”** for reference is without doubt a key element in creating an effective ICFR, which must be well designed and operated.

The ICFR model states a number of key control objectives which, if fully implemented, allow reliability and transparency in the preparation of financial statements. Implementation of these objectives is intrinsically tied to the effectiveness of **“Control activities”** at each stage of their execution.

In this context, there are two specifically designated categories in the ICFR **“Control activities”** structure:

- General controls
- Controls process

The **General Controls**, or tags, form the basis of the ICFR model. They are interlinked controls that directly affect Enagás S.A.'s organisational structure and procedures. At the end of 2011, there were 33 ICFR general controls in operation. Senior Management is responsible for overseeing these controls, and they are split between the following divisions:

- Finance Department
- Resources and Corporate Social Responsibility Department
- General Secretariat
- Investor Relations Department

The relevance of information systems in relation to ICFR control fall within this bracket; this issue is covered in section 2.3.2.

Process Controls are part of each of the main Enagás S.A. cycles and sub cycles that conform to ICFR procedures, guaranteeing the reliability and transparency of Enagás S.A.'s financial reporting, and at the same time allowing for mitigating factors associated with risks in the preparation process of the previously mentioned financial reports. These control activities are used throughout all the following areas of the ICFR model, down to the smallest detail, in each and every one of the sub cycles that are part of the ICFR.

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These control processes can be classified with the following different characteristic attributes:

- According to their **nature**:
 - **Preventative**: prevent financial risks arising.
 - **Detective**: identify errors once they have been made.
 - **Corrective**: rectify errors once they have been made.
 - **Directive (Policy)**: controls based on the policies, procedures and instructions of the company; such controls normally require signing or formal approval.
- According to their level of **automation**:
 - **Manually**: control mechanisms directly executed by people.
 - **Semi-automated**: control mechanisms executed by people and validated by "IT support", or vice-versa.
 - **Automated**: control mechanisms "supported by IT".

Among the main procedures that aim to guarantee reliability and transparency in the preparation of financial information, the following are highlighted:

- Review of estimates and provisions processes (at income and expense level).
- Review of impairment of recognised company assets.
- Review of the commissioning of assets and associated valuation procedures (items qualifying for capitalisation, monitoring of administrative approvals, technical conditions for commissioning, etc.).
- Review mechanism for mandatory procedures and/or for specific instructions with respect to:
 - Records and/or manual account entries.
 - One-off transactions of significance.
 - The process of closing the Financial Statements, and preparation of the individual and consolidated Financial Statements. The internal regulations guide that regulates these aspects can be found in:
 - i. the "Manual of Accounting Policies" (which sets out Enagás S.A.'s governing accounting policies for performing accounting estimates and preparing the company's Financial Statements and accompanying notes, to ensure that these provide a true and fair view of the company's equity, financial position, results of operations, changes in net equity and cash flows)
 - ii. the "Period-end procedures and closing of accounts procedure for the Individual Financial Statements and Accompanying Notes"
 - iii. the "Period-end procedures and closing of accounts procedure for the Consolidated Financial Statements and Accompanying Notes".
 - The preparation and publication of financial information (including aspects associated with the preparation and approval of the Annual Corporate Governance Report, Annual Accounts, Annual Report, CNMV communications, official communications, etc.). The main internal regulations that regulate these aspects can be found in:
 - i. Procedure on the provision of Regular Reports to Securities Market Regulators
 - ii. the "Period-end procedures and closing of accounts procedure for the Individual Financial Statements and Accompanying Notes"
 - iii. the "Period-end procedures and closing of accounts procedure for the Consolidated Financial Statements and Accompanying Notes".



The Investor Relations Department, the Finance Department, the General Secretariat, the Board of Directors and the Chairman of the Board all play a key role in the process of closing the accounts and, as warranted, their subsequent publication.

13.2.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

IT systems play an important role in business cycles, given that at a certain level, they are a key medium used in the preparation of financial reports.

Elements such as General computer controls provide a control framework designed to provide a reasonable level of security in IT systems used for financial reports, guaranteeing, to the greatest degree possible, that the information is confidential, available and complete.

The objectives established within the framework of **General Computer Controls** help achieve control objectives related to the processing of computer generated information, through the defining, development, implementation and reviewing of control activities such as user and authorisation management, administrator management, access control, incident management, change management, operative continuity, information storage and recovery, operations monitoring, etc.

All rules for actions related to IT systems are explained in the "Information Security Policy", which states all the principles which must be followed to ensure the security of information handled by Enagás, S.A.'s IT systems is properly managed.

The "Information Security Policy" led to the creation of a "security policy framework", which highlights the "General Rules for Management of IT Systems", which establishes responsibilities and defines the relationships between the requesting units and the Information Systems Department with regard to the management of Enagás, S.A.'s IT systems.

Integral to the objectives of control of IT systems, is the need to establish an appropriate segregation of duties, which is a prerequisite in order that an ICFR of the kind that Enagás, S.A. has can function efficiently and effectively. It is of vital importance that there is a clear distinction between who has to execute actions related to the treatment of financial information, and who has to review and/or approve them. For this reason, correctly allocating profiles, both in IT systems, as well as positions and functions, are key to the success of the process.

13.2.3.3. Internal control policies to oversee the monitoring of activities outsourced to third parties, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Enagás S.A. is particularly vigilant about activities carried out by third parties (with the aim of ensuring that there is maximum control over key procedures that may be outsourced, so that they are conducted at the standard that Enagás, S.A. requires). The internal rules that regulate this can be found in "Identification and Treatment Procedures for Service Organizations".

13.2.4. Information and communication.

Information and communication work relating to the preparation of financial reports are very important in the Enagás, S.A. ICFR, as it involves conveying the applicable control directives to the staff engaged in drawing up financial information, as well as the information systems used in such processes.

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13.2.4.1. There is a specific unit in charge of defining and maintaining accounting policies and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, as well as a manual of accounting policies that is regularly updated and communicated to all the company's operating units.

Enagás S.A. has an "Manual of Accounting Policies" (see section 2.3.1). This document, with the correct level of communication from the Finance Department to the employees to whom it applies, acts as a guideline for accounting records procedures.

The Administration and Accounting Unit, which is part of the Finance Department is responsible for keeping this manual up to date.

13.2.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Enagás, S.A. has the following mechanisms:

Internal:

- Enagás, S.A. has a number of formal processes related to the closure and preparation of information related to financial statements and the accompanying notes. In both cases, there are procedural and supervision guides that have to be followed in the process for the closing of financial statements and the preparation of annual accounts.
- Furthermore there is a specific mechanism for the process of formulating the financial statements and accompanying notes, where the Audit and Compliance Committee takes on a special relevance (as part of the remit of the Board of Directors), overseeing this process (it involves, among other things, monitoring the supervision work of the Internal Audit unit as well as that done by the external auditor) before the financial statements are certified by the Board of Directors. The "Regulations on the organisation and duties of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A." regulate all these matters.

External

- The aim of the current mechanism is to supply true and reliable information about Enagás S.A., to external agents. To do this, the "Procedure on the provision of Regular Reports to Securities Market Regulators" regulates all aspects, both in communications to supervisory and/or regulatory organisations, as well as press releases. Web content is regulated by "Procedure for the development, inclusion and maintenance of content on the Enagás web site".

13.2.5. Monitoring and system functionality

Monitoring and system functionality comprises the prevention phase, through reviews and analyses and, if necessary, correction of design faults and/or system problems. The "ICFR Manual" explains the general guidelines for the supervision and functionality of the ICFR.

13.2.5.1. Describe the ICFR monitoring activities performed by the Audit Committee, including an indication of whether the entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR.



In this context, one of Enagás, S.A.'s top priorities is to take a proactive, and thereby preventative role during a phase of constantly overseeing the model, to ensure that the model is updated and aligned with both the business and best regulatory practices.

Constant analysis of and following up of the ICFR, detecting possible flaws and making the corresponding improvements and adjustments are achieved by taking the following measures:

- A periodic evaluation of the design and effectiveness of current programmes and anti-fraud controls. Its scope and frequency depends on the importance of the associated risk and the demonstrated effectiveness of the controls in place.
- The participation of Internal Audit, through the supervision functions attributed by the ICFR model from the “General Internal Audit Regulations”, the “ICFR Manual” and the “Rules Governing the Organisation and Operation of the Audit and Compliance Committee of the Enagás, S.A. Board of Directors”.
- Effective supervision by the Audit and Compliance Committee, relative to overall control of the ICFR model, delegated by the Board of Directors, and instrumented by Internal Audit.
- Report on flaws found, taking corrective measures to solve them, establishing mechanisms to track them and assigning the necessary resources to achieve them, according to the instructions in the “ICFR Manual”.
- In the last instance, once finalised, and subsequent to the implementation of the proposed measures, a design and final validation process will be undertaken, which will eventually be incorporated into the ICFR model.

The role of Internal Audit is crucial in the supervision process. Its main objectives are:

- To ensure that all potential risks to the Company are identified, measured and controlled by the relevant departments.
- To ensure and improve the Company's established internal control system.
- To monitor that work schemes and business activities are consistent with the organisation's values.

In order to ensure that these objectives are met, there is an “Annual Internal Audit Plan”, which is overseen and approved by the Audit and Compliance Committee, and has, among other things:

- A risk assessment document for each of the Departments that make up the Management Committee.
- The key processes that need revising and their relationship with the Company's strategic objectives (including a specific relationship with the actions to be taken in terms of the ICFR).

13.2.5.2. A discussion procedure whereby the auditor, the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors.

With respect to the Audit and Compliance Committee of the Enagás Board of Directors regarding the monitoring of the System, among its objectives it has to ensure that the auditor, the Internal Audit function and other experts can inform Senior Management and the Board of Directors of any significant internal control weaknesses encountered during their review of the financial statements or other assignments. These reports are made after each review task has been completed.

The Enagás group's internal control system for financial information

They also state whether the entity has an action plan to correct or mitigate the weaknesses found. They also are in charge of supervising compliance with internal codes of conduct with relation to Stock Market matters. The reports on the activities of the Audit and Compliance Committee contain important information about communication procedures.

13.2.6. Other relevant information

Enagás S.A. has voluntarily subjected its ICFR to review since 2008. All reviews have been carried out by Deloitte, S.L., auditor of Enagás, S.A. and the Enagás Group.

13.2.7. External auditor's report

The report for 2011 is the following.

Deloitte.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the Board of Directors of Enagás, S.A.:

We have examined the accompanying information relating to the system of Internal Control over Financial Reporting (ICFR) of Enagás, S.A. and Subsidiaries ("the Group"). This examination includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the Group's consolidated financial statements at 31 December 2011, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by Group management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework".

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, use or sale of assets of a company which could have a material effect on the financial information. The limitations inherent to any system of internal control over financial reporting might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

Group management is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000: "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at 31 December 2011, the Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by Group management in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework". Also, the disclosures contained in the information relating to the system of ICFR which is included in the Group's Annual Corporate Governance Report at 31 December 2011 are in accordance, in all material respects, with the requirements established by Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March, and other legislation in force.

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011, of 1 July, and, therefore, we do not express an audit opinion under the terms of the aforementioned legislation. However, we have audited, in accordance with the audit regulations in force in Spain, the consolidated financial statements of Enagás, S.A. and Subsidiaries prepared by the directors of Enagás, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group, and our report dated 16 February 2012 expresses an unqualified opinion on the aforementioned consolidated financial statements.

DELOITTE, S.L.



Jesús María Navarro

16 February 2012

Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja I-I-54414, inscripción 96ª. C.I.F. B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

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Auditors' report



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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 36). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Enagás, S.A.:

1. We have audited the consolidated financial statements of Enagás, S.A. ("the Company") and Subsidiaries ("the Group"), which comprise the consolidated balance sheet at 31 December 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.
2. In our opinion, the accompanying consolidated financial statements for 2011 present fairly, in all material respects, the consolidated equity and consolidated financial position of Enagás, S.A. and Subsidiaries at 31 December 2011, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.
3. The accompanying consolidated directors' report for 2011 contains the explanations which the directors of Enagás, S.A. consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2011. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Enagás, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Jesús María Navarro

16 February 2012

Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
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ENAGÁS S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 December 2011

		(Figures in thousands of euros)	
	Notes	31.12.2011	31.12.2010
Revenue from regulated activities	23	1,096,280	965,995
Revenue from liberalised activities	23	22,163	15,740
Other operating income	23	18,590	18,830
Employee benefits expense	24	(66,958)	(67,194)
Other operating costs	24	(202,281)	(151,926)
Depreciation and amortisation		(299,598)	(249,898)
Impairment gains and (losses) on disposal of assets		17,751	(659)
OPERATING PROFIT		585,947	530,888
Finance revenue	25	33,974	19,713
Finance and similar expense	25	(99,259)	(78,314)
Exchange differences		(333)	-
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		520,329	472,287
Income tax	22	(155,686)	(138,806)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		364,643	333,481
PROFIT FOR THE YEAR		364,643	333,481
Attributable to:			
Equity holders of the parent		364,643	333,481
BASIC EARNINGS PER SHARE	14	1.53	1.40
DILUTED EARNINGS PER SHARE	14	1.53	1.40

Notes 1 to 35 set forth in the accompanying financial information are an integral part of the consolidated balance sheet at 31 December 2011.

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Consolidated Financial Statements

ENAGÁS S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 December 2011

(Figures in thousands of euros)

	Notes	31.12.2011	31.12.2010
Assets			
NON-CURRENT ASSETS		5,722,581	5,228,603
Intangible assets	5	54,815	36,629
Property, plant and equipment	6	5,580,070	5,123,748
Financial assets, group and associated companies	8	4,718	880
Other long term financial assets	8	53,573	31,932
Deferred tax assets	22	29,405	35,414
CURRENT ASSETS		1,994,818	1,600,533
Available-for-sale assets	9	-	31,336
Inventories	10	13,785	5,328
Trade and other receivables	11	545,024	366,483
Other financial assets	8	6,609	108,042
Other assets		2,077	2,293
Cash and cash equivalents	12	1,427,323	1,087,051
TOTAL		7,717,399	6,829,136
Liabilities			
EQUITY		1,861,596	1,736,245
CAPITAL AND RESERVES		1,867,377	1,738,836
Issued Capital	13	358,101	358,101
Reserves	13	1,235,591	1,121,739
Profit for the year		364,643	333,481
Interim dividend	13	(90,958)	(74,485)
NET UNREALISED GAINS (LOSSES) RESERVE	13	(5,781)	(2,591)
NON-CURRENT LIABILITIES		3,878,061	4,006,240
Provisions	15	91,555	34,352
Non-current financial liabilities	16	3,323,065	3,678,134
Non-current liabilities payable to group companies and associated	16	657	-
Deferred tax liabilities	22	386,795	214,664
Other liabilities	17	75,989	79,090
CURRENT LIABILITIES		1,977,742	1,086,651
Liabilities associated to available-for-sale-assets	9	-	5,857
Current Provisions	15	-	3,294
Financial liabilities	16	1,606,544	730,847
Current liabilities payable to group companies and associated	16	4,746	-
Trade trade and other payables	20	366,452	346,653
TOTAL		7,717,399	6,829,136

Notes 1 to 35 set forth in the accompanying financial information are an integral part of the consolidated balance sheet at 31 December 2011.

ENAGÁS S.A. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE YEAR ENDED 31 December 2011**

(Figures in thousands of euros)

	31.12.2011	31.12.2010
PROFIT FOR THE YEAR	364,643	333,481
INCOME AND EXPENSES RECOGNISED IN EQUITY:	(9,999)	(2,794)
Remeasurement of financial instruments	-	-
Available-for-sale financial instruments	-	-
Cash flow hedges	(14,271)	(3,992)
Tax effect	4,272	1,198
INCOME AND EXPENSE RECLASSIFIED TO PROFIT AND LOSS:	6,809	12,377
Remeasurement of financial instruments	-	-
Available-for-sale financial instruments	-	-
Cash flow hedges	9,727	17,682
Tax effect	(2,918)	(5,305)
TOTAL RECOGNISED INCOME/(EXPENSE)	361,453	343,064
Attributable to equity holders of the parent	361,453	343,064

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ENAGÁS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

(Figures in thousands of euros)

	Issued capital	Other reserves	Retained earnings	Profit for the year	Interim dividend	Net unrealised gains (losses)	Equity and share
BALANCE							
AT 31/12/09	358,101	1,004,859	-	298,031	(67,562)	(12,174)	1,581,255
Total recognised income/(expense)	-	-	-	333,481	-	9,583	343,064
Transactions with shareholders and owners	-	-	-	(111,256)	(74,485)	-	(185,741)
Capital increase / (decrease)	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-
Dividends paid	-	-	-	(111,256)	(74,485)	-	(185,741)
Transactions with treasury shares or own equity instruments	-	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	-	-	-	-	-	-
Other changes in equity	-	116,880	-	(186,775)	67,562	-	(2,333)
Equity-settled transactions	-	-	-	-	-	-	-
Transfers between equity accounts	-	-	-	(186,775)	-	-	(186,775)
Other changes	-	116,880	-	-	67,562	-	184,442
BALANCE AT 31/12/10	358,101	1,121,739	-	333,481	(74,485)	(2,591)	1,736,245
Effects of changes in accounting criteria 2010	-	-	-	-	-	-	-
Adjustments for errors 2010	-	-	-	-	-	-	-
ADJUSTED BALANCE							
AT 31/12/10	358,101	1,121,739	-	333,481	(74,485)	(2,591)	1,736,245
Total recognised income/(expense)	-	-	-	364,643	-	(3,190)	361,453
Transactions with shareholders and owners	-	-	-	(125,604)	(90,958)	-	(216,562)
Capital increase / (decrease)	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-
Dividends paid	-	-	-	(125,604)	(90,958)	-	(216,562)
Transactions with treasury shares or own equity instruments	-	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	-	-	-	-	-	-
Other changes in equity	-	113,852	-	(207,877)	74,485	-	(19,540)
Equity-settled transactions	-	-	-	-	-	-	-
Transfers between equity accounts	-	-	-	(207,877)	-	-	(207,877)
Other changes	-	113,852	-	-	74,485	-	188,337
BALANCE AT 31/12/11	358,101	1,235,591	-	364,643	(90,958)	(5,781)	1,861,596

ENAGÁS S.A. AND SUBSIDIARIES**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 December 2011**

(Figures in thousands of euros)

	2011	2010
PROFIT BEFORE TAX	520,329	472,287
Adjustments to profit	348,756	307,901
Depreciation and amortisation expense	299,598	249,898
Other adjustments to profit	49,158	58,003
Change in working capital	(175,577)	(25,235)
Inventories	347	1,131
Trade and other receivables	(185,778)	(41,817)
Other assets	(4,689)	(3,277)
Trade and other payables	14,543	18,7
Other cash flows from operating activities	(126,011)	(126,082)
Interest paid	(113,430)	(104,710)
Interest received	33,519	13,685
Income taxes received (paid)	(46,100)	(29,136)
Other cash inflows/(outflows)	-	(5,921)
NET CASH FROM OPERATING ACTIVITIES	567,497	628,871
Payments on investments	(632,885)	(763,353)
Group subsidiaries and associated companies	(4,718)	(33,601)
Property, plant and equipment and investment property	(583,216)	(629,452)
Other financial assets	(44,951)	(100,300)
Proceeds from disposals	41,500	1,211
Group subsidiaries and associated companies	25,400	1,000
Property, plant and equipment and investment property	15,521	102
Other financial assets	579	109
NET CASH USED IN INVESTING ACTIVITIES	(591,385)	(762,142)
Proceeds from/(payments on) financial liabilities	580,722	765,540
Issues	1,243,289	880,542
Repayments and redemption	(662,567)	(115,002)
Dividends paid	(216,562)	(185,742)
NET CASH FROM FINANCING ACTIVITIES	364,160	579,798
NET INCREASE IN CASH AND CASH EQUIVALENTS	340,272	446,527
Cash and cash equivalents at 1 January	1,087,051	640,524
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	1,427,323	1,087,051

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1. Group activity

Enagás, S.A., the parent company, is incorporated in Spain in accordance with the Spanish Corporate Enterprises Act. Its corporate purpose is the import, acquisition and sale of natural gas on the regulated domestic market, and its regasification, storage and transport both for the regulated and the liberalised market, the transportation and storage of carbon dioxide, hydrogen, biogas and other energy-related fluids, the exploitation of heat, cold and energy associated with its main activities or results thereof and potential participation in activities related to the management of natural gas markets. Its registered office is at Paseo de los Olmos, no. 19, 28005 Madrid. The company's Bylaws and other public information about the Group may be consulted on its official website, www.enagas.es, and at its registered office.

In addition to the operations it carries out directly, Enagás, S.A. is the head of a group of companies that includes interests in joint ventures engaged in the gas transport business and which, together with Enagás, S.A., comprise the Enagás Group (hereinafter, the Group). Consequently, Enagás, S.A. is required to prepare consolidated annual financial statements for the Group in addition to its own annual financial statements, which also include information on joint ventures and investments in associates.

The consolidated annual financial statements of the Group and those of each of the entities comprising the Group for the financial year 2011, which have served as the basis for the preparation of these consolidated annual financial statements, are pending the approval at their respective Shareholders' Meetings. However, the directors believe these annual financial statements will be approved as presented.

These consolidated annual financial statements are presented in thousands of euros (unless expressly stated otherwise) as this is the functional currency of the principal economic area in which the Enagás Group operates.



2. Basis of presentation of the annual financial statements and consolidation principles

2.1. Accounting principles

The consolidated annual financial statements of the Enagás Group for 2011 have been prepared by the directors, at a meeting of the Board of Directors held on 6 February 2012, in accordance with the International Financial Reporting Standards (hereinafter, IFRS), as adopted by the European Union, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council.

These annual financial statements give a true and fair view of the equity and financial position of the Group at 31 December 2011, the results of its operations, and the changes in its equity, cash flows and recognised income and expense during the year then ended.

The Enagás Group's consolidated annual financial statements for 2011 have been prepared from the accounting records kept by the parent company and by the other entities comprising the Group.

The 2010 consolidated annual financial statements included for comparative purposes have also been prepared in accordance with the IFRS adopted by the European Union and applied on a basis consistent with those applied in 2009. The 2008 financial statements were approved by the parent company's shareholders in general meeting on 25 March 2011.

The financial year for the companies comprising the Group ends on 31 December. These companies' financial statements as of that date are used for consolidation purposes, except for Gasoduto Braga-Tuy, S.A. and Gasoduto Campo Maior-Leiria-Braga, S.A. which, because of the date on which their annual financial statements are approved and their scant materiality, were consolidated in the 2010 consolidated financial statements on the basis of their 30 November 2010 close.

Note 3 includes the most significant accounting principles and measurement bases used in preparing the consolidated financial statements of the Group for 2011.

2.2. Responsibility for the information and estimates made

The information included in the accompanying consolidated financial statements is the responsibility of the Group's directors.

The Group's 2011 consolidated financial statements include estimates made by senior management of the Group and of consolidated entities – subsequently ratified by their directors – regarding the carrying amounts of certain assets, liabilities, revenues, expenses and commitments recognised therein. These estimates related basically to the following:

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- The useful life of property, plant and equipment and of intangible assets (Notes 3-a and 3-b).
- The measurement of assets to determine impairment losses (Note 3-c).
- Forecasts for invoices pending issue.
- Provisions for impairment of replacement parts for property, plant and equipment (Note 3-c).
- Prior years' accounts pending settlement with the government (Note 3-q).
- Provisions for dismantling/abandonment costs (Note 3.b).

Although these estimates were made on the basis of the best information available at 31 December 2011 regarding the facts analysed, it is possible that future events may require these to be changed (upwards or downwards) in coming years. This would be done prospectively in accordance with the provisions of IAS 8, recognising the effects of the changes in accounting estimates in the corresponding consolidated income statement.

2.3 Changes in scope of consolidation

During 2011 the following changes in the scope of consolidation of Enagás Group have occurred:

- In January, the agreements severing ties with Gasoduto Campo Maior-Leiria Braga, S.A. and Gasoducto Braga-Tuy, S.A. took effect.
- The acquisition of 100% of Iberdrola Infraestructuras Gasistas, S.L.U. from Iberdrola, S.A. closed in April. The acquiree's registered business name was changed to "Gasoducto de Escombreras, S.L.U." on 6 May 2011. This investee's financial metrics have not been included in the accompanying financial statements as its contribution to the Group is not material.
- In July, Enagás, S.A. incorporated Enagás Altamira, S.L.U. as a wholly-owned subsidiary. As a result, this company is now fully consolidated within Enagás Group.
- Enagás Altamira, S.L.U. acquired 40% of Terminal de LNG de Altamira, S. de R.L. de CV. in September through Altamira LNG, CV. As a result, this company has been consolidated by Enagás Group since 13 September 2011 using the proportionate method of consolidation.

2.4 Basis of consolidation

Enagás, S.A.'s investees included in the scope of consolidation are engaged in the transport and regasification of gas.

The annual financial statements of joint ventures are consolidated using proportionate consolidation, combining the balances and subsequent eliminations in proportion to the Group's interest in these companies' share capital.

Subsidiaries are the investees which the parent company controls by virtue of holding more than half of the voting rights or, short of this, having the power to govern their financial and operating policies so as to obtain



benefits from its activities. Potential voting rights held by the Group which are exercisable or convertible at year-end compute to this end.

Jointly-controlled entities are those in which control, as defined in the last paragraph, is shared with other shareholders (venturers) under a contractual arrangement.

The consolidation is carried out as follows:

- a. The proportionate method of consolidation was used to consolidate the jointly-controlled entities managed jointly with GALP Gas Natural, S.A. in the case of Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A., with Infrastructure Arzak and Ente Vasco de la Energía (EVE) in the case of BBG and with VOPAK in the case of Terminal de LNG de Altamira, S. de RL. de CV.
- b. The wholly-owned subsidiary Enagás Altamira, S.L.U. was fully consolidated.
- c. Intragroup transactions: All credits, debits, income, expenses and results from transactions with other Group companies are eliminated on consolidation in proportion to Enagás, S.A.'s interest in the companies' share capital.
- d. Consistency: For investee companies which apply different accounting principles and measurement bases to those of the Group, adjustments have been made on consolidation, provided that the effect is significant, in order to present the consolidated financial statements based on consistent measurement bases.
- e. Translation of financial statements denominated in foreign currencies: The individual financial statements of all Companies included in the scope of consolidation are presented in euros, except for Altamira LNG, CV and Terminal de LNG de Altamira, S. de RL. de CV, both of which keep their accounts in US dollars. These companies' financial statements were translated into euros as part of Enagás Group's consolidation process.
- f. Elimination of dividends: Internal dividends are those recognised as revenue for the year by a Group company and which have been paid by another Group company.

Dividends received by Group companies in respect of prior years' distributed profit are eliminated by treating them as reserves of the receiving company and included under "Reserves".

Note 34 includes the most significant aspects of the Group's joint ventures in existence at the end of 2011.

2.5 Comparison of information

The information provided on 2010 is presented solely for comparison purposes with the information for 2011.

2.6 Accounting standards and principles

a. Standards, principles and changes in effect for the current year.

The accounting policies adopted for the preparation of financial statements for the year ended 31 December 2011 are the same as those followed for the preparation of the consolidated financial statements for the year 2011,

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except for the adoption, from 1 January 2011, of the following standards, amendments and principles published by the IASB and IFRIC (International Financial Reporting Interpretations Committee) and adopted by the European Union for use in Europe:

- Revised IAS 24 Related Party Disclosures

The revision of IAS 24 provides for partial exemption from certain disclosures when the relationship is between state-owned or government-related entities (or similar government institution) and revises the scope of disclosure required, following the incorporation of the definition of related party to clarify the relationship between companies under joint control and associated with a single investor that were not previously explicit in the standard.

Effectiveness of this standard has not changed the definition of the Group's related parties in any way.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation clarifies how a debtor should recognise the settlement, in full or in part, of a financial liability using equity instruments issued to the creditor. The interpretation does not apply in this type of transaction when the counterparties in question are shareholders or related parties and act as such, or when the exchange of debt for equity instruments was already envisaged in the terms of the original contract. In all other instances, the issue of equity instruments will be measured at their fair value at the date of extinguishment of the liability and any difference between this value and the carrying amount of the liability will be recognised in profit or loss.

This interpretation has not implied any change in the Group's accounting policies since it has treated transactions of this nature in the past in keeping with this new IFRIC. Moreover, the Group has not performed any transactions of this type in 2011.

- Amendment to IAS 32 – Classification of Rights Issues

This amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a foreign currency. This amendment establishes that shareholder rights to acquire a fixed number of rights issues for a fixed price must be treated as equity instruments, irrespective of the currency in which this fixed price is denominated, provided other requirements of the standard are met.

This amendment has not had any impact on the classification of rights over shares as the Group does not have any of these instruments.

- Improvements to IFRS (issued in May 2010)

This document introduces a series of improvements to IFRS standards currently in force, essentially to eliminate inconsistencies and clarify the wording of some of these rules. The application of these standards had no impact on the Group's financial position or results.

- Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement

The amendment to this interpretation of employee benefit plans applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.



This amendment has not implied any change in how the Group's minimum funding requirements are recognised.

b. Standards, principles and changes in issue but not effective in 2011.

At the time of preparation of these financial statements, the following are the most important standards and principles that had been published by the IASB but had not yet entered into force, either because their effective date is later than the date of the consolidated financial statements or because they have not yet been adopted by the European Union:

Approved for use in the European Union

Standards, amendments and interpretations	Content	Mandatory application for annual periods beginning on or after:
Amendments to IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets (released October 2010)	Expands and reinforces disclosures on financial asset transfers.	Annual periods beginning on or after 01 July 2011

Not yet approved for use in the European Union

Standards, amendments and interpretations	Content	Mandatory application for annual periods beginning on or after:
IFRS 9 Financial Instruments: Classification and Measurement (released November 2009 and October 2010)	Replaces the requirements for classifying, measuring and derecognising financial assets and liabilities under IAS 39	Annual periods beginning on or after 01 January 2015
Amendments to IAS 12 - Income Taxes - Deferred tax on investment properties (issued in December 2010)	Stipulates that deferred taxes on investment properties be calculated in accordance with the IAS 40 fair value model	Annual periods beginning on or after 01 January 2012
IFRS 10 Consolidated Financial Statements (issued in May 2011)	Replaces the current consolidation requirements under IAS 27	Annual periods beginning on or after 1 January 2013
IFRS 11 Joint Arrangements (issued in May 2011)	Replaces the current IAS 31 Interests in Joint Ventures	Annual periods beginning on or after 1 January 2013
IFRS 12 Disclosures of Interests in Other Entities (issued in May 2011)	A single standard encompassing the disclosures required with respect to investments in subsidiaries, associates, joint ventures and non-consolidated entities	Annual periods beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement (issued in May 2011)	Provides the framework for fair value measurements	Annual periods beginning on or after 1 January 2013
IAS 27 (Revised) Separate Financial Statements (issued in May 2011)	This standard is revised to reflect the fact that the newly-issued IFRS 10 will only prescribe how an entity should prepare its consolidated financial statements	Annual periods beginning on or after 1 January 2013
IAS 28 (Revised) Investments in Associates and Joint Ventures (issued in May 2011)	This revision is parallel to the issuance of IFRS 11 Joint Arrangements	Annual periods beginning on or after 1 January 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (issued in June 2011)	Minor amendments with respect to the presentation of 'other comprehensive income'	Annual periods beginning on or after 01 January 2012



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Not yet approved for use in the European Union

Standards, amendments and interpretations	Content	Mandatory application for annual periods beginning on or after:
Amendments to IAS 19 Employee Benefits (issued in June 2011)	The changes primarily affect defined benefit plans as one of the biggest changes is the elimination of the 'corridor method'	Annual periods beginning on or after 1 January 2013
Amendments to IFRS 9 and IFRS 7 - Mandatory effective date and transition disclosures (issued in December 2011)	These amendments move the mandatory effective date of IFRS 9 back, change disclosure and transition requirements	N/A
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (issued in December 2011)	These amendments provide additional clarification on the rules for offsetting financial assets and liabilities under IAS 32 and introduce new disclosures requirements related to IFRS 7	Annual periods beginning on or after 01 January 2014
Amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities (issued in December 2011)		Annual periods beginning on or after 1 January 2013
IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine (released October 2011)	The IFRS interpretation committee addresses the accounting treatment of the costs of eliminating waste material in surface mines	Annual periods beginning on or after 1 January 2013

The directors have assessed the potential impacts of future application of these rules and consider that their entry into force will not have a significant effect on the consolidated financial statements, except as follows:

- IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 will replace the classification and measurement sections of the current IAS 39. The new standard will introduce material differences with respect to the prevailing standard in relation to financial assets, including the approval of a new classification method based on just two categories: amortised cost and fair value; the elimination of the current categories "Held-to-maturity investments" and "Available-for-sale financial assets"; impairment testing solely for financial assets carried at amortised cost; and removal of the requirement to separate embedded derivatives from financial asset hosts.

In relation to financial liabilities, the classification categories proposed under IFRS 9 are similar to those in existence under IAS 39, so that application of the new standard should not imply material departures in this respect other than the requirement to recognise changes in fair value arising from changes in own credit risk in equity in the case of financial liabilities using the fair value option.

Management has yet to assess the implications of adopting of this standard.

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 (Revised) Separate Financial Statements and IAS 28 (Revised) Investments in Associates and Joint Ventures

IFRS 10 amends the current definition of control. The new definition of control comprises three requirements which must be met:

- i. Power over the investee
- ii. Exposure, or rights, to variable returns from its involvement with the investee, and
- iii. Ability to use its power over the investee to affect the amount of the returns to the asset manager.

The Group is in the process of analysing how this new definition of control will affect its scope of consolidation. To date, the analysis shows that the quantitative impact will not be material in respect of the accompanying consolidated figures.

IFRS 11 Joint Arrangements will replace the prevailing IAS 31. The greatest change between IFRS 11 and the standard currently in force is the elimination of the proportionate consolidation option for jointly controlled entities which will not have to be consolidated using the equity method.

This new standard will affect, albeit not materially so, the Group's consolidated financial statements: to date, the Group has been consolidating its jointly controlled entities in its financial statements using the proportionate method of consolidation (Note 2.4). The impact of consolidating the jointly controlled entities described in Note 2.4 using the equity method instead of the proportionate method would be to reduce total assets by approximately 150 million euros and operating profit by 7 million euros, all calculated on the basis of the Group's current figures.

The amendments to IAS 27 and IAS 28 are parallel to the issue of the new standards outlined above.

Their application by the Group will not have any implications other than those already indicated above.

Lastly, IFRS 12 lists the disclosure requirements for investments held in other entities (be they subsidiaries, associates, joint ventures or other investments) and introduces new disclosure requirements.

As a result, its entry into force is likely to entail disclosures in addition to those which the Group is currently required to make regarding its investments in other entities and investment vehicles.

3. Measurement bases

The main measurement bases used in the preparation of the accompanying consolidated annual financial statements are as follows:

a. Intangible assets

Intangible assets are valued initially at acquisition price or production cost. Subsequently they are valued at cost less accumulated amortisation and impairment losses, if any.

The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years, are similar to those used for property, plant and equipment (see note 3c).

Development costs are amortised on a straight-line basis over their useful life, as long as the costs are assigned to specific projects, clearly quantified, and relate to assets whose technical and commercial feasibility for sale or use have been established.

The Group recognises as expenses in the consolidated income statement all research and development costs whose technical and commercial feasibility cannot be established. Research and development costs recognised as expenses in the accompanying consolidated income statement amounted to 1,797 thousand euros in 2011 and 1,674 thousand euros in 2010, and related entirely to research.

Service concession arrangements may only be capitalised when the company has acquired the assets for consideration in the case of concessions susceptible to transfer, or for the amount of the expenses incurred in obtaining them directly from the state or relevant public body. If the rights to a concession are lost due to failure to comply with the terms and conditions thereof, its value is fully written off in order to cancel its carrying amount. These concessions are amortised on the basis of their useful lives.

Costs of purchasing and developing basic computer systems are recognised under "Property, plant and equipment" in the consolidated balance sheet. Maintenance costs related to the computer systems are recognised with a charge to the consolidated income statement in the year in which they are incurred. Computer software is measured in the amount paid for ownership or the right to use the computer applications, or production cost if internally developed. They are amortised over a period of four years.



Intangible assets with a finite useful life are amortised over that period, which is equivalent to the following amortisation rates:

	Depreciation rate	Useful life (years)
Development costs	5%-50%	20-2
Concessions, patents, licences, brands and similar:		
Port concessions at the Barcelona plant	1.33%-1.28%	75-78
Port concessions at the Huelva plant	7.60%	13
Other concessions at the Bilbao Plant	20.00%	5
Use of the public radioelectric domain	20.00%	5
Software	25%	4

In 2008, the Environment Ministry published the definitive, free allocation of greenhouse gas emission rights to Enagás, S.A. plants. This allocation is included in the National Allocation Plan for 2008-2012. In 2011, Enagás, S.A. delivered greenhouse gas emission rights equivalent to its emissions in 2010.

The Group recognises emission rights as non-amortisable intangible assets in the same way as its other assets; initially at acquisition cost, then making the pertinent write-down where fair value is lower than the aforementioned cost.

Rights received free of charge in accordance with the National Allocation Plan for 2008-2012 are deemed to have zero cost since the Group presents the assets net of the subsidies (see Note 28).

b. Property, plant and equipment

Property, plant and equipment are valued initially at acquisition price or production cost, with the exception of revaluations made by Enagás, S.A. in 1996, less accumulated depreciation and any impairment losses, in keeping with the criterion set forth in the following note.

The costs of remodelling, expansion or upgrades leading to increased productivity, capacity or a lengthening of the useful lives of assets are capitalised as an increase in the cost of the related asset. The net carrying amount of replaced assets is deducted. In contrast, regular upkeep, repairs and maintenance expenses are expensed currently.

Capitalised costs include:

1. Finance costs associated with the financing of infrastructure projects accrued during the construction period if this is over a year. The average capitalisation rate used to calculate the amount of the borrowing costs to be capitalised is 2.93% in 2011 (2.83% in 2010).
2. Employee benefits expense directly related to work in progress. The Group has a "Functional procedure for allocation of Employee Benefits Expense to Investment Projects" which sets out the hypotheses for making this calculation. This procedure establishes that, to calculate own work capitalised, it is necessary to consider both direct employee benefits expense, i.e., the hours worked and assigned to each project based on cost/hour calculated

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at the beginning of the year, and indirect costs. The amounts capitalised for these items are recognised in the accompanying 2011 consolidated income statement for 2010 as a decrease in employee benefits expense (see Note 6).

3. Future payments which the Group will have to make in relation to the requirement to dismantle certain items of property, plant and equipment corresponding to the Serrablo and the Yela underground storage facilities at the end of their useful lives. The carrying amounts of these assets include an estimate of the present value at the date of acquisition of the costs to the Group of dismantling, with a credit to "Provisions" (Note 15) in the accompanying consolidated balance sheet. In addition, this provision has been adjusted for discounting in subsequent periods.

Subsequent to RD 1061/2007 of 20 July 2007, which grants Enagás the concession to operate the Yela underground natural gas storage facility in compliance with article 25.3 of Law 34/1998 of 7 October, which establishes a provision of 14.7 million euros for dismantling costs, this amount was recorded as an increase in the value of the asset. This provision will be discounted each year to reflect the financial impact of a long-term account receivable from the National Energy Commission (the Spanish energy regulator, hereinafter the "CNE" for its initials in Spanish), given that, once the dismantling is approved, the company may request payments on account against dismantling costs.

The expenses and pertinent discounting for abandoning the Serrablo underground storage facility are reflected in the provision allocated to comply with the requirements of "Order of 6 September 1995 regarding the concession, to Enagás, S.A., for the storage of natural gas in Jaca, Aurín, and Suprajaca, located in Serrablo", which required that a project for abandoning the Serrablo site be presented and approved prior to engaging in storage activities.

In addition, in keeping with article 25.3 of Law 34/1998, of 7 October 1998, the Company has recognised the provision for dismantling work at the "Gaviota" underground storage facility. Note that the Company reached an agreement with Repsol Investigaciones Petrolíferas, S.A. and Murphy Spain Oil, S.A., this facility's former owners, to acquire Gaviota in 2010. However, it did not obtain all the required regulatory approvals until April 2011, which is the date on which Enagás, S.A. recognised the related provision.

The costs of remodelling, expansion or upgrades leading to increased productivity, capacity or a lengthening of the useful lives of assets are capitalised as an increase in the cost of the related asset. The net carrying amount of replaced assets is deducted. In contrast, regular upkeep, repairs and maintenance expenses are expensed currently.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes, for qualifying assets, capitalised borrowing costs and employee benefits expense directly related to work in progress in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other items of property, plant and equipment, commences when the assets are ready for their intended use.

The volume of gas that must remain 'immobilised' in the storage facility to operate natural gas storage facilities (i.e. cushion gas) is recognised as property, plant and equipment and depreciated over the useful life specified by prevailing legislation, or over the lease period if shorter.

Both natural gas related to the minimum linepack for system security of the gas pipelines and the minimum LNG stock level of the regasification plants (also called the "gas talón") were considered non-depreciable assets as this gas is not available and thereby immobilised under prevailing regulations. It is measured at the auction price under Order ITC/3993/2006 and the Resolution dated 18 April 2007 (see Note 6).



Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, using the following annual rates:

	Depreciation rate	Useful life (years)
Buildings	3%-2%	33.33-50
Plant (transport network)	5%-2.50%	20-40
Tanks	5%	20
Underground storage facilities	10%	10
Cushion gas	5%	20
Other plant and machinery	12%-5%	8.33-20
Tools and equipment	30%	3.33
Other plant and machinery	8%	12.50
Furniture and fixtures	10%	10
Computer equipment	25%	4
Transport equipment	16%	6.25

The Group's directors consider that the carrying amount of property, plant and equipment does not exceed their recoverable value, calculated based on the discounted future cash flows they generate in accordance with the remuneration envisaged in prevailing legislation.

The gain or loss on the disposal or derecognition of an asset is calculated as the difference between the amount of the sale and the carrying amount of the asset and is recognised in the income statement under "Impairment loss or gain on disposals of non-current assets".

Government grants related to property, plant and equipment are capitalised as a decrease in the cost of the assets and released to the consolidated income statements over the expected useful life of the asset as a decrease in depreciation of the related asset.

c. Impairment of property, plant and equipment and intangible assets

At each balance sheet date, or when deemed necessary, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In the case of identifiable assets which do not generate cash inflows independently, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use, considered to be present value of the estimated future cash flows. The Group uses value in use in nearly all cases to calculate the recoverable value of its property, plant and equipment.

To estimate value in use, the Group prepares pre-tax cash flow projections based on the latest budgets approved by the Group's directors. These budgets include the best available estimates of the revenue and expense of cash-generating units based on industry forecasts, past experience and future expectations.

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These projections are prepared for a period of five years, with estimates of future flows based on reasonable growth rates, which in no case beyond year five either scale up or exceed prior years' growth rates.

To calculate the present value, the cash flows are discounted at a pre-tax rate that reflects the cost of capital of the business and of the geographical area where business is carried out. The discount rate is based on current interest rates and the risk premiums commonly used by analysts covering the business and the geographical region.

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised for the difference, with a charge to "Depreciation and amortisation expense" in the consolidated income statement.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount via a credit in the income statement up to the carrying amount that would have been determined had no impairment loss be recognised.

The Group's property, plant and equipment consists almost entirely of gas transportation, regasification and storage assets, and those assets needed to carry out its regulated gas sales business and technical system management activities.

d. Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When consolidated entities act as lessees, lease payments, including any incentives granted by the lessor, are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

e. Activos financieros

Financial assets are recognised in the consolidated balance sheet when the Group becomes one of the parties to the contractual terms of the instrument.

Group companies classify financial assets into the following categories established by IFRS:

- Loans and receivables. These assets are measured at amortised cost, which is basically the cash amount given less repayments of principal plus accrued interest receivable in the case of loans, and the present value of the consideration provided in the case of receivables.
- Held-to-maturity investments. These are assets that the Enagás Group has the positive intent and ability to hold to maturity. They are also recorded at amortised cost.
- Available-for-sale financial assets. These are all other assets not classified in any of the preceding categories. These investments are presented in the consolidated balance sheet at fair value, when this can be determined reliably. Gains and losses arising from changes in fair value, net of tax, are recognised directly in "Equity - net unrealised gains (losses) reserve" in the consolidated balance sheet until this investment is disposed of, at which time the cumulative gain or loss previously recognised in the revaluation reserve is recognised in the consolidated income statement. If fair value is lower than cost, the difference is recognised directly in the consolidated income statement.



Held-to-maturity investments and loans and receivables originated by the companies are measured at amortised cost, with accrued interest recognised in the income statement in accordance with the effective interest rate.

Cash and cash equivalents

This heading in the consolidated balance sheet includes cash on hand, sight deposits and other highly liquid short-term investments that can readily be realised in cash and that are not subject to risk of a change in value.

Trade and other receivables

Receivables are initially measured at fair value in the consolidated balance sheet and subsequently remeasured at amortised cost using the effective interest method.

The Group records the corresponding impairment provisions for the difference between the recoverable amount of receivables and their carrying amount. The recoverable amount of receivables is calculated by discounting estimated future cash flows using the effective interest rate at the outset of the transaction.

f. Non-current assets held for sale

The Group records as "Non-current assets held for sale" intangible assets, plant, property and equipment, or those assets included under "Investments accounted for using the equity method" and assets subject to disposal (group of assets that are to be disposed of along with their directly associated liabilities) for which, at the closing date of the consolidated balance sheet, active negotiations have begun for their sale and it is estimated that it will take place within twelve months from that date.

These assets are measured at the lower of the carrying amount or estimated sale value less the costs necessary to carry out their sale, and are no longer depreciated from the moment they are recognised as such.

Non-current assets held for sale and the associated liabilities are presented in the balance sheet under "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale."

At 31 December 2010, Enagás, S.A.'s investments in Gasoduto Campo Maior-Leiria-Braga, S.A. and Gasoduto Braga-Tuy, S.A. were classified as non-current assets held for sale (Note 9).

g. Inventories

Natural gas inventories

The only natural gas inventories held by Enagás, S.A. are those held as 'cushion' gas and line-pack gas for the pipelines and regasification facilities it operates; these stocks of gas are classified as property, plant and equipment.

Other inventories

Other inventories unrelated to natural gas are stated at the lower of acquisition or production cost and net realisable value. The carrying amount includes the cost of direct materials and, where appropriate, direct labour and manufacturing overheads, including costs incurred in bringing the products to their present location and condition, at the point of sale.

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In addition, the company assesses the net realisable value of inventories at the balance sheet date and recognises any necessary impairment charges. When the circumstances that had previously caused inventories to be written down no longer exist or there is clear evidence of an increase in net realisable value because of new economic circumstances, the impairment is reversed.

h. Equity and financial liabilities

Capital and other equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities are classified according to the terms and economic substance of the contractual agreement.

Group companies classify their main financial liabilities as follows:

- Financial liabilities at fair value through profit or loss, mainly financial liabilities held for trading: Financial liabilities associated with available-for-sale financial assets originating from asset transfers where the assigning entity neither substantially transfers nor retains the risks and benefits of said assets.
- Held-to-maturity financial liabilities: Held-to-maturity financial liabilities are measured at amortised cost as defined above.

The liability instruments held by Group companies are:

- Bank loans: Interest-bearing loans are carried at the amount received, net of direct issue costs. Finance costs, including premiums payable upon settlement or repayment and direct issue costs, are taken to the consolidated income statement as accrued using the effective interest method and added to the carrying amount of the instrument if not paid during the period in which they accrue.
- Financial derivative instruments and hedge accounting: Bank borrowings expose the Group to fluctuations in interest rates. To hedge these risks, the group uses swaps. The Group does not use derivative instruments for speculative purposes.

The use of derivatives is governed by the Group's risk management policies approved by the parent company Enagás, S.A. Further details on the use of derivative instruments are disclosed in Note 18.

The Company arranges cash flow and fair value hedges. These hedge arrangements are recognised as follows:

- a) Fair value hedges: the hedging instrument and the hedged item are both measured at fair value, and any changes in fair value are recognised in the consolidated income statement as finance cost or revenue.
- b) Cash flow hedges: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised, net of the corresponding tax effect, in "Equity – Net unrealised gains (losses) reserve – Hedges" in the accompanying consolidated balance sheet. The accumulated gain or loss on the hedging instrument is taken to the income statement as the hedged item affects profit or loss. The portion of the gain or loss deemed to be an ineffective hedge is recognised directly in the consolidated income statement under finance revenue or cost, as appropriate.



Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity until the forecast transaction takes place. When a forecast hedged transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

i. Trade and other payables

Trade payables are non-interest bearing and are stated at nominal value.

j. Classification of payables into current and non-current

Payables in the accompanying consolidated balance sheet are classified by maturity, i.e., those maturing in 12 months or less are classified as current, and those maturing in over 12 months as non-current.

k. Pension obligations

Enagás makes contributions, in accordance with the approved pension plan adapted to the provisions of the Law on Pension Plans and Funds, to a defined contribution plan called “Enagás Fondo de Pensiones”, whose fund manager is Gestión de Previsión y Pensiones, S.A. and its custodian Banco Bilbao Vizcaya Argentaria, S.A., and which covers the company’s obligations with respect to serving employees. The company recognises certain vested rights for past service and undertakes to make monthly contributions averaging 6.8% of eligible salary. It is a mixed plan covering retirement benefits, disability and death.

The contributions made each year by the company in this connection are recognised under “Employee benefits expense” in the consolidated income statements. The amounts not yet contributed at each year-end are recognised at their present value under “Provisions – Provisions for pensions and similar obligations” in the consolidated balance sheet.

The company has committed to pay senior management and other top-ranking employees a variable sum as a bonus for fulfilling certain requirements during their time with the company, normally an amount based on the remuneration being earned at the moment of retirement.

l. Termination benefits

Under current Spanish regulations, Spanish consolidated companies and some foreign companies are required to pay severance to employees terminated without just cause. There are no labour force reduction plans warranting recognition of a provision in this connection.

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m. Provisions

The Group makes a distinction between:

- Provisions: balances payable covering obligations existing at the balance sheet date arising as a result of past events which could give rise to a loss for the companies which is specific in nature but uncertain as to amount and timing.
- Contingent liabilities: possible obligations as a result of past events whose occurrence depends on the occurrence or non-occurrence of one or more separate future events not within the control of the consolidated entities.

The consolidated financial statements of the Group include all significant provisions where it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated annual financial statements, but are disclosed in the notes (see Note 15).

Provisions, which are estimated based on the best available information as to the consequences of the events giving rise thereto and which are re-estimated at the balance sheet date, are used to meet the specific and probable obligations for which they were initially recognised and are reversed, totally or partially, whenever these risks disappear or diminish.

At year-end 2011 a number of legal proceedings and claims had been filed against consolidated companies in connection with the ordinary course of their business. The Group's legal counsel and its directors believe that the resolution of these proceedings and claims will not have a significant effect on the annual financial statements of the years in which they are resolved.

n. Deferred revenue

This is mainly advance payments received for natural gas transport rights assigned to Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A., which are taken to profit and loss on a straight-line basis until 2020 when the transport contract expires.

It also includes the accrual of amounts received for making connections from Enagás, S.A.'s basic network to networks owned by distributors, secondary transporters, gas supply companies and eligible customers. This revenue is taken to profit and loss on the basis of the useful life of the assigned installations.

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. It represents the amounts receivable for goods delivered and the services rendered as part of the company's ordinary course of business, less discounts, VAT, and other sales taxes.

Ordinary revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the result of the transaction can be estimated reliably.

Following the publication of rules which affect Enagás, S.A. in the Official State Gazette of 15 February 2002 (applicable as of 19 February 2002), revenue recognition criteria under the new regulations are as follows:



On 15 February 2002 three Ministerial Orders were approved by the Ministry of Economy defining the new remuneration system for regulated natural gas activities in Spain, which came into force on 19 February 2002. In addition to specifying remuneration for regulated gas-related activities, these Orders fixed natural gas prices and tolls and royalties for third-party access to gas installations stipulating the total payment receivable in 2002 by all companies carrying out purchase and sale activities for the tariff market, regasification, gas storage and transportation, technical management of the system and gas distribution activities, in addition to formulae and criteria for restating and establishing the remuneration of these activities in coming years. Subsequently, on an annual basis, new Orders have been published that have replaced those of previous years.

On 28 December 2010, the Ministry of Industry, Tourism and Commerce published the Order (ITC/3354/2010) establishing the tolls and royalties applicable to third-party access to gas installations applicable in 2011 as well as the last resort tariff, in addition to updating certain aspects relating to remuneration of regulated gas sector activities.

On 17 November 2011, the Ministry of Industry, Tourism and Commerce published an Order (ITC/3128/2011) updating certain aspects relating to third-party access to gas installations and how regulated activities are remunerated.

In accordance with this new legislation, the Group is entitled to remuneration for the following activities:

- Transport
- Regasification, including loading of LNG tank and the transfer of LNG to tankers
- Storage
- Technical system management
- Generation of the minimum operating level for LNG ships and of the minimum linepack for gas pipelines (see Note 3-b)
- Own consumption of natural gas
- Sales of condensates at the recently acquired Gaviota storage facility
- Interest applicable to the remuneration received from the settlement system
- Regasification shrinkage incentive
- Overall incentive for availability

The most relevant revenue-related aspects of the regulations covering the activity carried out by the Group are described in Note 4 below.

Interest revenue is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend revenue from investments is recognised when the shareholder's rights to receive payment have been established.

p. Expense recognition

Expenses are recognised in the consolidated income statement when there is a decrease in the future economic benefit related to a reduction in an asset or an increase in a liability that can be measured reliably. This means that the recognition of expenses takes place simultaneously with the recognition of the increase in the liability or the reduction of the asset.

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An expense is recognised immediately when a payment does not generate future economic benefits or when the necessary requirements for it to be recorded as an asset are not met.

q. Income tax expense

Income tax expense is recognised in the consolidated income statement or in equity accounts in the consolidated balance sheet depending on where the gains or losses giving rise to it have been recognised. Deferred tax assets and liabilities are recognised on differences between the carrying amounts of assets and liabilities and the corresponding tax bases and are calculated using the tax rates that are expected to apply when the assets are realised or the liabilities settled.

Changes during the year in deferred tax assets or liabilities which do not arise from business combinations are recognised in the consolidated income statement or directly in equity accounts in the consolidated balance sheet, as appropriate.

Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deductions arising from economic events in the year are deducted from accrued income tax expense unless there are doubts as to whether they will be realised, in which case they are not recognised until they materialise, or they relate to specific tax incentives.

Income tax expense represents the sum of the current tax and any changes in deferred tax. Current tax is calculated by applying the tax rate to taxable profit less any deductions.

r. Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year, excluding the number of parent company shares held as treasury shares by Group companies. Basic earnings per share coincides with diluted earnings per share (Note 14).

s. Consolidated cash flow statement

The following terms are used to present the consolidated cash flow statement:

Cash flows: inflows and outflows of cash and cash equivalents, defined as highly liquid, short-term investments with low risk of experiencing significant fluctuations in the value.

Operating activities: the entity's ordinary operating activities and any other activities that cannot be classified as investing or financing activities.

Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

Financing activities: activities that result in changes in the size and composition of equity and liabilities that are not operating activities.



4. Regulation of remuneration

In 2008, Royal Decree 326/2008 of 29 February 2008 was issued to establish the remuneration payable for natural gas transportation services applicable to facilities in service from 1 January 2008, the first time the mechanism for calculating this remuneration was set at the Royal Decree level.

Adapting and standardising the remuneration framework was intended to provide stability and eliminate uncertainty, thus paving the way for the major investments anticipated during the new planning period (2008 to 2016).

This Royal Decree adapts the transport remuneration system to the model which began to be defined in late 2006, further reinforcing convergence with the compensation system for electricity transmission, and with the remuneration schemes in place for analogous regulated activities in neighbouring European nations.

The remuneration calculation formula is similar to those for regasification and underground storage. Like those, it is based on net assets, though for transport, investments are updated annually at a rate of 2.5%.

Ministerial Order ITC/3802/2008 of 26 December 2008 updated certain aspects of the financial regime governing regulated activities within the gas sector for 2009.

Ministerial Order ITC/3520/2009 of 28 December 2009 updated certain aspects of the financial regime governing regulated activities within the gas sector for 2010.

Ministerial Order ITC/3354/2010 of 28 December 2010 established remuneration for regulated activities within the gas sector for 2011 and the tolls and royalties applicable to third-party access to the gas installations.

Ministerial Order ITC/3128/2011 of 17 December 2011 regulates certain aspects of third-party access to the gas installations as well as remuneration of regulated activities in the natural gas system.

The following provisions stand out:

- The legislation enacts the application of unit position values, transport facility maintenance centres and the procedure to be used to appraise extensions to transport infrastructure used for regulated activities, clarifying certain practical implementation aspects.
- Introduction of an incentive for reducing shrinkage in the transport system by means of application of a formula similar to that already applied at the regasification facilities.
- Publication of the new benchmark unit values for investment and operating and maintenance costs for regasification facilities, in keeping with the CNE's proposal, applicable from 2012.

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- Modification of the regime for remunerating operating and maintenance costs at the natural gas storage facilities. Broadly speaking, the fixed and variable benchmarks of the old model have been replaced by a series of direct and indirect costs in an attempt to better reflect these costs as they occur and evolve. Establishment of the definitive remuneration for the Serrablo and Gaviota underground storage facilities in this respect for 2007 and 2008 and of the related provisional remuneration for 2009, 2010 and 2011.
- Clarification of specific points concerning the benchmark investment and maintenance unit values for the transport facilities, separating the cost of linear works from work on the position points and extending application to facility extension work. Specific reference to the application of the unit values to the maintenance centres, establishing certain parameters which are vital to calculating the remuneration on these assets, such as their useful lives.
- Establishment of a daily balancing system for the day following the “gas day” on the basis of data provided by distributors. Introduction of a procedure intended to provide an incentive to furnish the required information on time.
- Maintenance of the obligation to maintain minimum natural gas inventories at the higher level of 20 days for strategic purposes, adapting the capacity allocation mechanisms to this new level.
- Award of the outstanding remuneration for certain installations associated with the Serrablo underground storage facility.
- Introduction of a mandate regarding “Minimum technical specifications for operating the regasification facilities” by virtue of which the CNE will have three months to present a proposal to the Directorate General for Energy Policy and Mining stipulating the minimum technical requirements for each regasification facility and the minimum non-transportable areas from the transportation grid. To this end, the CNE shall form the taskforces it deems appropriate, including representatives from gas suppliers, regasification plant owners, transporters and the Technical System Manager. The proposal must include an analysis of the investments needed to reduce each facility’s minimum operating requirements as well as the minimum non-transportable areas.

Order IET/3587/2011 of 30 December 2011, establishing the tolls and royalties for third-party access to gas installations and remuneration of the regulated activities, establishing the fixed assets entitled to remuneration at each company in relation to their transport, regasification, storage and distribution activities, as well as the parameters for calculating the related variable remuneration.

This Order includes the updated unit investment and operating expense values applicable to the regasification, transport and storage installations for 2012. The methodology established in earlier years was left intact and only the remuneration granted for 2012 was updated.

The tolls and royalties for third-party access to the gas installations established in this Order imply an average increase of 4.35% (vs. 4% the prior year). The underground storage royalty was left unchanged year-on-year.

As in previous years and in keeping with applicable regulations, these Orders determine that the cost recognised for transport, regasification, and underground storage activities comprises fixed and variable components.

a.1) Recognised fixed cost. Recognised fixed cost is calculated on the basis of operating assets and compensates investment and operating costs relating to assets used in the gas system.

- **Value of recognised assets.** For installations put into service before 2002, the remuneration is calculated based on the book value of the assets after the revaluation of 1996 (Royal Decree Law 7/1996), less grants received to finance these assets. An annual restatement rate based on the adjusted average of the consumer price index (CPI) and the industrial price index (IPRI) is applied to the difference.

For new installations brought into service since 2002, the standard value of each investment set by the regulator is used, while those investments that entail expansion are measured at actual cost.

Investments in underground storage are also measured at actual cost because there are no standard values.

Transport installations brought into service from 2008 are valued at the average of the standard value and actual cost.

Regasification installations put into service since 2006 are valued at actual cost plus 50% of the difference between standard value and actual cost, up to the amount of standard value.

- **Remuneration for depreciation of system assets.** The depreciation rate relating to the useful life of the asset is applied to the investment recognised to give the amount of revenue for this item.

For transport assets put into service after 1 January 2008, depreciation is updated annually at a rate of 2.5%.

- **Financial remuneration for the value of the investment.** For transport assets put into service before 2008, this figure is calculated by applying a financial return equal to the annual average IRR on 10-year government bonds or a replacement interest rate plus 1.5% to the value of the gross investment value obtained as per the previous paragraph.

For transport assets put into service after 1 January 2008, this figure is calculated by applying a financial return equal to the annual average IRR on 10-year government bonds or a replacement interest rate, plus 3.75%, to the value of the net investment value (after depreciation) obtained as per the previous paragraph, updated annually at a rate of 2.5%.

For regasification and storage assets, this figure is calculated by applying a financial return equal to the annual average IRR on 10-year government bonds or a replacement interest rate, based on the date that each facility was put into service, plus 3.5%, to the value of the net investment (after depreciation) obtained in the previous paragraph.

The resulting remuneration rate for transport assets started up in 2011 was 9.01%.

- **Remuneration of fully depreciated assets.** For transport assets put into service before 2008, 50% of the financial remuneration is recognised. For regasification, storage, and transport assets put into service from 1 January 2008, 50% of the depreciation and the financial remuneration of the last year is recognised. With regard to the latter transport assets, remuneration is also updated annually at a rate of 2.5%.

a.1.2. Compensation for operating costs relating to regasification and transport assets started up before the end of 2007 is calculated in accordance with the costs authorised in 2000 for gas system installations for gas transport and regasification, standardised by physical and technical unit. For transport assets commissioned after 1 January 2008, the standard values applicable are those established in the unit value review proposal put forward by the CNE.

These standard values are updated annually based on consumer price index and the industrial price index (IPRI) for capital goods, adjusted by certain efficiency factors.

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For underground storage facilities, a specific fixed operating and maintenance cost is defined for each site, calculated on the basis of the corresponding direct and indirect costs.

These costs are updated annually based on the consumer price index and the industrial price index for capital goods, adjusted by certain efficiency factors. The direct costs to be ultimately authorised correspond to half of the prior-year direct costs, updated as described above, plus half of the actual cost for the current year, which must be justified by a financial audit.

a.1.3. Revenue relating to the fixed authorised cost is taken to the consolidated income statement on a straight-line basis. In this way, a month-on-month balance is achieved between revenue (remuneration) and expenses (depreciation).

a.2) Recognised variable cost for regasification and transfer of LNG to tankers.

a.2.1. The recognised variable cost is calculated based on the number of kW/hr actually regasified and loaded in LNG cisterns in each period and the variable unit regasification cost for the period in question. For 2011, this cost was set at 0.000167 euros per kWh regasified and 0.000201 euros per kWh loaded in cisterns.

a.2.2. For loading LNG onto ships from regasification plants or the pre-cooling of ships a cost identical to the variable cistern loading cost is recognised. For ship-to-ship transfers the cost is 80% of this value.

b) Revenue from technical system management (TSM).

Revenue from this activity is calculated on a yearly basis in accordance with the recognised cost for each year and is used to compensate Enagás, S.A.'s for its obligations as Technical System Manager, which include coordinating the development, operation and maintenance the transport network, supervising the security of natural gas supply (storage levels and emergency plans), implementing plans for the future development of gas infrastructures and controlling third-party access to the network.

In 2011, the amount earmarked for TSM remuneration, which should be collected by companies that are titleholders of the regasification, transport, storage and gas distribution facilities, as a percentage of invoicing for tolls and fees relating to third-party network access rights, was 0.42%. This amount is deposited by these companies within the deadlines and in the manner established in the settlement procedure in the deposit account kept open by the CNE for these purposes.

The above-mentioned percentage of invoicing is calculated based on the figure obtained by applying maximum tolls and fees to the invoiced amounts, without subtracting possible discounts that could be agreed between the titleholders of the installations and their users.

Notwithstanding the foregoing, the remuneration recognised for acting as technical system manager in 2011 was 11,444,941 euros. Any surplus or shortfall between this figure and the amounts received as a result of application of the above calculations will be included by the CNE in the fourteenth settlement of 2011.

This revenue is taken to the consolidated income statement monthly on a straight-line basis.



c) Settlement of tolls relating to third-party access to gas installations.

Invoicing and collection of remuneration for regulated activities subject to settlement (third-party access to the network and technical system management) is carried out in compliance with the settlement procedure established in the Ministerial Order dated 28 October 2002.

d) Settlement system.

On 1 November 2002, Ministerial Order ECO/2692/2002 (28 October) was published, regulating settlement procedures for remuneration of regulated activities and defining company disclosure requirements.

Additional provision number five of Order ITC/3993/2006 amends section I.5 of appendix II of this settlements order and states that the interest equivalent to applying the average 1-year treasury bill yield during 60 days to the amounts to be paid to each transporter or distributor be added to the settlements.

e) Remuneration of the minimum operating level and minimum linepack of gas pipelines.

Article 16 of Order IET/3587/2011 provides that the minimum level for gas filling of the pipeline transport and regasification plants (gas cheque) shall be remunerated as a necessary investment for the transport activity, recognising a financial return.

Additionally, Article 17 of this Order provides that the financial retribution for the filling gas purchased for the minimum of transport pipelines and regasification plants purchased each year shall be calculated by applying to cost a remuneration rate equal to the average monthly rate of the 10 year Spanish government bond in the twelve months prior to November last year, plus 350 basis points. The acquisition cost will be the result of applying the auction price to the quantity purchased.

f) Revenue for gas purchases for internal consumption.

From 1 July 2007, gas transporters are responsible for acquiring the amount of gas needed for internal consumption at their facilities. This leads to a reduction in the percentages of shrinkage retained from users.

Gas acquired by transporters is measured at the auction price, with the payments made treated as reimbursable expenses.

g) Development of the Regulatory Framework.

The main gas industry regulatory developments approved in 2011 include:

1. Supranational regulations

European Commission Communication of 19 October 2011 (COM(2011) 676 of 19 October 2011). This Communication encompasses several specific regulatory proposals for the infrastructure segment, including the proposed Regulation earmarking 1 billion euros to investment in transport, energy and fast broadband sectors for the period up to 2020.

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European Commission Proposal for Regulation of 19 October 2011 (COM(2011) 658 2011/0300 (COD) of 19 October 2011) on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC, intended to establish the energy infrastructure priorities in the European Union for 2020 and beyond in order to achieve an internal energy market.

European Commission Proposal for Regulation of 19 October 2011 (COM(2011) 665 2011/0302 (COD) of 19 October 2011), establishing the Connecting Europe Facility (CEF) and determining how the interventions to accelerate development of priority infrastructure projects within the CEF will be financed under the umbrella of the sector specific targets for transport, telecommunications and energy.

European Commission Communication of 8 March 2011 (COM(2011) 112 final) A Roadmap for moving to a competitive low carbon economy in 2050, commonly known as the "Roadmap 2050", was adopted by the European Commission on 8 March 2011.

European Commission Communication COM(2011) 885/2 The European Commission published its "Energy Roadmap 2050" on 15 December 2011.

Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency providing the rules governing the wholesale gas and electricity trade, including establishment of a mechanism for detecting market abuse and imposing penalties in the event of regulatory breach.

2. Spanish regulations

Remuneration and tolls:

Order ITC/3354/2010 of 28 December 2010, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated gas sector activities for 2011.

Order ITC/3128/2011 of 17 November 2011, regulating certain aspects of third-party access to gas installations and remuneration of regulated activities.

Order IET/3587/201 of 30 December 2011, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated gas sector activities for 2012.

Tariff of last resort:

Resolution of the Directorate General for Energy Policy and Mining of 30 December 2011, publishing the natural gas last resort tariff applicable from 1 January 2012.

Resolution of the Directorate General for Energy Policy and Mining of 21 September 2011, publishing the natural gas last resort tariff applicable from 1 October 2011.

Resolution of the Directorate General for Energy Policy and Mining of 22 June 2011, publishing the natural gas last resort tariff applicable from 1 July 2011.

Resolution of the Directorate General for Energy Policy and Mining of 22 March 2011, publishing the natural gas last resort tariff applicable from 1 April 2011.

Resolution of the Directorate General for Energy Policy and Mining of 28 December 2010, publishing the natural gas last resort tariff applicable from 1 January 2011.



System Management Rules:

Resolution of the Directorate General for Energy Policy and Mining of 22 September 2011, amending the so-called measurement protocol (PD-01) within the gas system operation rules (Spanish Official State Gazette (BOE) of 3 October 2011).

Resolution of the Directorate General for Energy Policy and Mining of 22 March 2011, amending the protocol (PD-05) called "Procedure for determining the amount of energy offloaded by methane tankers" (Spanish Official State Gazette (BOE) of 1 April 2011).

Mandatory Planning and Winter Plan:

Announcement dated 31 August 2011 by the Secretary of State for Energy officially requesting public consultation regarding the Environmental Sustainability Report and issuing the preliminary draft of the Electricity and Gas Sector Infrastructure Plans for 2012-2020.

Announcement dated 27 July 2011 by the Secretary of State for Energy making the Indicative Energy Plan for 2012-2020 document available to the public.

Resolution dated 31 January 2011 by the Directorate General for Environmental Quality and Assessment initiating consultation with the affected authorities and general public concerned with the strategic environmental evaluation of the 'Electricity and Gas Sector Infrastructure Plans for 2012-2020', resolving that the same should be published on public interest and administrative efficiency grounds.

Correction of errors in the Resolution of the Directorate General for Energy Policy and Mining of 23 November 2011, approving the Winter Action Plan for gas system operations.

Resolution of the Directorate General for Energy Policy and Mining of 23 November 2011, approving the 2010-2011 Winter Action Plan for gas system operations, establishing the transitional operating requirements required for the 2011-2012 winter season.

Underground storage:

Royal Decree 1383/2011, of 7 October 2011, amending Royal Decree 855/2008, of 16 May 2008, granting Escal UGS, S.L. a concession to operate the underground natural gas storage facility called "Castor".

Basque Regional Coastal Planning Resolution issued by the Ministry for the Environment, Rural and Marine Affairs on 15 September 2011, authorising the transfer to ENAGAS, SA of the rights deriving from the concession arrangement initially granted to Repsol Investigaciones Petrolíferas, SA by virtue of Ministerial Order 13/06/1997 which legalised the facilities at 105 gas fields at Gaviota I and Gaviota II in the town and maritime district of Bermeo (Vizcaya).

Royal Decree 1088/2011 of 15 July 2011 adapting the basis of the operating concession at the hydrocarbon fields called "Marismas B-1", "Marismas C-2" and "Marismas A" to that of an underground natural gas storage facility operating concession.

Order ITC/1767/2011, of 22 June 2011, authorising the transfer of the concession to operate the Gaviota underground storage facility to Enagas, SA.

Directorate General for Energy Policy and Mining Resolution of 25 March 2011 establishing some of the parameters for the auction to allocate basic storage capacity for the period elapsing between 1 April 2011 and 31 March 2012.

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Directorate General for Energy Policy and Mining Resolution of 14 March 2011 establishing definitive capacity and the minimum starting price for the auction for basic underground storage capacity for the period elapsing between 1 April 2011 and 31 March 2012.

Directorate General for Energy Policy and Mining Resolution of 25 February 2011 establishing certain aspects relating to the auction to allocate basic storage capacity for the period elapsing between 1 April 2011 and 31 March 2012.

Directorate General for Energy Policy and Mining Resolution of 31 January 2011, publishing the capacity available in the basic natural gas storage facilities for the period elapsing between 1 April 2011 and 31 March 2012.

Auction for the acquisition of gas for minimum linepack purposes and minimum operating levels (gas talón):

Resolution of the Directorate General for Energy Policy and Mining of 19 October 2011, establishing certain parameters for the auction for the acquisition of natural gas for the purpose of setting the tariff of last resort for the period between 1 January and 30 June 2012.

Resolution of the Directorate General for Energy Policy and Mining of 29 September 2011, establishing the rules for conducting the auction for the acquisition of natural gas for the purpose of setting the tariff of last resort for the period between 1 January and 30 June 2012.

Resolution of the Directorate General for Energy Policy and Mining of 9 June 2011, establishing certain parameters for the auction for the acquisition of natural gas for the purpose of setting the tariff of last resort for the period between 1 July 2011 and 30 June 2012.

Resolution of the Directorate General for Energy Policy and Mining of 18 May 2011, approving certain parameters for the auction for the acquisition of gas to fulfil minimum operating requirements for the period between 1 July 2011 and 30 June 2011.

Resolution of the Directorate General for Energy Policy and Mining of 18 May 2011, establishing the rules for conducting the auction for the acquisition of natural gas for the purpose of setting the tariff of last resort for the period between 1 July 2011 and 30 June 2012.

Resolution of the Directorate General for Energy Policy and Mining of 6 May 2011, establishing the rules for conducting the auction for the acquisition of gas to fulfil minimum operating requirements for the period between 1 July 2011 and 30 June 2012.

Capacity allocation procedures:

Resolution of the Directorate General for Energy Policy and Mining of 3 November 2010, calling the coordinated procedure for allocating natural gas interconnection capacity between Spain and France for the period between 1 April 2011 and 31 March 2012 in relation to short-term contracts.

Resolution of the Directorate General of Energy Policy and Mining of 29 August 2011, amending that of 25 July 2006, which regulates allocation terms and conditions and the process of applying supply cut-off in the gas system.

**Strategic reserves corporation (CORES):**

Order ITC/3486/2011, of 14 December 2011, approving the amounts certain companies are required to contribute to CORES, the corporation entrusted with managing the country's strategic oil product reserves, for 2012.

Other provisions:

Law 12/2011, of 27 May 2011, regarding civil liability for nuclear damage or damage produced by radioactive materials. Final provision six of this piece of legislation amends the Hydrocarbon Act (Law 34/1998, of 7 October 1998). ENAGÁS, S.A. must incorporate the required subsidiaries within one year from when this law takes effect (namely the day after its publication in the Official State Gazette (BOE) in respect of this provision).

Royal Decree 1887/2011 of 30 December 2011, establishing the organisational structure for the ministerial departments.

Royal Decree 1823/2011 of 21 December 2011, restructuring the ministerial departments.

Royal Decree 1826/2011 of 21 December 2011, that appoints the Ministers of the Government.

Royal Decree 1152/2011 of 29 July 2011, amending Royal Decree 1226/2010 of 1 October 2010, enacting the basic organic structure of the Ministry of Industry, Tourism and Trade.

Resolution of the Directorate General for Energy Policy and Mining of 19 July 2011, determining certain disclosure requirements with respect to the gas system.

Royal Decree 2/2011 of 5 September 2011, establishing the Consolidated Text of the State Ports and Merchant Navy Act.

The Sustainable Economy Act (Law 2/2011, of 4 March 2011), establishing principles of best practice with respect to regulatory initiatives and mechanisms for enhancing existing regulations, such as the reform of regulatory bodies, among other reforms.

CNE Resolution of 10 February 2011 establishing and publishing (in keeping with additional provision three of Royal Decree Law 6/2000, of 23 June 2000), the relations between dominant players in the energy sectors (BOE 27/04/2011).

CNE Resolution of 10 February 2011 establishing and publishing (in keeping with article 34 of Royal Decree Law 6/2000, of 23 June 2000), the relations between key players in the energy sectors (BOE 27/04/2011).

Resolution of the Directorate General for Energy Policy and Mining of 12 April 2011, approving the framework procedure for contracting natural gas services by telephone or electronic or other remote means (BOE 20/04/2011).

Decision of the Spanish Cabinet of 11 November 2011 approving the Renewable Energy Plan for Spain for 2011-2020, establishing targets in keeping with those set down in Directive 2009/28/EC of the European Parliament and Council of 23 April 2009 on the promotion of the use of energy from renewable sources, and enacting the mandates laid down in Spanish Royal Decree 661/2007, which regulates energy generation under the 'special regime' and the Spanish Sustainable Economy Act (Law 2/2011, of 4 March 2011).

Royal Decree 704/2011 of 20 May 2011, enacting the Regulations for protecting critical infrastructure.

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5. Intangible assets

The breakdown and movement in intangible assets and their amortisation in 2011 and 2010 were as follows:

2011

(Figures in thousands of euros)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or reversals	Closing balance
Cost					
Development costs	1,865	1,577	1,817	-	5,259
Concessions	5,935	-	-	-	5,935
Computer software	67,070	26,726	-	-	93,796
Other intangible assets	7,225	2,630	-	-	9,855
Total cost	82,095	30,933	1,817	-	114,845
Depreciation					
Development costs	359	206	-	-	565
Concessions	2,919	215	-	-	3,134
Computer software	38,135	13,086	-	-	51,221
Other intangible assets	4,053	1,057	-	-	5,110
Total depreciation	45,466	14,564	-	-	60,030

2010

(Figures in thousands of euros)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or reversals	Closing balance
Cost					
Development costs	965	900	-	-	1,865
Concessions	5,887	71	-	(23)	5,935
Computer software	47,075	19,995	-	-	67,070
Other intangible assets	32,287	257	(25,319)	-	7,225
Total cost	86,214	21,223	(25,319)	(23)	82,095
Depreciation					
Development costs	271	88	-	-	359
Concessions	2,687	236	-	(4)	2,919
Computer software	28,533	9,602	-	-	38,135
Other intangible assets	13,318	1,851	(11,116)	-	4,053
Total depreciation	44,809	11,777	(11,116)	(4)	45,466



The increases in "Development costs" in 2011 relate mainly to phase 1 of the power generation project for the Huelva plant, in the amount of 1,156 thousand euros, the Delfos project relating to demand for natural gas for short term power production in the amount of 349 thousand euros, and the Proteo Project relating to long-term demand, for 72 thousand euros.

Key software additions in 2011 include:

- SW SIOM Platform, for 2,894 thousand euros.
- San Fernando CCR software, for 2,368 thousand euros.
- SL ATR 2.0, in the amount of 2,253 thousand euros.
- Software to expand the system architecture in 2011, for 2,221 thousand euros.
- Maintenance management software 2.0, for 2,042 thousand euros.
- Sales and marketing software systems 2011, for 1,830 thousand euros.
- Competence centres software 2011-2012, for 1,265 thousand euros.
- Job performance evaluation software, in the amount of 1,090 thousand euros.
- Financial and corporate system functionality, amounting to 2,090 thousand euros.

Also included within these additions are 21 thousand euros corresponding to BBG and 115 thousand euros corresponding to TLA, while "Other intangible assets" in the table above include 2,396 thousand euros corresponding to TLA.

At year-end 2011 and 2010, the Company was still using the following fully-amortised intangible assets:

2011

Item	(Figures in thousands of euros)	
	Carrying amount (gross)	
Development costs		268
Computer software		29,835
Other intangible assets		2,107
Total		32,210

2010

Item	(Figures in thousands of euros)	
	Carrying amount (gross)	
Development costs		205
Computer software		22,630
Other intangible assets		1,923
Total		24,758

Intangible assets are not mortgaged or subject to any other similar encumbrance.

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6. Property, plant and equipment

The breakdown and movement in property, plant and equipment and accumulated depreciation in 2011 and 2010 were as follows:

2011

(Thousands of euros)						
	Opening balance	Additions	Transfers (additions or decreases)	Disposals derecognition or reversals	Closing balance	
Cost						
Land and buildings	216,230	35,663	3,352	(608)	254,637	
Plant and machinery	6,677,500	299,771	437,203	(77)	7,414,397	
Other installations, equipment and furniture	47,322	1,895	15,374	(183)	64,408	
Prepayments and work in progress	1,067,866	413,143	(465,626)	(83)	1,015,300	
Government grants	(584,042)	-	-	-	(584,042)	
Total cost	7,424,876	750,472	(9,697)	(951)	8,164,700	
	Opening balance	Additions	Transfers (additions or decreases)	Disposals derecognition or reversals	Closing balance	
Depreciation						
Land and buildings	62,925	5,763	-	(377)	68,311	
Plant and machinery	2,476,580	297,188	-	(46)	2,773,722	
Other installations, equipment and furniture	39,709	3,006	-	(181)	42,534	
Prepayments and work in progress	-	-	-	-	-	
Government grants	(293,659)	(21,252)	-	-	(314,911)	
Total depreciation	2,285,555	284,705	-	(604)	2,569,656	
	Opening balance	Additions	Transfers (additions or decreases)	Reversals	Write-off or derecognition	Closing balance
Impairment						
Terrenos y construcciones	-	-	-	-	-	-
Instalaciones técnicas y maquinaria	15,573	-	-	(114)	(485)	14,974
Otras instalaciones, Utillaje y mobiliario	-	-	-	-	-	-
Anticipos e inmovilizaciones en curso	-	-	-	-	-	-
Subvenciones de capital	-	-	-	-	-	-
Total impairment losses	15,573	-	-	(114)	(485)	14,974



2010

(Thousands of euros)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals derecognition or reversals	Closing balance
Cost					
Land and buildings	155,436	57,712	3,088	(6)	216,230
Plant and machinery	6,119,216	153,626	404,659	(1)	6,677,500
Other installations, equipment and furniture	43,900	3,957	-	(535)	47,322
Prepayments and work in progress	915,823	559,800	(407,747)	(10)	1,067,866
Government grants	(561,257)	(22,785)	-	-	(584,042)
Total cost	6,673,118	752,310	-	(552)	7,424,876

	Opening balance	Additions	Transfers (additions or decreases)	Disposals derecognition or reversals	Closing balance
Depreciation					
Land and buildings	43,934	18,992	-	(1)	62,925
Plant and machinery	2,192,469	284,112	-	(1)	2,476,580
Other installations, equipment and furniture	36,815	3,425	-	(531)	39,709
Prepayments and work in progress	-	-	-	-	-
Government grants	(269,815)	(23,844)	-	-	(293,659)
Total depreciation	2,003,403	282,685	-	(533)	2,285,555

	Opening balance	Additions	Transfers (additions or decreases)	Reversals	Write-off or derecognition	Closing balance
Impairment						
Land and buildings	-	-	-	-	-	-
Plant and machinery	14,760	813	-	-	-	15,573
Other installations, equipment and furniture	-	-	-	-	-	-
Prepayments and work in progress	-	-	-	-	-	-
Government grants	-	-	-	-	-	-
Total impairment losses	14,760	813	-	-	-	15,573

“Land and buildings” include 22,643 thousand euros corresponding to TLA and 7,397 thousand euros to land at the Denia compression station.

The transfers in “Plant and machinery” mainly relate to the start-up during 2011 of:

- Duplication of the Tivissa – Paterna gas pipeline, stretches 1, 2, 3 and Sur.
- Secondary pumps related to the eighth tank at the Barcelona plant.
- An eighth 150,000m³ LNG tank at the Barcelona plant.
- Regulating and metering stations at various points on the basic grid.
- Expansion work at various points on the basic grid.
- Metering stations at various points on the basic grid.

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- The Villar de Arnedo, Chinchilla de Montearagón and Denia compression stations.
- The Algete-Yela gas pipeline (Madrid - Guadalajara).
- Pipeline to connect the Castor underground storage facility up.
- Gas pipeline branch to Besós.
- 3,825 KW co-generation stations in Almendralejo.
- Power generation station for the Huelva plant.
- Gaviota underground storage facility.

Additions under "Plant and machinery" include 1,421 thousand euros (2010: 2,589 thousand euros) corresponding to the minimum linepack for system security of the gas pipelines as well as 2,512 thousand euros (2010: 4,828 thousand euros) to cover the regasification plants' minimum operating levels (also known as "gas for operation"). 90,000 thousand euros of assets under this heading correspond to TLA.

These assets also include approximately 106 million euros corresponding to the payment made by Enagás, S.A. for the acquisition of assets associated with the Gaviota underground storage facility from Repsol Investigaciones Petrolíferas, S.A. and Murphy Spain Oil.

On 24 November 2010, Enagás, S.A. reached an agreement with Iberdrola Generación S.A.U. for the acquisition of the gas pipeline to Arcos. At the date of preparation of the accompanying financial statements, this transaction was still pending final regulatory approval.

Additions to "Prepayments and work in progress" in 2011 relate mainly to the following installations:

- Denia compression station.
- Villar de Arnedo compression station.
- Chinchilla compression station.
- Duplication of the Tivissa – Paterna gas pipeline.
- Regasification facilities at the El Musel plant.
- Martorell – Figueras gas pipeline.
- LNG storage facilities at the El Musel plant.
- Regasification facilities at the El Musel Plant.
- Eighth tank at the Barcelona plant.
- Surface installations Yela underground storage facility.
- Wells at Yela underground storage facility.
- Yela - El Villar de Arnedo gas pipeline.
- Increase in Gaviota stake acquired from RIPSA.
- Increase in Gaviota stake acquired from Murphy.
- Gas pipeline to Besós.
- Algete - Yela gas pipeline.
- Power generation station for the Huelva plant.
- Pipeline to connect the Castor underground storage facility up.
- Castor pipeline mountain rescue unit.
- Replacement of internal fireproof mesh at the Barcelona plant.



- Installation of the fire safety system in 17 areas of the Barcelona plant.
- Metering unit at position G-02 of the Larrau – Villar de Arnedo pipeline.
- Maritime civil works at the Asturias plant.

Also included within these additions are 6,172 thousand euros corresponding to prepayment and work in progress at BBG and 2,203 thousand corresponding to prepayment and work in progress at TLA.

Write-offs from property, plant and equipment in 2011 correspond to installations, furnishings and office equipment which was replaced. The "Transfers" entry recognises the movements from work-in-progress to property, plant and equipment as projects were brought into operation in the year.

The revaluation of assets by Enagás, S.A., in accordance with the provisions of Royal Decree Law 7/1996 (7 June) regarding the revaluation of assets, resulted in an increase of 15,309 thousand euros in the depreciation charge in 2011 (2010: 15,208 thousand euros).

Finance costs accrued during construction of infrastructure projects in 2011 amounted to 26,092 thousand euros (2010: 25,259 thousand euros).

Likewise, own work capitalised increased property, plant and equipment by 15,637 thousand euros in 2011 (2010: 16,089 thousand euros).

The reduction in "Accumulated depreciation" relates mainly to installations, furnishings and office equipment which were derecognised.

At year-end 2011 and 2010, the company was still using the following fully depreciated items of property, plant and equipment:

2011

(Thousands of euros)	
Item	Carrying amount (gross)
Buildings	9,905
Plant and machinery	420,614
Other installations, equipment and furniture	37,406
Total	467,925

2010

(Thousands of euros)	
Item	Carrying amount (gross)
Buildings	8,197
Plant and machinery	366,273
Other installations, equipment and furniture	32,361
Total	406,831

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Property, plant and equipment are not mortgaged or subject to any other similar encumbrance.

The Group insures its assets so no significant losses occur, on the basis of best market practice and according to the nature and characteristics of the items of property, plant and equipment.

The Group also has insurance policies against third-party civil liability.

Government grants received at year-end 2011 relate to investments in gas infrastructure, as follows:

	Grants received at 31.12.11	Released to income at 31.12.11	(Thousands of euros) Balance at 31.12.11
Regasification plants	86,225	67,569	18,656
Gas transport infrastructure	480,309	240,088	240,221
Underground storage facilities	17,508	7,254	10,254
Total	584,042	314,911	269,131

The grants were received from the following bodies:

	Grants received at 31.12.11	Released to income at 31.12.11	(Thousands of euros) Balance at 31.12.11
EU structural funds	413,074	202,095	210,979
Spanish regional authorities	57,120	24,354	32,766
Spanish state	113,848	88,462	25,386
Total	584,042	314,911	269,131

Government grants to be released to the income statement in 2012 amount to approximately 19,281 thousand euros. The schedule for the release of the outstanding balance at 31 December 2011 is:

	<1	2 to 5	Years >5
Spanish state grants	2,895	10,548	11,943
Spanish regional authority grants	2,077	8,308	22,381
EU structural funds	14,309	55,412	141,258
Total grants	19,281	74,268	175,582



7. Interests in joint ventures

During 2011 and 2010, the shareholdings and the balances held by the parent company Enagás, S.A. with subsidiaries are as follows (see Note 2.4):

	Thousands of euros		%
	2011	2010	Percentage stakes
Gasoducto Al-Andalus, S.A. (España)	23,744	23,744	66.96%
Gasoducto de Extremadura, S.A. (España)	9,732	9,732	51.00%
Gasoduto Campo Maior - Leiria - Braga, S.A. (Portugal)	-	3,195	12.00%
Gasoduto Braga - Tuy, S.A. (Portugal)	-	2,546	49.00%
Bahía Bizkaia Gas, S.A. (España)	44,333	44,333	40.00%
Enagás-Altamira, S.L.U.	41,218	-	100.00%
Gasoducto de Escombreras S.L.U.	4,357	-	100.00%
Total, gross	123,384	83,550	-
Less: impairment losses	-	-	-
Total, net	123,384	83,550	-

At 31 December 2010 the shares that the company Enagás, S.A. held in Gasoducto Campo Maior-Leiria-Braga, S.A. and Gasoduto Braga-Tuy, S.A. were classified as non-current assets held for sale during that year (Notes 3.f and Note 9).

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8. Financial assets

8.1 Composition and breakdown

The Group's financial assets at 31 December 2011 and 31 December 2010, broken down by class and category for measurement purposes, were as follows:

Category/Class	(Thousands of euros)							
	Non-current financial liabilities							
	Equity instruments		Debt securities		Loans, derivatives and others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Assets at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Held-to-maturity investments	4,749	31	-	-	857	790	5,606	821
Loans and receivables	-	-	-	-	614	1,340	614	1,340
Available-for-sale financial assets								
Measured at fair value	-	-	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	52,071	30,651	52,071	30,651
Total	4,749	31	-	-	53,542	32,781	58,291	32,812
Current financial liabilities								
Assets at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	101,742	6,573	6,300	6,573	108,042
Available-for-sale financial assets								
Measured at fair value	-	-	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	36	-	36	-
Total	-	-	-	101,742	6,609	6,300	6,609	108,042



The changes in Group financial assets in 2011 and 2010 were as follows:

2011

(Thousands of euros)

	Balance at 01/01/09	Additions or provisions	Value re- measurement against reserves	Increase (decrease) due to transfers	Disposals, decognition or reversals	Closing balance
Equity instruments	31	4,719	-	-	(1)	4,749
Debt securities	101,742	-	-	-	(101,742)	-
Loans, derivatives and others	39,081	3,784	21,456	-	(4,170)	60,151
Total	140,854	8,503	21,456	-	(105,913)	64,900

2010

(Thousands of euros)

	Balance at 01/01/09	Additions or provisions	Value re- measurement against reserves	Increase (decrease) due to transfers	Disposals, decognition or reversals	Closing balance
Equity instruments	1	30	-	-	-	31
Debt securities	-	101,742	-	-	-	101,742
Loans, derivatives and others	19,100	2,243	28,582	(9,606)	(1,238)	39,081
Total	19,101	104,015	28,582	(9,606)	(1,238)	140,854

The financial assets carried in the accompanying financial statements at fair value break down as follows by fair value calculation methodology:

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	52,107	-	52,107
Total	-	52,107	-	52,107

Level 1 inputs: Quoted prices in active markets for identical assets.

Level 2 inputs: On the basis of quoted prices in active markets for similar financial assets or other valuation techniques using observable market data.

Level 3 inputs: On the basis of inputs other than observable market data.

8.2 Impairment losses

In 2011 there were no changes in provisions for impairment losses on the Group's financial assets.

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8.3 Loans and receivables generated by the company:**Current and non-current loans**

The balance of these consolidated balance sheet headings by nature of the transaction is detailed below:

	Thousands of euros	Interest rate	Maturity
Non-current loans:			
Loans to Group companies	880	4.130%	Dec.-2012
Others loans	460	3.330%	-
Current loans:			
Loans to Group companies	6,300	4.130%	Dec.-2010
Balance at 31.12.2010	7,640		
Non-current loans:			
Others loans	614	3.950%	-
Current loans:			
Loans to Group companies	3,010	2.330%	Dec.-2012
Others loans	3,563	2.496%	Dec.-2012
Balance at 31.12.2011	7,187		

Current and non-current loans include long-term loans granted by the parent company to finance the construction of transport infrastructure; they are measured at amortised cost using the effective interest method. These loans accrue interest at variable rates referenced to the EIB rate plus a 90bp spread for Gasoducto Al-Andalus, S.A.

The breakdown is as follows:

	(Thousands of euros)	
	31.12.11	31.12.10
Current loans to Group companies:		
Gasod. Al-Andalus, S.A.	2,976	6,280
Gasod. de Extremadura, S.A.	-	20
Enagás Altamira Group	34	-
Total, current	3,010	6,300



9. Non-current assets held for sale

As indicated in Note 3.f, the shares held by Enagas, S.A. in Gasoduto Campo Maior-Leiria-Braga, S.A. and Gasoduto Braga-Tuy, S.A. were classified as non-current assets held for sale in 2010.

This was the result of the contract signed on 17 December 2010 between REN Gasodutos, S.A., Enagas, S.A., Gasoduto Campo Maior-Leiria-Braga, S.A. and Gasoduto Braga-Tuy, S.A. on the separation of Enagas, S.A. from the Portuguese dimension of the joint project for supplying natural gas to Portugal and Spain.

This agreement provided that Enagas S.A. would acquire transport capacity from its Portuguese subsidiaries and then transfer that capacity to REN Gasodutos, S.A. with effect from 1 January 2010.

Such separation was subject to prior authorisation from the Portuguese anti-trust authority as per Portuguese Law 18/2003, which operated as a condition precedent.

Such condition precedent also affected other aspects of the transaction, such as the offset of claims between the Portuguese subsidiaries and Enagas S.A., repayment of shareholder loans, the redemption of the shares and the transfer of the relationship between Enagas, S.A. and Gasoduto Campo Maior-Leiria-Braga, S.A. and Gasoduto Braga-Tuy, S.A.

The breakdown by nature of the items comprising "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" in the consolidated balance sheet at 31 December 2010 is as follows:

(Thousands of euros)

31.12.2010

Assets

NON-CURRENT ASSETS	14,202
Intangible assets	14,202
CURRENT ASSETS	17,134
Financial liabilities	9,606
Trade trade and other payables	4,536
Other liabilities	2,992
TOTAL	31,336

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(Thousands of euros)

31.12.2010**Liabilities**

EQUITY	-
NON-CURRENT LIABILITIES	2,036
Non-current financial liabilities	2,036
CURRENT LIABILITIES	3,821
Financial liabilities	2,036
Trade trade and other payables	294
Other liabilities	1,491
TOTAL	5,857

It is worth noting that on 25 January 2011 Portugal's competition authority ruled on the condition precedent clause contained in the separation agreements with the Portuguese companies described above, ruling in favour of the transaction, which therefore closed in 2011. As a result, Enagás, S.A. recognised the transaction during the first quarter of 2011, along with all the other accounting issues deriving from the agreements.

10. Inventories

It should be noted that at 31 December 2011, Enagás, S.A., as Technical System Manager, had approximately 667 GWh of operational gas necessary to ensure operation of the gas system, as stipulated in the fifth additional provision of Order ITC/3863/2007 of 28 December 2007. This gas is not recognised as inventory in the financial statements since it belongs to the entire gas system and is not the property of Enagás, S.A.

The Group also has 13,785 thousand euros (5,328 thousand euros in 2010) of inventories unrelated to natural gas that include, inter alia, office materials and consumables.

11. Trade and other receivables and current tax assets

The breakdown of "Trade and other receivables" at the consolidated balance sheet date is as follows:

	(Thousands of euros)	
	31.12.2011	31.12.2010
Trade receivables	35,486	46,520
Receivable from Group companies	1,837	1,286
Other receivables	423,995	297,670
Income tax receivable	83,706	21,007
Total	545,024	366,483

The 1,837 thousand euro "Receivable from Group companies" balance corresponds mainly to 741 thousand euros receivable from Gasoducto Al-Andalus, S.A. and 884 thousand euros receivable from Gasoducto de Extremadura, S.A. Both balances relate to gas transport services rendered to Galp Gas Natural, S.A. pending collection, which are consolidated using the proportionate method in accordance with the percentage interest of Enagás, S.A. in these companies.

Under "Other receivables", the Group includes the unsettled balance relating to remuneration for regulated regasification, transport, and storage activities in 2011 of 271,343 thousand euros, and the outstanding balance on remuneration for technical system management of 1,605 thousand euros, for a total outstanding balance of 272,948 thousand euros at year-end 2011.

In 2011, final settlement has been received by Enagás, S.A., recognizing a cumulative deviation in that period amounting to of 57,094 thousand euros. Settlement was pending since 2009.

"Other receivables" also includes the uncollected amounts from gas suppliers for the freight tax regulated by article 24 of Law 48/2003. This tax is levied on natural gas shipments which agents unload at the regasification plants, including those of which Enagás, S.A. is titleholder at the ports of Barcelona, Cartagena, and Huelva. At 31 December 2011, these uncollected amounts total 8,029 thousand euros, of which 7,573 thousand euros are subject to a lawsuit filed by certain suppliers. Specifically, 6,195 thousand euros were past due by over one year at 31 December 2011.

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Law 48/2003 modifies the duty on goods unloaded at ports under the concession regime. Title I of this law states that if the concessionaire makes the application within a period of six months, 100% of the duties related to unloading may be passed on to the agent that is titleholder of the merchandise even though payment to the port authority is still the responsibility of the taxpayer, in this case Enagás, as concessionaire under the previous regime. Under the previous regime, only 50% of the duty could be passed on to the titleholder of the goods by the titleholder of the concession.

The problem with the suppliers arose from the fact that while Law 43/2003 came into effect on 27 February 2004, Title I of the law related to the pass-through of duties became applicable on 1 January 2004 in accordance with the fifth additional provision of Law 48/2003. Enagás, S.A. submitted the application for the change of regime in July 2004, understanding that the six-month period started on 27 February 2004, when the law took effect. However, the suppliers with which the company is in litigation understand that the application from 1 January of Title I implies that this period ended on 30 June 2004. Therefore, Enagás, S.A.'s application is past the deadline and therefore, for legal purposes, outside the allotted period.

As a result of this situation, Enagás, S.A. has filed administrative claims seeking legal jurisdiction for its actions covering the full uncollected amounts. It should be noted that Enagás, S.A.'s claims have been expressly ratified by the Huelva Port Authority via ruling issued 3 May 2007, which, in line with the Port Authorities of Cartagena and Barcelona, considers without any reservation that Enagás' election to avail itself of the new economic tax regime established by Law 48/2003 was not outside the allotted period. In addition, all the rulings handed down by the regional economic and administrative courts have upheld the claims lodged by Enagás, S.A. in response to the suppliers' refusal to pay the total amounts invoiced for port duties on merchandise and for general services.

The Group's directors recognise the risk that the rest of the suppliers paying the full tax passed on by Enagás, S.A. will seek reimbursement of 50% if the court rules against Enagás, S.A. in the claims in process. The amount paid to Enagás, S.A. by suppliers with which there is no ongoing litigation at 31 December 2011 totals 44,670 thousand euros, of which 50% (22,335 thousand euros) would be at risk.

The above notwithstanding, the Group's directors consider that based on the information available at that date, the risk of not recovering these amounts is remote, so no provision for this concept has been recorded. However, it will continue to monitor the claims lodged in 2011.

"Income tax receivable" at 31 December 2011 basically includes VAT receivable by parent company Enagás, S.A., as accrued recoverable VAT is higher than VAT payable, partly because Enagás, S.A. acts as a tax warehouse. This heading also includes corporate income tax withholdings and payments on account paid by the company (Note 22).

The directors consider that the carrying amount of trade and other receivables is similar to their fair value.

Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets. The balances include amounts which on the whole are within the stipulated maturity periods and are payable by companies of recognised prestige and solvency.

The Group does not have a significant concentration of credit risk as it operates in a regulated environment under planned scenarios. However, it takes the impairment provisions deemed necessary to cover bad debt risks.

12. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" at 31 December 2011 and 2010 is as follows:

	(Thousands of euros)	
	31.12.2011	31.12.2010
Cash	25,074	18,961
Cash equivalents	1,402,249	1,068,090
Total	1,427,323	1,087,051

As a general rule, bank balances accrue interest at a rate that is similar to the market rate for daily deposits. Current deposits mature within less than three months and earn interest at market rates for this kind of product. There are no significant restrictions on the availability of cash and bank balances.

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13. Equity

13.1 Issued capital

At 31 December 2011 and 2010 the share capital of the parent company amounted to 358,101 thousand euros, represented by 238,734,260 ordinary bearer shares, all of the same class and series, with a par value of 1.50 euros each and fully paid up.

All shares of parent company Enagás, S.A. are listed on the four Spanish stock exchanges and are traded on the electronic trading platform (the continuous market). At 30 December 2011, Enagás, S.A.'s share price closed at 14.29 euros, having reached a high for the year of 16.83 euros per share on 2 May.

No company held more than 5% of the company's issued capital at either year-end 2011 or 2010. The most significant shareholdings in Enagás, S.A. at 31 December 2011 are as follows:

Company	Shareholding %
Omán Oil Company, S.A.O.C.	5.000
Sagane Inversiones, S.L.	5.000
Cantábrica de Inversiones de Cartera, S.L.	5.000
Sociedad Estatal de Participaciones Industriales	5.000
Bilbao Bizkaia Kutxa	5.000

Cantábrica Inversiones de Cartera S.L. is a subsidiary of Caja de Ahorros de Asturias (Cajastur).

It should be noted that article 92 of Law 62/2003 on tax, administration and social order measures of 31 December 2003, which amends the Hydrocarbon Act (Law 34/1998), establishes that "no individual or company may directly or indirectly hold more than 5% of Enagás, S.A.'s ordinary or voting shares".

Law 12/2007, of 2 July 2007, further limits the exercise of voting rights to 3%, in addition to the ownership cap of 5%. The law also stipulates the natural persons or legal entities that operate in the gas industry and those that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise more than 1% of the voting rights in the technical system manager. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises.

The Group has no treasury shares.

13.2 Reserves

Legal reserves

Under the Corporate Enterprises Act, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The parent company of the Group has appropriated to the legal reserve an amount of 71,620 thousand euros, included under "Restricted reserves" in the accompanying consolidated balance sheet.

In 2011, Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A. had also appropriated to their respective legal reserves the full required amount.

13.3 Interim dividend

The distribution of net profit for 2011 that Enagás, S.A.'s Board of Directors will propose for approval at the General Shareholders' Meeting is as follows:

	Thousands of euros
Dividends	237,018
Voluntary reserves	121,657
	358,675

At its meeting on 21 November 2011, the Board of Directors of Enagás, S.A. resolved to pay an interim dividend against 2011 profit of 90,958 thousand euros (0.381 euros per share, before tax). The company has prepared the necessary liquidity statement, expressed in thousands of euros, in accordance with article 277 of Spain's Corporate Enterprises Act.

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In accordance with legal requirements, the provisional financial statements prepared by the Group, which showed that there were sufficient resources to pay the interim dividend against 2011 profit, are set forth below:

	Provisional financial statements at 31 October 2011	Thousands of euros Provisional financial statements at 31 October 2010
Consolidated Group profit	301,689	284,655
10% allocation to legal reserve	-	-
Income available for distribution	301,689	284,655
Forecast interim dividend	(90,958)	(74,485)
Forecast cash at bank and in hand (Group) between 31 October and 31 December:		
Cash at bank and in hand	1,437,720	1,033,621
Collections forecast for the period	139,000	149,000
Credit facilities and loans granted by financial institutions	609,000	1,005,000
Payments forecast for the period (Including the interim dividend)	(269,030)	(261,390)
Forecast cash at bank and in hand	1,916,690	1,926,231

The aforementioned interim dividend was paid on 21 December 2011.

The proposed before-tax final dividend (0.612 euros per share) is subject to shareholder approval and is not recognised as a liability in these financial statements.

13.4 Net unrealised gains (losses) reserve

Hedging transactions

This heading refers to derivatives which the company designated as cash-flow hedges (see Note 19).

The movements in these headings in 2011 and 2010 were as follows:

2011

	01.01.2011	Change in fair value	Recognised in income	(Thousands of euros) 31.12.2011
Cash flow hedges	(3,700)	(14,271)	9,727	(8,244)
Tax effect deferred in equity	1,109	4,272	(2,918)	2,463
Total	(2,591)	(9,999)	6,809	(5,781)



2010

	01.01.2010	Change in fair value	Recognised in income	(Thousands of euros) 31.12.2010
Cash flow hedges	(17,390)	(3,992)	17,682	(3,700)
Tax effect deferred in equity	5,216	1,198	(5,305)	1,109
Total	(12,174)	(2,794)	12,377	(2,591)

14. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of shares outstanding in the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2011	2010	Change
Profit for the year (thousands of euros)	364,643	333,481	9.34%
Weighted average number of shares outstanding (thousands of shares)	238,734	238,734	-
Basic earnings per share in euros	1.5274	1.3969	9.34%

Diluted earnings per share is calculated by dividing profit for the period attributable to equity holders of the parent (adjusted for the effect of dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the period adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the company. As there are no potential ordinary shares at either year-end 2011 or 2010, basic and diluted earnings per share are the same.

15. Provisions and contingent liabilities

15.1 Provisions

The directors of the Enagás Group consider that the provisions recorded in the accompanying consolidated balance sheet adequately cover risks from lawsuits, arbitration and other proceedings described in this note, and therefore do not expect these proceedings to give rise to additional liabilities. Given the nature of the risk covered by these provisions it is not possible to make a reasonable estimate as to the timing of any payments which may arise.

The discounting of provisions is recognised with a charge to "Finance costs" in the accompanying consolidated income statement.

The changes in this balance sheet heading in 2011 were as follows:

	01.01.2011	Additions	Discounting	Amounts applied	Reclassifications	31.12.2011
Non-current provisions						
Other liabilities	5,250	3,166	-	(5,250)	3,294	6,460
Abandonment costs	29,102	55,114	826	-	-	85,042
Total non-current provisions	34,352	58,280	826	(5,250)	3,294	91,502
Current provisions						
Other liabilities	3,294	-	-	-	(3,294)	-
Total, current	3,294	-	-	-	(3,294)	-

The most significant provisions recorded in 2011 are as follows:

- Other responsibilities. In 2011 Enagas, S.A. provisioned 3,294 thousand euros for two lawsuits ongoing between the company and Iberdrola, Shell, Unión Fenosa, Cepsa and GDF Suez in respect of commercial claims.
- Abandonment costs. Here it is worth noting the charge of 53,380 thousand euros relating to Gaviota underground storage facility dismantling provision, as well as a 1,574 thousand euro provision recognised by TLA, stated at the amount of the Group's percentage interest, corresponding to its regasification plant dismantling obligations. The effect of discounting the costs to dismantle the Yela and Serrablo underground storage facilities and to dismantle the BBG regasification plant have been included under the column headed "Discounting" (Note 3.b).

15.2 Contingencies

The Group had the following contingent liabilities at 31 December 2011:

- Uncollected amounts from gas suppliers for the freight tax regulated by article 24 of Law 48/2003 (Note 11).
- Administrative proceedings with the Chamber of Commerce of Madrid relating to claims on income tax for 2007 and 2008 and contentious-administrative proceedings relating to the Chamber's claims on income tax for 2005 and 2006.
- Contentious-administrative proceedings with the state tax authorities (AEAT) regarding assessments relating to VAT on imports in 2004 and 2005 (see Note 22.8).
- Contentious-administrative proceedings with the Town Council of Godella, Valencia regarding the urban planning licence fee and construction work tax levied by this municipal authority.
- Administrative proceedings with the Town Council of Yela, Guadalajara regarding the urban planning licence fee and construction work tax levied by this municipal authority.

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16. Financial liabilities

16.1 Non-current financial liabilities

The breakdown of “Non-current financial liabilities” at year-end 2011 and 2010 was as follows:

Non-current financial liabilities								
Category/Class	Bank borrowings and finance leases		Bonds and other marketable debt securities		Derivatives and other financial liabilities		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Financial liabilities at amortised cost	2,610,164	2,496,871	695,043	1,165,548	13,894	14,678	3,319,101	3,677,097
Liabilities at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	3,964	1,037	3,964	1,037
Total	2,610,164	2,496,871	695,043	1,165,548	17,858	15,715	3,323,065	3,678,134

Below is a breakdown, by maturity, of “Bank borrowings and finance leases” and “Derivatives and other financial liabilities”:

2011

	2013	2014	2015	2016 and beyond	Total
Bonds and other marketable debt securities	-	-	498,813	196,230	695,043
Bank borrowings	464,628	455,321	122,211	1,568,004	2,610,164
Finance leases	-	-	-	-	-
Derivatives	3,358	606	-	-	3,964
Other	8,213	758	1,093	3,830	13,894
Total	476,199	456,685	622,117	1,768,064	3,323,065



2010

	2012	2013	2014	2015 and beyond	Total
Bonds and other marketable debt securities	499,028	-	-	666,520	1,165,548
Bank borrowings	421,074	656,394	348,162	1,071,241	2,496,871
Finance leases	-	-	-	-	-
Derivatives	1,037	-	-	-	1,037
Other	11,245	677	677	2,079	14,678
Total	932,384	657,071	348,839	1,739,840	3,678,134

The financial liabilities carried in the accompanying financial statements at fair value break down as follows by fair value calculation methodology:

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	8,721	-	8,721
Total	-	8,721	-	8,721

Level 1 inputs: Quoted prices in active markets for identical assets.

Level 2 inputs: On the basis of quoted prices in active markets for similar financial assets or other valuation techniques using observable market data.

Level 3 inputs: On the basis of inputs other than observable market data.

At 31 December 2011, Enagás, S.A. had undrawn credit facilities amounting to 524 million euros, with a limit of 711 million euros (2010: 155 million euros, with a limit of 690 million euros). The company is currently negotiating renewal of the main facilities maturing in 2012. Undrawn loans granted amount to 175 million euros (2010: 725 million euros).

Management believes that these amounts sufficiently cover potential short-term liquidity requirements based on commitments outstanding at the balance sheet date.

Average annual interest in 2011 on Group loans and bonds was 2.41% without considering hedges and fees and 2.69% factoring in hedges and fees (2.04% and 2.52%, respectively, in 2010).

Current loans and credit facilities of the parent company are denominated in euros and accrued interest at an average annual rate of 1.91% in 2011 without considering hedges and fees and 2.27% factoring in hedges and fees.

The directors estimate that the change in the fair value of bank borrowings at 31 December 2011, calculated by discounting future cash flows at market interest rates, amounted to 5,111 million euros (4,748 million euros at year-end 2010 and 3,915 million euros at year-end 2009). The interest rate curve used in this calculation takes into account the risks associated with the industry and Enagás, S.A.'s creditworthiness. The sensitivity of the aforementioned fair value to fluctuations in foreign currency exchange rates and interest rates is as follows:

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		Thousands of euros	
		Change in interest rates	
		0.25%	-0.25%
Change in fair value of borrowings		45.8	-46.4

"Financial liabilities at amortised cost – Derivatives and other financial liabilities" include 5,837 thousand euros corresponding to the adjustments envisaged in the income tax assessment for 1995 to 1998, discounted to 31 December 2010 (2010: 5,682 thousand euros).

This heading also includes the loan from the General Energy Secretariat, which forms part of the aid envisaged in the National Energy Programme granted by the Ministry of Industry, Tourism and Trade within the framework of the National Plan for Scientific Research and Technical Development and Innovation (2004-2007). This loan is associated with the "Project for the electricity generation system at the Almendralejo compression station" being carried out by Enagás, S.A. The total amount of the loan granted is 3,265 thousand euros, of which 168 thousand euros was repaid in 2010 and 467 thousand euros was repaid in December 2011; 2,164 thousand euros of the loan amount is classified as non-current and 466 thousand euros as current.

Also included is the loan from the General Industry Secretariat, which forms part of the aid envisaged in the aforementioned plan by the Ministry of Industry, Tourism and Trade. This loan is associated with the "Project for design and development of a high pressure gas meter calibration facility" being carried out by Enagás, S.A. The total amount of the loan is 1,100 thousand euros, with 600 thousand euros allocated in 2007 and 500 thousand euros in 2008. The financing granted for each year was drawn down in December 2007 and 2008. In May 2009 the General Industry Secretariat notified Enagás, S.A. of its obligation to repay 204 thousand euros in connection with the loan received in 2007 to bring the amount received in line with the actual amount invested. The repayment was made in October 2009. In 2011, a further 57 thousand euros was repaid and at 31 December 2011, 711 thousand euros was classified as long term and 128 thousand euros as short term.

This heading also includes another loan from the General Energy Secretariat as part of the aid envisaged in the aforementioned plan by the Ministry of Industry, Tourism and Trade. Specifically, this loan is associated with the "Project for Huelva power generation plant" being carried out by Enagás, S.A. The total amount of the loan granted is 3,598 thousand euros to be received in four annual amounts. In 2009 and 2010 the Company drew down 1,256 million euros corresponding to the first three annual amounts (2008+2010). In November 2010, the General Energy Secretariat notified Enagás, S.A. of its obligation to repay 108 thousand euros in connection with the loan received in 2009 to bring the amount received in line with the actual amount invested. The repayment was made in April 2011. In December 2011, the Company drew down the last annual amount for a total of 2,342 thousand euros. At 31 December 2011, 22 thousand euros of this loan was classified as short term and 3,468 thousand euros as long term.

Both loans are repayable in 10 years, with a 3-year grace period and at a cost of 0.25%; the cost of the guarantees provided.

Lastly, derivatives and other financial liabilities classified as financial liabilities at amortised cost include the recognition by Enagás, S.A. in 2009 of 1,714 thousand euros corresponding to long-term payables to suppliers of property, plant and equipment.

Derivatives also include cash flow hedges arranged by Enagás, S.A. for 2009-2012, 2010-2013 and 2011-2014 (Note 19).

At 31 December 2011, there were no issuances, repurchases, or repayments of debt securities or other issues guaranteed by Enagás, S.A.

Financing highlights in the year include:

- The drawdown of 350 million euros corresponding to Tranche A of the one billion euro loan granted by the EIB in the form of a bank guarantee.
- Renewal of a 150 million euro credit facility granted by Caixabank, now maturing in 2014.
- The drawdown of 200 million euros corresponding to Tranche D of the one billion euro loan granted by the EIB in the form of a risk-sharing facility.
- Renewal and extension of a 75 million euro credit facility granted by Banesto.
- Renewal of a 25 million euro credit facility and 100 million loan provided by BBK, now maturing in 2014.

In addition, in May 2011, Enagás registered a Euro Commercial Paper (ECP) programme for up to 1 billion euros which is listed on the Irish Stock Exchange. Banesto is the programme arranger and will act as dealer along with another 10 designated dealer banks. At 31 December 2011, the Company had drawn down 455 million euros under the programme.

16.2 Current financial liabilities

The breakdown of “Current financial liabilities” at year-end 2011 and 2010 was as follows:

Category/Class	Current financial liabilities							
	Bank borrowings and finance leases		Bonds and other marketable debt securities		Derivatives and other financial liabilities		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Financial liabilities at amortised cost	622,218	687,372	975,767	21,717	3,706	9,853	1,601,691	718,942
Liabilities at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	4,853	11,905	4,853	11,905
Total	622,218	687,372	975,767	21,717	8,559	21,758	1,606,544	730,847

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Derivatives and other financial liabilities classified as debts and other payables include:

- Interest on borrowings from related-party banks in the amount of 227 thousand euros in 2011 (2010: 458 thousand euros).
- Current borrowings from the General Energy and Industry Secretariats for a combined 617 thousand euros (Note 16.1).
- The current balance on the loan which Gasoducto Al-Andalus, S.A. received from Galp Gas Natural, S.A., amounting to 3,115 thousand euros. Note that Gasoducto de Extremadura, S.A. repaid the loan it received from Galp Gas Natural in 2011.
- Other items pending application in the amount of -253 thousand euros (2010: 124 thousand euros).

16.3 Borrowings from related parties

"Non-current borrowings from related parties" in the amount of 657 thousand euros corresponds to the Group's proportionate share of the loan extended to the Enagás Altamira Group. The 4,746 thousand euro balance included under "Current borrowings from related parties" corresponds to the loan granted by Gasoducto Escombreras, S.L.U. to Enagás, S.A.

17. Other non-current liabilities

The changes in this consolidated balance sheet heading in 2011 and 2010 were as follows:

	Gasoducto de Extremadura, S.A. royalty	Gasoducto Al-Andalus, S.A. royalty	Thousands of euros Total
Balance at 1 January 2010	10,453	23,709	34,162
Additions/decreases/recognition in income	(951)	(2,155)	(3,106)
Balance at 31 December 2010	9,502	21,554	31,056
Additions/decreases/recognition in income	(950)	(2,155)	(3,105)
Balance at 31 December 2011	8,552	19,399	27,951

Amounts related to the royalty of the subsidiaries Gasoducto de Extremadura, S.A. and Gasoducto Al-Andalus, S.A. correspond to balances pending application in respect of "gas transport rights" contracts signed with these subsidiaries. These balances are consolidated proportionally in accordance with the percentage shareholding of Enagás, S.A. in these companies.

Enagás, S.A. recognises and records this revenue on a straight-line basis as accrued until 2020 when the transport contract expires (see Note 3-n).

The accrual of revenue from connections to the basic network was recognised in 2006. Movement in this item in 2011 is the following:

	Thousands of euros Connections to the basic network
Balance at 31 December 2010	48,034
Additions	2,501
Decreases/recognition in income	(2,497)
Balance at 31 December 2011	48,038

18. Risk and capital management policy

18.1 Qualitative information.

The Enagás Group is exposed to certain risks, which it manages via systems of risk identification, measurement, limits and oversight.

The basic principles defined by the Enagás Group in establishing the policy for managing its most significant risks are as follows:

- Compliance with corporate governance rules.
- Strict compliance with the Group's in-house rules.
- Each business and corporate area defines:
 - a) Its trading markets and products as a function of where it has sufficient knowledge and capacity to ensure effective risk management.
 - b) Criteria for counterparties.
 - c) Authorised brokers.
- The businesses and corporate areas establish for each market in which they operate their risk threshold in accordance with the strategy defined.
- The limits are approved by the respective risk committees, or in their absence, by the Enagás Risk Committee.
- All the transactions of the various businesses and corporate areas are carried out within the approved limits for each case.
- The businesses, corporate areas, business lines and companies establish the necessary risk management controls to ensure that market transactions are carried out in accordance with the Group's policies, rules and procedures.

Interest rate risk

Interest rate fluctuations affect the fair value of assets and liabilities carrying fixed interest rates and the future flows from assets and liabilities linked to floating interest rates.

The objective of interest rate risk management is to achieve a balanced debt structure that minimises the cost of debt over the long term and mitigates volatility in the consolidated income statement.

In line with its estimates and debt structure targets, the Enagás Group writes derivatives to hedge its risks.



Liquidity risk

The Group's liquidity policy consists of taking out credit facilities and short term investments to cover requirements for a period consistent with debt and capital market conditions and expectations.

Credit risk

The Group has no significant credit risk as the average customer collection period is very short and cash is placed or derivatives written with highly solvent entities.

18.2 Quantitative information

a) Interest-rate exposure:

	2011	2010
Percentage on fixed-rate borrowings	71%	70%

Based on the above levels of fixed-rate borrowings and after carrying out an analysis of the company's sensitivity to a onepercentage point variation in market interest rates, the company estimates that the higher cost of servicing its floating-rate debt resulting from such a variation would have an income-statement impact of approximately:

	Millions of euros	
	Change in interest rates	
	1,00%	-1,00%
Change in interest expense	26,2	-26,2

In addition, and again in relation to its floating rate debt, management estimates that the impact on equity, as a result of derivatives arranged, of a similar change in market rates would not be significant in 2012.

18.3 Capital management.

The Group, and specifically its parent company Enagás, S.A., as a capital- and investment-intensive business within a regulated market, has a capital management focus at the corporate level aimed at achieving a financial structure that optimises cost in order to maintain strong financial health. To this end, despite not having to rely on external borrowing, it continuously seeks access to financial markets at the most competitive cost possible to finance its investment plan without requiring changes to the Group's dividend policy.

During 2011 there have been no changes in capital management with respect to 2010. Overall, the Group's capital structure consists of equity attributable to the equity holders of the parent (capital, share premium, retained earnings and others), borrowings, cash and other liquid assets. In this regard, the Group provides quantitative disclosures in Notes 15 to 17 about the financial liabilities which make up its capital structure, together with its policies for managing the related risks. These notes describe the financial position in detail and describe the strength of this position, which the capital management policy mentioned in the first paragraph of this section aims to ensure. Moreover, these notes indicate the ratings assigned by the leading credit rating agencies (Note 33). The company monitors these ratings for decision-making purposes.

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19. Derivative financial instruments

The company uses derivatives to hedge its exposure to business, operating and cash flow risks. Specifically, the company arranged certain interest rate swaps (IRS) on market conditions in the course of 2011.

The company has fulfilled the requirements set forth in Note 3.h regarding the measurement bases for classifying financial instruments as hedges. Specifically, they have been formally designated as such, and they have been tested for effectiveness.

The notional and/or contractual amount of the contracts entered into does not represent the real risk assumed by Enagás, S.A., as the net position is derived by offsetting and/or grouping these financial instruments.

The fair value of these hedges at 31 December 2011 and 2010 is as follows:

2011

Instrument	Classification	Rate	Notional amount	Maturity	(thousands of euros)	
					Fair value	
					Assets	Liabilities
Interest rate swap	Interest rate hedge	Floating to fixed	250,000	November-2012	-	1,952
Cross Currency Swap	Interest rate/exchange rate hedge	Floating to fixed	147,514	September-2039	51,985	-
Interest rate swap	Interest rate hedge	Floating to fixed	250,000	August-2013	36	1,299
Interest rate swap	Interest rate hedge	Floating to fixed	150,000	November-2014	-	1,548
Interest rate swap	Interest rate hedge	Floating to fixed	200,000	April-2014	-	1,411
Interest rate swap	Interest rate hedge	Floating to fixed	200,000	January-2014	-	2,336
Interest rate swap	Interest rate hedge	Floating to fixed	150,000	December-2014	86	175
Total			1,347,514		52,107	8,721

In 2011, the Group recognised a loss of 9,727 thousand euros in the consolidated income statement in connection with remeasurement of its interest rate swaps at fair value.

2010

Instrument	Classification	Rate	Notional amount	Maturity	(thousands of euros)	
					Fair value	
					Assets	Liabilities
Interest rate swap	Interest rate hedge	Floating to fixed	60,000	June-2011	-	828
Interest rate swap	Interest rate hedge	Floating to fixed	170,000	November-2011	-	4,585
Interest rate swap	Interest rate hedge	Floating to fixed	200,000	May-2011	-	2,564
Interest rate swap	Interest rate hedge	Floating to fixed	250,000	November-2012	-	3,027
Cross Currency Swap	Interest rate/exchange rate hedge	Floating to fixed	147,514	September-2039	23,054	-
Interest rate swap	Interest rate hedge	Floating to fixed	250,000	August-2013	2,364	578
Interest rate swap	Interest rate hedge	Floating to fixed	150,000	November-2014	1,705	-
Interest rate swap	Interest rate hedge	Floating to fixed	200,000	April-2014	2,115	150
Interest rate swap	Interest rate hedge	Floating to fixed	100,000	May-2013	411	215
Interest rate swap	Interest rate hedge	Floating to fixed	200,000	December-2013	1,002	995
Total			1,727,514		30,651	12,942

In 2010, a loss of 17,682 thousand euros was recognised in the consolidated income statement in connection with remeasurement of the fair value of these hedging instruments.

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20. Trade and other payables

The breakdown of "Trade and other payables" is as follows:

	31.12.2011	31.12.2010
Payable to Group companies	851	8,188
Other trade payables	341,121	323,807
Other suppliers	4,741	4,921
Current tax liabilities (see Note 20.2)	19,739	9,737
Total	366,452	346,653

"Payables to Group companies" relate to the payables, consolidated proportionately, for gas transport services the subsidiaries provide to Enagás, S.A.

"Other suppliers" corresponds to amounts owed for the purchase of materials by and services rendered to Group companies, which are registered primarily in "Other operating costs" and "Non-current assets".

As a result of the entry into force of Law 15/2010, laying down measures to combat late payment in commercial transactions, Enagás SA amended the contract conditions in relation to payment terms within their business operations to bring them into line with the new law.

The disclosures required under additional provision three of Law 15/2010 are as follows:

Payments made and outstanding at year-end (2011)

	Amount (thousands of euros)	%
Paid within the legal term	563,362	65.48
Other	296,988	34.52
Total payments for the year	860,350	100%
Weighted average payment days	9.78	
Late payments which at year-end were outstanding by more than the legal limit	14,376	



The figures shown in the table above regarding supplier payments refer to payments of a commercial nature owed to suppliers of goods and services, so that they include data relating to the items comprising "Trade and other payables" within current liabilities on the consolidated balance sheet.

The weighted average term by which payments are overdue was calculated by dividing the sum of the products of each of the payments made to suppliers during the year later than the relevant statutory term and the number of days by which this term was surpassed (numerator) and the total amount of payments made during the year later than the statutory term (denominator).

With respect to the heading labelled "Payments outstanding by more than the statutory term at year-end", totalling 14,376 thousand euros (29,692 thousand euros at year-end 2010), note that a sum of 3,689 thousand euros (12,287 thousand euros at year-end 2010) is due to payments blocked by the company because the related supplier had failed to meet one or more of its contractual obligations or on account of performance withholdings not due or sums withheld by court order.

The maximum payment term applicable to Enagás, S.A. in 2011 under Law 3/2004, of 29 December 2004, establishing measures to combat late payments in business transactions, is approximately 85 days. To calculate the sums past due by more than this term, management included all invoices outstanding as per the underlying contractual terms, including those contracts establishing shorter payments terms than the statutory maximum.

21. Defined contribution plans

The Group operates defined contribution pension plans covering the commitments acquired by the company with respect to qualifying serving employees. The assets of the plans are held separately from those of the Group in funds under the control of trustees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Group are reduced by the amount of the forfeited contributions.

The contributions made by the company to the pension plan in this connection amounted to 2,220 thousand euros in 2011 (2,191 thousand euros in 2010), recognised under "Personnel benefits expense" in the accompanying consolidated income statement.

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22. Taxation

22.1 Tax return

The parent company, Enagás, S.A., and the Gasoducto Al-Andalus, S.A., Gasoducto de Extremadura, S.A., Gasoduto Campo Maior-Leiria-Braga, S.A. and Gasoduto Braga-Tuy, S.A. subsidiaries all file individual tax returns.

22.2 Tax receivable and payable

Balances receivable from and payable to public authorities at year-end 2011 and 2010 were as follows:

	(Thousands of euros)	
	2011	2010
Tax receivable:		
Value added tax	23,457	19,297
Income tax	60,249	1,710
Total	83,706	21,007
Taxes payable:		
Income tax	3,863	2,740
Value added tax	-	-
Other	15,876	6,997
Total	19,739	9,737

In 2011 Enagás, S.A.'s current tax came out as a recoverable balance, which is why it had not recognised any payable to the tax authorities in this connection for that year (see Notes 22.3 and 22.7).

At year end, 33,879 thousand euros had been paid (52,832 thousand euros in 2010) on account of the final income tax expense payable, of which 28,409 thousand euros related to Enagás, S.A. (48,012 thousand euros in 2010), 3,203 thousand euros to Gasoducto Al-Andalus, S.A. (2,664 thousand euros in 2010) and 2,267 thousand euros to Gasoducto de Extremadura, S.A. (2,156 thousand euros in 2010).

Likewise, the outstanding balance under Income Taxes relates mainly to the balance due for corporate income tax for 2006 resulting from that year's Tax Inspection on Enagas, S.A. (see Note 22.8) as well as the income tax receivable in respect of 2010.



22.3 Reconciliation of profit before tax and taxable income

The reconciliation of profit before tax and taxable income is as follows:

2011

	(Thousands of euros)		
	Increase	Decrease	Total
Accounting profit, before tax	520,329		520,329
Permanent differences:			
Exemption for international double taxation	-	-	-
Other items (foreign fines and taxes)	1,030	-	1,030
Donations	1,795	-	1,795
Temporary differences:			
Arising in 2009:			
Accelerated depreciation R.D.L. 3/1993	-	-	-
Accelerated depreciation regimes, Law 4/2008 & Law 13/2010	-	(462,103)	(462,103)
Government grants	-	-	-
Long-service fund	1,344	-	1,344
Provisions for property, plant and equipment	-	-	-
Provisions for litigation	3,166	-	3,166
Provisions for contingencies and expenses	-	-	-
Other	4,890	-	4,890
Arising in prior years:			
Accelerated depreciation R.D.L. 3/1993	-	-	-
Accelerated depreciation regimes, Law 4/2008 & Law 13/2010	31,594	-	31,594
Government grants	-	(359)	(359)
Long-service fund	-	-	-
Provisions for property, plant and equipment	-	(696)	(696)
Provisions for litigation	-	-	-
Provisions for contingencies and expenses	-	(5,250)	(5,250)
Other	23	-	23
Offset of tax loss carryforward	-	-	-
Taxable income	564,171	(468,408)	95,763

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2010

(Thousands of euros)

	Increase	Decrease	Total
Accounting profit, before tax	472,287		472,287
Permanent differences:			
Exemption for international double taxation	-	-	-
Other items (foreign fines and taxes)	64	-	64
Donations	1,093	-	1,093
Temporary differences:			
Arising in 2009			
Accelerated depreciation R.D.L. 3/1993	-	-	-
Accelerated depreciation Law 4/2008	-	(238,663)	(238,663)
Government grants	-	-	-
Long-service fund	2,180	-	2,180
Provisions for property, plant and equipment	944	-	944
Provisions for litigation	3,500	-	3,500
Provisions for contingencies and expenses	-	-	-
Other	83	-	83
Arising in prior years:			
Accelerated depreciation R.D.L. 3/1993	1,077	-	1,077
Accelerated depreciation Law 4/2008	30,067	-	30,067
Government grants	-	(359)	(359)
Long-service fund	-	-	-
Provisions for property, plant and equipment	-	(248)	(248)
Provisions for litigation	-	-	-
Provisions for contingencies and expenses	-	-	-
Other	63	(2,763)	(2,700)
Offset of tax loss carryforwards	-	(72,321)	(72,321)
Taxable income	511,358	(314,354)	197,004



22.4 Income tax recognised in equity

Aside from the income tax charge recognised in the consolidated income statements, in 2011 and 2010 the Group booked the following amounts for the following items in consolidated equity.

2011

	(Thousands of euros)		
	Increase	Decrease	Total
Current tax:			
Capital increase expenses	-	-	-
Capital reduction expenses	-	-	-
Other	-	-	-
Total current tax	-	-	-
Deferred tax:			
Arising in 2009:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	34,729	(33,375)	1,354
Discounting of taxes payable	-	-	-
Arising in prior years:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	-	-	-
Discounting of taxes payable	-	-	-
Total deferred tax	34,729	(33,375)	1,354
Total taxes recognised directly in equity	34,729	(33,375)	1,354

2010

	(Thousands of euros)		
	Increase	Decrease	Total
Current tax:			
Capital increase expenses	-	-	-
Capital reduction expenses	-	-	-
Other	-	-	-
Total current tax	-	-	-
Deferred tax:			
Arising in 2009:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	10,897	(15,004)	(4,107)
Discounting of taxes payable	-	-	-
Arising in prior years:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	-	-	-
Discounting of taxes payable	-	-	-
Total deferred tax	10,897	(15,004)	(4,107)
Total taxes recognised directly in equity	10,897	(15,004)	(4,107)

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22.5 Reconciliation between profit before tax and income tax expense

The reconciliation of profit before tax and income tax expense is as follows:

	2011	2010
Before-tax accounting profit	520,329	472,287
Tax rate of 30%	156,099	141,686
Impact of permanent differences	848	347
Deductions:		
International double taxation relief	(3,109)	(3,005)
Investments in R&D&I and others	(1,392)	(1,274)
Employee training expense	(19)	(16)
Pension fund contributions	-	(22)
Donations	(628)	(383)
Effect of applying different tax rates	1,026	(150)
Tax effect of consolidation eliminations against equity	3,039	2,935
Adjustments to income tax	(178)	(1,312)
Total tax expense recognised in the income statement	155,686	138,806

22.6 Breakdown of income tax expense

The breakdown of "Income tax expense" for 2011 and 2010 is as follows:

2011

	Enagás S.A.	G-AL-Andalus, S.A.	G. de Extremadura, S.A.	Bahía de Bizkaia S.A.	Grupo Enagás Altamira S.A.
Current tax:					
Continuing operations	19,254	2,954	1,999	1,091	2,323
Discontinued operations	-	-	-	-	-
Deferred tax:					
Continuing operations	128,242	-	-	-	-
Discontinued operations	-	-	-	-	-
Adjustments to income tax:					
Continuing operations	(177)	-	-	-	-
Discontinued operations	-	-	-	-	-
Total tax expense	147,319	2,954	1,999	1,091	2,323



2010

	Enagás S.A.	G-AL- Andalus, Extremadura, S.A.	G. de Extremadura, S.A.	G. Campo Maior Leiria Braga, S.A.	G. Braga, Tuy, S.A.	Bahía de Bizkaia Gas S.L.
Current tax:						
Continuing operations	50,434	2,788	1,922	506	252	1,267
Discontinued operations	-	-	-	-	-	-
Deferred tax:						
Continuing operations	82,949	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-
Adjustments to income tax:						
Continuing operations	(1,312)	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-
Total tax expense	132,071	2,788	1,922	506	252	1,267

22.7 Deferred tax

The breakdown of deferred tax assets and liabilities in 2011 and 2010 is as follows:

	(Thousands of euros)	
	2011	2010
Temporary differences (deferred tax assets):		
Government and other grants	688	796
Long-service fund	3,742	3,339
Provisions for property, plant and equipment	2,131	1,900
Provisions for litigation	2,001	1,050
Derivatives	3,325	3,390
Provisions for contingencies and expenses	-	1,575
Other	3,922	2,703
Tax loss carryforwards	-	-
Unused tax credits and other	13,596	20,661
Total deferred tax assets	29,405	35,414
Deferred tax liabilities:		
Accelerated depreciation	427	427
Free depreciation	370,847	211,820
Derivatives	889	2,279
Other	14,632	138
Total deferred tax liabilities	386,795	214,664

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These deferred tax assets were recognised in the balance sheet since the Group's directors consider that, based on the best estimates of future results, including certain tax planning measures, it is likely that these assets will be utilised.

Within deferred tax assets included under "Deductions outstanding and other" are the deductions recognised by Bahía de Bizkaia Gas, S.L. for investment in new fixed assets.

The Group does not have any unrecognised deferred tax assets.

In 2009 and 2010 Enagás, S.A. availed of the unrestricted depreciation tax incentive tied to headcount maintenance, enacted under Law 4/2008 of 23 December 2008. This measure allows unrestricted accelerated depreciation of certain assets put in use by the taxpayer in 2009 and 2010 providing the availing entity's average headcount remains stable during the 24-month period following the start of the tax period in which the assets acquired are started up, in relation to the average workforce during the preceding 12-month period.

Similarly, in 2011 Enagás, S.A. availed of the unrestricted depreciation tax incentive provided for in Royal Decree Law 13/2010 of 3 December 2010, extending the accelerated depreciation regime for new investments in fixed assets attached to core business activities and waiving the employment maintenance obligation. The timeline for applying this tax break was extended until 2015.

As a result of the above, in 2011 Enagás, S.A. recognised a deferred tax liability in the amount of 138,631 thousand euros, equivalent to an asset base of 462,103 thousand euros (71,599 thousand euros equivalent to an asset base of 238,663 thousand euros in 2010).

22.8 Years open to inspection and tax audits

In accordance with current legislation, tax returns cannot be considered definitive until they have been inspected by the tax authorities or the inspection period of four years has prescribed.

As of 2011, Enagás, S.A. has open to inspection all applicable tax returns in respect of 2008 to 2011 with the exception of reviews of the import VAT and the common external tariff, for which the returns for 2010 and 2011 are open to inspection.



Specifically in respect of income tax, Enagás, S.A. has been issued the following tax assessments (in thousands of euros) for 2004, 2005, 2006 and 2007, which it signed under protest:

Year	(Thousands of euros)		
	VAT charge	Interest	Total
2004	281	86	367
2005	196	51	247
2006	(1,122)	(226)	(1,348)
2007	253	34	287

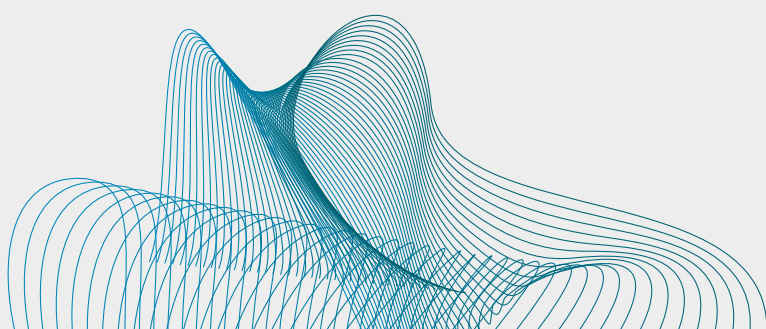
It has lodged the corresponding appeals against these assessments.

At year-end 2011, Enagás, S.A. has open to inspection all applicable tax returns in respect of 2008, 2009, 2010 and 2011, while its Spanish subsidiaries have open to inspection taxes for all years of the statutory inspection period.

At 31 December 2011, the state tax authorities (AEAT) had opened assessments relating to VAT on imports in 2002 and 2004, signed under protest. The assessed amounts, in thousands of euros and broken down between tax due (deductible VAT) and late-payment interest, are as follows:

Year	VAT charge	Interest	Total
2002	2,358	326	2,684
2004	410	100	510

At the date of authorising these financial statements for issue, appeals have been filed before the Chief Inspector.



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23. Revenue

The breakdown of Group revenue is analysed below:

	(Thousands of euros)	
	31.12.2011	31.12.2010
Revenue from regulated activities	1,096,280	965,995
Revenue from liberalised activities	22,163	15,740
Other income	18,590	18,830
Ancillary and other operating income	18,483	18,704
Government grants	107	126
Total	1,137,033	1,000,565

Revenue from the rendering of services is generated mainly by Enagás, S.A. for regulated activities and by other companies for liberalised activities. The breakdown of services rendered is as follows:

	(Thousands of euros)	
	31.12.2011	31.12.2010
Regulated activities:		
Enagás, S.A.	1,074,082	945,573
Bahía de Bizkaia Gas, S.A.	22,198	20,422
Liberalised activities:		
Gasod. Al-Andalus, S.A.	7,508	7,324
Gasod. de Extremadura, S.A.	5,845	5,701
Grupo Enagás-Altamira	8,810	-
Gasod. Campo Maior- Leiria- Braga, S.A.	-	2,540
Gasod. Braga-Tuy, S.A.	-	175
Total	1,118,443	981,735



24. Expenses

An analysis of Group expenses is provided below:

	(Thousands of euros)	
	31.12.2011	31.12.2010
Employee benefits expense	66,958	67,194
Other operating costs	202,281	151,926
Total	269,239	219,120

24.1 Employee benefits expense

The detail of employee benefits expense is as follows:

	(Thousands of euros)	
	31.12.2011	31.12.2010
Wages and salaries	59,608	56,991
Termination benefits	1,253	4,632
Social security	12,762	12,329
Other employee benefits expense	6,752	7,204
Contributions to external pension funds	2,220	2,191
Own work capitalised	(15,637)	(16,153)
Total	66,958	67,194

At 31 December 2011 the Group had capitalised 15,637 thousand euros of employee benefits expense directly related to ongoing investment projects (16,153 thousand euros at 31 December 2010 – see Note 6).

Job posts were reorganized in 2010. This resulted in 29 early retirements from among employees 62 years of age or older.

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The average number of Group employees, by category, is as follows:

Categories	2011	2010
Managers	63	65
Technicians	517	507
Administrative staff	126	128
Manual workers	360	358
Total	1,066	1,058

At 31 December 2011, the Group had 1,126 employees (1,047 at year-end 2010). The breakdown by category and gender is as follows:

Categories	2011		2010	
	Men	Women	Men	Women
Managers	55	9	53	10
Technicians	404	135	381	128
Administrative staff	34	95	35	91
Manual workers	380	14	337	12
Total	873	253	806	241

24.2 Other operating costs

Details of this heading are as follows:

	(Thousands of euros)	
	31.12.2011	31.12.2010
External services:		
R&D costs	1,797	1,674
Leases and royalties	38,487	37,699
Repairs and maintenance	33,309	31,142
Professional services	21,535	14,074
Transport	3,770	14,407
Insurance premiums	3,992	3,730
Banking and similar services	7	103
Advertising, publicity and PR	3,955	2,826
Supplies	22,558	20,601
Other services	58,937	9,092

(Thousands of euros)

31.12.2011 31.12.2010

External services	188,347	135,348
Taxes other than income tax	6,884	4,230
Other expenses	-	2
Other external expenses	9,244	9,052
Change in trade provisions	(2,194)	3,294

24.3 Other disclosures

“Other operating costs” includes the fees paid by consolidated entities for the audit of their annual financial statements and for other audit and non-audit work. In 2011, these expenses amounted to 1,783 thousand euros (1,066 thousand euros in 2010), as follows:

Categories	2011		2010	
	Services provided by the auditor and its related parties	Services provided by other auditors of the Group	Services provided by the auditor and its related parties	Services provided by other auditors of the Group
Audit services (1)	226	10	256	7
Other assurance services (2)	1,064	-	413	-
Total audit and audit-related services	1,290	10	669	7
Other services	483	-	390	-
Total professional services	483	-	390	-

(1) Audit services: This column includes services rendered to complete the bylaw-stipulated audit of the Group's financial statements in the amount of 202 thousand euros (202 thousand in 2010), as well as the limited review of the interim and quarterly consolidated financial statements.

(2) Other assurance services related to the audit: Virtually the entire amount of this item corresponds to the work necessary to verify the adequacy of the internal control systems and other review work in connection with disclosures reported to the regulators, mainly the CNMV and the CNE and also to audit the balance sheet used for the hive-down of Enagás, S.A. and prepare all the documentation related to that transaction.

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25. Net finance cost

Details of finance revenue and finance cost recognised in the accompanying consolidated income statement is as follows:

	(Thousands of euros)	
	31.12.2011	31.12.2010
Revenue from Group companies and associates	(129)	287
Third-party revenue	34,103	19,426
Finance revenue	33,974	19,713
Finance and similar expense	(1,478)	(4,230)
Interest expense	(97,365)	(74,059)
Discounting of provisions	(416)	(25)
Finance costs	(99,259)	(78,314)
Exchange differences	(333)	-
Net finance cost	(65,618)	(58,601)

At 31 December 2011 the company had capitalised 26,092 thousand euros of borrowing costs (25,259 thousand euros at 31 December 2010 – see Note 6).



26. Business and geographical segments

26.1 Segmentation criteria

Segment information is organised according to the Group's various business units (primary reporting segment).

Secondary information (geographical segments) is not detailed in this note because Enagás, S.A., the group's parent company, carries out its activities within Spain, where all regions are subject to similar risks and returns, with no characteristics existing among the various regions which could lead to different results from those obtained. In addition, Enagás, S.A. is by far the biggest contributor of assets, liabilities, revenue and expenses to the Group's consolidated financial statements. Operations involving companies based in Europe and Central America, combined, represent less than 0.75% of the Group's revenue and less than 1.5% of its assets, the thresholds established under IFRS for the disclosure of secondary segment information.

26.2 Main business segments

The business areas described below have been established on the basis of the classification included in the Hydrocarbons Law 34/1998 of 7 October and in accordance with the organisational structure of Enagás, S.A., which takes into account the nature of the services and products offered.

a) Infrastructure activity (including gas transport, regasification, and storage):

- Gas transport: Core activity which consists of the movement of gas through the company's transport network, composed of gas pipelines for the primary (with maximum design pressure equal to or higher than 60 bars) and secondary (with maximum design pressure of between 60 and 16 bars) transport of gas to distribution points, as owner of most of the Spanish gas transport network.
- Regasification: The gas is transported from producer countries in methane tankers at 160°C below zero in liquid form (LNG) and is unloaded at the regasification plants, where it is stored in cryogenic tanks. At these facilities, the temperature of the LNG is raised through a physical process, generally using saltwater vaporisers, transforming it into gas. The natural gas is then injected into gas pipelines and transported throughout the Spanish mainland.
- Storage: Enagás, S.A. operates two underground storage facilities: (i) Serrablo, located between the towns of Jaca and Sabinánigo (Huesca) and (ii) Gaviota (an off-shore facility) located close to Bermeo (Vizcaya).

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b) Technical system management

In 2011, Enagás, S.A. as technical system manager, continued to carry out the tasks entrusted to it under Royal Decree Laws 6/2000 of 23 June and 949/2001 of 3 August, aimed at guaranteeing the continuity and security of gas supply, and the correct coordination of access, storage, transport and distribution points.

c) Liberalised activities

These refer to all liberalised activities and transactions related to Group companies.

26.3 Basis and methodology for segment reporting

The segment information provided below is based on monthly reports prepared by the Finance Department and generated via a computer program which breaks down the financial statements by activity.

The structure of this information is designed as if each business line were an independent business, with its own resources, distributed on the basis of the assets assigned to each line in accordance with an internal system of cost allocation by percentages.

Segments disclosure for these activities is provided below:

(Thousands of euros)								
	Infrastructure		Technical system management		Liberalised activities + consolidation adjustments		Group total	
	2011	2010	2011	2010	2011	2010	2011	2010
Income statement								
Revenue	1,068,436	935,704	11,455	11,217	57,142	53,644	1,137,033	1,000,565
Depreciation and amortisation	281,711	234,574	4,791	4,070	13,096	11,254	299,598	249,898
Operating profit (loss)	550,813	515,800	(7,290)	(5,091)	42,424	20,179	585,947	530,888
Profit (loss) after tax	348,451	327,905	(5,807)	(3,727)	21,999	9,303	364,643	333,481
BALANCE SHEET								
Total assets	7,327,950	6,549,829	28,257	26,510	361,192	252,797	7,717,399	6,829,136
Capital expenditure	647,270	636,621	10,275	8,947	123,860	127,964	781,405	773,532
Non-current liabilities (**)	496,360	286,574	1,346	919	56,633	40,613	554,339	328,106
Deferred tax liabilities	364,354	209,849	1,323	897	21,118	3,918	386,795	214,664
Provisions	83,967	28,691	23	22	7,565	5,639	91,555	34,352
Other non-current liabilities	48,039	48,034	-	-	27,950	31,056	75,989	79,090
Current liabilities (**)	318,050	284,897	25,116	35,141	19,424	33,026	362,590	353,064
Trade and other payables (***)	318,050	284,897	25,116	35,141	19,424	23,875	362,590	343,913
Other current liabilities	-	-	-	-	-	9,151	-	9,151

(**) Does not include financial liabilities.

(***) Does not include income tax payable.



27. Environmental information

The Group's efforts to protect the environment and its biodiversity, to boost energy efficiency, lower its carbon emissions and promote the responsible use of resources are the key components of its environmental management strategy, designed to mitigate its impact on its surroundings.

The Enagás Group has integrated environmental protection within its strategic policies and initiatives through the implementation of the Environmental Management System developed and certified by AENOR and prepared in accordance with the requirements of UNE EN ISO 14001, which ensures compliance with applicable environmental legislation and continual improvement of the environmental record in respect of the LNG storage and regasification plants in Barcelona, Cartagena, Huelva, and Bilbao, the Serrablo underground storage facility, the facilities for the basic gas pipeline network, and the technological innovation unit. In 2011 the Group obtained UNE EN ISO 14001 certification for Project Management in New Infrastructure Developments in the framework of the DGTICO.

In 2011, AENOR, the Spanish accreditation company, issued Environmental Management System audit reports with a positive opinion, concluding that the System has a degree of development and maturity that ensures continuous improvement in this field.

One of the targets set out in the Group's environmental protection strategy (PEMAP for its acronym in Spanish) is to obtain EMAS (the EU Eco-Management and Audit Scheme) certification, thereby fostering an improved environmental record across the entire organisation. The idea is to prepare for and obtain EMAS certification in 2012 and 2013.

The Enagás Group goes to continual lengths to identify, classify and minimise the environmental fallout from its activities and installations, assessing risks and promoting eco-efficiency, practicing responsible waste and residue management, minimising its carbon footprint and attempting to mitigate any negative contribution to climate change.

Furthermore, the Group incorporates environmental criteria into its contractor and supplier dealings and takes environmental issues into consideration when it awards service and product supply contracts.

In 2011, these environmental activities entailed capitalised investments totalling 23,259 thousand euros (38,777 thousand euros in 2010). Environmental expenses incurred by the Company in 2011 totalled 914 thousand euros (1,198 thousand euros in 2010) and are recorded under "Other operating costs".

Potential contingencies, indemnities and other environmental risks to which the Enagás Group is exposed are sufficiently covered by the third-party liability insurance policies.

In 2011, the Group did not receive any grants or revenue relating to environmental activities, except as mentioned below in Note 28 regarding greenhouse gas emission rights.

28. Greenhouse gas emission rights

Certain installations owned by Enagás, S.A. and Group company Bahía de Bizkaia Gas, S.L. fall within the scope of Law 1/2006 of 9 March 2006 governing trading in greenhouse gas emission rights.

In accordance with Order PRE/3420/2007 of 14 November 2007, at its meeting of 2 November 2007, the Spanish cabinet, at the proposal of the Ministries for the Environment, for Finance and for Industry, Tourism and Trade, adopted a resolution approving the individual allocation of greenhouse gas emission rights to plants included in the National Allocation Plan 2008-2012. Subsequently, and in accordance with the provisions of article 19 of Law 1/2005 of 9 March 2005, which regulates the trading of greenhouse gas emission rights and provides for the establishment of an emission rights reserve for new facilities and for the expansion of existing facilities, the proposed allocation of rights for the third group of incumbents to the 2008-2012 plan was announced in the Official State Gazette and posted on the website of the Ministry for the Environment, Rural and Marine Affairs on 25 January 2010. Accordingly, the definitive number of emission rights allocated to Enagás, S.A., free of charge, totals 2,485,049, (442,763 rights corresponding to 2008, 497,394 to 2009 and 514,964 to 2010, 2011 & 2012), while the number allocated to Bahía de Bizkaia Gas, S.L. totals 28,005 (5,601 each year).

The facilities for which these allocations have been received are:

- The Serrablo underground storage facility
- The LNG storage and regasification plants at Barcelona, Cartagena, Huelva and Bilbao.
- The compression stations in: Algete, Almendralejo, Almodóvar, Bañeras, Córdoba, Crevillente, Sevilla, Haro, Paterna, Tivissa, Zamora, Zaragoza, Alcázar de San Juan and Lumbier.

At the Group, the 514,964 rights allocated to Enagás, S.A. for 2011 were valued at 14.7 euros/right, the spot price on the first business day of 2011 as per RWE Trading GMBH, which implies an addition for the year of 7,570 thousand euros.

In a meeting held on 23 June 2008 the Board of Directors of Enagás, S.A. authorised the scaled sale of surplus emission allowances (European Union Allowance, EUAs) for each year between 2008 and 2012 and the swap of emission allowances for Certified Emission Reductions (CERs). The forward sale arranged in June 2010 of 150,000 EUAs to Gas Natural for 2,400 thousand euros materialised in March 2011. The sales of 100,000 EUAs to BBVA and of 350,000 EUAs to Gas Natural arranged in April 2011 for 1,699 and 5,950 thousand euros, respectively, materialised in December 2011; 16,750 EUAs were swapped with BBVA for CERs valued at 24.20 euros/CER and 17,000 EUAs were swapped with Gas Natural SDG, S.A. for CERs valued at 23.75 euros/CER.

The Enagás Group consumed 177,891 greenhouse gas emission rights in 2011 (181,989 in 2010).



The emission allowances received free of charge in 2011 under the umbrella of the 2008-2012 National Allocation Plan have been measured at the trading price corresponding to the first business day of 2011, i.e., 14.7 euros/allowance. The emission allowances received free of charge in 2010 were measured at the trading price corresponding to the first business day of 2010, 13.3 euros/allowance.

In the first quarter of 2011, Enagás, S.A. submitted its emission reports, verified by the accredited DOE (AENOR), to the pertinent regional governments, which validated said emissions.

In the second quarter of 2011, Enagás, S.A. delivered greenhouse gas emission allowances equivalent to verified emissions for 2010 for all these installations.

In 2011, Enagás, S.A. did not arrange any futures contracts relating to greenhouse gas emission rights nor are there any contingencies related to provisional penalties or measures under the terms established by Law 1/2005.

29. Related party transactions

29.1 Related party transactions

The Group considers "related parties" any subsidiary, associate, or jointly controlled entity, as well as key personnel in its management team (members of the Board of Directors, management and their close family members), and entities over which key management personnel could exercise significant or total control.

Below is a detail of the Group's related-party transactions in 2011 and 2010, distinguishing between significant shareholders, board members, executives and other related parties. The terms of transactions with related parties are equivalent to those made on an arm's-length basis, and the corresponding remuneration in kind has been recorded.

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2011

31-12-2011

(Thousands of euros)

	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
Expenses:					
Finance costs	2,483	-	-	6,986	9,469
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Leases	-	-	-	-	-
Services received	-	-	25,892	28,875	54,767
Purchase of goods (finished or work-in-progress)	-	-	-	10,679	10,679
Impairment provisions for bad or doubtful debt	-	-	-	-	-
Losses on derecognition or disposal of assets	-	-	-	-	-
Other expenses	-	1,086	-	-	1,086
Total expenses	2,483	1,086	25,892	46,540	76,001
Revenue:					
Finance revenue	2,589	-	98	5,426	8,113
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Dividends received	-	-	10,363	-	10,363
Leases	-	-	-	-	-
Services rendered	-	-	10,698	-	10,698
TPA services	-	-	-	69,902	69,902
Sale of goods (finished or work-in-progress)	-	-	-	-	-
Profit on derecognition or disposal of assets	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenue	2,589	-	21,159	75,328	99,076



2010

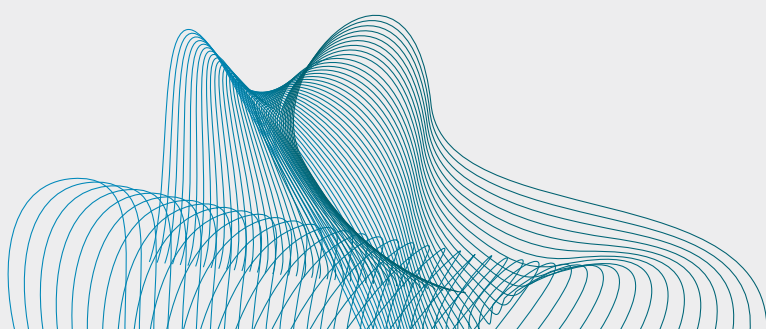
31-12-2010

(Thousands of euros)

	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
Expenses:					
Finance costs	1,587	-	-	5,880	7,467
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Leases	-	-	-	-	-
Services received	-	-	31,506	3,798	35,304
Purchase of goods (finished or work-in-progress)	-	-	-	5,081	5,081
Impairment provisions for bad or doubtful debt	-	-	-	-	-
Losses on derecognition or disposal of assets	-	-	-	-	-
Other expenses	-	1,200	-	-	1,200
Total expenses	1,587	1,200	31,506	14,759	49,052

Revenue:

Finance revenue	1,067	-	619	4,969	6,655
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Dividends received	-	-	10,019	-	10,019
Leases	-	-	-	-	-
Services rendered	-	-	10,562	-	10,562
TPA services	-	-	-	68,230	68,230
Sale of goods (finished or work-in-progress)	-	-	-	-	-
Profit on derecognition or disposal of assets	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenue	1,067	-	21,200	73,199	95,466



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2011

31-12-2011

(Thousands of euros)

	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
Other transactions					
Purchase of property, plant and equipment, intangible assets, or other	-	-	-	-	-
Financing agreements: loans and capital injections (lender)	-	-	9,008	-	9,008
Finance leases (lessor)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessor)	-	-	-	-	-
Sale of property, plant and equipment, intangible assets, or other	-	-	-	-	-
Financing agreements: loans and capital injections (borrower)	100,446	-	-	251,324	351,770
Finance leases (lessee)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessee)	-	-	-	-	-
Guarantee commitments extended	-	-	-	-	-
Guarantee commitments received	3,494	-	-	9,605	13,099
Commitments assumed	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other benefits paid	54,141	-	-	-	54,141
Other transactions	-	-	-	-	-



2010

31-12-2010

(Thousands of euros)

	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
Otras transacciones					
Purchase of property, plant and equipment, intangible assets, or other	-	-	-	-	-
Financing agreements: loans and capital injections (lender)	-	-	35,522	-	35,522
Finance leases (lessor)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessor)	-	-	-	-	-
Sale of property, plant and equipment, intangible assets, or other	-	-	-	-	-
Financing agreements: loans and capital injections (borrower)	141,107	-	-	260,093	401,200
Finance leases (lessee)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessee)	-	-	-	-	-
Guarantee commitments extended	-	-	-	-	-
Guarantee commitments received	3,100	-	-	9,605	12,705
Commitments assumed	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other benefits paid	55,723	-	-	-	55,723
Other transactions	-	-	-	-	-

These transactions include the financial costs resulting from hedging contracts with Enagás Group financial-entity related parties.

30. Director and senior management compensation

30.1 Wages and salaries

The remuneration received in 2011 and 2010 by the members of the Board of Directors and senior Group management, broken down by item, was as follows:

Ejercicio 2011

				(Thousands of euros)	
	Salaries	Attendance fees	Other	Pension plans	Insurance premiums
Seguros					
Directors	1,514	1,086	65	10	34
Senior management	1,966	-	84	60	44
Total	3,480	1,086	149	70	78

Ejercicio 2010

				(Thousands of euros)	
	Salaries ¹	Attendance fees	Other	Pension plans	Insurance premiums
Directors	1,478	1,178	58	10	63
Senior management	2,180	-	77	62	93
Total	3,658	1,178	135	72	156

¹ Fixed and performance-based pay did not change with respect to 2009. In addition, under a multi-year scheme accrued during several years, the Directors and Senior Management have been paid the Multi-Year Incentive Plan (Plan de Incentivos Plurianual) pertaining to prior years, in the amounts of 924 and 1,103 thousand euros.



Details of remuneration by board member, excluding pension plans and insurance premiums, are as follows:

Directors	(Thousands of euros)	
	2011	2010
D. Antonio Llardén Carratalá, (Executive Director) ¹	1,642	1,600
BANCAJA (Proprietary Director) ²	20	107
Sagane Inversiones S.L. (Proprietary Director)	76	76
Bilbao Bizkaia Kutxa (Proprietary Director)	76	76
Sociedad Estatal de Participaciones Industriales (Proprietary Director)	76	76
Mr. Sultan Hamed Khamis Al Burtamani	53	-
D. Said Al Masoudi (Proprietary Director)	-	57
Peña Rueda S.L. Unipersonal (Proprietary Director)	64	64
D. Jesús David Álvarez Mezquiriz (Independent Director)	64	64
D. Dionisio Martínez Martínez (Independent Director)	81	81
D. José Riva Francos (Independent Director)	80	70
D. Ramón Pérez Simarro (Independent Director)	76	76
D. Martí Parellada Sabata (Independent Director)	77	81
D. Antonio Téllez de Peralta (Independent Director)	-	28
D ^a Teresa García-Milà Lloveras (Independent Director)	76	76
D. Miguel Angel Lasheras Merino (Independent Director)	64	64
D. Luis Javier Navarro Vigil (External Director)	76	76
D ^a Isabel Sanchez García (Independent Director)	64	42
Total	2,665	2,714

¹ In 2011, the Executive Director received fixed pay totalling 960 thousand euros and a bonus of 554 thousand euros, as approved by the Board; he additionally received Board attendance fees of 64 thousand euros and other in-kind compensation totalling 65 thousand euros, making for an overall sum of 1,642 thousand euros. He is also the beneficiary of a life insurance policy for which the premium for the year was 34 thousand euros, while 10 thousand euros were contributed to his pension plan.

In 2010, the Executive Director's annual fixed pay and bonus did not change with respect to 2009. Under a multi-year remuneration scheme accrued over several years, he received 924 thousand euros; he also benefited from a life insurance policy with a premium for the year of 63 thousand euros, while the Group paid 10 thousand euros into his pension plan.

² From 1 January to 21 February 2011.

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31. Other director disclosures

In keeping with the provisions of article 229 et seq. of the Spanish Corporate Enterprises Act, these notes include information relating to the ownership interests and positions held by members of Enagás, S.A.'s Board of Directors in other companies engaging in activities that are similar or complementary to those that constitute its corporate purpose. When preparing this information, companies having a corporate purpose that is similar or complementary to that of Enagás have been considered to be those that independently engage in the transport, regasification, distribution or supply of natural gas, as regulated by Law 34/1998 on the Hydrocarbon Industry.

Thus, shareholdings in the capital of companies with a similar or complementary type of activity reported by the Directors to the Group at 31 December 2011 are:

DIRECTOR	COMPANY	No. of SHARES	% SHAREHOLDING
BBK (Bilbao Bizkaia Kutxa)	Iberdrola, S.A.	312,380,724	5.000%
	Gas Natural, SDG- Unión Fenosa	982,134	0.110%
D. Luis Javier Navarro Vigil	BP, PLC	45,882	0.000%

Note that Joseba Andoni Aurrekoetxea Bergara, who represents BBK on the Board of Enagás, holds 107 Repsol shares.

Carlos Egea Krauel, who represents Sagane Inversiones S.L. on the Board of Enagás, holds 9,971 shares of Iberdrola, S.A. and 4,857 shares of Gas Natural SDG-Unión Fenosa.

Oman Oil Holdings Spain, S.L.U., the Enagás shareholder which proposed appointing Sultan Hamed Khamis Al Burtamani as proprietary director of Enagás, holds 7.5% of the indirect shareholding in SAGGAS-Planta de Regasificación de Sagunto, S.A. through its direct member Infraestructuras de Gas.



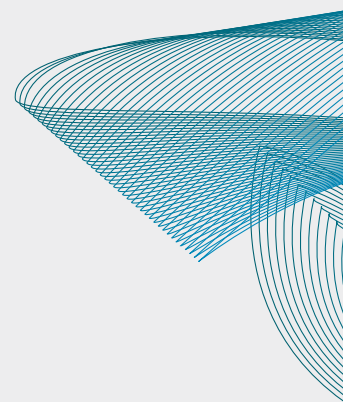
Positions held or duties performed by company directors at companies whose corporate purposes is the same, similar or complementary disclosed to Enagás, S.A. at 31 December 2011 are as follows:

DIRECTOR	COMPANY	POSITION
D. Luis Javier Navarro Vigil	BP España SAU.	Director
	E.ON España	Director
	E.ON Renovables S.L.U.	Director
	TLA, S. de R.L. de C.V.	Director
Mr. Sultan Hamed Khamis al Burtamani	SAGGAS-Planta de Regasificación de Sagunto, S.A.	Director
	Infraestructuras de Gas	Director
	Oman Oil Compay, S.A.O.C.	Director of Business Development

Note that Joseba Andoni Aurrekoetxea Bergara, who represents BBK on the Board of Enagás, is also a director of Bahía Bizkaia Gas, S.L.

Manuel Menéndez Menéndez, the representative of Peña Rueda, S.L. on Enagás, S.A.'s Board of Directors, holds as a private individual the positions of Chairman of the Board of Directors of Hidroeléctrica del Cantábrico, S.A. (H.C.), Chairman of the Board of Naturgas Energía Grupo, S.A. and member of the general and supervisory board of EDP RENOVABLES, S.A.

No activities that are the same, similar or complementary to those of Enagás, other than those listed above, are carried out by company directors.



32. Guarantee commitments to third parties

At 31 December 2011 the Group had provided guarantees to third parties deriving from its activities for an amount of 114,493 thousand euros (109,914 thousand euros in 2010). It has also extended financial guarantees for a total of 510,000 thousand euros (188,629 thousand euros at year-end 2010) to secure loans granted by the European Investment Bank.

The Group's directors estimate that no significant liabilities will arise in addition to those recognised in the accompanying consolidated balance sheet as a result of the transactions described in this note.

33. Other information

On 18 February 2011, Bancaja Inversiones, S.A. sold down its entire 5% shareholding in Enagás, S.A., presenting its resignation from the Board at the meeting held on 21 February. This resignation also meant that Bancaja stepped down as Vice-Chairman of the Board of Directors and as member of the Company's Audit and Compliance Committee.

On 18 April 2011, José Riva Francos, an independent director, was appointed to chair the Audit and Compliance Committee, replacing Martí Parellada Sabata, whose term of office had finished.

On 18 July 2011, the Board of Directors of Enagás, S.A. approved an enhanced dividend policy consisting of a payout of 65% of profit for 2011 and of 70% between 2012 and 2014. The higher payouts agreed are subject to shareholder approval at the upcoming General Meeting.

On 18 July 2011, it was announced that for the fourth consecutive year Enagás has been included in the Dow Jones Sustainability World Index (DJSI World), which includes companies with the best practices in sustainability and corporate responsibility.

On 21 November 2011, the Board of Directors of Enagás, S.A. resolved to appoint Isabel Sánchez García as one of its independent directors and as a member of its Audit and Compliance Committee.

At 31 December 2011, Enagás, S.A.'s long-term credit ratings were still "A2" and "AA-".



Hive-down

At a meeting held on 21 November 2011, the Board of Directors of Enagás, S.A., based on the recommendations issued to it by its Audit and Compliance and Appointments, Remuneration and Corporate Responsibility Committees, authorised the "Draft Terms of Hive-Down", which is the first formality required to comply with final provision six of Law 12/2011, of 27 May 2011, concerning civil liability for nuclear damage and damage caused by radioactive materials, which introduced a new additional provision thirty-one to the Hydrocarbon Act (Law 34/1998, of 7 October 1998). As a result:

1. Enagás, S.A. will incorporate two subsidiaries which will hold all the share capital and entitlement to carry out the functions of technical system operator and gas transmission company, respectively. This unbundling will be implemented by means of the contribution to these subsidiaries of all of the property, plant and equipment and all staff dedicated to each of the aforementioned activities. Enagás, S.A. is entitled to pass on its corporate name to the transmission subsidiary.
2. The Enagás, S.A. subsidiary so incorporated which acts as technical system operator will be bound by all the provisions of the Hydrocarbon Act which regulate the latter activity.

The Enagás, S.A. subsidiary so incorporated which acts as gas transmission company will be bound by all the provisions of the Hydrocarbon Act which regulate the latter activity. Operation of the primary gas pipelines making up the basic grid will be directly attributed to the transmission subsidiary for the purposes of the Hydrocarbon Act [...].

Enagás, S.A. will not be entitled to sell shares in the subsidiaries carrying out regulated activities to third parties.

The new transitional provision twenty-three of the Hydrocarbon Act stipulates that these subsidiaries must be incorporated within one year from entry into force of the aforementioned legislative amendment.

As a result, in order to comply with this statutory mandate, the Board of Directors of Enagás, S.A. has issued the corresponding "Draft Terms of Hive-Down", in keeping with the provisions of articles 71 and 30.1 of Law 3/2009, of 3 April 2009, regarding Structural Changes to Corporate Enterprises (the "Structural Changes Act").

Subject to the formalities and administrative approvals which may be required, the planned unbundling will imply the hive-down of two major components of the Company's asset base, each of which will constitute an autonomous and independent economic unit performing the Group's transmission activities (the "Transmission Economic Unit"), on the one hand, and the technical management of the gas system (the "TMS Economic Unit"), on the other. These units will be transferred en bloc to two newly formed companies to be called Enagás Transporte, S.A. (the "Newly Formed Transmission Beneficiary Company") and Enagás GTS, S.A. (the "Newly Formed TMS Beneficiary Company"), or such other corporate names as may arise from certification in the negative by Spain's Central Companies Registry.

Under the planned hive-down, the Newly Formed Transmission Beneficiary Company will acquire the Transmission Economic Unit by means of universal succession, just as the Newly Formed TMS Beneficiary Company will acquire the TMS Economic Unit.

The hive-down transaction is subject to the formalities stipulated in the Structural Changes Act, which include shareholder approval in general meeting. It is also subject to award of the pertinent approvals from the authorities.

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34. Joint ventures

Information on the joint ventures in which the company had interests at 31 December 2011 is set out in the table below:

Company	Location	Activity	Consolidation method	%	% of voting rights controlled by Enagas, S.A.	Carrying amount	Thousands of euros			
							Investee data(*)			
							Assets	Equity	Revenue (**)	Profit for the year (**)
Gasoducto Al-Andalus, S.A.	Spain	Gas transport	PC	66.96	50.00%	23,744	70,949	53,849	28,207	10,036
Gasoducto de Extremadura, S.A.	Spain	Gas transport	PC	51	50.00%	9,732	34,367	31,268	20,358	8,262
Bahía de Bizkaia Gas, S.L.	Spain	Storage and regasification	PC	40	33.33%	44,334	270,109	106,673	55,495	10,087
Subgrupo Altamira LNG, CV.	Netherlands /Mexico	Holdco/ Regasification	PC	40	50.00%	35,511	330,675	53,750	22,025	4,430

I.P: PC: Proportionate consolidation.

(*) The data presented correspond to figures for the individual companies prepared under local GAAP and before the standardisation adjustments made prior to consolidation of the financial statements.

(**) The data corresponding to subgroup Altamira LNG, CV. refer to the last quarter of 2011, which is when this subgroup was consolidated by the Enagás Group for the first time.



35. Events after the balance sheet date

On 4 January 2012, Bilbao Bizkaia Kutxa (BBK) notified the CNMV of the sale of all the shares it held in Enagás, S.A. through Kartera 1, S.L. This sale took place off-market as part of a corporate restructuring process. BBK also changed its name to Kutxa Bank following the merger of three Basque savings banks (Kutxa, BBK and Vital).

On 27 January 2012, Carlos Egea Krauel, who represents Sagane Inversiones, S.L. on the Board of Enagás, S.A., informed the Company that Banco Mare Nostrum, S.A. holds an indirect shareholding in Enagás, S.A. equivalent to 2.79% of share capital, deriving from ownership of 42,550,080 shares in Sagane Inversiones, S.L., giving it a 54.9% interest in the latter.

On 27 January 2012, Fitch Ratings lowered its Spanish sovereign rating from AA- to A-. As a direct result, on 30 January 2012, the rating assigned by Fitch to Enagás' senior debt was lowered from AA- to A+. Enagás' other ratings remain intact (Long-term IDR: A+ Outlook Stable and Short-term IDR F1).

On 1 February 2012, Peña Rueda, S.L.U. (a company director) announced that Cantábrica de Inversiones de Cartera, S.L. (CIC, S.L.) continues to directly hold 11,937,395 shares in Enagás, S.A. and that the shares in CIC, S.L. have been transferred to Liberbank, S.A. as a result of the spin-off of the assets and liabilities and auxiliary items comprising its banking business and the transfer en bloc and by means of universal succession of this banking business to Cajastur. As a result, Liberbank, S.A. indirectly owns a 5% equity interest in Enagás (as indirect owner of 11,937,395 Enagás shares).

Management report of the Enagás Group

I.-Performance of the Group in 2011

Net profit rose 9.3% year-on-year to 364,643 thousand euros in 2011.

Revenue totalled 1,118,443 thousand euros.

At year-end the Enagás Group's capital and reserves stood at 1,867,377 thousand euros while total equity stood at 1,861,596 thousand euros.

Share capital is represented by 238,734,260 fully paid ordinary bearer shares each with a par value of 1.50 euros.

On 28 December 2010 the Official State Gazette (BOE) published Order ITC/3354/2009 of the Ministry of Industry, Tourism and Trade, which establishes the remuneration of regulated activities in the gas industry for 2011, and updated certain aspects relating to the remuneration of regulated activities in the gas industry.

Throughout the year the Group continued to enlarge and enhance its regasification, transport and storage installations to bring them in line with the outlook for demand going forward. In this respect, the main actions carried out were:

- An eighth 150,000m³ tank at the Barcelona plant
- Duplication of the Tivissa – Paterna gas pipeline
- Algete - Yela gas pipeline
- At the end of 2011 the Enagás Group operated 9,280 km of pipeline designed to function at maximum bar pressures of 72 and 80, compared with 8,981 km in December 2010. This increase helps secure continuity of supply and the development of areas that previously had no access to natural gas supplies.
- Regulation and metering stations were added to transportation assets and different pipeline positions were modified. The Group also built the Villar de Arnedo compression station. A total of 12 new regulating and metering stations were brought into service in the course of the year, taking the total number in operation at year-end to 436.

Overall, at the end of 2011, the gas infrastructure of the Enagás Group comprising the basic natural gas grid was as follows:

The Barcelona, Huelva and Cartagena regasification plants, with total combined LNG storage capacity of 2,037,000 m³ in a total of 18 tanks, nine cistern loaders and emission capacity of 4,650,000 m³(n)/h.

The Serrablo (Huesca) underground storage facility and the Gaviota offshore underground storage facility, in operation with maximum injection of 8.9 Mm³/day and maximum output of 12.4 Mm³/day, and the concession for the Yela (Guadalajara) storage facility in accordance with the provisions of Royal Decree 1061 of 20 July 2007.

A gas pipeline network with a total length of 9,280 km, consisting of the following main lines:

- **Central line:** Huelva-Córdoba-Madrid-Burgos-Cantabria-Basque Country (with the Huelva-Seville-Córdoba-Madrid duplicated)



- **Eastern line:** Barcelona-Valencia-Alicante-Murcia-Cartagena
- **Western line:** Almendralejo-Cáceres-Salamanca-Zamora-León-Oviedo
- **Spain-Portugal western line:** Córdoba-Badajoz-Portugal (Campo Maior-Leiria-Braga)-Tuy-Pontevedra-A Coruña-Oviedo
- **Ebro line:** Tivisa-Zaragoza-Logroño-Calahorra-Haro
- **Transverse line:** Alcazar de San Juan-Villarrobledo-Albacete-Montesa
- **Balearic line:** Montesa-Denia-S. Antoni de Portmany- S. Juan de Dios

The following gas pipeline entry points to the gas system:

North: the Calahorra-Lac Spain-France pipeline connecting Spain and Portugal with the European gas pipeline network.

South: The Maghreb-Europe pipeline and connection to the Marismas-Palancares gas fields in the Guadalquivir valley.

II.-Main business risks

The Enagás Group is exposed to various risks intrinsic to the sector, the market in which it operates and to the activities it performs, which may prevent it from achieving its objectives and executing its strategies successfully.

The main risks associated with the Group's business activities are classified as follows:

1. Business risk

Business risk relates to losses caused by external factors such as regulation, economic growth patterns, competition levels, demand trends, structural industry factors, etc., as well as to those losses resulting from incorrect decision-making in relation to the company's business plans and strategies.

Within business risk, regulatory risk, which relates to the regulatory framework governing the company's business activities and also refers to certain aspects of local rates, is particularly prominent.

Enagás has implemented measures to control and manage its business risk within acceptable risk levels. To this end it continually monitors risks relating to regulation, the market and the competition.

2. Counterparty risk

Counterparty risk relates to the possibility of losses deriving from a counterparty's failure to comply with its obligations and to uncertainty as to a counterparty's ability to honour its obligations.

In the assessments performed in 2011, the Group qualified its credit and counterparty risk as negligible as it only does business with solvent companies, as corroborated by these companies' external credit ratings.

The pertinent counterparty risk management information is disclosed in Note 18 to the consolidated annual financial statements.

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3. Financial risk

Financial risk is an assessment of earnings vulnerability to adverse fluctuations in financial variables such as interest rates, exchange rates, market liquidity conditions and other market drivers.

The financial risk management policy is detailed in Note 16 to the consolidated annual financial statements.

4. Operational risk

The Group's day-to-day operations can give rise to direct or indirect losses on account of inadequate internal processes, technological errors, human error or certain external events.

The Group has identified the following significant operational risks: the impact of incidents on infrastructure, equipment and systems, business practices, poor quality or interruption of service, employee conduct, workplace health and safety and operational risk of suppliers and counterparties.

The Enagás Group mitigates these risks by making the necessary investments, applying procedures and operation and maintenance programmes and procedures that are underpinned by quality systems and planning for an adequate training and skill management plus an adequate level of insurance coverage.

5. Criminal liability risk

Article 31 bis of Organic Law 5/2010 of 22 June 2010, which reforms Spain's Criminal Code, introduces criminal liability on the part of legal entities.

Against this backdrop, the Enagás Group could be held liable in Spain for crimes committed by its officers and staff in the course of their work and in their own interests to the extent that the Group is found to have failed to exercise sufficient control.

To prevent this risk from materialising, the Group has approved a Criminal Liability Risk Model and is in the process of implementing the measures needed to prevent corporate crime.

6. Reputational risk

Reputational risk refers to any action, event or circumstance that could have either a harmful or beneficial effect on Enagás' reputation.

The Group has implemented a reputational risk self-assessment procedure which uses qualitative measurement techniques.

This process contemplates the potential reputational effect that any of the risks listed in the model (operational, business, financial and counterparty) may have when their materialisation does not meet expectations of stakeholders and strictly reputational events arising from the action, interest or opinion of a third party.

The Group has identified as relevant any reputational risk that derives from the aftermath of the materialisation of certain risks: operational (service interruption, bad business practice, errors and/or delays in information disclosure and internal and external communication, damage caused to third party persons and/or assets, etc.), regulatory and liquidity risk.

Also considered key, because of its relevance, is the management of certain risks strictly defined as reputational, stemming from the action of a third party.



III.-Use of financial instruments

In February 2008, the Board of Directors approved an interest rate hedging policy devised to align the company's financial cost with the target rate structure set under its Strategic Plan.

In compliance with this policy, the company entered into a series of interest rate hedges during the year. As a result, at year-end, 71% of total gross debt was hedged against interest rate increases.

IV.-Outlook

The company has earmarked capital expenditure of 550 million euros for 2012 and plans to bring 750 million euros' worth of investments online during the year.

Management expects to repeat net profit of 365 million euros in 2012. Likewise, the Company has reiterated the growth targets set out under its 2010-2014 Strategic Plan.

V.-Research and development

Technological innovation initiatives carried out by Enagás Group in 2011 focused on assessing, developing and testing new gas technologies with the aim of increasing and improving the company's competitiveness, and in particular on projects of strategic value for the company.

The most significant activities carried out in 2011 by area were:

- a) **Production (LNG).** The Company continued to develop new phases of its project for designing a reliability model for plant equipment and installations. The Group researched how to improve sampling at LNG tank loaders and is in the process of assessing the impact of global uncertainty on the plants as a whole. It is evaluating the possibility of installing turboexpanders at the Barcelona plant to harness spikes in outflow pressure to generate electricity. Lastly, the Group is working with other European companies on a project to develop the first standard densimeter to measure LNG density.
- b) **Transport.** The project to design, build and start up an electricity generation plant at the Almendralejo compression station was completed during the year. The Group is evaluating the implementation of a logistics planning and optimisation system for the grid which would allow optimal distribution of gas flows throughout the system in response to the operating needs and sales demands voiced by the various sector agents.
- c) **Safety** Work proceeded on various projects and studies related to the analysis of gas pipeline risks and LNG plants.
- d) **Measurement.** The high pressure gas meter calibration bank was started up during the year. A monitoring system designed to oversee variables at the most critical positions from the measurement standpoint was satisfactorily rolled out. Several improvements to the chromatographic techniques and patterns used have been researched and tested. The Group is evaluating the implementation of a system for allocating gas grades by means of simulation, availing itself of tools already available in the CPC (ASTRA model), and for analysing gas obtained at critical junctures of the grid.

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- e) **Projects of general interest.** The Group is also researching the impact on the gas system of introducing biogas into the transport networks from several standpoints and the impact of a new European Union directive on cross-border gas exchanges.
- f) **Other matters.** The Group's IT teams are working on the design and construction of an energy-efficient data processing unit (Green Data Center) at the Zaragoza plant, equipped with trigeneration facilities capable of meeting the facility's energy requirements with a lower environmental impact.

VI.-Transactions with treasury shares

The company did not carry out any transactions involving treasury shares during the year.

VII.-Additional information

- a) **The structure of capital, including securities which are not admitted to trading on a regulated market in a member state, indicating, where appropriate, the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents**

The capital structure of the company:

Date of last modification	Share capital (euros)	Number of shares	Number of voting rights
03-05-02	358,101,390.00	238,734,260	238,734,260

All the shares are of the same class.

- b) **Restrictions on the transfer of securities**

There are no restrictions on the transfer of securities.

- c) **Significant direct and indirect shareholdings**

Name or corporate name social del accionista	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
OMAN OIL COMPANY, S.A.O.C.	0	11,936,702	5.000
ATALAYA INVERSIONES, S.R.L.	0	11,936,714	5.000
CAJASTUR (Caja de Ahorros de Asturias)	0	11,937,395	5.000

(*) through

Name or corporate name of the shareholder	Number of direct voting rights	% of total voting rights
OMAN OIL HOLDINGS ESPAÑA, S.L.U.	11,936,702	5.000
SAGANE INVERSIONES, S.L.	11,936,714	5.000
CANTÁBRICA DE INVERSIONES DE CARTERA, S.L.	11,937,395	5.000
Total:	35,810,811	15.000

Significant shareholdings in the company

Name or corporate name of the shareholder	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
Mr. Antonio Llardén Carratalá ¹	56,396	0	0.024
BBK (Bilbao Bizkaia Kutxa)	0	11,936,713	5.000
Doña Teresa García Milá Lloveras	1,500	0	0.001
Mr. Sultan Hamed Khamis Al Burtamani	1	0	0.000
Mr. Dionisio Martínez Martínez	2,010	0	0.001
Mr. Luis Javier Navarro Vigil	10	7,075	0.003
Mr. Martí Parellada Sabata	910	0	0.000
Mr. Ramón Pérez Simarro	100	0	0.000
Sagane Inversiones, S.L.	11,936,714	0	5.000
Sociedad Estatal De Participaciones Industriales (SEPI)	11,936,713	0	5.000

¹ Notified to the CNMV during Enagás, S.A's General Shareholders' Meeting. On 25 March 2011, he held 13,338,775 indirect voting rights equivalent to 5.587% of the total voting rights comprising the Company's share capital in representation of 5,036 shareholders.

(*) through

Name or corporate name of the shareholder	Number of direct voting rights	% of total voting rights
KARTERA 1, S.L.	11,936,713	5.000
NEWCOMER 2000, S.L.U.	7,075	0.003
Total:	11,943,788	5.003

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d) Any restrictions on voting rights

Section two of additional provision thirty-one of Spain's Hydrocarbon Act (Law 34/1998, of 7 October 1998), in effect since the entry into force of Law 12/2011, of 27 May 2011, regarding civil liability for nuclear damage and damage caused by radioactive waste, provides as follows:

"No natural person or corporate body may hold, directly or indirectly, an interest in the parent company (Enagás, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Such shares may in no event be syndicated. Parties operating in the gas industry or natural persons or corporate bodies that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise voting rights at the parent company in excess of 1%. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises. The shareholdings may in no event be syndicated.

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

To calculate the shareholding, the same individual or legal entity will be attributed, in addition to the shares and other securities held or acquired by companies belonging to its group, as defined in article 4 of the Law 24/1988, of 28 July, regarding securities markets, those whose ownership corresponds to:

- a) Any person acting on his own behalf but on account of the aforesaid, in concert or constituting a decision-making unit. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that governing body.
- b) Partners with those with which one of them exercises control over a dominant company in accordance with article 4 of Securities Market Law 24/1988.

In any event, regard shall be had to the proprietary ownership of the shares and other securities and the voting rights attached to each.

Breach of the restrictions on interests in share capital prescribed by this article shall be treated as a very serious infringement for the purposes of article 109 of this Law, and liability shall attach to any natural person or body corporate found to be holders of the securities or to any person to whom there may be attributed the excess interest in share capital or voting rights pursuant to the above sub-paragraphs. In any event, the regime of penalties laid down in the law shall be applied".

In accordance with the aforementioned statutory provision, article 6a ("Limitation on shareholdings and exercise of voting rights") of Enagás, S.A.'s bylaws sets forth the following:

"No natural person or corporate body may hold, directly or indirectly, an interest in the company representing more than 5% of share capital or exercise more than 3% of its voting rights. Such shares may in no event be syndicated. Parties operating in the gas industry or natural persons or corporate bodies that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise voting rights above 1%. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises. The shareholdings may in no event be syndicated.

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

For the purposes of computing holdings in the share capital of the company, additional provision 20 of the Hydrocarbons Law 34/1998 of 7 October shall apply".



Additional provision twenty of Spain's Hydrocarbon Act (Law 34/1998, of 7 October 1998) was amended by Law 12/2011, of 27 May 2011, regarding civil liability for nuclear damage and damage caused by radioactive waste, which establishes the said limitations on shareholdings and on the exercise of voting rights prescribed in the now prevailing additional provision thirty-one of the Hydrocarbon Act.

e) Agreements between shareholders

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

f) The rules governing the appointment and replacement of board members and the amendment of the articles of association

Bylaw provisions affecting the appointment and replacement of board members:

ARTICLE 35. – COMPOSITION OF THE BOARD.

The company shall be governed and managed by the Board of Directors, which shall represent the company collegiately, both in and out of court. Its representation shall extend, without any limitation of power, to all acts embodied in the corporate purpose.

The Board of Directors shall be composed of a minimum of six members and a maximum of seventeen, appointed at the General Shareholders' Meeting.

The Board members shall be elected by means of a vote. For this purpose, the shares that are voluntarily pooled, up to a total in share capital that is equal to or greater than the result of dividing the latter by the number of Board members, shall be entitled to appoint those who, exceeding whole fractions, are deducted from the corresponding proportion. If this power is exercised, the shares pooled in this fashion shall not take part in the appointment of the remaining members of the Board.

The post of director, for those for which shareholder status is not required, may be waived, revoked and eligible for re-election to one or more terms.

An appointment as director shall take effect upon acceptance thereof.

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

ARTICLE 37.- POSTS.

The Board of Directors shall appoint a Chairman, and if applicable, a Deputy Chairman, who in the Chairman's absence shall act as Chairman. In lieu of a Deputy Chairman, the most senior director in age shall substitute the Chairman.

The appointment of a Secretary is also incumbent on the Board of Directors, which may appoint, in addition to a Deputy Secretary, who in the Secretary's absence shall act as Secretary, persons who are not directors. In lieu of a Deputy Secretary, the most senior director in age shall substitute the Secretary.

The persons holding the positions of Chairman, Deputy Chairman to the extent there is one, Board Secretary and Deputy Secretary to the extent there is one, who are re-elected as members of the Board by the Company's shareholders in general meeting shall continue to discharge the duties they had been carrying on within the Board without having to be specifically re-elected to these positions, notwithstanding the Board of Director's power to revoke such appointments.

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Provisions of the organisational and operational regulations of the Board of Directors (adopted by the Board of Directors on 29 March 2007):

ARTICLE 3.- QUANTITATIVE AND QUALITATIVE COMPOSITION.

1.- Within the minimum and maximum limits set forth under article 35 of the company's current bylaws, notwithstanding the powers of proposal enjoyed by shareholders, the Board of Directors shall propose to the General Shareholders' Meeting the number of directors that at each stage it deems appropriate in the interest of the company. The General Shareholders' Meeting shall decide on the final number.

2.- The Board of Directors shall be composed of directors that belong to the categories stated below:

a) **Internal or executive directors:** directors who perform senior management functions or are employed by the company or its Group. If a director performs senior management functions and, at the same time, is or represents a significant shareholder or one that is represented on the Board of Directors, he/she shall be considered internal or executive for purposes of the present Regulations.

No more than 20% of the total number of members of the Board of Directors may belong to this category.

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

b1) **Proprietary directors:** directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than said amount, as well as those who represent said shareholders.

b2) **Independent directors:** directors of acknowledged professional prestige are able to contribute their experience and knowledge to corporate governance and, since they do not belong to either of the two preceding categories, meet the conditions set forth under article 9 of the present Regulations. The number of independent directors shall represent at least one third of all directors.

b3) **Other external directors:** external directors who are not proprietary directors and cannot be classified as independent directors in accordance with article 9 of the present Regulations.

In exercising its powers of co-option and proposal to the General Shareholders' Meeting to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, independent directors represent a broad majority over executive directors and that among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

ARTICLE 8.- APPOINTMENT OF DIRECTORS.

1.- Directors shall be appointed at the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions contained in the Spanish Companies Act and the company's Bylaws.

2.- Those appointed to directorship must be people who, in addition to meeting the legal and bylaw-stipulated requirements, have acknowledged prestige and the appropriate professional knowledge and experience to perform their tasks efficiently.

Proposals for the appointment of directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a report from the Appointments and Remuneration Committee. When the Board of Directors does not agree with the Committee's recommendations, it must explain its reasons and duly record them in the minutes.

3.- The process of filling board vacancies shall have no implicit bias against women candidates. The company shall make an effort to include women with the target profile among the candidates for Board positions.

ARTICLE 9.- APPOINTMENT OF INDEPENDENT DIRECTORS.

Independent directors are defined as directors appointed for their personal and professional qualities who are in a position to perform their duties without being influenced by any connection with the company, its significant shareholders or its management. As such, the following shall in no circumstances qualify as independent directors:

- a) Past employees or executive directors of Group companies, unless three or five years have elapsed, respectively, from the end of the employment relationship.
- b) Those who have received some payment or other form of compensation from the company or its Group on top of their directors' fees, unless the amount involved is not significant. Payment shall not include for the purposes of the provisions of this article, dividends or pension top-ups paid to the director in connection with his or her former professional or employment relationship, so long as their settlement is unconditional in nature and the company paying them cannot arbitrarily choose to suspend, modify or revoke their payment, unless the director is in breach of his or her obligations.
- c) Partners, now or in the past three years, in the external auditor or the firm responsible for the audit report, during the said period, of Enagás, S.A. or any other within its Group.
- d) Executive directors or senior officers of another company where an executive director or senior officer of Enagás, S.A. is an external director.
- e) Those having material business dealings with Enagás, S.A. or some other in its Group or who have had such dealings in the preceding year, either on their own account or as the significant shareholder, director or senior officer of a company that has or has had such dealings. Business dealings are considered those with suppliers of goods or services, including financial advisory and consultancy services.
- f) Significant shareholders, executive directors or senior officers of an entity that receives significant donations from Enagás, S.A. or its Group, or has done so in the past three years. Mere sponsors of a foundation receiving donations are not included here.
- g) Spouses, or partners maintaining an analogous affective relationship, or close relatives of one of the company's executive directors or senior officers.
- h) Any person not proposed for appointment or renewal by the Appointments and Remuneration Committee.
- i) Those standing in some of the situations listed in a), e), f) or g) above in relation to a significant shareholder or a shareholder with board representation. In the case of the family relations set out in letter g), the limitation shall apply not only in connection with the shareholder but also with his or her proprietary directors in the investee company. Proprietary directors disqualified as such and obliged to resign due to the disposal of shares by the shareholder they represent may only be re-elected as independents once the said shareholder has sold all remaining shares in the company.

A director with shares in the company may qualify as independent, provided he or she meets all the conditions stated in this article and the holding in question is not significant.

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ARTICLE 10.- TENURE AND CO-OPTION.

Directors may hold their post for a period of four years, and may be re-elected. Directors appointed by co-option will perform their functions until the date of the next General Shareholders' Meeting.

ARTICLE 11.- RE-APPOINTMENT OF DIRECTORS.

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

As a general rule, appropriate rotation of independent directors should be endeavoured. For this reason, when one is proposed for re-election, the circumstances making his/her continuity in the post advisable must be justified. Independent directors should not stay on as such for a continuous period of more than 12 years.

ARTICLE 12.- REMOVAL OF DIRECTORS.

1.- Directors shall leave their post after the first General Shareholders' Meeting following the end of their tenure and in all other cases in accordance with law, the company's bylaws and the present Regulations.

2.- Directors must place their office at the Board of Directors' disposal, and tender, if the Board deems this appropriate, their resignation in the following cases:

- a) When they are involved in any of the legally stipulated circumstances of incompatibility or prohibition.
- b) When they are in serious breach of their obligations as directors.
- c) When they may put the interests of the company at risk or harm its name and reputation. If a director is indicted or an order is issued to initiate a trial against him/her for a crime specified under article 124 of the Spanish Companies Act, the Board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide where or not the director should be called on to resign.
- d) When the circumstances motivating their appointment as directors no longer exist.
- e) When independent directors no longer fulfil the criteria required under article 9.
- f) When the shareholders represented by proprietary directors dispose of their ownership interests. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced proportionately.

Should the Board of Directors not deem it advisable to have a director tender his/her resignation in the cases specified under letters d), e) and f), the latter must be included in the category that, in accordance with the present Regulations, is most appropriate based on his/her new circumstances.

3.- The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a report from the Appointments and Remuneration Committee.

4.- After a director has been removed from his/her post, he/she may not work for a competitor company for a period of two years, unless the Board of Directors exempts him/her from this obligation or shortens its duration.

Bylaw provisions affecting the amendment of the bylaws:

ARTICLE 26. – SPECIAL QUORUM.

In the event the Ordinary or Extraordinary General Shareholders' Meeting at first call wishes to validly ratify the issue of bonds, the increase or reduction of share capital, the transformation, merger or spin-off of the company, and in general, to amend the company bylaws, shareholders possessing at least fifty percent of paid up voting capital must be present or represented.

At second call, attendance of at least twenty-five percent of the paid up voting capital shall be sufficient.

g) The powers of board members, and in particular the power to issue or buy back shares.

The only member of the Board of Directors who has the power to represent the company is Chairman Antonio Llar-dén Carratalá. The Board of Directors granted him the powers that appear in the public deed executed on 9 February 2007 before Notary of Madrid Pedro de la Herrán Matorras under number 324 of his protocol and as recorded in the Mercantile Registry of Madrid, Volume 20,090; Book 0; Folio 172, Section 8; Page M-6113; Record 668. Although said powers encompass broad powers of representation, they do not include the ability to issue or buy back shares of the company.

Regardless of the foregoing, the tenth resolution adopted by the General Shareholders' Meeting held on 11 May 2007 with the following terms is now in force:

"To grant the Board of Directors the broadest powers required by law to increase the company's share capital, at one or several times, within a maximum period of five years from the date, under the terms of article 153.b) of the Spanish Companies Act, up to a maximum of 179 million euros, by issuing new shares, with or without voting rights, with or without a share premium, in exchange for cash, and to establish the terms and conditions of the capital increase and the features of the shares, with the possibility of offering freely new shares unsubscribed within the pre-emptive subscription period(s) and determine, if the shares are not fully subscribed, that capital will be increased only by the amount of the subscriptions made and, accordingly, to redraft the article of the company bylaws regarding share capital. The Board of Directors is also empowered to waive pre-emptive subscription rights under the terms of article 159 of the Spanish Companies Act."

h) Significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company arising from a takeover bid and the effects thereof except where such disclosure could pose a serious risk to the company. This exception is not applicable when the company is legally obliged to disclose the information.

No agreements of this kind exist.

i) Agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment relation ends following a takeover bid.

The Company has an agreement with the Executive Chairman and seven of its officers that include express severance pay clauses.

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The clauses in each case are applicable in cases of company termination of the contract, unfair disciplinary dismissal, dismissal for the reasons outlined under article 52 of the Workers' Statute or as decided by the manager citing one of the reasons outlined under article 50 of Workers' Statute provided the resolution is certified by means of conciliation between the parties, legal judgment, arbitration award or by a competent administrative body. They are not applicable if the resolution is the result of a unilateral decision made by the manager without just cause.

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

VIII.-Events after the balance sheet date

On 4 January 2012, Bilbao Bizkaia Kutxa (BBK) notified the CNMV of the sale of all the shares it held in Enagás, S.A. through Kartera 1, S.L. This sale took place off-market as part of a corporate restructuring process. BBK also changed its name to Kutxa Bank following the merger of three Basque savings banks (Kutxa, BBK and Vital).

On 27 January 2012, Carlos Egea Krauel, who represents Sagane Inversiones, S.L. on the Board of Enagás, S.A., informed the Company that Banco Mare Nostrum, S.A. holds an indirect shareholding in Enagás, S.A. equivalent to 2.79% of share capital, deriving from ownership of 42,550,080 shares in Sagane Inversiones, S.L., giving it a 54.9% interest in the latter.

On 27 January 2012, Fitch Ratings lowered its Spanish sovereign rating from AA- to A. As a direct result, on 30 January 2012, the rating assigned by Fitch to Enagás' senior debt was lowered from AA- to A+. Enagás' other ratings remain intact (Long-term IDR: A+ Outlook Stable and Short-term IDR F1).

On 1 February 2012, Peña Rueda, S.L.U. (a Company director) announced that Cantábrica de Inversiones de Cartera, S.L. (CIC, S.L.) continues to directly hold 11,937,395 shares in Enagás, S.A. and that the shares in CIC, S.L. have been transferred to Liberbank, S.A. as a result of the spin-off of the assets and liabilities and auxiliary items comprising its banking business and the transfer en bloc and by means of universal succession of this banking business to Cajastur. As a result, Liberbank, S.A. indirectly owns a 5% equity interest in Enagás (as indirect owner of 11,937,395 Enagás shares).



ENAGÁS GROUP

On 6 February 2012, the Board of Directors of Enagás, S.A. authorised the annual financial statements and management report for the year ended 31 December 2011, consisting of the accompanying documents, signed and sealed by the Secretary with the Company's stamp, for issue, in accordance with article 253 of the Spanish Corporate Enterprises Act and article 37 of the Code of Commerce.

DIRECTOR STATEMENT OF RESPONSIBILITY. For the purposes of article 8.1 b) of Spanish Royal Decree 1632/2007, of 19 October 2007, the undersigned directors state that, to the best of their knowledge, the annual financial statements, prepared in accordance with applicable accounting principles, provide a true and fair view of the equity, financial position and results of the company and of the companies included in the consolidation scope, taken as a whole, and that the management report includes a fair analysis of the evolution and results of the businesses and the position of the company and the companies included in consolidation, taken as a whole, together with the description of the main risks and uncertainties faced. They additionally state that to the best of their knowledge the director not signing these presents has expressed no dissent from the annual financial statements or the management report.

President

- Mr. Antonio Llardén Carratalá

Directors

- | | |
|-------------------------------------|--|
| - Mr. Jesús David Álvarez Mezquíriz | - Mr. Miguel Ángel Lasheras Merino |
| - Ms. Isabel Sánchez García | - Mr. Martí Parellada Sabata |
| - Ms. Teresa García-Milà Lloveras | - Mr. Sultan Al Burtamani |
| - Mr. Dionisio Martínez Martínez | - Sagane Inversiones S.L.
(Represented by D. Carlos Egea Krauel) |
| - Mr. Luis Javier Navarro Vigil | - Sociedad Estatal de Participaciones Industriales-SEPI
(Represented by D. Ramón Aguirre Rodríguez) |
| - Mr. Ramón Pérez Simarro | - Peña Rueda S.L. Unipersonal
(Represented by D. Manuel Menéndez Menéndez) |
| - Mr. José Riva Francos | - Bilbao Bizkaia Kutxa-BBK
(Represented by D. Joseba Andoni Aurrekoetxea Bergara) |

Secretary of the board

- Mr. Rafael Piqueras Bautista

14. Appendix

1. About this report

Scope and principles for defining the content and quality of disclosures – 3.1, 3.2, 3.3, 3.5, 3.6, 3.7, 3.8, 3.10, 3.11 -

The scope of this report is limited to Spain, where Enagás carries on its business. Information relating to finance and employees concerns operations that are fully controlled by Enagás (100% ownership).

Safety information includes operations which commenced prior to the second half of the year concerned. Environmental information includes data on operations acquired prior to commencement of the second half of the year concerned.

In this report, since 100% ownership of the Gaviota facility was obtained in November 2011, data concerning accidents and the environment do not include the facility.

In the preparation of this 2011 Annual Report, the following references were used:

- The Sustainability Reporting Guidelines of the GRI (Global Reporting Initiative), version 3.1, published 2011, which define the main aspects to be taken into account
- The assessment made by various organisations and institutions specialising in sustainability matters regarding the scope and content of the 2011 Enagás Annual Report, including any suggestions for improvements made

- The results of the stakeholder surveys carried out in late 2010, asking representatives of the Company's stakeholder groups to assess key aspects of their relations with Enagás and their level of satisfaction with its performance regarding each of those aspects

- The results of the Company's drive to include all its units in the preparation

One of the main objectives of this annual report is to provide reliable and balanced information on Enagás' commitment to the principal challenges raised by sustainable development. Accordingly, the content of the report aims to address the reporting principles of materiality, stakeholder inclusiveness, completeness, comparability, balance, accuracy, clarity and timeliness.

Principles of materiality and stakeholder inclusiveness

In its 2011 Annual Report, Enagás has sought to address all issues relevant or material for the various stakeholder groups, i.e. those that could significantly influence their opinions and/or decisions.

At the end of 2010, therefore, as referred to in the chapter on sustainable management, an external survey of all Enagás' stakeholders was carried out in order to identify their main areas of concern.



Principle of completeness

The 2011 Enagás Annual Report covers the main actions and results of its activities, incorporating those events considered material in 2008 as well as other information considered useful for stakeholders.

Principle of comparability

To facilitate use and understanding of this report on the part of stakeholders, most of the indicators used are quantitative and, wherever possible, include data for previous years to support the information detailing the company's advances and achievements in relation to corporate responsibility.

The report also includes historical information included in previous Company annual reports, striving wherever possible to use the same calculation methods so as to prevent inconsistencies and highlighting those instances where errors have been identified in past data or the methods used to calculate the performance indicators have changed.

As in previous years, the 2011 Annual Report also takes account of the content and indicators recommended in the third version of the Global Reporting Initiative (GRI) guidelines, providing an internal and external benchmark for comparison since it uses internationally recognised principles and content indices. As for the 2010 Annual Report, this year's Annual Report has also been drafted applying the principles of standard AA1000: inclusiveness, materiality and responsiveness.

From the financial point of view, the consolidated annual financial statements of the Enagás Group for 2007 were prepared in accordance with International Financial Reporting Standards (IFRS), on the basis of the accounting records kept by the company and the other companies included in the consolidated Group (for more information see Section 6 of the Annual Financial Statements).

Principle of balance

This report aims to give an objective overview of the position of Enagás, reflecting both positive and negative aspects and thus providing a reasonable assessment of the general performance of the Company.

Principles of accuracy and clarity

The information contained in this report is clear and accurate, enabling stakeholders to make their own assessments of the company's performance and activities. The Company has also included charts, diagrams, tables and indicators to facilitate understanding of its activities in the financial, social and environmental spheres.

In line with last year's report, the 2011 Annual Report details the milestones set in the 2010 Annual Report and achieved in 2011, together with other major milestones, and also presents targets for 2011, with the aim of improving transparency for the Company's stakeholders.

Principle of timeliness

Enagás publishes information on corporate responsibility on an annual basis, thus keeping stakeholders abreast of the Company's financial, social and environmental performance.

For clarifications or additional information on the content of the 2011 Annual Report, please use the contact details published at the end of this report.

2. Self-declaration of GRI application level G3.1 – G3.1 – 3.9 –

In 2011 Enagás rated its application level as A+. Non-financial information, corresponding to the GRI indicators, is included in the 2011 Annual Report and has been verified by KPMG.

The Global Reporting Initiative (GRI) has confirmed that Enagás' 2011 Annual Report complies with its A+ application level. Enagás has thus obtained the highest rating awarded by the GRI for the fourth consecutive year.



Statement GRI Application Level Check

GRI hereby states that **Enagás** has presented its report "Annual Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, February 22nd 2012



Nelmar Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because **Enagás** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on February 17th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.



3. GRI table of contents

Global Reporting Initiative content index - 3.12 –

The following table details the pages in this report corresponding to each GRI indicator (additional indicators are marked with an asterisk).

I. Profile

GRI	Description	Reported	Pages/direct response
1. Strategy and analysis			
1.1	Statement by the most senior decision-maker of the organization, strategy	Fully	4
1.2	Description of key impacts, risks and opportunities	Fully	96,99
2. Company profile			
2.1	Name of the organization	Fully	367
2.2	Primary brands, products and/or services	Fully	12
2.3	Operational structure of the organization	Fully	103
2.4	Location of organization's headquarters	Fully	367
2.5	Number of countries where the organization operates and names of countries with major operations	Fully	12
2.6	Nature of ownership and legal form	Fully	12
2.7	Markets served	Fully	12
2.8	Scale of the reporting organization (net sales, total capitalization, etc.)	Fully	8
2.9	Significant changes during the reporting period regarding size, structure or ownership	Fully	26
2.10	Awards received	Fully	41, www.enagas.es
3. Report parameters			
Report profile			
3.1	Reporting period for information provided	Fully	346
3.2	Date of most recent previous report	Fully	346
3.3	Reporting cycle (annual, biennial, etc.)	Fully	346
3.4	Contact point	Fully	367
Report scope and boundary			
3.5	Process for defining report content (including determining materiality, prioritizing topics within the report and identifying stakeholders) Boundary of the report	Fully	42, 43, 346
3.6	Specific limitations on the scope or boundary of the report	Fully	346
3.7	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced	Fully	346
3.8	operations and other entities that can significantly affect comparability from period to period and/or between organizations	Fully	346

3.9	Data measurement techniques and the bases of calculations including assumptions and techniques applied.Reasons for not applying GRI Indicator Protocols	Fully	348
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Fully	346
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	Fully	346
GRI content index			
3.12	Table identifying the location of the Standard Disclosures in the report	Fully	349
Assurance			
3.13	Policy and current practice with regard to seeking external assurance for the report	Fully	364
4. Governance, commitments and stakeholder involvement			
Governance			
4.1	Governance structure of the organization	Fully	103
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Fully	103
4.3	For organizations that have a unitary board structure, state the number of board members of the highest governance body that are independent and/or non-executive members	Fully	103
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Fully	106
4.5	Linkage between compensation for members of the highest governance body and the organization's performance	Fully	109
4.6	Process in place for the highest governance body to ensure conflicts of interest are avoided	Fully	106
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics	Fully	106
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	Fully	106
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Fully	99
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	Fully	96, 109
Commitments to external initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is	Fully	96, 99
4.12	addressed by the organization	Fully	49
	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses		

4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organizations in which the organization:	Fully	24, 41, 92
	- Has positions in governance bodies		
	- Participates in projects or committees		
	- Provides substantive funding beyond routine membership dues; or		
	- Views membership as strategic		
Stakeholder engagement			
4.14	List of stakeholder groups engaged by the organization	Fully	42
4.15	Basis for identification and selection of stakeholders with whom to engage	Fully	42
4.16	Approaches to stakeholder engagement (including frequency)	Fully	42
4.17	Key topics and concerns that have been raised through stakeholder enga- gement and how the organization has responded to those key topics and concerns, including through its reporting	Fully	42, 64

II. Management approach

Aspects	Reported	Pages/direct response
ECONOMIC	Fully	8
EC dimension summary	Fully	8, 24-33
Economic performance	Fully	14
Market presence	Fully	8-33
Indirect economic impacts		
ENVIRONMENTAL		
EN dimension summary	Fully	Activities geared towards protec- ting the environment and biodiver- sity, along with energy efficiency, curbing emissions and responsible use of resources, are all pivotal parts of the Enagás approach to environ- mental management to ensure that the impact of its activities on the environment is as low as possible.
Materials	Fully	82
Energy	Fully	80
Water	Fully	82

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Appendix

Biodiversity	Fully	86
Emissions, effluents and waste	Fully	77, 84
Products and services	Fully	73
Compliance	Fully	Enagás treats any fine or sanction as material if it exceeds 25% of the materiality limit set by the external auditors each year.
	Fully	
	Fully	
	Fully	
	Fully	
Transmission	Fully	76
Overall	Fully	73
LA dimension summary	Fully	The Enagás commitment to people focuses on increasing stable and secure quality employment, on professional development based on merit (integrity, work and achievements), on equal opportunities, and on ensuring a healthy balance between our employees' personal lives and their jobs.
Employment	Fully	49
Labor/Management Relations	Fully	50
Occupational Health and Safety	Fully	57
Training and Education	Fully	53
Diversity and Equal Opportunity	Fully	51
Equal remuneration for women and men	Fully	51, 52
HR dimension summary	Fully	49
Investment and Procurement Practices	Fully	At Enagás, we strive to forge mutually beneficial relationships with our suppliers, spreading our CSR commitments throughout the supply chain by means of supplier endorsement, with direct dialogue and with safety guaranteed by contractors.
Non-discrimination	Fully	51
Freedom of Association and Collective Bargaining	Fully	50
Child Labor	Fully	The Enagás collective agreement prohibits the company from employing minors of less than 16 years of age (Article 28) and its Business Principles establish a procedure for managing incidents of this type.
Prevention of Forced and Compulsory Labor	Fully	
Security Practices	Fully	



Prevention of Forced and Compulsory Labor	Fully	The Enagás collective agreement establishes business hours for the year and the possibility of flexible working hours (Article 38), there is an occupational risk prevention policy, and the company's Business Principles establish a procedure for reporting and managing incidents of this type.
Security Practices	Fully	57
Indigenous Rights	Fully	11
Assessment	Fully	Enagás chiefly carries on its business in Spain, and no significant operations have been identified that could constitute violations of human rights.
Remediation	Fully	40
SO dimension summary	Fully	41, 92
Local Communities	Fully	92
Corruption	Fully	40
Public Policy	Fully	14, 92
Anti-Competitive Behavior	Fully	9
Compliance	Fully	Enagás treats any fine or sanction as material if it exceeds 25% of the materiality limit set by the external auditors each year
PR dimension summary	Fully	Our customers' satisfaction with the services we provide is a key issue for Enagás: we identify their expectations and devise improvement plans.
	Fully	
	Fully	
	Fully	
	Fully	
Customer Health and Safety	Fully	57
Product and Service Labeling		59
Marketing Communications		We are committed to improving the transparency, accuracy and rigour of all our communications. Our aim is to keep our stakeholders and society at large regularly informed, and also to help the press and media do their job.
Customer Privacy		63
Compliance		Enagás treats any fine or sanction as material if it exceeds 25% of the materiality limit set by the external auditors each year.

III. Performance indicators

GRI	Description	Reported	Pages/ response	Non-reported part	Reason for omission	Explanation	Report reported
ECONOMIC DIMENSION							
Economic Performance							
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	Fully	44				
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Fully	- pg 76 - Enagás Climate Change Report (pg 7, 8) - European Emission Trading Rights presents a future scenario with a likely impact on the Enagás income statement, and thus in the medium to long term the Company may cease to earn revenue arising from surplus emission rights and begin to generate expenditure from deficits, around €0.8Mn in 2013 and €5Mn by 2027.				
EC3	Coverage of the organization's defined-benefit plan obligations.	Fully	52				
EC4	Significant financial assistance received from government.	Partial	26,31	Aggregate financial value on accruals basis of: tax relief/ credits, subsidies, grants, financial assistance from export credit agencies, financial incentives, other benefits received or receivable from any government body in respect of any operation.	Not applicable	Enagás only receives significant assistance in the form of capital funds.	

III. Performance indicators

GRI	Description	Reported	Pages/ response	Non-reported part	Reason for omission	Explanation	Report reports
Market presence							
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Fully	55				
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	Fully	70				
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully		Enagás carries on most of its business in Spain, and thus almost all its personnel is contracted locally.			
Indirect economic impacts			92-93				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement.	Fully	24				
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Fully					
ENVIRONMENTAL DIMENSION							
Materials			82				
EN1	Direct energy consumption by primary energy source.	Fully	82				
EN2	Indirect energy consumption by primary source.	Fully					
Energy			80				
EN3	Energy saved due to conservation and efficiency improvements.	Fully	80				
EN4		Fully	81				
EN5	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	Partial		Total energy saved due to process redesign, conversion and retrofitting of equipment and changes in the attitudes of personnel.	Information not available	This line of action is included in the 2013 Strategic Plan for the Environment and Risk Prevention	2013
			81				
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	Partial		- Quantified reduction of energy requirements of products and services achieved in the reporting period. - Usage pattern assumptions or normalisation factors.	Information not available	This line of action is included in the 2013 Strategic Plan for the Environment and Risk Prevention	2013

III. Performance indicators

GRI	Description	Reported	Pages/ response	Non-reported part	Reason for omission	Explanation	Report reporte
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Fully	Enagás did not deploy any indirect energy reduction initiatives in 2011.				
Energy							
EN8	Total water withdrawal by source.	Fully	82				
EN9	Water sources significantly affected by withdrawal of water.	Partial	82		Not material	Well water capture thresholds were not breached in 2011.	
EN10	Percentage and total volume of water recycled or reused.	Fully	Enagás does not reuse water in its processes.				
Biodiversity							
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	86				
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Fully	75, 88				
EN13	Habitats protected or restored.	Fully	87	Monitoring and verification is carried out on an internal basis.			
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	Fully	87-88				
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Fully	86				
Emissions, effluents and waste							
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	77				
EN17	Other relevant indirect greenhouse gas emissions by weight.	Fully	77				
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Fully	77				

III. Performance indicators

GRI	Description	Reported	Pages/ response	Non-reported part	Reason for omission	Explanation	Report reporte
EN19	Emissions of ozone-depleting substances by weight.	Not reported	79		Not material	Gas leaks from air-conditioning equipment using R-22 gas as a coolant entail the emission of insignificant amounts of non-greenhouse gases which can affect the ozone layer.	2013
EN20	NOx, SOx and other significant air emissions by type and weight.	Partial	79	Weight of significant air emissions of POP, VOC, HAP, stack and fugitive emissions, PM or other emissions.	Not applicable.	The environmental regulations applicable to Enagás do not include the measurement of these pollutants as natural gas does not contain any substances which can give rise to any of them	
EN21	Total water discharge by quality and destination.	Fully	83				
EN22	Total weight of waste by type and disposal method.	Fully	84, 85				
EN23	Total number and volume of significant spills.	Fully	84				
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally.	Fully	Waste generated by Enagás is not shipped internationally.				
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Fully	Enagás does not discharge any wastewater into water courses located in protected nature reserves or which are considered to be of particular ecological value.				
Products and services							
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Partial	56 (GHG), 57 (non-GHG), 58 (energy), 59 (materials), 60 (noise and effluents), 61 (spills), 62 (waste).	Extent to which environmental impacts of products and services have been mitigated during the reporting period.	Information not available	This line of action is included in the 2013 Strategic Plan for the Environment and Risk Prevention	2013
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported	Not applicable as Enagás' processes do not generate products or materials.				

III. Performance indicators

GRI	Description	Reported	Pages/ response	Non-reported part	Reason for omission	Explanation	Report reporte
Compliance							
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully		Enagás has not been fined for any non-compliance with environmental laws.			
Transmission							
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Fully	83				
Overall							
EN30	Total environmental protection expenditures and investments by type.	Fully	76				
SOCIAL DIMENSION							
1. Employment practices and work ethics							
Employment practices							
LA1	Total workforce by employment type, employment contract, and region.	Fully	49, 50				
LA2	Total number and rate of employee hires and employee turnover by age group, gender and region.	Fully	49, 50				
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Fully	52				
LA15	Return to work and retention rates after paternity leave, by gender.	Fully	53				
Labour/management relations							
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	51				
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully		The Inter-Centre Health and Safety Committee as a territorial body to which centre health and safety committees and prevention representatives report. There is no minimum period of notice for employee representatives concerning organisational changes. organizativos.			

III. Performance indicators

GRI	Description	Reported	Pages/ response	Non-reported part	Reason for omission	Explanation	Report reported
Occupational health and safety							
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	57				
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region and by gender.	Partial	58-59	Calculation of the frequency and seriousness index, by genders.	Not applicable	All accidents involving sick leave in 2011 occurred in the Transmission and Production Department, where the majority of employees are male (93%).	
LA8	Education, training, counseling, prevention and risk control programs in place to assist workforce members, their families or community members regarding serious diseases.	Fully	58				
LA9	Health and safety topics covered in formal agreements with trade unions.	Fully	57				
Training and education							
LA10	Average hours of training per year per employee by gender and by employee category.	Partial	53	No. of courses, by genders	Information not available	Systems did not have the means to report this information in 2011	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	53				
LA12	Percentage of employees receiving regular performance and career development reviews.	Fully	55				
Diversity and equal opportunity							
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.	Fully	50, 51, 52				
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Fully	52, 55				

III. Performance indicators

GRI	Description	Reported	Pages/ response	Non-reported part	Reason for omission	Explanation	Report reported
2. Human Rights							
Investment and procurement practices							
HR1	Percentage and total number of significant investment agreements that include clauses incorporating human rights concerns or that have undergone human rights screening.	Fully	14, 71				
HR2	Percentage of significant suppliers and contractors and other business partners that have undergone human rights screening and actions taken.	Fully	70				
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Fully	41				
Non-discrimination							
HR4	Total number of incidents of discrimination and corrective actions taken.	Fully	52				
Freedom of association and collective bargaining							
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Fully	50				
Child labor							
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor and measures taken to contribute to the effective abolition of child labor.	Fully		None of the activities in which Enagás is engaged have been identified as carrying a risk of child exploitation. Additionally, the Enagás Collective Agreement prohibits the Company from taking on employees under 16 years of age (Article 28) and its Business Principles establish a procedure for reporting and managing incidents of this type.			
Forced and compulsory labor							
HR7	Operations and significant suppliers identified as having significant risk of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Fully		None of Enagás' operations have been identified as being subject to a significant risk of forced or compulsory labour. Additionally, the Enagás Collective Agreement establishes business hours for the year and the possibility of flexible working hours (Article 38), there is an occupational risk prevention policy, and the Company's Business Principles establish a procedure for reporting and managing incidents of this type.			

III. Performance indicators

GRI	Description	Reported	Pages/ response	Non-reported part	Reason for omission	Explanation	Report reporte
Security practices							
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Fully	Enagás does not have any security personnel contracted as part of its staff. In addition, the requirements of the company's supplier accreditation process include respect for the principles of the United Nations Global Compact and the Universal Declaration of Human Rights. A corporate responsibility clause has been included in all commercial contracts and the Company's General Contracting Conditions since November 2008.				
Indigenous rights							
HR9	Total number of incidents of violations involving rights of indigenous people and action taken.	Not reported	Enagás' activities are generally performed in Spain. No violations of indigenous peoples' rights have been reported.				
Assessment							
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not reported	Not material Enagás chiefly carries on its business in Spain, and no significant operations have been identified that could constitute violations of human rights.				
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	Fully	41				
3. Society							
Community							
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs. Operaciones con impactos negativos significativos posibles o reales en las comunidades locales.	Fully	92, 93				
SO9	Operations with significant potential or actual negative impacts on local communities.	Fully	93				

III. Performance indicators

GRI	Description	Reported		Pages/ response	Non-reported part	Reason for omission	Explanation	Report reporte
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Fully	93					
Corruption								
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fully	96-98					
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	41					
SO4	Actions taken in response to incidents of corruption.	Fully	41, 96-98					
Public policy								
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	24, 92					
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	Fully	No contributions of any kind to political parties have been made. Enagás' Business Principles also contain guidelines on this issue.					
Anti-competitive behaviour								
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	Fully	There is no pending litigation resulting from anti-competitive behaviour, anti-trust and monopoly practices.					
Compliance								
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	No sanctions, significant fines or non-monetary sanctions have been imposed for non-compliance with laws or regulations.					
4. Product Responsibility								
Customer health and safety								
PR1	Life cycle stages in which the health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Fully	57					
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	57					

III. Performance indicators

GRI	Description	Reported	Pages/ response	Non-reported part	Reason for omission	Explanation	Report reporte
Products and services labelling							
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. Total number of incidents of non-compliance with regulations	Fully	59				
PR4	and voluntary codes concerning product and service information and labeling, by type of outcome.	Fully	No non-compliances have been registered concerning infrastructure information.				
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	64				
Marketing communications							
PR6	Program for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	Enagás does not carry out advertising or promotional marketing campaigns. Enagás is also a member of the Spanish Association of Directors of Communication (DIRCOM), which, inter alia, promotes ethical communications practices.				
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	Not reported			Not applicable	Enagás does not carry out advertising or promotional campaigns. Enagás is member of DIRCOM, an association which promotes ethical behavior in communications.	
Customer privacy							
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	There have been no substantiated complaints regarding breaches of customer privacy and loss or theft of customer data.				
Compliance							
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	There have been no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.				
		Fully					

4. External verification report -3.13-



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28046 Madrid

Independent Assurance Report to the Management of Enagás, S.A.

(Free translation from the original in Spanish.

In case of discrepancy, the Spanish language version prevails)

We performed a limited assurance review on the non-financial information contained in Enagás, S.A. (hereinafter Enagás) Annual Report for the year ended 31 December 2011 (hereinafter “the Report”). The information reviewed corresponds to the economic, environmental and social indicators referred in the chapter entitled Appendix 3 “GRI table of contents”.

Enagás management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 3.1 (G3.1) of the Global Reporting Initiative as described in the section entitled Appendix 2 “Self-declaration of GRI application level G3.1”. This section details the self-declared application level, which has been confirmed by Global Reporting Initiative. Management is also responsible for the information and assertions contained within the Report; for the implementation of processes and procedures which adhere to the principles set out in the AA1000 AccountAbility Principles Standard 2008 (AA1000APS); for determining its objectives in respect of the selection and presentation of sustainable development performance; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility is to carry out a limited assurance engagement and to issue, based on the work performed, an independent report. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, issued by the International Auditing and Assurance Standards Board and also in accordance with the guidance set out by the Accountants Institute of Spain (Instituto de Censores Jurados de Cuentas de España). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement and that we comply with the independence requirements included in the International Ethics Standards Board for Accountants Code of Ethics which outlines detailed requirements regarding integrity, objectivity, confidentiality and professional qualifications and conduct. We have also conducted our engagement in accordance with AA1000 Accountability Assurance Standard 2008 (AA1000AS) (Type 2), which covers not only the nature and extent of the organisation’s adherence to the AA1000APS, but also evaluates the reliability of performance information as indicated in the scope.

A limited assurance engagement on a sustainability report consists of making inquiries to Management, primarily to the persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate through the following procedures:

- Inquiries of management to gain an understanding of Enagás’s processes for determining the material issues for their key stakeholder groups.
- Interviews with relevant Enagás staff concerning the application of sustainability strategy and policies.
- Interviews with relevant Enagás staff responsible for providing the information contained in the Report.
- Visit to the Barcelona regasification plant, selected through a risk analysis process, taking into account quantitative and qualitative criteria.
- Analysing the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Enagás.
- Verifying that the financial information reflected in the Report was taken from the annual accounts of Enagás, which were audited by independent third parties.

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2

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore also the level of assurance provided. Also, this report should not be considered an audit report.

Our multidisciplinary team included specialists in AA1000APS, stakeholder dialogue, social, environmental and economic business performance.

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the data included in the Annual Report of Enagás, S.A. for the year ended 31 December 2011 have not been reliably obtained, that the information has not been fairly presented, or that significant discrepancies or omissions exist, nor that the Report is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G3.1) of the Global Reporting Initiative as described in the Appendix 2 “Self-declaration of GRI application level G3.1” section of the Report. Additionally, and also based on the procedures performed, as described above, nothing has come to our attention that as a result of Enagás implementing the procedures described in sections “Enagás’ relations with stakeholders”, “Quality, Excellence and Sustainability Master Plan” and Appendix 1 “About this report” of the Report, any material issues have been omitted as applies to the principles of inclusivity, materiality and responsiveness as included in the AA1000 AccountAbility Principles Standard 2008.

Under separate cover, we will provide Enagás management with an internal report outlining our complete findings and areas for improvement. Without prejudice to our conclusions presented above, we present some of the key observations and areas for improvement below:

In relation to the principle of INCLUSIVITY

Following on from the consultation process carried out in 2010 through the online survey of its stakeholders, and with the objective of studying in more detail the issues arising from this consultation, in 2011, Enagás conducted a series of Focus-Groups with its most important stakeholders. In addition, Enagás conducts customer and employee satisfaction surveys on an annual and biennial basis respectively, where, among other things, these stakeholders are asked to evaluate the company’s approach to CSR. In this regard Enagás is recommended to work on formalizing the process for analyzing the information obtained from the various consultations, so that the decisions taken as a result of each process are made in as objective and consistent a manner as possible.

In relation to the principle of MATERIALITY

In defining its strategy in corporate responsibility, Vision 2020, Enagás has conducted a study in order to identify the relevant key issues. To design the challenges that will make the reaching of the targets set possible, Enagás will set out the actions to be carried out in its 2012-2014 Quality, Excellence and Sustainability Master Plan (PDQES 2012-2014). In this regard Enagás is recommended to take into consideration the issues that have arisen from the various consultation processes when designing the actions to be carried out as part of both the PDQES and Vision 2020.

In relation to the principle of RESPONSIVENESS

On a quarterly basis Enagás assesses the status of all the lines of action defined in the Quality, Excellence and Sustainability Master Plan of the year in question. To strengthen the capacity of this plan in response to the needs and expectations of its stakeholders, and to continue involving these in its design, Enagás is recommended to encourage and formalize a constant two-way dialogue that will allow the company to determine the level of satisfaction of its stakeholders with the answers given by Enagás.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

2 March 2012



5. Contents of the Global Compact

The Global Compact is an ethical commitment initiative that encourages companies worldwide to incorporate into their strategy and operations ten universal principles concerning human rights, labour standards, the environment and the fight against corruption. Enagás has been a member of the United Nations Global Compact since 2003 and regularly renews its commitment, maintaining a public and transparent record of the progress it has made in this field in an annual report published on the Global Compact web site at www.pactomundial.org.

The links between the ten principles of the Global Compact and the GRI indicators considered in this report are listed in the table below, in accordance with the guidelines for using GRI sustainability reporting in the preparation of a United Nations Global Compact Communication on Progress, published by the United Nations Global Compact Office in May 2007.

To make it easier to identify the activities most directly related with the principles of the Global Compact, Enagás has singled out the GRI indicators that have a direct bearing on these principles. The table below indicates the pages of this report in which this information is contained.

GC	HUMAN RIGHTS	Directly-related GRI indicators	Page
1	Businesses should support and respect the protection of internationally proclaimed human rights.	HR1 - 11	Pg 18-21, 41-44, 61, GRI Table
2	Businesses should make sure that they are not complicit in human rights abuses.	HR1 – 2, HR8	Pg 18-21, 41-44, 61, GRI Table
LABOUR			
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LA4 – 5, HR5	Pg 41-44
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR7	GRI Table
5	Businesses should uphold the effective abolition of child labour.	HR6	GRI Table
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	LA2, LA13 – 14, HR4	Pg 40-44
ENVIRONMENT			
7	Businesses should support a precautionary approach to environmental challenges.	EN18, EN26	Pg 66-71, 73-88
8	Businesses should undertake initiatives to promote greater environmental responsibility.	EN2, EN 5 – 7, EN 10, EN13 – 14, EN18, EN 21 -22, EN26 – 27, EN30	Pg 66-71, 73-88, GRI Table
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN2, EN5 - 7, EN10, EN18, EN26 - 27, EN30	Pg 66-71, 73-88, GRI Table
ANTI-CORRUPTION			
10	Businesses should work against corruption in all its forms, including extortion and bribery.	SO2 - 4	Pg 18-21, 101-106



6. Contact

Contact – 2.1, 2.4, 3.4 -

Please address any comments, requests for clarification or suggestions in connection with this report to:

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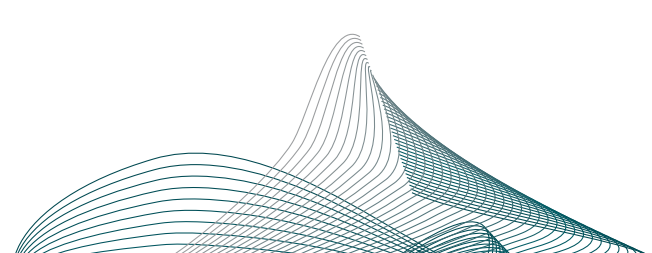
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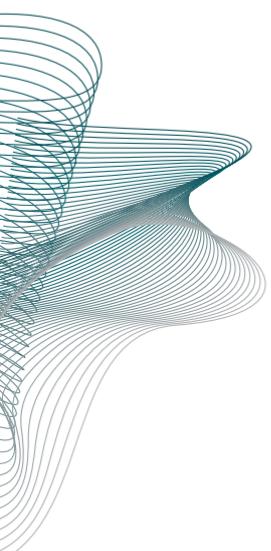
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Annual Report 2011

Appendix



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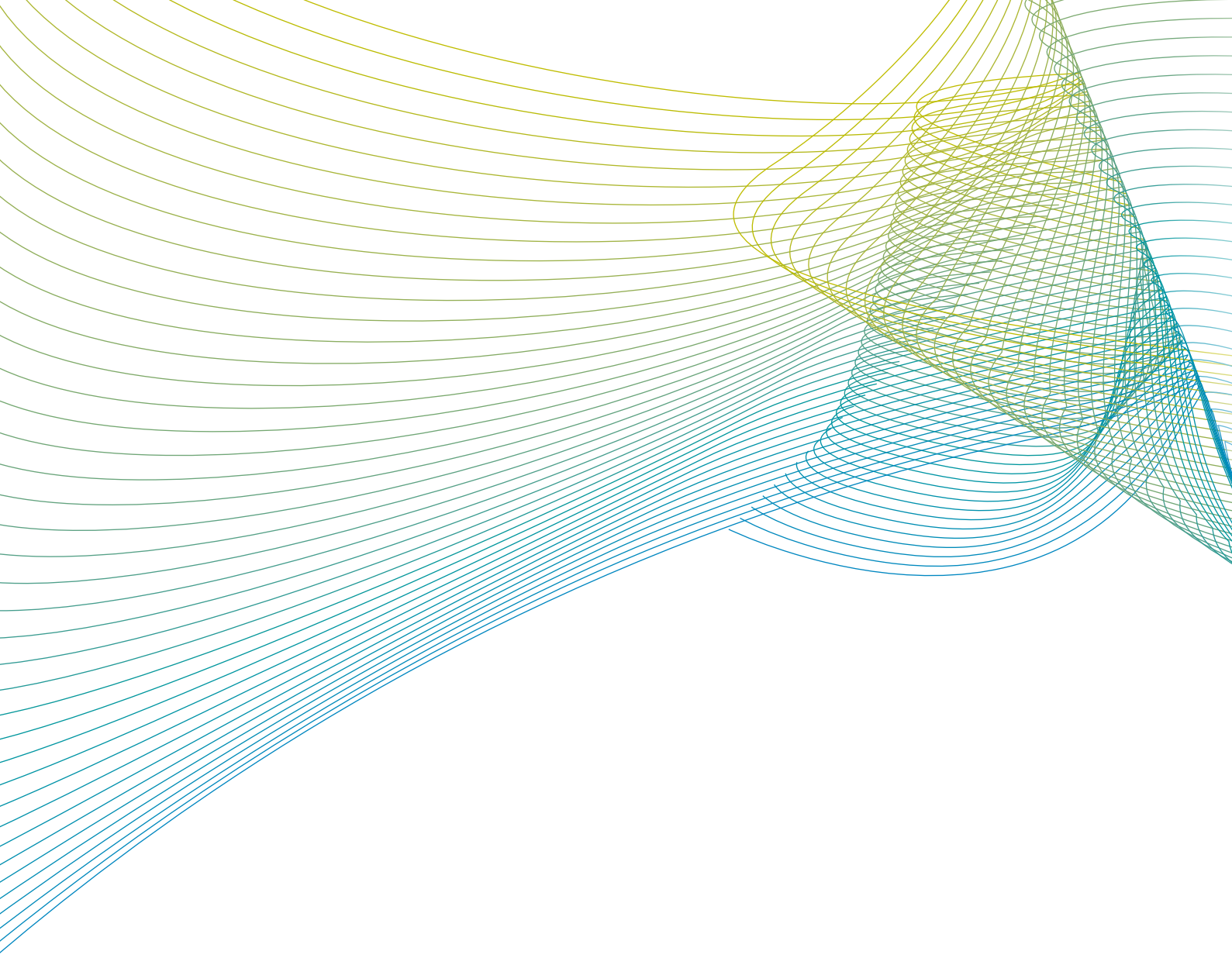
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