

Enagás, S.A. and Subsidiaries

Consolidated Financial Statements for
the year ended 31 December 2015
and Consolidated Directors' Report,
together with Independent Auditor's
Report

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 in Spain (see Notes 2 and 35). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Enagás, S.A.,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Enagás, S.A. (the Parent) and Subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Enagás, S.A. and Subsidiaries 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 in Spain (identified in Note 2 to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Enagás, S.A. and Subsidiaries as at 31 December 2015, and their consolidated results and their consolidated cash flows for the year then ended 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 in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the situation of Enagás, S.A. and Subsidiaries, the evolution of their 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 2015. 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



Oliverio Alvarez Alonso

16 February 2016

ENAGÁS, S.A.
and
Subsidiaries

Consolidated Financial Statements
at 31 December 2015

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 35). In the event of a discrepancy, the Spanish-language version prevails.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015
(Figures in thousands of euros)

<u>Assets</u>	Notes	12/31/2015	12/31/2014
NON-CURRENT ASSETS		7,072,033	6,652,652
Intangible assets	5	80,286	77,769
Goodwill		25,812	17,521
Other intangible assets		54,474	60,248
Investment properties	8	24,970	25,080
Property, plant and equipment	6	5,183,400	5,336,848
Equity-accounted investments	9 and 33	1,191,105	740,636
Other non-current financial assets	9	518,837	399,906
Deferred tax assets	22	73,435	72,413
CURRENT ASSETS		679,885	1,059,207
Inventories	10	16,881	15,686
Trade and other receivables	9 and 11	426,404	484,469
Other current financial assets	9	7,521	3,220
Other current assets		4,451	4,383
Cash and cash equivalents	12	224,628	551,449
TOTAL ASSETS		7,751,918	7,711,859
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<u>Liabilities</u>	Notes	12/31/2015	12/31/2014
EQUITY		2,391,572	2,260,316
SHAREHOLDER'S EQUITY	13	2,318,911	2,218,514
Issued capital		358,101	358,101
Reserves		1,674,200	1,578,022
Profit for the year		412,662	406,533
Interim dividend		(126,052)	(124,142)
NET UNREALISED GAINS (LOSSES) RESERVE	13	58,226	27,555
NON-CONTROLLING INTERESTS (EXTERNAL PARTNERS)	13	14,435	14,247
NON-CURRENT LIABILITIES		4,716,391	4,272,494
Non-current provisions	15	167,024	163,340
Non-current financial liabilities	16	4,192,752	3,735,091
Payables to related parties		17	11
Deferred tax liabilities	22	306,059	318,001
Other non-current liabilities	17	50,539	56,051
CURRENT LIABILITIES		643,955	1,179,049
Current financial liabilities	16	402,754	943,241
Trade and other payables	16 and 20	241,201	235,808
TOTAL EQUITY AND LIABILITIES		7,751,918	7,711,859

Notes 1 to 35 to the accompanying financial statements are an integral part of the consolidated balance sheet at 31 December 2015

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 35). In the event of a discrepancy, the Spanish-language version prevails.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015
(Figures in thousands of euros)

	Notes	12/31/2015	12/31/2014
Revenue	23	1,196,366	1,206,192
Revenue from regulated activities		1,159,494	1,185,103
Revenue from deregulated activities		36,872	21,089
Other operating income	23	25,233	20,989
Staff costs	24	(96,301)	(84,695)
Other operating costs	24	(224,948)	(202,803)
Depreciation and amortisation	5 and 6	(289,787)	(314,900)
Impairment losses and gains (losses) on disposal of assets	6 and 8	(8,600)	(35,166)
OPERATING PROFIT		601,963	589,617
Finance revenue	25	14,797	12,087
Finance and similar costs	25	(108,447)	(126,366)
Exchange differences (net)	25	630	8,542
Change in fair value of financial instruments	25	2,090	231
NET FINANCIAL GAIN/(LOSS)		(90,930)	(105,506)
Gain (loss) from equity-accounted investments	33	46,235	11,160
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		557,268	495,271
Income tax	22	(143,587)	(87,627)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		413,681	407,644
Loss attributable to non-controlling interests	13	(1,019)	(1,111)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		412,662	406,533
Attributable to:			
Equity holders of the parent		412,662	406,533
BASIC EARNINGS PER SHARE	14	1.73	1.70
DILUTED EARNINGS PER SHARE	14	1.73	1.70

Notes 1 to 35 to the accompanying financial statements are an integral part of the consolidated income statement at 31 December 2015

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 35). In the event of a discrepancy, the Spanish-language version prevails.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE AT 31 DECEMBER 2015
(Figures in thousands of euros)

	12/31/2015	12/31/2014
PROFIT FOR THE YEAR	413,681	407,644
INCOME AND EXPENSE RECOGNISED IN EQUITY:	21,721	17,241
Items that may be reclassified to profit and loss	-	-
Fully consolidated companies	(55,226)	(48,854)
Cash flow hedges	(15,656)	(7,944)
Translation differences	(43,484)	(42,973)
Tax effect	3,914	2,063
Equity-accounted companies	76,947	66,095
Cash flow hedges	(2,562)	(12,705)
Translation differences	78,842	75,579
Tax effect	667	3,221
TRANSFERS TO THE INCOME STATEMENT:	8,950	3,272
Fully consolidated companies	7,435	7,277
Cash flow hedges	10,326	10,391
Tax effect	(2,891)	(3,114)
Equity-accounted companies	1,515	(4,005)
Cash flow hedges	2,338	(5,148)
Tax effect	(823)	1,143
TOTAL RECOGNISED INCOME AND EXPENSE	444,352	428,157
Attributed to non-controlling interests	1,019	1,111
Attributed to the parent company	443,333	427,046

Notes 1 to 35 in the accompanying financial information are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2015

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 35). In the event of a discrepancy, the Spanish-language version prevails.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015
(Figures in thousands of euros)

	Share capital	Share premium and reserves	Profit for the year	Interim dividend	Net unrealised gains (losses) reserve	Non-controlling interests	Total equity
BALANCE AT BEGINNING OF 2014	358,101	1,477,226	403,183	(120,083)	7,042	13,906	2,139,375
Adjustments due to changes in policies in 2013	-	-	-	-	-	-	-
Restatements for 2013 errors	-	-	-	-	-	-	-
ADJUSTED BALANCE AT 1 JANUARY 2014	358,101	1,477,226	403,183	(120,083)	7,042	13,906	2,139,375
Total recognised income and expense	-	-	406,533	-	20,513	1,111	428,157
Transactions with shareholders	-	-	(182,304)	(124,142)	-	(770)	(307,216)
- Dividends paid	-	-	(182,304)	(124,142)	-	(770)	(307,216)
Other changes in equity	-	100,796	(220,879)	120,083	-	-	-
- Transfers between equity items	-	-	(220,879)	-	-	-	(220,879)
- Other variations	-	100,796	-	120,083	-	-	220,879
BALANCE AT 31 DECEMBER 2014	358,101	1,578,022	406,533	(124,142)	27,555	14,247	2,260,316
BALANCE AT BEGINNING OF 2015	358,101	1,578,022	406,533	(124,142)	27,555	14,247	2,260,316
Adjustments due to changes in policies in 2014	-	-	-	-	-	-	-
Restatements for 2014 errors	-	-	-	-	-	-	-
ADJUSTED BALANCE AT 1 JANUARY 2014	358,101	1,578,022	406,533	(124,142)	27,555	14,247	2,260,316
Total recognised income and expense	-	-	412,662	-	30,671	1,019	444,352
Transactions with shareholders	-	-	(186,213)	(126,052)	-	(831)	(313,096)
- Dividends paid	-	-	(186,213)	(126,052)	-	(831)	(313,096)
Other changes in equity	-	96,178	(220,320)	124,142	-	-	-
- Transfers between equity items	-	-	(220,320)	-	-	-	(220,320)
- Other variations	-	96,178	-	124,142	-	-	220,320
BALANCE AT 31 DECEMBER 2015	358,101	1,674,200	412,662	(126,052)	58,226	14,435	2,391,572

Notes 1 to 35 in the accompanying financial information are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2015

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 35). In the event of a discrepancy, the Spanish-language version prevails.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015
(Figures in thousands of euros)

	<u>12/31/2015</u>	<u>12/31/2014</u>
PROFIT BEFORE TAX	557,268	495,271
Adjustments to profit	338,975	432,685
Depreciation and amortisation expense	289,787	314,900
Other adjustments to profit	49,188	117,785
Change in working capital	(23,085)	(80,598)
Inventories	(1,195)	(548)
Trade and other receivables	(4,817)	(100,041)
Other current assets and liabilities	344	(1,282)
Other non-current assets and liabilities	(1,221)	(1,101)
Trade and other payables	(16,196)	22,374
Other cash flows used in operating activities	(246,139)	(290,736)
Interest paid	(114,653)	(118,226)
Interest received	10,898	8,262
Income taxes paid	(143,656)	(190,239)
Other cash inflows/(outflows)	1,272	9,467
NET CASH FROM OPERATING ACTIVITIES	<u>627,019</u>	<u>556,622</u>
Payments for investments	(539,154)	(706,795)
Subsidiaries and associates	(412,843)	(531,138)
Property, plant and equipment and investment property	(121,159)	(140,343)
Non-current assets held for sale	-	(35,314)
Other financial assets	(5,152)	-
Proceeds from disposals	8,944	37,038
Subsidiaries and associates	8,944	-
Non-current assets held for sale	-	37,038
Other cash flows from financing activities	46,568	32,878
Other cash inflows (outflows) from investing activities	46,568	32,878
NET CASH USED IN INVESTING ACTIVITIES	<u>(483,642)</u>	<u>(636,879)</u>
Payments for financial liabilities	(157,410)	603,766
Issues	1,518,407	2,173,729
Repayments and redemptions	(1,675,817)	(1,569,963)
Dividends paid	(313,097)	(307,215)
NET CASH USED IN FINANCING ACTIVITIES	<u>(470,507)</u>	<u>296,551</u>
EFFECT OF CHANGES IN CONSOLIDATION METHOD	<u>-</u>	<u>-</u>
Effect of changes in exchange rates	309	142
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(326,821)</u>	<u>216,436</u>
Cash and cash equivalents at 1 January	551,449	335,013
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>224,628</u>	<u>551,449</u>

Notes 1 to 35 in the accompanying financial information are an integral part of the consolidated cash flow statement for the year ended 31 December 2015

Consolidated Financial Statements at 31 December 2015 Enagás Group.-

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 35). In the event of a discrepancy, the Spanish-language version prevails.

1. Group activity

The parent company Enagás, S.A. was incorporated in Spain on 13 July 1972 in accordance with the Spanish Limited Liability Companies Law. Its corporate purpose is:

- The regasification, basic and secondary transport and storage of natural gas, by means of or through the corresponding owned or third-party gas infrastructures and facilities, and the performance of ancillary or related activities.
- The design, construction, commissioning, exploitation, operation and maintenance of all manner of gas infrastructures and complementary facilities, including control, remote control and telecommunications networks of any kind and electric grids, owned by it or third parties.
- The performance of all the duties related to the technical management of the gas system.
- The transport and storage of carbon dioxide, hydrogen, biogas and other energy-related fluids, by means of or through the corresponding owned or third-party infrastructure, and the design, construction, commissioning, exploitation, operation and maintenance of all manner of complementary infrastructure and facilities required to this end.
- The business of exploiting the heat, cooling and energy properties associated with or deriving from its core businesses.
- The provision of a range of services, including engineering, construction, advisory and consultancy services, in connection with the businesses constituting its corporate purpose, and participation in activities related to the management of the natural gas market to the extent compatible with the business activities vested in the Company by the law.

The foregoing activities may be carried out by Enagás, S.A. itself or through investees with an identical or analogous corporate purpose, subject to the scope and limits laid down in prevailing applicable oil and gas legislation. Under prevailing legislation, regulated transport and technical management activities of the system must be performed by two wholly-owned subsidiaries (Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., respectively). Accordingly, the following activities also form part of the corporate purpose:

- Management of the corporate group comprising the Company's equity investments in the companies constituting that group.
- The provision of assistance or support services to the Group companies and investees, to which end the Company may also extend any guarantees and securities deemed opportune.

Its registered office is at Paseo de los Olmos, no. 19, 28005, Madrid.

The Articles of Association and other public information about the Company and its Group may be consulted on its web page, www.enagas.es, and at its registered office.

Enagás, S.A. is the parent of a group of companies that includes interests in subsidiaries, associates, jointly controlled operations and joint ventures engaged in the natural gas transport, storage and regasification business and which, together with Enagás, S.A., form the Enagás Group (the Group). Consequently, Enagás, S.A. is required to prepare consolidated financial statements for the Group in addition to its own financial statements, which also include information on its interests in subsidiaries, associates, jointly controlled operations and joint ventures.

The consolidated financial statements of the Group and those of each of the entities that compose the Group for 2015, which have served as the basis for the preparation of these consolidated financial statements, are pending

Consolidated Financial Statements at 31 December 2015

Enagás Group.-

approval by their respective Ordinary General Shareholders' Meetings and it is expected they will be approved without any modifications.

These consolidated 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 financial statements and consolidation principles

2.1. Basis of presentation

The consolidated financial statements of the Enagás Group for 2015 were prepared based on the accounting records maintained by the parent company and the other entities forming part of the Group, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council.

For the preparation of these consolidated financial statements, all accounting policies and standards and mandatory measurement bases have been taken into consideration in order to present fairly the equity and financial position of the Group at 31 December 2015, the results of its operations, and the changes in its equity, cash flows and recognised income and expense during the year then ended.

The Consolidated Financial Statements for 2014 of the Enagás Group that are included for comparison purposes have also been prepared in accordance with IFRS as adopted by the European Union in a manner consistent with prior years, except for the standards and interpretations applicable to the Group that entered into force in 2015.

The Consolidated Financial Statements of the Enagás Group for 2015 were authorised for issue by the directors at their Board meeting held on 15 February 2016. The separate and consolidated financial statements for 2014 were approved by the shareholders of Enagás, S.A. at the General Meeting held on 27 March 2015 and were subsequently filed at the Madrid Mercantile Registry.

Notes 2.4, 2.6 and 3 include a summary of the most significant accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2015.

2.2. Responsibility for the information and estimates made

The information included in these consolidated financial statements is the responsibility of the directors of the parent company (Enagás, S.A.).

The Group's 2015 consolidated financial statements include estimates made by senior management of the Group and of the consolidated entities – subsequently ratified by their directors – regarding the carrying amounts of certain assets, liabilities, revenues, expenses and commitments recognised therein. These estimates relate basically to the following:

- The useful life of intangible assets and the assets recognised as property, plant and equipment (see Notes 3.b and 3.c).
- Provisions for dismantling/abandonment costs (see Note 3.c)
- The measurement of non-financial assets to determine impairment losses (see Note 3.d)
- The fair value of financial instruments (see Note 3.i).
- Recognition of provisions and contingencies (see Note 3.m).
- The calculation of income tax and deferred tax assets (Note 3.p).

Although these estimates were made on the basis of the best information available at 31 December 2015 regarding the facts analysed, it is possible that future events may require them to be modified (upwards or downwards) in the years ahead. This would be carried out prospectively, recognising the effects of the changes to accounting estimates in the consolidated income statement, as is stipulated in IAS 8.

2.3 Changes in the scope of consolidation

During 2015 the changes in the scope of consolidation of the Enagás Group were as follows:

- On 23 January 2015, Morelos O&M, S.A.P.I. de C.V. was formed for 50 thousand Mexican pesos (3 thousand euros). This company, which is domiciled in Mexico, has a 50% stake owned by Enagás Internacional, S.L.U., and 50% owned by Elecnor, S.A. Enagás Internacional, S.L.U. has joint control over this company, since significant financial and operating strategic decisions regarding the activities carried out by this company require the unanimous agreement of the shareholders exercising joint control over it, for which reason the stake is consolidated using the equity method.
- On 29 January 2015, Enagás Transporte, S.A.U. acquired 58.06% of Compañía Transportista de Gas de Canarias, S.A. for 7,568 thousand euros (Gascan) from Unión Eléctrica de Canarias Generación, S.A.U. (47.18%) and from Sociedad para el Desarrollo Económico de Canarias, S.A. (10.88%). Accordingly, the loans granted to Gascan were subrogated by Enagás Transporte, S.A.U. for 1,421 thousand euros. This transaction gave the Enagás Group control of the company, given that previously it held 41.94% of its shares, and allowed it to comply with the provisions of article 6 of Law 17/2013, of 29 October, to guarantee, supply and increase competition in peninsular and non-peninsular electrical systems (BOE no. 260 of 30 October 2013), establishing that the ownership of the regasification plants for natural gas in the Canary Islands must be held by the business group that comprises the natural gas Technical Management System. Until 2 February 2015, the share held by the Enagás Group in Gascan was consolidated using the equity method. Onwards, the Group fully consolidated the assets and liabilities of the company (see Note 7).
- On 5 March 2015, Enagás Transporte, S.A.U. acquired 10% of the shares in Bahía de Bizkaia Gas, S.L. (BBG) from the fund managed by Deutsche Asset & Wealth Management for 11,600 thousand euros, once the corresponding administrative authorisations had been obtained. As a result of this operation, Enagás Transporte, S.A.U. took a 50% stake in BBG, with 50% held by the Ente Vasco de la Energía (EVE). Joint control was maintained with EVE, where the favourable vote of both is required for the adoption of significant strategic financial and operating decisions of the company, for which reason it continues to be consolidated using the equity method.
- On 21 March 2015, Enagás Internacional, S.L.U. and Fluxys Europe, B.V. signed an agreement to buy 100% of the shares of the Swedish company Knubbsäl Topholding AB for 500 thousand Swedish kronor (SEK) (54 thousand euros) which were fully paid to the value of 50% each.

Subsequently, Knubbsäl Topholding AB increased its share capital by 1,788,600 thousand SEK (190,898 thousand euros), which was paid out by Enagás Internacional, S.L.U. and Fluxys Europe, B.V. to the value of 50% each. In addition, Knubbsäl Topholding took out a bridge loan with the corporate guarantee of the shareholders in the amount of 3,750,000 thousand Swedish kronor (400,350 thousand euros), which was refinanced in July 2015 by a loan guaranteed by Swedegas Group, thereby cancelling the guarantees issued by the shareholders. Accordingly, Knubbsäl Topholding acquired a 100% stake in Narob Holding AB from EQT Infrastructure Ltd., for a purchase price of 2,884,280 thousand Swedish kronor (307,926 thousand euros).

Narob Holding AB is the indirect owner of 100% of the shares in Swedegas AB, holding company of the entire network of the high-pressure gas pipelines in Sweden, the Swedish gas system operator with European TSO (Transmission System Operator) certification. The agreement was signed on 15 April 2015. As a result, the capital paid out by Enagás Internacional, S.L.U. in the Swedegas Group totals 894,550 thousand Swedish kronor (95,476 thousand euros).

As Enagás Internacional, S.L.U. directly holds a 50% stake in Knubbsäl Topholding AB and indirectly the same percentage in Swedegas AB, it holds joint control over these companies with Fluxys Europe, B.V. as the favourable vote of both shareholders is required to implement the company's strategic financial and operating decisions. Hence, the share held by the Enagás Group is consolidated using the equity method.

- On 8 June 2015, Enagás Transporte, S.A.U., having obtained the relevant authorisations, finalised the purchase from the fund managed by Deutsche Asset & Wealth Management of 60% of the stake in Iniciativas de Gas, S.L., which in turn owns 50% of Planta de Regasificación de Sagunto, S.A. (Saggas). The purchase price of the shares totals 47,933 thousand euros. Accordingly, it was subrogated in a participation loan in the amount of 13,067 thousand euros. Once the transaction is completed, the company structure of Saggas will be distributed 50% between Infraestructuras de Gas, S.A. and Iniciativas de Gas, S.L., which means that the Enagás Group will indirectly hold 30% of Saggas. As the favourable vote of Enagás Transporte, S.A.U is required for the adoption of significant financial and operating strategic decisions, joint control is held over Iniciativas de Gas, S.L., and, in turn, Saggas. Hence, the shareholdings are consolidated by the equity method.
- On 16 July 2015, once the period to exercise the preferential right of subscription had lapsed without being exercised by either partner, Enagás Internacional, S.L.U. finalised the purchase of an additional shareholding of 4.34% in Transportadora de Gas del Perú, S.A. (TgP) for a total amount of 97,464 thousand dollars (88,946 thousand euros) from SK Innovation Co. LTD and from Corporación Financiera de Inversiones (3.94% and 0.40% respectively). Taking into account the fact that Enagás Internacional, S.L.U. already held a 20% share, the total shareholding of the Group in TgP after the operation is 24.34%, with the significant influence over the company maintained, and consolidation will continue by the equity method.
- On 16 September 2015, the merger of Enagás-Altamira, S.L.U. and Enagás Internacional, S.L.U. was registered in the Mercantile Registry, as the owner of 100% of its shares, with retroactive effect as of 1 January 2015. As a result of the transaction, the assets and liabilities of Enagás-Altamira, S.L.U. on 31 December 2015 are included in the financial statements of Enagás Internacional, S.L.U.
- On 2 November 2015, the General Shareholders' Meeting agreed to increase the share capital of Gasoducto del Sur Peruano, S.A. (GSP), which made Graña y Montero Group part of its shareholders, through Negocios de Gas, S.A. The shareholder structure resulting from this transaction comprises Inversiones en Infraestructura de Transporte por Ductos, S.A.C. (Odebrecht Group) with 55% of the share capital, Negocios de Gas, S.A. with 20% and Enagás Internacional, S.L.U. which holds 25% of the share capital, which it already possessed. The incorporation of a new partner as part of the shareholder structure of GSP requires a qualified majority for the adoption of strategic financial and operating decisions on the relevant activities, leaving Enagás Internacional, S.L.U. with significant influence. This does not mean a change in the method of consolidation, as it will continue to be consolidated using the equity method in the consolidated financial statements of the Enagás Group.
- On 16 November 2015, Enagás U.S.A., LLC was formed for 1,888 thousand dollars (1,780 thousand euros). This company, which is domiciled in the United States, is wholly owned by Enagás Internacional, S.L.U., which holds direct control over the company, the assets and liabilities of which are fully consolidated.

2.4 Basis of consolidation

The consolidated financial statements include the financial statements of the parent company Enagás, S.A. and its subsidiaries, associates, jointly controlled operations and joint ventures at 31 December 2015.

Subsidiaries are considered to be those companies in which Enagás Group meets all of the following requirements:

- It exercises authority over the subsidiary, which is understood to exist when a company holds rights that allow it to direct relevant activities, which are understood to be those that significantly affect the performance of the subsidiary.
- It maintains exposure or rights to variable returns deriving from its involvement with the subsidiary.
- It has the capacity to use its authority to influence the amount of the returns to be obtained from that subsidiary.

Subsidiaries are fully consolidated.

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Interests held by minority shareholders in the equity and the results of the Enagás Group's consolidated subsidiaries are presented under the account 'Non-controlling interests (External Partners)' in 'Equity' in the accompanying consolidated balance sheet and under 'Results attributable to external partners' in the accompanying consolidated income statement.

Subsidiaries are consolidated starting on the acquisition date, i.e., the date on which the Group obtains control, and they continue to be consolidated until such control is lost. The financial statements for subsidiaries are prepared for the same period as those of the parent company.

A distinction is made between jointly controlled operations and joint ventures with respect to joint agreements, i.e., those in which the Enagás Group maintains joint control together with one or more partners. Joint control is understood to be shared control by virtue of a contractual agreement that requires the unanimous consent of all of the parties when taking decisions regarding relevant activities.

Jointly controlled operations are considered to be companies in which a contractual agreement provides a right to assets and obligations with respect to liabilities. Stakes in jointly controlled operations are proportionately consolidated.

Joint ventures are those in which a contractual agreement provides a right to the net assets of the business. Shareholdings in joint ventures are consolidated using the equity method. Where the Enagás Group acquires control over companies previously classified as joint ventures, a new estimate is made of the fair value of the previous stake in the equity of the company on the acquisition date, with income or loss recognised in the consolidated income statement for the period (see Note 7).

Associates are considered to be companies over which Enagás Group maintains significant influence, which is understood to be the authority to intervene in the investee company's financial and operating policy decisions, but over which neither control nor joint control is held. These stakes in associates are consolidated using the equity method.

If appropriate, adjustments are made to the financial statements of subsidiaries, investee companies, jointly controlled operations and joint ventures in order to unify their accounting policies with those applied by the Enagás Group.

The consolidation methods of the Enagás Group are described below:

a. The full consolidation method was applied to wholly-owned investee companies: Enagás Transporte, S.A.U.; Enagás GTS, S.A.U.; Enagás Internacional, S.L.U.; Enagás Financiaciones, S.A.U.; Enagás U.S.A., L.L.C.; Enagás Perú, S.A.C.; Enagás México, S.A. de C.V.; Compañía Transportista de Gas Canarias, S.A. (Gascan); and the consolidated financial statements of the Chile subgroup, whose parent company is Enagás Chile, Spa. This method is also used to consolidate Enagás Transporte del Norte, S.L., in which a 90% stake is held, recognising the 10% interest held by Ente Vasco de la Energía in the "Non-controlling interests (External Partners)" under Equity in the consolidated balance sheet at 31 December 2015.

b. The companies considered to be jointly controlled operations, Gasoducto Al-Andalus, S.A. and Gasoducto Extremadura, S.A., were proportionately consolidated.

c. Lastly, the equity method has been applied to the companies Morelos EPC, S.A.P.I. de C.V.; Gasoducto de Morelos, S.A.P.I. de C.V.; Morelos O&M, S.A.P.I. de C.V.; Estación de Compresión Soto La Marina, S.A.P.I. de C.V.; Estación de Compresión Soto La Marina EPC, S.A.P.I. de C.V.; Compañía Operadora de Gas del Amazonas, S.A.C. (COGA); Estación de Compresión Soto La Marina O&M, S.A.P.I. de C.V.; BBG, Trans Adriatic Pipeline AG (TAP), GSP; Terminal de LNG de Altamira, S. de R.L. de C.V.; Knubbsäl Topholding AB, which is the parent company of the Swedegas Group and which includes the indirect stake in Swedegas AB, TgP and Saggas. In addition, within the consolidated subgroup headed up by Enagás Chile, Spa, the interest in Terminal de Valparaiso, and indirectly in GNL Quintero, S.A., is also accounted for using the equity method.

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The Enagás Group consolidation process took place as follows:

a. Intra-group transactions: All balances, transactions, income and expenses between fully consolidated companies are eliminated on consolidation. In the case of proportionately consolidated companies, the balances, transactions and gains and losses on transactions with other Group companies are eliminated to the extent of the ownership interest consolidated. Realised gains and losses on transactions between Group companies and equity-accounted investees are eliminated to the extent of the Group's ownership interest in the latter.

b. Consistency: For investees which apply accounting principles and measurement bases different from those of the Group, adjustments have been made on consolidation, provided that the effect is material, in order to present the Consolidated Financial Statements based on consistent measurement bases.

c. Translation of financial statements denominated in foreign currencies: The companies included in the scope of consolidation are presented in euros, with the exception of Enagás Internacional, S.LU.; Enagás U.S.A., L.L.C.; Terminal de LNG de Altamira, S. de R.L. de C.V.; Morelos O&M, S.A.P.I. de C.V.; Gasoducto de Morelos, S.A.P.I. de C.V.; Morelos EPC, S.A.P.I. de C.V.; Estación de Compresión Soto La Marina, S.A.P.I. de C.V., GSP, TgP; Estación de Compresión Soto La Marina EPC, S.A.P.I. de C.V.; Estación de Compresión Soto La Marina O&M, S.A.P.I. de C.V.; Enagás Perú, S.A.C.; Enagás México, S.A. de C.V. and the consolidated subgroup in Chile, whose functional currency is the US dollar. In addition, COGA uses the Peruvian Nuevo Sol as its functional currency and Knubbsäl Topholding AB, parent company of the consolidated subgroup of the Swedegas Group, uses the Swedish krona (SEK).

These companies' financial statements were translated to euros in the process of consolidation into the Enagás Group financial statements using the following procedures:

- The assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- The income and expenses for each income statement item are translated at the average exchange rates for the year in which the transactions were performed.
- The resulting exchange differences arising on net assets are recognised as a separate component of equity, as "Translation differences" under "Adjustments due to changes in value".

When a company with a functional currency other than the euro is sold or is derecognised as a result of the loss of control, the translation differences relating to that company recognised in equity are reclassified from equity to profit or loss when the gain or loss on the disposal is recognised.

The exchange rates with respect to the euro of the Group companies' main foreign currencies in 2015 and 2014 are shown below:

Currency	Average exchange rate in 2015	Closing exchange rate at 31 December 2015
US dollar	1.11035	1.08683
New Peruvian Sol	3.58057	3.78290
Swedish krona	9.35839	9.18248

Currency	Average exchange rate in 2014	Closing exchange rate at 31 December 2014
US dollar	1.33005	1.21291
New Peruvian Sol	3.82537	3.71050

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The effect of the application of the translation process to the net assets of the companies whose functional currency is the dollar in the main headings of the Group's consolidated financial statements is as follows:

	Thousands of euros			Translation to dollars
	Consolidated total	Contribution of companies with Euro functional currency	Contribution of companies with US dollar functional currency	
Other non-current financial assets	518,837	390,744	128,093	139,215
Trade and other receivables	426,404	418,916	7,488	8,138
Other current financial assets	7,521	2,423	5,098	5,541
Cash and cash equivalents	224,628	216,204	8,424	9,155
Non-current financial liabilities	4,192,752	3,868,987	323,765	351,878
Current financial liabilities	402,754	392,294	10,460	11,368
Trade and other payables	241,201	224,002	17,199	18,693

d. Elimination of dividends: Intra-group dividends are those recognised as revenue for the year by a Group company and which have been paid by another Group company.

During the consolidation process, the dividends received by fully and proportionately consolidated companies are eliminated by considering them to be reserves of the recipient company and they are included under the heading 'Reserves'. In the case of non-controlling interests in fully consolidated companies, the amount of the dividend relating to the stake held by minority shareholders is eliminated from the heading "Non-controlling interests (External Partners)" under consolidated equity.

e. Equity method: The investment is initially recognised at cost and it is subsequently adjusted for the changes in net assets at the investee company that are attributed to the investor. The dividends received are recognised as a reduction in the heading "Equity-accounted investments".

Consolidated profit for the year includes the Company's share in the investee's period profits under the heading "Profit on equity-accounted investments" in the accompanying consolidated income statement. If the interest in the losses of an associate or joint venture equals or exceeds the stake held, the loss is no longer recognised under additional losses. Once the interest held by the company is reduced to zero, additional losses will be maintained and a liability is recognised only to the extent that the company has incurred legal or implicit obligations, or has made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the company will again recognise its interest in them only after its stake in those profits equals the share in the unrecognised losses.

The accompanying consolidated statement of recognised income and expense includes the Company's interest in the same statement of that investee company.

At the time the associate or joint venture is acquired, any difference between the cost of the investment and the interest held in the net fair value of the identifiable assets and liabilities at the associate or joint venture is recorded as follows:

- Any capital gain relating to these companies or joint ventures is included in the carrying amount of the investment. This capital gain cannot be amortised.
- Any interest in the net fair value of identifiable assets and liabilities that exceeds the cost of the investment will be recognised as income in the calculation of the stake in the profit for the period obtained by the associate or joint venture in the period in which the investment is acquired.

Note 33 discloses information on the Group's joint ventures in existence at the end of 2015.

2.5 Comparative information

The information provided as at 2014 is presented solely for comparison purposes with the information for 2015.

2.6 Accounting standards and interpretations

a. Standards, amendments and interpretations in issue and effective in the current year

The accounting policies adopted for the preparation of the consolidated financial statements for the year ended 31 December 2015 are the same as those followed for the preparation of the consolidated financial statements for 2014, except for the adoption, from 1 January 2015, of the following standards, amendments and interpretations issued by the IASB (International Accounting Standards Board) and the IFRS-IC (IFRS Interpretations Committee), and adopted by the European Union for use in Europe:

Approved for use in the European Union		
Standards, amendments and interpretations	Index	Mandatorily applicable in annual periods beginning on or after:
IFRIC 21 Levies	Guidance on when to recognise a liability for levies charged for participation by the entity in an activity on a specified date.	Annual periods beginning on or after 17 June 2014
Improvements to IFRSs, 2011-2013 cycle	Minor amendments to a series of standards.	Annual periods beginning on or after January 2015

The primary impact on the accompanying consolidated financial statements at the time of entry into force is as follows:

- **IFRIC 21 Levies:** This interpretation deals with recognition of liabilities for taxes or levies when they are based on financial information from a period different from the one in which the taxable event takes place giving rise to the payment of the levy. According to this standard, liabilities for taxes or levies must be recorded when the event resulting in its recognition occurs, in accordance with the moment identified in the legislation. The impact of applying this standard, from 1 January 2015, consisted in recognising on this date an expense of 2,900 thousand euros, relating to the cost recognised for certain taxes, rather than accruing it over the year.

b. Standards, amendments and interpretations in issue but not effective in the current year

At the date of preparation of these consolidated financial statements, the most significant standards and interpretations that had been published by the IASB but which had not become effective, either because their effective date was subsequent to their reporting date or because they had yet to be adopted by the European Union, are as follows:

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Approved for use in the European Union		
Standards, amendments and interpretations	Index	Mandatorily applicable in annual periods beginning on or after:
Improvements to IFRSs, 2010-2012 cycle	Minor amendments to a series of standards.	Annual periods beginning on or after February 2015
Amendment to IAS 19: Employee contributions to defined benefit plans	The amendment is issued in order to allow these contributions to be deducted from the cost of the service in the same period in which they were paid, if certain requirements are met.	Annual periods beginning on or after February 2015
Amendment of IAS 16 and IAS 38 - Acceptable depreciation and amortisation methods	Clarifies that the use of revenue-based methods to calculate depreciation and amortisation are not appropriate, because this does not reflect the expected pattern of consumption of the future economic benefits of an asset.	Annual periods beginning on or after January 2016
Amendment of IFRS 11 - Acquisitions of interests in joint operations	The amendment requires that when a jointly controlled operation is a business, the IFRS 3 acquisition method is to be applied.	Annual periods beginning on or after January 2016
Amendment to IAS 16 and IAS 41: Bearer Plants	Amendment under which bearer plants will be carried at cost instead of at fair value.	Annual periods beginning on or after January 2016
Improvements to IFRSs, 2012-2014 cycle	Minor amendments to a series of standards.	Annual periods beginning on or after January 2016
Amendment of IAS 27 - Equity method in separate financial statements	The purpose of the amendment is to reinstate the equity method as an accounting option in an investor's separate financial statements.	Annual periods beginning on or after January 2016
Amendments to NIC 1: Breakdown initiative	Various clarifications in relation to the breakdowns (materiality, combination, order of notes, etc.).	Annual periods beginning on or after January 2016

The Group has not previously applied any of the standards described in the preceding table.

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Not approved for use in the European Union yet		
Standards, amendments and interpretations	Index	Mandatorily applicable in annual periods beginning on or after:
Amendment of IFRS 10 and IAS 28 - Sale of contribution of assets between and investor and its associate or joint venture	Clarification regarding gains and losses on these transactions, whereby a full gain or loss should be recognised in the case of the sale of a business and a partial gain or loss in transactions with assets.	Without a fixed date
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Companies	Clarifications on the exception to consolidation of investment companies.	Annual periods beginning on or after January 2016
IFRS 15 Revenues from contracts with customers	The IFRS 15 which will affect all industries and sectors to a greater or lesser extent will replace the current standards IAS 18 and IAS 11, together with the current interpretations on income (IFRICs 13, 15 and 18 SIC 31). The new IFRS 15 is much more restrictive and rule-based model, therefore the application of the new registers may give rise to changes in the profile or revenue.	Annual periods beginning on or after 1 January 2018
IFRS 9 Financial instruments: Classification and valuation and hedge accounting	Replaces the requirements for classification, valuation, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment of IAS 39. The conceptual change is important in all sections. Changes the model for classification and measurement of financial assets whose central line will be the business model. The focus of the hedging accounting model attempts to align itself more with the economic management of the risk and require fewer rules. And lastly, the impairment model will change from current losses incurred to an anticipated losses model.	Annual periods beginning on or after January 2018
IFRS 16 Leases	A new standard of leases that replaces IAS 17. The leaseholders will include all leases on balance as though they were financed purchases.	Annual periods beginning on or after January 2019

The Group is evaluating the impact that the Standards, Interpretations and Amendments mentioned above could have on its consolidated financial statements.

3. Measurement bases

The main measurement bases used in the preparation of the accompanying 2015 consolidated financial statements are as follows:

a. Goodwill and business combinations

The acquisition by the parent of control over a subsidiary constitutes a business combination and is accounted for using the acquisition method. In subsequent consolidations, the elimination of the investments in/net assets of these subsidiaries is carried out, as a general rule, on the basis of the amounts resulting from the use of the acquisition method (described below) on the date on which control was obtained.

Business combinations are accounted for using the acquisition method, to which end the acquisition date and cost of the business combination are determined; the identifiable assets acquired and liabilities assumed are recognised at their acquisition-date fair values.

Goodwill or the loss on the combination is the difference between the recognised acquisition-date fair values of the assets acquired and liabilities assumed that meet the pertinent recognition requirements and the cost of the business combination.

The cost of the business combination is the sum of:

- the acquisition-date fair values of any assets transferred, liabilities incurred or assumed and equity instruments issued, and
- the fair value of any contingent consideration, i.e., that which depends on future events or on the fulfilment of certain pre-defined conditions.

The cost of the business combination does not include expenses relating to the issuance of equity instruments offered or financial liabilities delivered in exchange for the items acquired.

Goodwill arising upon the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the company acquired, and is translated to euros at the exchange rate prevailing on the balance sheet date.

Goodwill is not amortised. It is subsequently measured at cost less any impairment losses. Impairment losses recognised in goodwill are not reversed in subsequent years (see Note 3.d).

In the exceptional case in which a loss arises on the combination, it is recognised in the income statement as income.

If at the end of the year in which a combination occurs it has not been possible to complete the valuation work needed to apply the acquisition method outlined above, the combination is accounted for provisionally. The provisional amounts can be adjusted during the time interval needed to obtain the required information, which in no case may exceed one year. The effects of any adjustments made during the measurement period are accounted for retroactively, modifying the comparative information if necessary.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration was classified as equity, in which case subsequent changes in its fair value are not recognised.

b. Intangible assets

The Enagás Group initially measures these assets at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and impairment losses.

The criteria used to recognise impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years, are similar to those for assets recognised as property, plant and equipment (see Note 3.d).

Development costs are amortised on a straight-line basis over their useful life, as long as the costs are assigned to specific projects, their amount may be clearly quantified and proven grounds exist to guarantee the technical success and economic-commercial profitability of the project.

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The Group expenses all research and development costs whose technical and commercial feasibility cannot be established. Research costs recognised as an expense in the accompanying consolidated income statement amounted to 472 thousand euros in 2015 (1,634 thousand euros in 2014) (see Note 24.2).

Service concession arrangements may be capitalised only when a company has acquired the assets for consideration, in the case of concessions which may be transferred, or for the amount of the expenses incurred in obtaining them directly from the State or from the 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.

The acquisition and development costs incurred in relation to the basic information technology systems are recognised under "Intangible assets" in the consolidated balance sheet. Maintenance costs related to these systems are recognised with a charge to the consolidated income statement in the year in which they are incurred. They are measured at the amount paid for ownership or the right to use the software programs, or the production cost if developed internally. 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:

	Amortisation rate	Useful life
Development costs	5%-50%	20-2
Concessions, patents, licences, brands and similar:		
- Port concessions at the Barcelona plant	1.28%-1.33%	78-75
- Port concessions at the Huelva plant	7.6%	13
- Port concessions at the Cartagena plant	1.9%	53
- Use of the public radioelectric domain	20%	5
Computer software	25%	4

In 2013, the Spanish Cabinet approved the final free-of-charge assignment of greenhouse gas emission rights to institutions covered by the emission rights trading system in 2013-2020, including the facilities maintained by Enagás Transporte, S.A.U.

In the second quarter of 2015, the Enagás Group delivered greenhouse gas emission allowances equivalent to the verified emissions in 2014 for all these installations (see Note 28).

c. Property, plant and equipment

The assets recognised as property, plant and equipment are initially measured at acquisition 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 criteria 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. In contrast, regular maintenance, upkeep and repair expenses are charged to profit and loss in the year in which they are incurred.

Capitalised costs of assets relating to projects that are fully or proportionately consolidated include:

1. Finance costs associated with the financing of infrastructure projects accrued during the construction period if this is more than one year. The average gross capitalisation rate used to calculate the amount of the borrowing costs to be capitalised was 2.30% in 2015 (2.83% in 2014).

2. Employee benefits expense directly related to work in progress. To this end, the Group has a "Functional procedure for attributing staff costs to investment projects", which contains the calculation assumptions. This procedure establishes that the calculation of the work performed for the Group's own assets takes into account direct employee expenses, i.e., the hours charged to each project based on the prices per hour calculated at the start of the year. The amounts capitalised for these items are recognised in the 2015 consolidated income statement as a decrease in staff costs (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, Yela and Gaviota underground storage facilities and the Barcelona, Huelva and Cartagena regasification plants 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 "Non-current provisions" (see Note 15) in the accompanying consolidated balance sheet. In addition, this provision has been adjusted and discounted in subsequent periods. The before-tax discount rate used at 31 December 2015 is 2.9%. This rate reflects current market valuations of the time value of money and the specific risks relating to the obligation to be provisioned. A change in the discount rate of 0.05% and -0.05% would result in a change of -1.5% and 1.6%, respectively.

Pursuant to Royal Decree 1061/2007 of 20 July 2007, which grants Enagás, S.A. 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 14,700 thousand euros for dismantling costs, this amount is recognised as an increase in the value of the asset.

In 2011, in keeping with the provisions of article 25.3 of Law 34/1998, of 7 October, the Company recognised the dismantling provision of 69,000 thousand euros associated with the Gaviota underground storage facility. Note in respect of this facility that Enagás, S.A. reached an agreement with its former owners, Repsol Investigaciones Petrolíferas, S.A. and Murphy Spain Oil, S.A., for its acquisition in 2010; however the Company did not obtain all the required approvals from the regulatory authorities until April 2011, which is when the transaction closed. This is the date from which Enagás, S.A. has accounted for the investment.

These provisions will be discounted to present value each year to reflect the financial impact of a non-current account receivable with the National Market and Competition Committee (CNMC), given that, once the dismantling is approved, the Company can request payments on account against dismantling costs.

The expenses and pertinent discounting for dismantling 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 dismantling the Serrablo site be presented and approved prior to engaging in storage activities.

With respect to the regasification plants owned by the Company in Barcelona, Cartagena, Huelva and Gijón, article 100 of the State Ports and Merchant Navy Act mandates that upon termination of the concession, the titleholder must remove from the port area all materials, equipment or dismantable facilities when ordered to do so by the Port Authority. The latter may undertake such removal at the expense of the titleholder of the terminated concession if such titleholder should fail to do so at the time or in the period indicated; in all cases of termination of a concession, the Port Authority will decide on the maintenance of works and installations that cannot be dismantled. Hence, the Company maintains a provision for dismantling for each of these plants at 31 December 2015.

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 commences when the assets are ready for their intended use.

The volume of gas that must remain 'immobilised' in the storage facility to operate underground 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 term, if shorter.

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Both the natural gas related to the minimum linepack of the gas pipelines for system security and the minimum operating levels of the regasification plants (also called “heel gas”) are considered non-depreciable property, plant and equipment as this gas is not available and is 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.

In addition, as a result of the regulatory reform carried out in Spain with the entry into force of Royal Decree-Law 8/2014, of 4 July, subsequently published as Law 18/2014, of 15 October (see Note 4), among other measures, the regulatory useful life of various assets associated with the transport network was modified from 30 years to 40 years. In this context, the Enagás Group has performed a technical study of those assets in order to determine if their useful life can be adapted to the regulatory useful life established by the new law from a technical point of view. This study ended satisfactorily and a new useful life of 40 years was re-estimated. This modification had an impact on the consolidated income statement for the 2014 financial year, resulting in a reduction in depreciation totalling 22,795 thousand euros (see Note 6).

The useful lives estimated by the Enagás Group are as follows:

	Amortisation rate	Useful life (years)
Buildings	2%-3%	50-33
Plant (transport network)	2.5%-5%	40-20
Tanks	5%	20
Underground storage facilities	5%-10%	20-10
Cushion gas	5%	20
Other plant and machinery	5%-12%	20-8.33
Tools and equipment	30%	3.33
Furniture and fixtures	10%	10
IT hardware	25%	4
Transportation 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 the prevailing legislation.

The gain or loss on the disposal or derecognition of an asset is calculated as the difference between the gain on the sale and the carrying amount of the asset, and is recognised in the consolidated income statement under “Impairment losses and gains (losses) on disposals of fixed assets” (see Note 3.d).

Government grants related to property, plant and equipment are considered to be a decrease in the acquisition cost of the assets and they are charged to profit over the expected useful life of the asset as a decrease in depreciation of the related asset.

d. Impairment of the assets recognised as property, plant and equipment, intangible assets and goodwill and the method for estimating recoverable value

At the end of each reporting period in the case of goodwill or assets with indefinite useful lives, or whenever there are indications of impairment for all other assets, the Group analyses the recoverable amounts of its assets to determine whether there is any indication that they may be impaired.

When the recoverable amount is less than the carrying amount of the asset, an impairment loss is recognised in the consolidated income statement for the difference between both with a charge to "Impairment losses and gains (losses) on disposals of fixed assets". The impairment loss is applied by firstly reducing the carrying amount of the goodwill corresponding to the cash-generating unit where the impairment loss is to be recognised. If the impairment charge is greater than the carrying amount of goodwill, the rest of the assets belonging to the cash-generating unit are then reduced, in proportion to their respect carrying amounts, down to the higher of the following: (i) their fair value less costs to sell and (ii) their value in use.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount, by increasing the value of the asset via a credit to the income statement up to the carrying amount that would have been determined had no impairment loss be recognised. Note however, that impairment losses on goodwill cannot be subsequently reversed.

The recoverable amount is the higher of fair value less costs necessary to sell and value in use, considered to be the present value of the estimated future cash flows. The Enagás Group considers the value in use to be the recoverable value and it uses the method described below in its calculation.

To estimate value in use, the Enagás Group prepares after-tax cash flow projections based on the latest budgets approved by the Group's directors. These budgets include the best income, cost and investment estimates available for the cash-generating units, using past experience, industry projections and future expectations based on the current regulatory framework and contracts.

For the purposes of determining impairment, the assets are grouped at the lowest level at which cash flows may be independently identified. Both assets and goodwill are assigned to cash-generating units (CGUs) based on professional judgement and in accordance with the characteristics of the business, the segments and the geographic areas in which the Group operates.

The period used by the Enagás Group to determine the cash flow projections for cash-generating units is the period over which the asset obtains remuneration associated with the investment (see Note 4). At the end of this period, the Enagás Group takes into consideration a residual value based on the flows over the past year using a zero growth rate.

The directors consider that their projections are reliable and that past experience, together with the nature of the business, enables them to predict cash flows over periods such as those taken into consideration.

The most representative assumptions included in the projections employed, which are based on business forecasts and on past experience, are as follows:

- Regulated remuneration: estimated in accordance with the remuneration approved by the law for the years in which it is available, while for subsequent years the same discounting mechanisms established by the legislation have been used.
- Investment: the best information available regarding investment plans for assets and for maintaining infrastructures and systems have been used, based on the mandatory planning for the gas system, over the entire estimated time horizon.
- Operating and maintenance costs: the maintenance contracts that have been concluded have been taken into consideration, together with the remaining costs estimated based on knowledge of the industry and past experience. They have been projected in line with expected growth based on the investment plan.
- Other costs: other costs have been projected based on knowledge of the industry, past experience and in line with the growth expected to derive from the investment plan.

To calculate the present value, the projected cash flows are discounted at an after-tax rate that reflects the weighted average cost of capital (WACC) for the business and in the geographical area in which the business' activities are carried out. The calculation is based on the time value of money, the risk-free rate and the risk

premiums commonly used by analysts for the business and the geographical region in question. The risk-free rate corresponds to Treasury issues in the market concerned that have sufficient depth and solvency, and a maturity date that is in line with the period over which the future cash flows will be generated. The associated country risk for each geographic area is nevertheless taken into consideration. The risk premium for the asset relates to the specific risks affecting that asset, the calculation of which takes into account the estimated betas based on the selection of comparable companies that have a similar primary activity.

The discount rate in 2015 for regulated activities in Spain is 4.48% (4.39% for 2014). The sensitivity test of the discount rate of 0.5% and -0.5% carried out at the 2015 year-end indicates that the Group shows no sign of significant risks associated to potential reasonable variations. Therefore, the Management of the Company considers that, given the abovementioned ranges, there will be no impairment losses.

Property, plant and equipment consists almost entirely of gas transportation, regasification and storage assets, and those assets needed for the Group to carry out its regulated gas sales activities for regulated customers and as the System Technical Manager.

e. Investment properties

The heading Investment properties in the accompanying balance sheet includes the value of the land described in Note 8.

After initial recognition, the Enagás Group measures that land in accordance with the cost model, whose requirements are the same as those established for property, plant and equipment, both with respect to their measurement and to the impairment test (see Note 3.c and 3.d).

However, given that there is no determined use for that land, its recoverable value matches its fair value less the costs necessary to sell.

In the aforementioned measurement process, the Enagás Group obtained the advisory services of the appraisal firm Jones Lange LaSalle España, S.A., which issued a report on 22 December 2015.

f. 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 expenses, 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.

The group did not hold any finance leases in 2015.

g. Financial assets

Financial assets are recognised in the consolidated balance sheet when the Group becomes party to the contractual terms of the instrument.

Group companies classify financial assets into the following categories established by International Financial Reporting Standards:

Loans and receivables

These are financial assets arising from the sale of goods or the rendering of services in the normal course of business, or financial assets which do not arise from the ordinary course of business, and are not equity instruments or derivatives, and which have fixed or determinable payments and are not traded on an active market.

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These financial assets are initially measured at the fair value of the consideration given plus any directly attributable transaction costs. They are subsequently measured at amortised cost, and accrued interest is recognised in the consolidated income statement in accordance with the relevant effective interest rate.

Receivables that do not explicitly accrue interest are measured at their nominal value, provided that the effect of not financially discounting the cash flows is not significant. In this case, they subsequently continue to be measured at their nominal value.

An impairment loss affecting the financial assets measured at amortised cost arises when there is objective evidence that the Group will not be capable of recovering all of the amounts in accordance with the original terms. The amount of the impairment loss is recognised as an expense in the consolidated income statement and is calculated as the difference between the carrying amount and the present value of the future cash flows discounted using the effective interest rate.

If in subsequent periods there is any recovery of the value of the financial asset measured at amortised cost, the recognised impairment loss will be reversed. This reversal will be limited to the carrying amount that the financial asset would have had if the impairment loss had not been recognised. The reversal is recognised in the consolidated income statement for the year.

The Group derecognises financial assets when they expire or when the rights to the cash flows from the relevant financial assets have been assigned and the risks and benefits inherent to ownership have been substantially transferred, such as firm sales of assets, assignments of receivables in factoring transactions under which the company does not retain any credit or interest rate risk, sales of financial assets at fair value under repo agreements or the securitisation of financial assets in which the assigning company does not retain any subordinated financing, grant any type of surety or assume any other type of risk.

The Group does not derecognise financial assets, and recognises a financial liability in the amount of the consideration received, in the case of the assignment of financial assets in which it substantially retains the risks and benefits inherent to ownership, such as the discounting of bills, factoring with recourse, sales of financial assets under fixed-price repo agreements or at the selling price plus interest and the securitisation of financial assets in which the assigning company retains subordinated financing or another type of surety that substantially absorbs all of the expected losses.

Equity-accounted investments

As indicated in Note 2.4, Investments carried under the equity method are considered to be both investments in associates and investments in joint ventures.

For this type of financial asset, the investment is initially recognised at cost and is subsequently adjusted for the changes in net assets at the investee company that are attributed to the investor. The dividends received are recognised as a reduction to the investment.

At the acquisition date of the associate or joint venture, any difference between the cost of the investment and the interest held in the net fair value of the identifiable assets and liabilities at the associate or joint venture is recorded as follows:

- Any capital gain relating to these companies or joint ventures is included in the carrying amount of the investment. This capital gain cannot be amortised.
- Any interest in the net fair value of identifiable assets and liabilities that exceeds the cost of the investment will be recognised as income in the calculation of the stake in the profit for the period obtained by the associate or joint venture in the period in which the investment is acquired.

To determine if an impairment loss must be recognised with respect to the net investment in the associate or joint venture, the Group performs an analysis of all of the carrying amount of the investment in accordance with IAS 36, on an individual asset basis by comparing the recoverable amount against the carrying amount, provided that there are indications that the investment may have become impaired. An impairment loss recognised under these circumstances will not be assigned to any asset (including any gain) which forms part of the carrying amount of

the investment in the associate or joint venture. Any reversals of this impairment loss will be recognised in accordance with IAS 36 to the extent that the recoverable amount from the investment subsequently increases.

To determine the value in use of the investment, the Group estimates the present value of the estimated future cash flows that are expected to arise as a dividend receivable from the investment. The amount recoverable from an investment in an associate or joint venture will be assessed with respect to each associate or joint venture, unless the associate or joint venture does not generate cash inflows due to continuous use that are largely independent from those originating from other Group assets.

Investments in associates and joint ventures, except those relating to BBG and Saggas, are recognised in the segment 'Unregulated activities' (see Note 26.3).

With regard to the impairment test relating to the investees, the discount rate applied in 2015 was between 6% and 11%, depending on the country of application (6%-11% in 2014). The sensitivity test of the discount rate of 0.5% and -0.5% carried out at year-end 2015 indicates that the Group shows no sign of significant risks associated to potential reasonable variations. Therefore, the Management of the Company considers that, given the abovementioned ranges, there will be no impairment losses.

Cash and cash equivalents

This heading in the consolidated balance sheet includes cash on hand, sight deposits and other highly liquid current investments that can readily be realised in cash and which are not affected by changes in value.

h. Inventories

Natural gas inventories

The only natural gas inventories held by the Enagás Group are those held as cushion gas and linepack gas for the pipelines and regasification facilities it operates; these stocks of gas are therefore 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 direct cost of 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.

The Group applies the appropriate measurement adjustments, recognising them as an expense in the income statement when the net realisable value of the inventories is less than their acquisition price (or production cost).

i. Equity and financial liabilities

Capital and other equity instruments issued by the Group are recognised at the amounts received, net of direct issue costs.

Financial liabilities include the Group's trade payables arising from the purchase of goods and services in the normal course of business, or non-trade payables that cannot be considered to be derivative financial instruments.

Financial liabilities are initially measured at the fair value of the consideration received less directly attributable transaction costs. The Group recognises its financial liabilities after initial recognition at amortised cost, except in the case of derivative financial instruments. Any difference between the amount received as financing (net of transaction costs) and the reimbursement value is recognised in the consolidated income statement over the life of the financial instrument using the effective interest rate method.

Trade and other payables are financial liabilities that do not explicitly accrue interest and which, in the event that the financial discount is not significant, are recognised at their nominal value.

The Enagás Group derecognises financial liabilities when the contractual obligations are cancelled or expire.

Financial liabilities are classified according to the terms and economic substance of the contractual agreement.

The Enagás Group contracts derivative financial instruments to cover its exposure to financial risks deriving from changes in interest rates and/or exchange rates. All derivative financial instruments are always measured at fair value. These derivative financial instruments will be recognised as assets when their fair value is positive and as liabilities when their fair value is negative. Differences in fair value are recognised in the consolidated income statement, unless a specific treatment is required under hedge accounting.

The Enagás Group does not use derivative financial instruments for speculative purposes.

The criteria for recognising and measuring derivative financial instruments based on the various type of hedge accounting are set out below:

a) Fair value hedges

Hedges for exposure to changes in the fair value of an asset or liability recognised in the accounts, or an identified portion of such assets or liabilities, that may be attributed to a specific risk and which could affect profit for the period.

Changes in the fair value of the hedge instrument and changes in the fair value of the hedged items attributed to the hedged risk are recognised in the consolidated income statement.

b) Cash flow hedge

Hedges for exposure to changes in cash flows that: (i) are attributed to a specific risk associated with an asset or liability recognised in the accounts, with a highly probable expected transaction or with a firm commitment if the hedge risk is an exchange rate hedge and which (ii) may affect profits for the period.

The effective portion of changes in the fair value of the hedge instrument are recognised under Equity, and the gain or loss relating to the ineffective portion (which relates to the excess amount, in absolute terms, of the accumulated change in the fair value of the hedge instrument with respect to the relevant hedged item) is recognised in the income statement. The amounts accumulated under Equity are transferred to the consolidated income statement in the periods in which the hedged items affect the consolidated income statement.

c) Hedges of a net investment in foreign operations

Hedges of exposure to changes in exchange rates relating to a net investment in a foreign operation.

Hedges of net investments in foreign operations are recorded in a manner similar to cash flow hedges, although changes in the measurement of these transactions are recognised as exchange differences in the heading "Adjustments due to changes in value" in the accompanying consolidated balance sheet.

Translation differences will be transferred to the consolidated income statement when the foreign transaction being hedged is sold or otherwise disposed of.

In order for these derivative financial instruments to be classified as hedges they are initially designated as such and the relationship between the hedge instrument and the hedged items is documented, together with the risk management objective and the hedge strategy for the various hedged transactions. In addition, the Group verifies initially and then periodically throughout the life of the hedge (and at least at the end of each reporting period) the hedge's effectiveness. A hedge is effective if it is expected, prospectively, that the changes in the fair value or in the cash flows from the hedged item (attributable to the hedged risk) are almost entirely offset by those of the hedging instrument and that, retrospectively, the gains or losses on the hedge have fluctuated within a range of 80% to 125% of gains or losses on the hedged item.

Hedge accounting is discontinued when the hedging instrument expires, is sold, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss relating to the hedging instrument recognised under equity at that time remains in equity until the forecast hedged transaction takes place.

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (for example, a starting price), regardless of whether that price is directly observable or it is estimated using another measurement technique.

For financial reporting purposes, measurements of fair value in accordance with IFRS 13 are classified as Level 1, 2 or 3 based on the degree to which the applied inputs are observable and their importance for the full measurement of fair value, as described below:

- Level 1 – The inputs are based on quoted prices (unadjusted) for identical instruments traded on active markets.
- Level 2 – The inputs are based on quoted prices for similar instruments in active markets (not included in Level 1), quoted prices for identical or similar instruments in markets that are not active, or techniques based on measurement models for which all significant inputs are observable in the market or may be verified using observable market data.
- Level 3 – The inputs are not generally observable and do not generally reflect the estimates of the market events in order to determine the price of the asset or liability. The non-observable data used in the measurement models is significant in the fair values of the assets and liabilities.

The Group has determined that most of the inputs employed to determine the fair value of the derivative financial instruments are in Level 2 of the hierarchy, but that the adjustments for credit risk use Level 3 inputs such as credit estimates based on a credit rating or comparable companies to evaluate the likelihood of the bankruptcy of the company or of the company's counterparties. The Group has evaluated their relevance, proceeding to recognise the corresponding credit risk adjustments in the full measurement of the derivative financial instruments.

The Group has therefore determined that the entire derivative financial instrument portfolio is classified in Level 2 of the hierarchy.

The Group uses average market prices (mid-market) as observable inputs based on external sources of information recognised in financial markets.

The Group uses a bilateral credit risk adjustment in the measurement techniques when obtaining the fair value of its derivatives in order to reflect both its own risk as well as the counterparty risk affecting the fair value of the derivatives.

To determine the credit risk adjustment, a technique has been applied based on the calculation through total expected exposure simulations (which include both current exposure and potential exposure), adjusted for the likelihood of non-compliance over time and the LGD (or potential loss) assigned to the Company and to each of the counterparties.

The credit risk adjustment has been more specifically obtained using the following formula:

$EAD * PD * LGD$

- EAD (Exposure at default): Exposure at the time of non-compliance at each point in time. The EAD is calculated by simulating market price curve scenarios (e.g., Monte Carlo).
- PD (Probability of default): Likelihood that one of the counterparties will fail to comply with payment commitments at each point in time.
- LGD (Loss given default): Severity = 1- (recovery rate): Percentage of loss that ultimately arises when one of the counterparties has failed to comply.

The total expected exposure of the derivatives is obtained using observable market inputs, such as interest rate, exchange rate and volatility curves in accordance with market conditions on the measurement date.

The inputs applied to obtain the Company's own credit risk and counterparty risk (determination of the likelihood of default) are based mainly on the application of the credit spreads relating to the Company or comparable companies that are currently traded in the market (CDS curves, IRR debt issues). Where own or comparable company credit spreads were not available, in order to maximise the use of relevant observable variables, the most appropriate reference rates quoted on the market depending on each case were used (quoted credit spread indices). For counterparties with available credit information, the credit spreads used are obtained from the CDS quoted on the market.

To adjust fair value to credit risk, credit improvements relating to guarantees or collateral have also been used when determining loss given default to be applied to each of the positions. A single LGD rate is taken into consideration over time. If there are no credit improvements relating to guarantees or collateral, the minimum recovery rate has been set at 40%.

The use of derivative financial instruments is governed by the Enagás Group's risk management policies and the principles regarding their use are disclosed in Note 18.

j. Current/non-current classification

Assets classified as current assets are all those related to the Company's normal operating cycle, generally one year, and other assets expected to mature, or to be sold or realised in the short term from the end of the reporting period; financial assets held for trading, with the exception of financial derivatives whose settlement term exceeds one year; and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current.

Current liabilities are those associated with the normal operating cycle, financial liabilities held for trading, with the exception of those financial derivatives whose settlement period exceeds one year and, in general, all obligations that mature or expire in the short term. All other liabilities are classified as non-current.

By virtue of the application of the new remuneration system approved by Law 18/2014, of 15 October, non-current receivables from the CNMC (see Notes 4 and 9) have been recognised as non-current items.

k. Pension obligations

The Enagás Group 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 known as the "Enagás Fondo de Pensiones", whose fund manager is Gestión de Previsión y Pensiones, S.A. and whose Custodian is Banco Bilbao Vizcaya Argentaria, S.A., and which covers the Group's obligations with respect to serving employees. This plan recognises certain vested rights for past service and undertakes to make monthly contributions averaging 4.41% of eligible salaries (4.48% in 2014). It is a mixed plan covering retirement benefits, disability and death. As at 31 December 2015, a total of 1094 persons had joined the plan (1,078 at 31 December 2014) (see Note 21).

The contributions made by the Group each year in this connection are recognised under "Staff costs" in the consolidated income statement (see Note 24.1). At year-end 2015, there were no outstanding amounts to be contributed in this respect.

The Group has outsourced its pension commitments with its directors through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death and employment disability.

l. Severance indemnities

Under current regulations, Spanish consolidated companies and some foreign companies are required to pay severance to employees terminated without just cause. There are no redundancy plans in effect that require the recognition of a provision in this connection.

m. Provisions

On preparing the consolidated financial statements, the directors made a distinction between the following:

- 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 in terms of its amount and/or timing.
- Contingent liabilities: Possible obligations arising from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events beyond the control of the consolidated entities.

The consolidated annual financial statements of the Group include all significant provisions for which it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in the notes to the extent that they are not considered to be remote (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 obligations for which they were initially recognised and are reversed, totally or partially, whenever these risks disappear or diminish.

The compensation to be received from a third party when an obligation is settled is recognised as an asset so long as it is certain that the reimbursement will be received, unless the risk has been contractually externalised so that the Group is legally exempt from having to settle, in which case, the compensation is taken into consideration in estimating the amount of the provision, if any.

At year-end 2015 and 2014 a number of legal proceedings and claims had been filed against business groups in the ordinary course of their operations. The Group's legal advisors and its directors believe that the resolution of these proceedings and claims will not have a significant effect on the consolidated financial statements for the years in which they are resolved.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. It represents the amounts receivable for goods delivered and the services rendered as part of the Group's ordinary course of business, less discounts and amounts received on behalf of third parties, such as VAT.

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.

The legislative environment that governs the regulated activity, which accrues the most representative income for the Enagás Group, is described in Note 4.

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate, which is the rate that exactly matches estimated future cash flows over the expected life of the financial asset to that asset's carrying amount.

Dividend income is recognised when the Enagás Group companies have the right to receive such income.

Deferred revenue relates mainly to advance payments received for natural gas transport rights assigned to Gasoducto Al-Andalus, S.A. and to Gasoducto de Extremadura, S.A., which are taken to profit and loss on a straight-line basis until 2020 when the transport contract expires.

This heading also includes the accrual of amounts received for making connections from the basic network infrastructure of Enagás Transporte, S.A.U. and Enagás Transporte del Norte, S.L. to networks owned by

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distributors, secondary transporters, gas supply companies and eligible customers. This revenue is taken to profit or loss on the basis of the useful life of the assigned facilities.

o. Expense recognition

Expenses are recognised in the consolidated income statement when there is a decrease in the future economic benefit related to a reduction in an asset or an increase in a liability that can be measured reliably. This means that an expense is recognised simultaneously with the recognition of the increase in the liability or the reduction of the asset.

An expense is recognised immediately when a payment does not generate future economic benefits or when the prerequisites for capitalisation as an asset are not met.

p. Income tax

Income tax is recognised in the consolidated income statement or in equity in the consolidated balance sheet depending on where the gains or losses giving rise to it have been recognised.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, withholdings, prepayments, and the tax losses offset in prior years which are effectively applied in the current year, plus the change in deferred tax assets and liabilities.

Deferred tax expense or income reflects the recognition and settlement of deferred tax assets and deferred tax liabilities. Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply when the asset is realised or the liability is 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 in the consolidated balance sheet, as appropriate.

Deferred tax assets are recognised only when it is probable that future taxable profits will be available to recover the tax credits for temporary differences. Deferred tax liabilities are recognised for all taxable temporary differences, except to the extent that they arise from the initial recognition of goodwill.

Deductions arising from economic events in the year are deducted from the 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.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Similarly, at each reporting date, the Group reassesses unrecognised deferred tax assets, recognising a previously unrecognised deferred tax asset to the extent that it has become probable that taxable profit will be available against which the asset can be utilised.

It should be noted that effective 1 January 2013, Enagás S.A. is the parent company of the Consolidated Tax Group 493/12, and is taxed under the Tax Consolidation System governed by Title VIII, Chapter VI of the Corporation Tax Law 27/2014 of 27 November, and the subsidiaries are:

- Enagás Transporte, S.A.U.
- Enagás GTS, S.A.U.
- Enagás Internacional, S.L.U.
- Enagás Financiaciones, S.A.U.

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In 2015, the consolidated tax group 493/12 no longer included Enagás Altamira, S.L.U. as a result of a merger by absorption of the latter with Enagás Internacional, S.L.U.

As a consequence of the entry into force of the new Corporation Tax Law (Law 27/2014 of 27 November) on 1 January 2015, there has been a reduction in the income tax rate in fiscal year 2015 from 30% to 28% (see Note 22).

The legislative framework governing Enagás Transporte del Norte, S.L. and BBG has been defined in the Provincial Law, 11/2013 (5 December), on Corporation Tax.

The rest of the Group companies individually settle their income tax returns in accordance with the tax legislation applicable to them.

q. Earnings per share

Basic earnings per share are calculated by dividing net profit or loss attributable to the parent company by the weighted average number of ordinary shares outstanding during the year, excluding the average number of parent company shares held as treasury shares by Group companies. Basic earnings per share coincide with diluted earnings per share (see Note 14).

r. Consolidated cash flow statement

The following terms are used to present the consolidated cash flow statements:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the Group's ordinary operating activities and any other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition or disposal of long-term 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 of liabilities that are not operating activities.

4. Regulatory framework

a) Revenue from regasification, storage and transport.

The remuneration framework for these activities that was in force since 2002, based on the Oil and Gas Act 34/1998 (7 October) and subsequent published amendments, has largely been repealed after the entry into force of Royal Decree-Law 8/2014, of 4 July, ratified by Parliament and subsequently enacted as a law and finally published as Law 18/2014, of 15 October, which approves urgent measures for growth, competitiveness and efficiency.

The fundamentals of the new remuneration framework are as follows:

- The principle of economic and financial sustainability of the gas system is established, which will be a guiding principle for the actions taken by public authorities and other parties involved with the gas system. Any legislative measure relating to the industry that represents an increase in cost for the gas system or a reduction of revenue must include an equivalent reduction in other cost items or an equivalent increase in revenue that ensures the balance of the system. This will definitively rule out the possibility of accumulating a deficit.

This principle is reinforced by the establishment of restrictions on the appearance of temporary annual mismatches, establishing the corrective mechanism of mandatory automatic revisions of tolls and fees that will be applied if certain thresholds are exceeded. The thresholds introduced allow for deviations

deriving from one-off circumstances or volatility affecting gas demand which, as such, may be reversed in the following period without the need to modify the tolls and fees, while guaranteeing that mismatch levels that could place the system's financial stability at risk cannot be reached.

Temporary mismatches that arise at or after the time this Royal Decree-Law enters into force will be financed by all of the members of the settlement system based on the collection rights that are generated, without exceeding the aforementioned thresholds.

This economic and financial sustainability principle for the system must be understood such that the revenues generated through the use of the facilities cover all system costs. The regulated remuneration methods in the natural gas sector take into consideration the costs necessary to carry out the activity by an efficient and well-managed company under the principle of performing the activity at the lowest cost for the system.

- Six-year regulatory periods are established to determine the remuneration for the regulated activities, thereby providing regulatory stability to those activities. The first regulatory period ends on 31 December 2020. Starting on 1 January 2021, the subsequent regulatory periods will consecutively enter into force and each one will last six years.

Every three years, adjustments may be made to the remuneration parameters within the system, including the unit reference values per customer and sales, operating and maintenance costs, productivity improvement factors, etc., in the event that there are significant variances in the revenue and cost items.

- The remuneration system for transportation, regasification and storage facilities is established under uniform principles, generally adapting to the net value of the asset as a basis for calculating the remuneration for the investment made. Variable remuneration based on transported, regasified or stored gas is included based on the type of asset, and any automatic revision procedure covering remuneration values and parameters based on price indexes is eliminated.
- Accumulated deficit at 31 December 2014. The amount relating to the accumulated deficit in the gas system at 31 December 2014 will be determined in the final settlement for 2014. The members of the settlement system will be entitled to recover the annual amounts relating to that accumulated deficit in the settlements in the subsequent 15 years, recognising an interest rate in accordance with market conditions (see Notes 9.1 and 11).
- The remuneration consists of a fixed rate for facility availability and a variable rate for supply continuity. The fixed facility availability rate includes the operating and maintenance costs for each year, depreciation and financial compensation calculated by applying the financial remuneration rate determined for each regulatory period to the annual net value of the investment.

Including the variable rate for supply continuity in facility remuneration allows system costs to be adjusted in the event of a change in demand, balancing the differences between revenues and system costs in addition to transferring part of the demand variance risk from the final consumer to the owner of the facilities.

This rate is based on the total change in domestic natural gas consumption in the calculation year compared with the preceding year in the case of transportation facilities, the change in demand for regasified gas at all plants in the system in the case of regasification facilities and the change in useful gas at storage facilities.

The supply continuity remuneration is distributed among all facilities based on the weighting of their replacement value compared to all of the facilities participating in the activity, and those values are calculated by applying the unitary investment values in force in each year.

Once the regulatory useful life of the facilities has ended, and in those cases in which the asset continues in operation, the fixed remuneration is calculated as operating and maintenance costs

increased by a coefficient determined by the number of years by which a facility exceeds its regulatory useful life. No amount whatsoever accrues as remuneration for the investment made.

- a.1) Accredited fixed cost for Availability Compensation (AC).** This item is determined individually for each of the production assets. This parameter remunerates investment and operating costs relating to assets used in the gas system.

a.1.1. Remuneration for investment costs comprises:

- Value of recognised assets. The recognised values for the assets under the preceding remuneration framework are maintained. For facilities commissioned before 2002, the remuneration is calculated based on the carrying amount of the assets after the revaluation of 1996 (Royal Decree-Law 7/1996), less grants received to finance these assets. An annual update 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 facilities 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 facilities brought into service since 2008 are valued at the average of the standard value and actual cost.

Regasification facilities brought into service since 2006 are valued at actual cost plus 50% of the difference between standard value and actual cost, up to the maximum 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.

The new framework maintains the useful lives of the assets, except for the gas pipelines, for which the useful life remains at 40 years for all facilities, regardless of when they entered into operation.

- Financial remuneration for the value of the investment. The calculation applies a financial remuneration rate to the non-discounted net value of the assets. During the first regulatory period, the remuneration rate for transportation, regasification and basic storage assets entitled to remuneration from the gas system will be the average yield on 10-year government bonds in the secondary market applied among owners of non-segregated accounts in the 24 months before the entry into force of the legislation, plus a spread of 50 basis points. The financial remuneration rate remained fixed at 5.09% for the regulatory period (value ratified by Law 8/2015 of 21 May).

- Remuneration for fully depreciated assets. Once the regulatory useful life of each asset ends, if the item continues in operation, the remuneration that will be accrued by that facility for the investment made, depreciation and financial remuneration will be zero.

By contrast, the remuneration for operating and maintaining asset "i" each year "n" will increase. The recognised value will therefore be the result, multiplied by a useful life extension coefficient μ_{in} .

This parameter will have the following values:

- During the first five years in excess of the regulatory useful life: 1.15.
- When the regulatory useful life has been exceeded by between 6 and 10 years, the useful life extension coefficient will be: $1.15+0.01(X-5)$.
- When the regulatory useful life has been exceeded by between 11 and 15 years, the useful life extension coefficient will be: $1.20+0.02(X-10)$.

- When the regulatory useful life has been exceeded by more than 15 years, the useful life extension coefficient will be: $1.30+0.03(X-15)$.

Where "X" is the number of years by which the asset has exceeded its regulatory useful life. The parameter μ_{in} cannot take a value exceeding 2.

a.1.2. In general terms, the calculation of the remuneration for the operating costs relating to transportation, regasification and underground storage assets is maintained. The only difference is the application of unit operating and maintenance costs to all of the transportation facilities, regardless of when they entered into operation.

a.2) Supply continuity remuneration (SCR). Supply continuity remuneration (SCR) is calculated jointly for each of the activities: transportation, regasification and underground storage.

The remuneration in this respect, in year "n", is calculated in all cases based on the prior-year remuneration, "n-1", multiplied by an efficiency factor and the change in demand.

The efficiency factor is set at a value of 0.97 for the first regulatory period, and the changes in demand that are taken into consideration are as follows:

- The transportation pipeline network facilities will take into consideration the change in total national demand for gas, excluding supplies through satellite plants, with the following maximum and minimum demand limits: 410 TWh and 190 TWh.
- The change in total demand for gas from all regasification plants in the gas system is taken into account with respect to regasification plants, with the following maximum and minimum limits applied to gas outflows: 220 TWh and 50 TWh.
- The change in the useful gas stored at 1 November in the relevant year is taken into account for storage facilities, including the portion of cushion gas that is mechanically extractable, with the following maximum and minimum gas storage limits: 30 TWh and 22 TWh.

The supply continuity remuneration determined for each activity in year "n" is distributed among each of the facilities "i" that remain in operation based on a coefficient, α_i , that is the result of dividing the sum of the replacement cost for all facilities by the replacement cost of facility "i". This replacement cost is calculated based on the unit investment costs in force, except for unique facilities and underground storage facilities, for which the investment value will be used.

a.3) Recognised variable cost for regasification and transfer of LNG to tankers

a.3.1. The recognised variable unit cost is calculated based on the number of kW/hr actually regasified and loaded in LNG tanks in each period and the variable unit regasification cost for the period in question. For 2015, this cost was set at 0.000162 euros per kWh regasified and 0.000194 euros/kWh loaded in tankers.

a.3.2. A cost identical to the variable tank loading cost is recognised for loading LNG onto tankers from regasification plants or for the pre-cooling of ships. For tanker-to-tanker transfers, the cost is 80% of this value.

b) Revenue from technical system operation (TSO)

Revenue from this activity is calculated on a yearly basis in accordance with the recognised cost for each year, and is used to remunerate Enagás GTS, S.A.U. for its obligations as Technical System Manager, which include coordinating the development, operation and maintenance of the transport network, supervising the security of the 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 2015, 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 0.38%. This amount is deposited by these companies within the deadlines and in the manner established in the settlement procedure into the deposit account held by the CNMC 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 facilities and their users.

Notwithstanding the foregoing, the provisional remuneration recognised for acting as Technical System Operator in 2015 was 11,561 thousand euros. The positive or negative difference between this amount and that received in application of the aforementioned earmarked amount will be included in settlement 14 by the CNMC for 2015. In accordance with Order IET/2736/2015 of 17 December, the provisional remuneration for the Technical System Operator for 2016 amounts to 23,966 thousand euros.

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.

Ministerial Order ECO/2692/2002 (28 October) was published on 1 November 2002, regulating settlement procedures for remuneration of regulated activities and defining company disclosure requirements.

Additional provision number five of Order ITC/3993/2006 amends section 1.5 of appendix II of this settlements order and states that the interest equivalent to applying the average one-year treasury bill yield during 60 days to the amounts to be paid to each transporter or distributor be added to the settlements.

e) Revenue corresponding to the minimum operating level and minimum linepack of gas pipelines

Article 16 of IET/3587/2011 Order provides that the minimum level for gas filling of the pipeline transport and regasification plants (gas check) shall be remunerated as a necessary investment for the transport activity, recognising a financial retribution.

After the entry into force of the new remuneration framework the compensation for this item continues, and the same financial remuneration rate is applied as that for the transportation, regasification and underground storage facilities. 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 (operating gas). 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.

Upon the entry into force of the new remuneration framework gas purchases for internal consumption at regasification plants cease to be a recognised cost, although there is a transitional adaptation period.

During this period, the following percentages of gas purchases for regasification plant operations will be recognised.

	2014	2015	2016	2017
Recognised transitional gas for internal consumption.	100%	90%	50%	20%

g) Settlement of the accumulated deficit.

Royal Decree-Law 8/2014 (4 July) and Law 18/2014 (15 October) establish the economic and financial sustainability principle for the gas system. In accordance with this principle, revenues from the system will be used exclusively to sustain own remuneration of the regulated activities concerning the supply of gas and, furthermore, the revenues must be sufficient to satisfy all of the costs incurred by the gas system. To ensure financial sufficiency and avoid the appearance of new ex ante deficits, any legislative measure relating to the gas system that represents an increase in cost for the system or a reduction of revenue must include an equivalent reduction in other cost items or an equivalent increase in revenue that ensures the balance of the system.

The new remuneration framework also establishes a specific method for resolving temporary mismatches between the revenue and costs of the system which, together with the aforementioned measures, are intended to definitively end the deficit in the gas system.

Until now the mismatch between revenues and costs that accumulated up to a certain year was passed on to the subsequent year, thereby eliminating one mismatch but creating a new one. The new method establishes a multi-year period over which to recover these mismatches and also recognises finance costs for the financing of these mismatches for the regulated companies.

The method established in articles 61 and 66 of this Royal Decree-Law and this Law make a distinction between the accumulated deficit at 31 December 2014 and that which may be generated in subsequent years, such that:

- The amount relating to the accumulated deficit in the gas system at 31 December 2014 will be determined in the definitive settlement for 2014, and the members of the settlement system will be entitled to recover annual amounts relating to that accumulated deficit in the settlements in the subsequent 15 years, recognising an interest rate in accordance with market conditions.
- Until this definitive settlement is published, the value of the deficit will not be known and cannot start to be recovered. Since the definitive settlement for 2014 is not expected to be known before 2016, it will start from that time and this deficit will be recovered over the subsequent 15 years (see Note 9).
- The Royal Decree-Law and the Law stipulate that any mismatches revealed starting in 2015 will be recovered over the subsequent five years after the definitive settlements are available, and an interest rate with equivalent market conditions is also recognised.

In order to limit any further increase in the deficit, when the annual mismatch between revenues and costs exceeds 10% of revenues to be settled during the year, or when the sum of the annual mismatch plus the recognised annual amounts pending payment exceeds 15%, the access tolls and fees for the following year will be increased in order to recover the amount exceeding that limit.

If, however, the annual mismatch between revenues and recognised remuneration is positive, the amount will be used to settle the outstanding annual payments relating to prior-year mismatches. This amount will be applied first to the mismatches generated from 2015 and then to those relating to the accumulated deficit of the gas system at 31 December 2014. In any event, as long as there are annual amounts pending payment from prior years, the tolls and fees cannot be revised downwards.

Finally, amounts relating to the annual recovery payments for the mismatches are preferential in terms of collection compared with the other the system costs in the relevant settlements.

Order IET/2736/2015 of 17 December provisionally set out the forecast interest rates for the gas system to be applied to the deficit accumulated on 31 December 2014 and the time mismatch for 2015. The values are as follows:

- The forecast interest rate for any time mismatch between income and expenses for the gas system in 2015 shall be 1.2%. The interest acknowledged at each mismatch shall be accrued from the day following the approval of the definitive settlement for 2015.
- The forecast interest rate for any deficit accumulated at 31 December 2014 shall be 1.7%. The interest acknowledged at each deficit shall be accrued from the day following the approval of the definitive settlement for 2014.

h) Establishment of the Organised Gas Market.

In relation to Law 8/2015 of 21 May, amending Law 34/1998, of 7 October, on the Oil and Gas industry, regulating certain tax and non-tax measures relating to the exploration, investigation and exploitation of oil and gas, article 65 ter., "Organised Gas Market Operator", states that a trading company, whose shareholding may consist of any natural or legal person, shall act as the organised gas market operator, with the total direct shareholdings in the capital of this Technical Operators company for Spanish and Portuguese gas systems amounting to 20%. The relative weight of the shareholding of both companies in the organised gas market operator shall be 2/3 and 1/3, respectively. In addition, the first transitory provision states that within two months from the entry into force of Law 8/2015, that is, no later than 23 July 2015, the Iberian Energy Market Operator, Polo Español, S.A. shall undertake the adaptation of the trading company MIBGAS, S.A. to the criteria set out in article 65 ter. of Law 34/1998, of 7 October, of the Hydrocarbon Sector. If this does not cover all shareholdings envisaged under the criteria set out in said provision, the Iberian Energy Market Operator, Polo Español, S.A., shall temporarily broaden its shareholding to cover one hundred per cent of the capital. Lastly, the organised gas market operator should be operational within a maximum of four months from the entry into force of Law 8/2015, that is, no later than 23 September 2015. No change in this regard had appeared by 31 December 2015.

i) Acknowledgement of the expenses associated with the dismantling of natural gas facilities.

Royal Decree 949/2001, of 3 August ("RD 949/2001"), which regulates the access of third parties to gas facilities and establishes an integrated economic system for the natural gas sector states that, in the event of closure of plants and storage facilities, regulated activities shall cease to be remunerated from the date of closure and, if such plants and facilities are dismantled, without prejudice to any net dismantling costs that are recognised.

j) Developments in the regulatory framework.

The National Energy Commission (Comisión Nacional de Energía) – the current National Commission for Markets and Competition – at its meeting of 11 April 2013, ordered Enagás, S.A. (now succeeded for its transportation business by Enagás Transporte, S.A.U.), Galp Gas Natural, S.A. and Gasoducto Al-Ándalus, S.A. to adjust the agreements for gas transit to Portugal (drawn up in 1996 by Transgas, S.A. (now Galp Gas Natural, S.A.) to the new regulatory framework introduced by Directive 2009/73/EC and Regulation (EC) 715/2009, of 13 July 2009, of the European Parliament and of the Council.

With the aim of complying with the aforesaid order, Galp Gas natural, S.A. and Enagás Transporte, S.A.U., signed a Framework Agreement on 27 February 2014, for access to the transportation and distribution system of Enagás Transporte, S.A.U., through international gas pipeline connections with Europe. Subsequently, on 18 November 2014, both companies signed the corresponding long-term agreement for access to transport and distribution networks, and an addendum to the Framework Agreement, which entered into effect on 1 January 2015, thereby complying with the requirements of the National Commission for Markets and Competition.

The National Commission for Markets and Competition deems said access agreements for third parties to the transportation and distribution system to be compliant with the applicable standards.

k) Developments in the regulatory framework.

The main gas industry regulatory developments approved in 2015 include:

1. Supranational regulations

Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015, relating to the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 – the European Fund for Strategic Investments.

Regulation (EU) 2015/703 of the Commission, of 30 April 2015, establishing a network code on interoperability and data exchange rules.

Decision (EU) 2015/715 of the Commission, of 30 April 2015, amending Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks.

2. Spanish regulations

BASIC REGULATION

Resolution of the Minister for Energy of 4 December 2015, approving the market rules, the membership agreement and the resolutions of the organised gas market.

Royal Decree 984/2015 of 30 October, regulating the Organised Gas Market and the management of guarantees, third-party access to natural gas system facilities and the procedure for the allocation, by means of a competition, and for remuneration for local primary transportation facilities. In relation to capacity contracting, standard products are defined, whose request and contracting, except for interconnections with other EU countries, shall be through a single platform authorised by the Technical System Operator, preferably through market procedures.

Circular 2/2015 of 22 July of the CNMC, establishing balancing rules for the transportation network of the gas system.

Law 8/2015 of 21 May, amending Law 34/1998 of 7 October, of the Hydrocarbon Sector, regulating certain tax and non-tax measures relating to the exploration, investigation and exploitation of oil and gas which, amongst other changes, grants new functions to Enagás GTS, S.A.U. and sets the value of the financial remuneration rate to be applied in the first regulatory period, until 31 December 2020.

REMUNERATION AND TOLLS

Order ITC/2736/2015 of 17 December 2015, establishing the tolls and fees for third-party access to gas facilities and remuneration of regulated gas sector activities for 2016.

Order IET/389/2015 of 5 March 2015, which updates the automatic calculation of maximum prices for the sale of bottled liquefied petroleum gases, before tax, and modifies the automatic calculation of sale prices, before tax, of liquefied petroleum gases for piping. The main effects for the Enagás Group are as follows:

Order IET/2445/2014 of 19 December 2014, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated gas sector activities.

TARIF OF LAST RESORT

Resolution of the Directorate General for Energy Policy and Mining of 23 December 2015 (hereinafter DGPEM), publishing the tariff of last resort for natural gas.

Resolution of the DGPEM of 21 October 2015, establishing the parameters for conducting the auction for the acquisition of base gas for the purpose of setting the tariff of last resort for the period between 1 January and 30 June 2016.

Resolution of the DGPEM of 28 September 2015, establishing the characteristics of the auction for the acquisition of base gas for the purpose of setting the tariff of last resort for natural gas during the period between 1 January 2016 and 30 June 2016.

Resolution of the Directorate General for Energy Policy and Mining of 25 September 2015 (DGPEM), publishing the tariff of last resort for natural gas.

Resolution of the DGPEM of 26 June 2015, publishing the tariff of last resort for natural gas.

Resolution of the DGPEM of 22 May, establishing the parameters for conducting the auction for the acquisition of base gas for the purpose of setting the tariff of last resort for the period between 1 July 2015 and 30 September 2015.

Resolution of the DGPEM of 12 May, establishing the characteristics of the auction for the acquisition of base gas for the purpose of setting the tariff of last resort for the period between 1 July 2015 and 30 June 2016.

Resolution of the DGPEM of 27 March 2015, correcting errors in the Resolution of 26 December 2014 publishing the tariff of last resort for natural gas.

TECHNICAL MANAGEMENT RULES

Resolution of 23 December 2015, of DGPEM, amending the detailed protocol PD-02 "Allocation at transmission-distribution connection points (TDCP) and distribution-distribution connection points (DDCP)".

Resolution of 23 December 2015, of the DGPEM, approving the detailed protocol PD-17 "Reporting on the gas balance in transmission networks.

Resolution of 4 May 2015, of the DGPEM, modifying the technical management standards for the NGTS-12 system "Proposals for the updating, review and modification of system management standards or protocols".

Resolution of 4 May 2015, of the DGPEM, amending detailed protocol PD-12, "Procedures to be applied to liquefied natural gas tankers intended for satellite plants".

UNDERGROUND STORAGE

Resolution of 23 March, of the DGPEM, adjudicating the basic storage capacity for the period between 1 April 2015 and 31 March 2016.

Resolution of the DGPEM of 3 March, establishing certain aspects relating to the auction of basic storage capacity for the period between 1 April 2015 and 31 March 2016.

Resolution of the DGPEM of 19 January 2015, publishing the capacity allocated and available in the basic natural gas underground storage facilities for the period between 1 April 2015 and 31 March 2016.

AUCTION FOR THE ACQUISITION OF OPERATING GAS AND MINIMUM RESERVES (GAS TALÓN)

Resolution of the Minister for Energy of 23 December 2015, implementing the procedure for the acquisition of operating gas.

Resolution of the DGPEM, of 30 September 2015, for the establishment of the provisional scheme for the provision of operating gas from 1 October 2015.

Resolution of the DGPEM of 28 May, establishing the operating rules for conducting the auction of natural gas for the minimum linepack of the underground storage facility "Yela".

Resolution of the DGPEM of 22 May, approving certain parameters of the auction for the purchase of operating gas and minimum reserves for the period between 1 July and 30 September 2015.

Resolution of the DGPEM of 8 May, establishing the operating rules for conducting the auction for the acquisition of operating gas and minimum reserves for the period between 1 July and 30 September 2015.

STRATEGIC RESERVES CORPORATION (CORES)

Order IET/2839/2015, of 23 December, approving the amounts certain companies are required to contribute to CORES, the corporation entrusted with managing the country's strategic oil product reserves, for 2016.

Order IET/1981/2015, of 30 September, modifying the amounts certain companies are required to contribute to CORES, the corporation entrusted with managing the country's strategic oil product reserves, for 2015.

OTHER PROVISIONS

Resolution of the DGPEM of 11 December 2015, granting Enagás Transporte, S.A.U. administrative authorisation, approval of the execution plan for, and specifically recognising the public usefulness of, the construction of the new D-16.00 position in the municipality of Gijón.

Royal Decree 1085/2015 of 4 December, promoting the use of biofuels.

CNMC Resolution of 16 October 2015, establishing and publishing the list of main operators in the energy sectors.

Resolution of DGPEM, of 16 October, establishing the daily processing for 31 October 2015.

Resolution of the Minister for the Environment of 16 October 2015, issuing a report on the environmental impact of the Gaviota Helipad project in Bermeo (Bizkaia).

Royal Decree 900/2015 of 9 October regulating the administrative, technical and economic conditions for the methods of providing electrical energy with personal consumption and production with personal consumption.

Resolution of the DGPEM, of 5 October 2015, updating and publicising a Preventive Action Plan and an Emergency Plan for the Spanish gas system.

CNMC Resolution of 1 October 2015, establishing and publishing the list of main operators in the energy sectors.

Resolution of the DGPEM of 22 May 2015, granting Enagás Transporte, S.A.U. authorisation to close the regulation station of O-00 position in the municipality of Otero.

CNMC Circular 1/2015 of 22 July, implementing the regulatory information for expenses relating to the regulated activities of the transportation, regasification, storage and technical management of natural gas systems, as well as the transportation and operation of the electricity system.

Resolution of 14 July 2015 of the DGPEM, establishing the measurement of shrinkage balances for regasification plants for the 2010-2012 period.

Resolution of 14 July 2015 of the DGPEM, determining the incentive for the reduction of transport shrinkage for the years 2012 and 2013 based on the gas transported in the years 2011 and 2012.

Resolution of the DGPEM, of 13 July 2015, amending the Resolution of 25 July 2006, which regulates allocation conditions and the process of applying supply interruptible gas contracts in the gas system.

CNMC agreement of 7 May, urging the participants operating in the wholesale organised energy markets at 7 October 2015 to request their early listing in the Spanish register.

Resolution of the DGPEM of 29 April 2015, granting Enagás Transporte, S.A.U. administrative authorisation, approval of the execution plan and recognition of the public usefulness of addendum 1 to the construction project of the new compression station for the international Euskadour connection.

Law 2/2015 of 30 March, for the deindexation of the Spanish economy.

Resolution of the DGPEM, of 16 February, updating and publicising a Preventive Action Plan and an Emergency Plan for the Spanish gas system.

CNMC Resolution of 13 January, creating the Spanish registry of participants in the wholesale energy market, in compliance with article 9 of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency.

Order IET/20/2015 of 12 January, approving the designation of Enagás Transporte, S.A.U. as the independent network manager of the trunk line network facilities owned by Enagás Transporte del Norte, S.L.

Order IET/21/2015 of 12 January, approving the designation of Enagás Transporte, S.A.U. as the independent network manager of the trunk line network facilities owned by Planta de Regasificación de Sagunto, S.A.

Resolution of 23 December 2014 of the DGPEM, granting Enagás Transporte, S.A.U. administrative authorisation, approval of the execution plan and acknowledgement of the public usefulness of the construction of the new compression station for the international Euskadour connection.

5. Intangible assets

The breakdown and movements in intangible assets and accumulated amortisation in 2015 and 2014 were as follows:

2015

Cost	Opening balance	Increases due to changes in the scope of consolidation	Additions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Goodwill (*)	17,521	8,291	-	-	-	25,812
Other intangible assets						
Development	5,511	-	1,129	-	-	6,640
Concessions	5,863	8	-	-	-	5,871
Computer software	164,047	172	16,192	1,207	-	181,618
Other intangible assets	8,935	-	108	(1,207)	(1)	7,835
Total cost	201,877	8,471	17,429	-	(1)	227,776

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Depreciation	Opening balance	Increases due to changes in the scope of consolidation	Provisions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Other intangible assets						
Development	(1,799)	-	(429)	-	-	(2,228)
Concessions	(3,737)	-	(125)	-	-	(3,862)
Computer software	(111,118)	(172)	(22,534)	-	-	(133,824)
Other intangible assets	(7,454)	-	(122)	-	-	(7,576)
Total depreciation	(124,108)	(172)	(23,210)	-	-	(147,490)

Carrying amount	Opening balance	Increases due to changes in the scope of consolidation	Additions or allocations	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Total goodwill	17,521	8,291	-	-	-	25,812
Total other intangible assets	60,248	8	(5,781)	-	(1)	54,474
Total intangible assets	77,769	8,299	(5,781)	-	(1)	80,286

(*) The increases for variations in the scope of goodwill include 2,568 thousand euros from the tax effect related with the allocation of goodwill.

2014

Cost	Opening balance	Additions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Goodwill	17,521	-	-	-	17,521
Other intangible assets					
Development	5,262	249	-	-	5,511
Concessions	5,863	-	-	-	5,863
Computer software	141,286	22,761	-	-	164,047
Other intangible assets	7,727	1,208	-	-	8,935
Total cost	177,659	24,218	-	-	201,877

Depreciation	Opening balance	Provisions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Other intangible assets					
Development	(1,399)	(400)	-	-	(1,799)
Concessions	(3,527)	(210)	-	-	(3,737)
Computer software	(88,222)	(22,896)	-	-	(111,118)
Other intangible assets	(7,163)	(291)	-	-	(7,454)
Total depreciation	(100,311)	(23,797)	-	-	(124,108)

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Carrying amount	Opening balance	Additions or allocations	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Total goodwill	17,521	-	-	-	17,521
Total other intangible assets	59,827	421	-	-	60,248
Total intangible assets	77,348	421	-	-	77,769

Additions in the heading "Computer Software" in 2015 relate mainly to the following projects:

- SL Investments ATR 2.0 and adaptation to European legislation in the amount of 6,953 thousand euros.
- Investment in the acquisition, updating and improvement of software in the amount of 1,796 thousand euros.
- Investment in the management of commercial systems, market development and logistics in the amount of 1,771 thousand euros.
- Investments according to the Technological Renewal Framework Plan and Security Master Plan in the amount of 1,028 thousand euros.

Similarly, under the heading "Increases due to change in variation of the scope of consolidation", the effect of fully consolidating the shareholding in Gascan is recognised as a consequence of the acquisition of control over the company and the increased goodwill in the allocation process (see Notes 2.3 and 7). The total amount recognised in "Goodwill" consists of 17,521 thousand euros accrued in the acquisition in 2013 of Enagás Transporte del Norte, S.L. and the aforementioned 8,291 thousand euros.

At year-end 2015 and 2014, the Group was still using the following fully amortised intangible assets:

2015

Item	Carrying amount (gross)
Development	369
Computer software	93,561
Other intangible assets	9,362
Total	103,292

2014

Item	Carrying amount (gross)
Development	341
Computer software	66,219
Other intangible assets	6,991
Total	73,551

Assets classified within "Other intangible assets" are not mortgaged or subject to any other similar encumbrance.

6. Property, plant and equipment

The breakdown of and movement in property, plant and equipment in 2015 and 2014 were as follows:

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2015

Cost	Opening balance	Increases due to changes in the scope of consolidation	Additions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Land and buildings	148,550	-	16,841	821	(537)	165,675
Plant and machinery	8,645,340	-	14,259	70,735	(5,349)	8,724,985
Other fixtures, tools and furniture	73,904	68	2,142	6,431	(160)	82,385
Prepayments and work in progress	558,631	15,205	77,450	(77,987)	(2,932)	570,367
Grants related to assets	(599,110)	-	(1,346)	-	-	(600,456)
Total cost	8,827,315	15,273	109,346	-	(8,978)	8,942,956

Depreciation	Opening balance	Increases due to changes in the scope of consolidation	Provisions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Land and buildings	(59,626)	-	(3,892)	-	26	(63,492)
Plant and machinery	(3,722,028)	-	(272,490)	-	5,345	(3,989,173)
Other fixtures, tools and furniture	(52,465)	(59)	(3,804)	-	116	(56,212)
Grants related to assets	367,789	-	13,609	-	-	381,398
Total depreciation	(3,466,330)	(59)	(266,577)	-	5,487	(3,727,479)

Impairment losses	Opening balance	Increases due to changes in the scope of consolidation	Provisions	Increases or decreases through transfers	Reversals, disposals or derecognition	Closing balance
Plant and machinery	(24,137)	-	(8,679)	-	739	(32,077)
Other fixtures, tools and furniture	-	-	-	-	-	-
Grants related to assets	-	-	-	-	-	-
Total impairment	(24,137)	-	(8,679)	-	739	(32,077)

Carrying amount	Opening balance	Increases due to changes in the scope of consolidation	Additions or allocations	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Land and buildings	88,924	-	12,949	821	(511)	102,183
Plant and machinery	4,899,175	-	(266,910)	70,735	735	4,703,735
Other fixtures, tools and furniture	21,439	9	(1,662)	6,431	(44)	26,173
Prepayments and work in progress	558,631	15,205	77,450	(77,987)	(2,932)	570,367
Grants related to assets	(231,321)	-	12,263	-	-	(219,058)
Total property, plant and equipment	5,336,848	15,214	(165,910)	-	(2,752)	5,183,400

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2014

Cost	Opening balance	Additions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Land and buildings	192,372	5,332	(47,211)	(1,943)	148,550
Plant and machinery	8,566,218	27,163	86,921	(34,962)	8,645,340
Other fixtures, tools and furniture	73,246	1,251	-	(593)	73,904
Prepayments and work in progress	579,677	75,030	(86,921)	(9,155)	558,631
Grants related to assets	(599,679)	-	-	569	(599,110)
Total cost	8,811,834	108,776	(47,211)	(46,084)	8,827,315

Depreciation	Opening balance	Provisions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Land and buildings	(57,129)	(3,909)	-	1,412	(59,626)
Plant and machinery	(3,435,051)	(300,181)	-	13,204	(3,722,028)
Other fixtures, tools and furniture	(49,322)	(3,703)	-	560	(52,465)
Grants related to assets	351,099	16,690	-	-	367,789
Total depreciation	(3,190,403)	(291,103)	-	15,176	(3,466,330)

Impairment losses	Opening balance	Provisions	Increases or decreases through transfers	Reversals, disposals or derecognition	Closing balance
Plant and machinery	(28,047)	(234)	-	4,144	(24,137)
Other fixtures, tools and furniture	-	-	-	-	-
Grants related to assets	-	-	-	-	-
Total impairment	(28,047)	(234)	-	4,144	(24,137)

Carrying amount	Opening balance	Additions or allocations	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Land and buildings	135,243	1,423	(47,211)	(531)	88,924
Plant and machinery	5,103,120	(273,252)	86,921	(17,614)	4,899,175
Other fixtures, tools and furniture	23,924	(2,452)	-	(33)	21,439
Prepayments and work in progress	579,677	75,030	(86,921)	(9,155)	558,631
Grants related to assets	(248,580)	16,690	-	569	(231,321)
Total property, plant and equipment	5,593,384	(182,561)	(47,211)	(26,764)	5,336,848

At 31 December 2015, additions to the heading "Land and buildings" amounting to 16,841 thousand euros, mainly relating to the acquisition of land for the Denia Compression Station for 12,879 thousand euros, and the adaptation and work on the head offices 1,279 thousand euros.

Under the heading "Plant and machinery", the main movement relates to the incorporation of facilities entering into operation in 2015 (3,211 thousand euros).

In the 2015 and 2014 financial years, no acquisitions of natural gas for the minimum linepack of gas pipelines were recorded, and no allocations were made for disassembly.

Additions to "Prepayments and work in progress" in 2015 relate mainly to the following facilities:

- Yela underground storage cushion gas in the amount of 25,360 thousand euros.
- Work undertaken on the drilling tower and workover of the Gaviota 6 well, in the amount of 12,973 thousand euros.
- Euskadour compression station in the amount of 8,276 thousand euros.
- Emission below the technical minimum at the Cartagena Plant, in the amount of 5,925 thousand euros.
- Reduced internal consumption at the Huelva plant, in the amount of 4,771 thousand euros.
- Martorell-Figueras gas pipeline, in the amount of 1,302 thousand euros.
- Revamping of the 80,000 m³ docking facility at the Barcelona plant in the amount of 2,713 thousand euros.

The effect of full consolidation of the shareholding in Gascan (a result of the acquisition of full control over the company) is recognised under "Increases due to changes in the scope of consolidation" (see Notes 2.3 and 7).

"Transfers" comprises the movements in work in progress to property, plant and equipment as projects are brought into operation in the year. Specifically, transfers to "Plant and machinery" at 31 December 2015 relate mainly to the start-up of the following facilities:

- Revamping of the 80,000 m³ tanker docking facility, at the Barcelona plant in the amount of 8,390 thousand euros.
- Euskadour compression station in the amount of 13,279 thousand euros.
- Repair of the drilling tower and workover of the underground storage Gaviota G-6 well, in the amount of 19,554 thousand euros.
- Cushion gas for the Yela underground storage facility in the amount of 25,360 thousand euros.

Derecognitions in "Plant and machinery" in 2015 mainly relate to Tanks TK 1200 A and B at the Barcelona plant, and their accumulated depreciation, amounting to 5,345 thousand euros.

Disposal of property, plant and machinery in 2015 relate mainly to the sale of pipes.

The revaluation in accordance with the provisions of Royal Decree-Law 7/1996 of 7 June, on balance sheet restatements, increased the 2015 depreciation charge for property, plant and equipment by 3,729 thousand euros and had an effect totalling 8,945 thousand euros in 2014.

Capitalised borrowing costs accrued during construction of infrastructure projects in 2015 amounted to 4,177 thousand euros (4,887 thousand euros in 2014) (see Note 25).

"Work on non-current assets" increased the investment by 7,447 thousand euros in 2015 and by 8,846 thousand euros in 2014 (see Note 24.1).

In 2014, the Enagás Group re-estimated the useful lives of certain assets associated with the transportation network from 30 years to 40 years, as mentioned in Note 3.c. The extension of the useful lives entailed a reduction of 41,154 thousand euros in depreciation in the 2015 consolidated income statement (22,795 thousand euros in 2014).

The impairment loss recognised in "Plant and machinery", amounting to 8,679 thousand euros, mainly reflects the measurement differences for materials associated with certain investment projects (see Note 3.d).

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Property, plant and equipment is not pledged to any mortgages or any other similar encumbrances.

There were no firm investment commitments on items of "Property, plant and equipment" at year-end 2015.

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.

At year-end 2015 and 2014, the Enagás Group was still using the following fully depreciated items of property, plant and equipment:

2015

Item	Carrying amount (gross)
Buildings	17,118
Plant and machinery	741,472
Other fixtures, tools and furniture	46,697
Total	805,287

2014

Item	Carrying amount (gross)
Buildings	16,563
Plant and machinery	682,491
Other fixtures, tools and furniture	42,552
Total	741,606

Accumulated grants related to assets received at year-end 2015 and 2014 that relate to investments in gas infrastructures are as follows:

	Thousands of euros		
	Grants received at 31/12/2015	Released to income at 31/12/2015	Balance at 31/12/15
Regasification plants	79,916	(69,981)	9,935
Gas transportation infrastructure	503,031	(298,006)	205,025
Underground storage	17,509	(13,411)	4,098
Total	600,456	(381,398)	219,058

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	Thousands of euros		
	Grants received at 31/12/2014	Released to income at 31/12/14	Balance at 31/12/14
Regasification plants	78,570	(68,664)	9,906
Gas transportation infrastructure	503,032	(287,764)	215,268
Underground storage facilities	17,508	(11,361)	6,147
Total	599,110	(367,789)	231,321

Details of these grants, by the bodies that granted them, at year-end 2015 and 2014 are as follows:

	Thousands of euros		
	Grants received at 31/12/2015	Released to income at 31/12/2015	Balance at 31/12/2015
EU structural funds	434,704	(255,586)	179,118
Spanish regional authorities	51,905	(28,680)	23,225
Spanish Government	113,847	(97,132)	16,715
Total	600,456	(381,398)	219,058

	Thousands of euros		
	Grants received at 31/12/2014	Released to income at 31/12/2014	Balance at 31/12/2014
EU structural funds	433,358	(244,417)	188,941
Spanish regional authorities	51,904	(27,568)	24,336
Spanish Government	113,848	(95,804)	18,044
Total	599,110	(367,789)	231,321

Government grants to be taken to the income statement in 2016 amount to approximately 13,509 thousand euros. The detail of the temporary allocation of the outstanding balance at 31 December 2015 is as follows:

	years		
	<1	2 to 5	>5
Spanish state	1,229	3,739	11,747
Spanish regional authorities	1,110	4,417	17,698
ERDF grants	11,170	37,081	130,867
Total grants	13,509	45,237	160,312

No changes occurred in the situation of the regasification plant at the Port of Musel with respect to that described in Note 6 of the 2014 consolidated financial statements.

Regasification Plant – Granadilla (Tenerife).

On 16 March 2015, the Administrative Appeal Court of the Madrid High Court of Justice issued a ruling nullifying the Resolution of the Directorate General for Energy and Mining Policy of 4 May 2012 that granted Compañía Transportista de Gas Canarias, S.A. (Gascan) prior administrative authorisation to build the reception, storage and regasification plant for liquefied natural gas at Granadilla (Tenerife), as well as the Environmental Impact Statement for said project, declared favourable by Resolution of 8 June 2007 of the General Secretary for the Prevention of Contamination and Climate Change.

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In this respect, Compañía Transportista de Gas Canarias, S.A., as the State Attorney, filed an appeal against the sentence, which has been admitted.

In accordance with article 57.1 of Law 30/1992 of 26 November, on the Legal System for Public Administrations and the Common Administrative Procedure, actions taken by Public Administrations subject to Administrative Law are presumed to be valid and are effective as from the date on which they are issued. Since no competent administrative or jurisdictional body had decided to suspend the execution of the challenged administrative action, there are no legal reasons to understand that the Resolution of the Directorate General of Energy and Mining Policy of 29 December 2008, granting Enagás prior administrative authorisation to build a plant to receive, store and regasify liquefied natural gas at Granadilla (Tenerife), nor the Resolution of 8 June 2007 of the General Secretary for the Prevention of Contamination and Climate Change, who formulated the favourable environmental impact statement on the construction project for said plant, has ceased to be valid. To the contrary, it continues to be fully valid and effective especially considering that the filing of the appeal for reversal against the ruling issued by the Madrid High Court of Justice is incompatible with a final ruling, in accordance with Article 91.1 of Law 29/1998 of 13 July, on Administrative Appeal Jurisdiction.

Accordingly, even in the event that the ruling from the Madrid High Court of Justice becomes final due to the appeal being rejected, this would not impede the subsequent processing and granting, respectively, a new environmental impact statement and a prior administrative authorisation for the liquefied natural gas regasification plant at Granadilla (Tenerife). Therefore, the Directors of the Enagás Group believe that no provision whatsoever is necessary and that the definition of a contingent liability is not met.

7. Business combinations

On 29 January 2015, Enagás Transporte, S.A.U. effectively acquired 58.06% of Gascan. (see Note 2.3). The purchase price amounted to 7,568 thousand euros, corresponding to 58.06% of the Gascan share capital.

As the Enagás Group already had a shareholding of 41.94%, the acquisition of a further 58.06% amounts to the purchase of 100% of the ownership of Gascan shares, and therefore the acquisition of control. In accordance with IFRS 3 for "Business combinations", this transaction involves a combination of businesses carried out in stages, which has involved recognising the corresponding revaluation of the financial investment relating to 41.94%, amounting to 2,804 thousand euros, as reflected in "Financial revenue" in the consolidated income statement. The total goodwill recorded in Gascan at the effective date of the business combination is detailed as follows:

	Amounts in thousands of euros
Initial investment	3,535
Consideration transferred	7,568
Revaluation of initial investment	2,804
Fair value of net assets acquired	5,616
Goodwill	8,291

The Enagás Group determined, on the date of acquisition, the fair value for the assets and liabilities acquired in the business combination in accordance with the valuation guides contained in IFRS 13, "Fair value measurement". As a fair value, the value arising from the arbitration process was deemed to be applicable, as determined through the methodology established by article 6 of the Law 17/2013 of 29 October, for security and supply, and to increase competition in island and non-mainland electrical systems.

A breakdown of Gascan's assets and liabilities carried at fair value at the acquisition date were as follows:

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	Thousands of euros
Current assets:	7
Trade receivables	4
Cash and cash equivalents	3
Non-current assets:	18,226
Intangible assets	8
Property, plant and equipment	15,214
Other non-current assets	3,004
Current liabilities:	(9,901)
Payable to group companies	(2,490)
Trade payables	(632)
Other current liabilities	(6,779)
Non-current liabilities:	(2,716)
Deferred tax liabilities	(2,716)
Total fair value of identifiable net assets acquired	5,616

The fair value of the net assets acquired from Gascan includes 10,273 thousand euros recognised as an addition to "Property, plant and equipment" arising from the purchase price allocation (see Note 6).

The income attributable to the business combination from the date of acquisition until 31 December 2015 amount to a loss of 501 thousand euros. For its part, had the aforementioned business combination occurred at the beginning of 2015, the loss would have amounted to 532 thousand euros.

8. Investment properties

The breakdown of and movement in investment properties in 2015 and 2014 were as follows:

2015

Cost	Opening balance	Additions	Closing balance
Land	47,211	-	47,211
Total Cost	47,211	-	47,211

Impairment losses	Opening balance	Additions	Closing balance
Land	(22,131)	(110)	(22,241)
Total impairment	(22,131)	(110)	(22,241)

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Total investment property	Opening balance	Additions	Closing balance
Cost	47,211	-	47,211
Impairment losses	(22,131)	(110)	(22,241)
Total impairment	25,080	(110)	24,970

2014

Cost	Opening balance	Additions	Increases or decreases through transfers	Closing balance
Land	-	-	47,211	47,211
Total Cost	-	-	47,211	47,211

Impairment losses	Opening balance	Additions	Increases or decreases through transfers	Closing balance
Land	-	(22,131)	-	(22,131)
Total impairment	-	(22,131)	-	(22,131)

Total investment property	Opening balance	Additions	Increases or decreases through transfers	Closing balance
Cost	-	-	47,211	47,211
Impairment losses	-	(22,131)	-	(22,131)
Total, net	-	(22,131)	47,211	25,080

In 2014, the land located at km 18 of the A-6 in Las Rozas (Madrid), which was initially acquired by Enagás, S.A. to build its headquarters, has been reclassified from the heading "Property, plant and equipment" to "Investment properties" in the accompanying consolidated balance sheet.

In 2014, the Enagás, S.A. Directors analysed the repercussions that the construction of the new headquarters at that site and the relocation would have, taking into consideration the Group's current circumstances and the expansion into international projects after the approval of the new regulatory framework regarding the reform of the Spanish Gas System, compared to remaining at the current location at Paseo de los Olmos, 19, by either purchasing the building from the owners or renewing the current lease until 2020 and leasing a new building to cover its space requirements.

After the appropriate considerations, the Board of Directors approved a resolution to maintain the headquarters at its current location and to remain vigilant of the Group's international expansion and the real estate market to decide how to proceed with respect to the aforementioned land.

As is indicated in Note 3.e, the land has been measured using the cost model. However, as indicated above, the Company's directors do not currently have a determined use for the land and therefore its recoverable value is calculated at its fair value less the necessary costs to sell.

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At 31 December 2015, Jones Lang LaSalle España, S.A. issued an appraisal report dated 22 December 2015, in which the recoverable value of the land at that date amounted to 24,970 thousand euros, (25,080 thousand euros as at 31 December 2014), resulting in the recognition of an additional impairment in 2015 of 110 thousand euros (22,131 thousand euros at 31 December 2014) under "Impairment losses and gains (losses) on disposals of fixed assets" in the income statement.

The aforementioned report from the independent expert did not include any limitation to the scope of the conclusions reached.

The market appraisal was performed by the independent expert in accordance with the Governing Rules of the Royal Institution of Chartered Surveyors (RICS), set out in the so-called "Red Book" - RICS Valuation - Professional Standards, January 2014. These market appraisals defined by RICS are internationally recognised by advisors and accountants for investors and corporations owning real estate assets, and by the European Group of Valuers (TEGoVA) and the International Valuation Standards Committee (IVSC).

This property is not mortgaged or subject to any other similar encumbrance. The Group also has insurance policies against third-party civil liability.

9. Financial assets

9.1 Composition and breakdown

The Group's financial assets at 31 December 2015 and 31 December 2014, broken down by class and category for measurement purposes, were as follows:

Class Category	Non-current financial assets							
	Equity instruments		Debt securities		Loans, derivatives and other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Investments accounted for using the equity method (Note 33)	1,191,105	740,636	-	-	-	-	1,191,105	740,636
Other non-current financial assets	2,364	251	-	-	507,787	399,655	510,151	399,906
Credits	-	-	-	-	161,352	112,766	161,352	112,766
Trade and other receivables (Note 11)	-	-	-	-	342,282	286,152	342,282	286,152
Other	2,364	251	-	-	4,153	737	6,517	988
Derivatives	-	-	-	-	8,686	-	8,686	-
Total	1,193,469	740,887	-	-	516,473	399,655	1,709,942	1,140,542

Class Category	Current financial assets							
	Equity instruments		Debt securities		Loans, derivatives and other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Other non-current financial assets	-	-	-	-	433,925	487,689	433,925	487,689
Credits	-	-	-	-	7,521	3,220	7,521	3,220
Trade and other receivables (Note 11)	-	-	-	-	426,404	484,469	426,404	484,469
Derivatives	-	-	-	-	-	-	-	-
Total	-	-	-	-	433,925	487,689	433,925	487,689

Equity-accounted investments

The main changes in the heading "Investments carried under the equity method" are due to the new entries of companies consolidated using this method in the scope of consolidation (see Notes 2.3 and 33), notably:

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- Acquisition of 50% of Knubbsäl Topholding AB for 95,476 thousand euros
- Acquisition of an additional 10% of the shareholding in BBG for the amount of 11,600 thousand euros.
- Acquisition of an additional 60% of Iniciativas de Gas, S.L. and indirectly 30% of the shareholding of Saggas for the amount of 47,993 thousand euros.
- Acquisition of an additional 4.34% of the shareholding in Transportadora de Gas del Perú, S.A. for the amount of 88,946 thousand euros.
- Similarly, during 2015, the Enagás Group made capital contributions to GSP and TAP in the amount of 108,823 thousand euros and 12,720 thousand euros respectively.
- Capitalisation of costs arising from the acquisition of Swedegas, BBG, TGP and Saggas in the amount of 3,776 thousand euros.

Additionally, during 2015, there was a collection of dividends distributed by BBG, Quintero, TgP and Saggas in the amounts of 6,750 thousand euros, 7,043 thousand euros, 27,756 thousand euros and 5,019 thousand euros respectively.

Movements in Investments carried under the equity method in 2015 and 2014 are as follows:

2015

	Opening balance	New acquisitions	Changes in consolidation method (*)	Dividends	Shareholders' equity	Valuation adjustments		Other adjustments	Closing balance
					Profit for the year	Translation differences	Hedging transactions		
Equity-accounted investments	740,636	369,465	(2,662)	(46,568)	46,235	78,842	(337)	5,494	1,191,105

2014

	Opening balance	New acquisitions	Dividends	Shareholders' equity	Valuation adjustments		Closing balance
				Profit for the year	Translation differences	Hedging transactions	
Equity-accounted investments	254,633	445,631	(32,878)	11,160	75,579	(13,489)	740,636

Credits

The heading "Credits" both current and non-current mainly records the loans granted by Enagás S.A., Enagás Internacional, S.L.U., and Enagás Transporte S.A.U. to the companies in the group consolidated by the equity method and therefore not eliminated in the consolidation process (see Note 2.4): Gasoducto de Morelos, SAPI de C.V., Estación de Compresión Soto La Marina SAPI de C.V., TAP and Saggas for the total amount of 168,090 thousand euros (115,217 thousand euros at 31 December 2014). The amount breaks down into 160,569 thousand euros in long-term loans and 7,521 thousand euros in short-term loans and accrued interest. This heading also includes other items amounting to 783 thousand euros.

The increase compared to 2014 relates mainly to the provisions made by TAP for the loan granted by Enagás Internacional, S.L.U. in the total amount of 32,041 thousand euros, the subrogation of the loan that previous members had with Saggas in the amount of 13,067 thousand euros and for the capitalisation of practically the entire loan that Enagás Internacional S.L.U. had granted to GSP in the amount of 10,409 thousand euros, with 70 thousand euros in accrued unpaid interest outstanding.

The breakdown of the loans granted to these companies carried under the equity method is as follows:

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Thousands of euros	Interest rate	Maturity	12/31/2015	12/31/2014
Non-current loans to related companies (Note 29)			160,569	111,997
Trans Adriatic Pipeline AG	FTA+ Spread	Jul.-2043	61,231	29,190
Gasoducto del Sur Peruano, S.A.	6.00%	Aug.-2048	-	8,961
Estacion de Compresión Soto La Marina S.A.P.I. de C.V.	5.03%	Dec.-2032	63,301	54,076
Gasoducto de Morelos, S.A.P.I. de C.V.	7.50%	Sept. 2033	27,308	19,770
Planta de Regasificación de Sagunto, S.A.	Eur6m + Spread	Jun. 2025	8,729	-
Current loans to related companies (Note 29)			7,521	3,220
Compañía Transportista de Gas Canarias, S.A.	Eur6m + Spread	Jun.-2015	-	302
Compañía Transportista de Gas Canarias, S.A.	Eur6m + Spread	Mar.-2015	-	257
Compañía Transportista de Gas Canarias, S.A.	Eur6m + Spread	Jul.-2015	-	183
Compañía Transportista de Gas Canarias, S.A.	Eur6m + Spread	Jan.-2015	-	151
Compañía Transportista de Gas Canarias, S.A.	Eur6m + Spread	Jul.-2015	-	129
Gasoducto de Morelos, S.A.P.I. de C.V.	7.50%	Sept. 2033	138	-
Gasoducto del Sur Peruano, S.A.	6.00%	Aug.-2048	70	-
Gasoducto de Morelos, S.A.P.I. de C.V.	6.10%	May 2016	1,066	-
Estacion de Compresión Soto La Marina S.A.P.I. de C.V.	5.03%	Dec.-2032	4,065	2,198
Trans Adriatic Pipeline AG	FTA+ Spread	Jul.-2043	963	-
Planta de Regasificación de Sagunto, S.A.	Eur6m + Spread	Jun. 2025	1,219	-
Total			168,090	115,217

Trade and other receivables

In addition, "Trade and other receivables", under non-current financial assets, relates mainly to the deficit accumulated from the corresponding regulated activities up to 2014, pursuant to Royal Decree Law 8/2014 of 4 July and Law 18/2014 of 15 October. At 31 December 2015, this deficit amounted to 321,857 thousand euros (284,041 thousand euros at 31 December 2014), of which 316,351 thousand euros (278,068 thousand euros at 31 December 2014) correspond to Enagás Transporte, S.A.U., and 5,506 thousand euros (5,973 thousand euros at 31 December 2014) correspond to Enagás Transporte del Norte, S.L. (see Note 4.g). The change in the amount is mainly due to the publication of the resolution in 2015 which approves the provisional settlement number 14 of 2014 for regulated activities in the gas sector.

The breakdown of the items recognised in the heading "Trade and other receivables" under current financial assets has been described in detail in Note 11, which reflects the accounts receivable from the tax authorities.

In addition, with regard to the underground storage of Castor natural gas, no changes occurred with regard to the closure of the 2014 financial year relating to the agreement dated 4 October 2014 between Enagás Transporte, S.A.U. and various financial entities, by virtue of Royal Decree Law 13/2014 of 3 October.

There are no financial assets at the Enagás Group at 31 December 2015 that are in a default situation.

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Derivative financial instruments

The breakdown of the financial assets carried in the accompanying financial statements at fair value, in accordance with the fair value calculation methodology, is as follows:

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	8,686	-	8,686
Total	-	8,686	-	8,686

Level 1: On the basis of quoted prices in active markets for identical assets.

Level 2: On the basis of quoted prices in active markets for similar financial assets or other valuation techniques using observable market data.

Level 3: On the basis of inputs other than directly observable market data.

The information relating to derivative financial instruments under financial liabilities is set out in Note 19.

Other

"Other non-current financial assets" includes the amount of 2,160 thousand euros, the investment held by the Group in Economic Interest Groups (EIG) whose business is the leasing of assets managed by an unrelated third party, which retains the majority of the profits and the business risks, with the Group only availing itself of tax incentives provided in Spanish legislation. The Company enters the tax losses generated by these EIGs against equity and offset by the debt registered with the payable tax, the corresponding revenue.

9.2 Impairment losses

In 2015 there were no changes in provisions for impairment losses on the Group's financial assets.

10. Inventories

It should be noted that at 31 December 2015, the Enagás Group, as technical system operator, had approximately 755 GWh of working gas reserves necessary to ensure operation of the gas system, as stipulated in additional provision five of Order ITC/3863/2007, of 28 December. 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 the Enagás Group.

As at 31 December 2015, the Group also has 16,881 thousand euros (15,686 thousand euros in 2014) of inventories unrelated to natural gas that include, inter alia, office materials and consumables.

11. Trade and other receivables

The breakdown of "Trade and other receivables" in the consolidated balance sheet at 31 December 2015 and 2014 is as follows:

	12/31/2015	12/31/2014
Trade receivables	22,284	20,012
Receivables from Group companies	6,744	4,649
Other receivables	367,799	430,303
Current tax assets and other receivables from public administrations (Note 22.2)	29,577	29,505
Total	426,404	484,469

The balance in "Receivable from Group companies" relate mainly to:

- The services provided by Enagás Transporte, S.A.U. to Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A., amounting to 1,477 thousand euros and 954 thousand euros, respectively, corresponding to the percentage of the shareholding of Galp Gas Natural, S.A. in both companies.

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- Disposal of assets to Gasoducto de Morelos EPC, S.A.P.I. de C.V. by Enagás Transporte, S.A.U. for the amount of 1,946 thousand euros.
- The services provided by Enagás Internacional, S.L.U. to Gasoducto del Sur Peruano, S.A., and to the Swedegas Group for the amount of 1,281 thousand euros and 124 thousand euros respectively.
- Also recorded are 632 thousand euros and 167 thousand euros for services rendered by Enagás, S.A. to E.C. Soto La Marina EPC, S.A.P.I. de C.V. and Bahía de Bizkaia Gas, S.L., respectively.

Under "Other receivables", the Enagás Group includes the unsettled balance relating to remuneration for regulated regasification, transport and storage activities as haulier in 2015 for 358,490 thousand euros, and the outstanding balance on the remuneration for the Technical Manager activities amounting to 2,311 thousand euros, leaving a total outstanding balance of 360,801 thousand euros. Trade receivables relating to regulated business adhere to the settlement system set out in order ECO/2692/2002 of 28 October, governing the settlement procedures for the remuneration of regulated activities in the natural gas sector and amounts with specific recipients.

Additionally, within the heading "Other receivables", Enagás Transporte, S.A.U. recognised amounts receivable from gas marketers for the product fee regulated by article 24 of Law 48/2003, amounting to 601 thousand euros (5,688 thousand euros on 31 December 2014). This fee is levied on the natural gas products that the agents have unloaded at the regasification plants, among others, owned by Enagás Transporte, S.A.U. since 2012 at the ports of Barcelona, Cartagena and Huelva.

The Supreme Court issued rulings regarding the situation with the shippers regarding the payment of this fee on 27 November 2014 and on 10 December 2014, and definitively confirmed the situation regarding the option right and the settlements of the Port Authority of Barcelona and Huelva deriving from that right, recognising that Enagás Transporte, S.A.U. is entitled to collect those amounts from the shippers. The dispute regarding the option right exercised with respect to the Port Authority of Cartagena is currently still pending settlement before the Central Economic-Administrative Tribunal. Notwithstanding this, the doctrine established by the Supreme Court decisions allows us to foresee the outcome of the dispute. In this respect, the High Court of Murcia is finding in favour of Enagás S.A.U. and the State Attorney has accepted the demands presented by the Enagás Group in ongoing legal proceedings before said court (for all, decision of 26 January 2016, High Court of Murcia). The Group therefore considers that the risk of not recovering these receivables is remote at the end of 2015.

The heading "Current tax assets" at 31 December 2015 basically includes VAT receivable by the Group, as VAT borne is higher than VAT accrued, partly because Enagás Transporte, S.A. acts as a tax warehouse (see Note 22).

The Group does not have a significant concentration of credit risk as it operates in a regulated environment under planned scenarios, as indicated in Note 18.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

12. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" at 31 December 2015 and 2014 is as follows:

	12/31/2015	12/31/2014
Cash at banks and in hand	224,628	116,732
Cash equivalents	-	434,717
Total	224,628	551,449

The Enagás Group has loans and lines of credit not drawn down in order to guarantee liquidity, as is indicated in Note 16. In this regard, the Enagás Group has the following funds available at 31 December 2015:

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Funds available	31/12/2015	31/12/2014
Cash and cash equivalents	224,628	551,449
Other funds available (Note 16)	2,042,915	1,891,387
Total funds available	2,267,543	2,442,836

As a general rule, cash at banks earns interest at a rate similar to the market rate for daily deposits. Current deposits are highly liquid and earn interest at market rates for this kind of product. There are no significant restrictions on the availability of cash balances.

13. Equity

13.1 Share capital

The share capital of Enagás S.A. amounted to 358,101 thousand euros at year-end 2015 and 2014, and was represented by 238,734,260 shares, each with a par value of 1.5 euros, all of the same class. The shares have been fully subscribed and paid and are admitted for trading on the Spanish Stock Exchange, including the Spanish computerised trading system (the continuous market).

All the shares of the parent company, Enagás, S.A., are listed on the four Spanish stock exchanges and are traded on the Spanish computerised trading system. On 31 December 2015, Enagás, S.A.'s share price closed at 26.000 euros, having marked a high for the year of 28.475 euros per share on 27 April.

It should be noted that after the publication of Additional Provision Thirty-One of Law 34/1998, on the Hydrocarbon Sector, in force since Law 12/2011 was enacted on 27 May, it is stipulated that "no individual or legal entity may directly or indirectly hold more than 5% of Enagás, S.A.'s shares or exercise more than 3% of the voting rights at this parent. Under no circumstances may such shareholdings be syndicated". It also states that "those parties that operate within the gas sector, including those individuals or bodies corporate 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 such company. These restrictions do not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share capital be syndicated".

The most significant shareholdings in Enagás, S.A. at 31 December 2015 and 2014 are as follows (source: National Securities Market Commission (CNMV) website: www.cnmv.es):

Company	Shareholding %	
	2015	2014
Sociedad Estatal de Participaciones Industriales	5.000	5.000
Bank of America Corporation	3.614	-
Retail Oeics Aggregate	1.010	1.010
Fidelity International Limited	0.962	1.973
Omán Oil Company, S.A.O.C.	-	5.000

The following changes to the shareholder composition of Enagás, S.A. took place in 2015:

- On 13 February 2015, Fidelity International Limited reported to the CNMV a reduction till 0.962% of its share capital, and ceased to be a significant shareholder in Enagás S.A. from that moment.
- On 20 May 2015, Oman Oil Holdings Spain, S.L.U. ceased to be a shareholder of Enagás, S.A. Oman Oil Holdings Spain, S.L.U. informed the CNMV on 19 May 2015 that it had initiated a private placement among qualified national and international investors of a packet of 11,936,702 shares, representing 5.00% of the share capital of Enagás S.A. The placement was performed by means of an accelerated bookbuilt offer through the placement entities Citigroup Global Markets Limited and Deutsche Bank A.G

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London Branch. On 20 May 2015, the placement entities mentioned above announced the termination of said process. As a result of this transaction, Oman Oil Holdings Spain, S.L.U., sold all of its shareholding in Enagás, S.A.

- Lastly, on 9 July 2015, Bank of America Corporation became a significant shareholder of Enagás, S.A. by reaching a shareholding of 3.614%.

The Group did not have any treasury shares at the close of 2015 or 2014.

13.2 Reserves

Legal reserve

Under the Spanish Limited Liability Companies Law, an amount equal to 10% of the profit for the year must be earmarked for the legal reserve until such reserve represents 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.

At the end of 2015 and 2014 this reserve was fully funded in the amount of 71,620 thousand euros (included under the heading "Reserves" in the accompanying consolidated balance sheet), as it had reached the percentage required by the Spanish Limited Liability Companies Law with the proposed distribution of 2003 profits.

13.3 Profit distribution proposal from the parent company

The distribution of net profit for 2015 for the parent company Enagás, S.A. that was prepared by the Board of Directors and will be submitted for the approval of shareholders at the Annual General Meeting is as follows (in thousands of euros):

	2015
To dividends	315,129
To voluntary reserves	38,537
	353,666

At its meeting on 23 November 2015, the Board of Directors of Enagás, S.A. resolved to pay an interim dividend against 2015 profit of 126,052 thousand euros (0.528 euros per share). The company has prepared the necessary liquidity statement, expressed in thousands of euros, in accordance with article 277 of Spain's Limited Liability Company Law.

In accordance with legal requirements, the provisional financial statements prepared by the Group's Parent, indicating the existence of sufficient resources to pay the interim dividend against 2015 profit, are set forth below:

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Thousands of euros	
	Provisional accounting statement at 31 October 2015
Accounting profit	60,193
10% allocation to legal reserve	-
Interim dividend from Group companies	300,000
Income available for distribution	360,193
Forecast payments on account	(126,052)
Forecast cash at banks and in hand between 31 October and 31 December:	
- Cash at banks and on hand	150,971
- Collections forecast for the period under consideration	95,623
- Credit facilities and loans granted by financial entities	1,650,000
- Projected payments during the period under consideration (including payments on account)	(58,759)
Forecast cash balance at banks and on hand	1,837,835

The aforementioned interim dividend was paid on 17 December 2015.

The proposed final gross dividend (0.792 euros per share) is subject to shareholder approval at the Annual General Meeting and is not recognised as a liability in these financial statements. If approved, this gross final dividend would amount to 189,077 thousand euros.

13.4 Total dividends paid

In addition to the interim dividend of 2015 (mentioned in Note 13.3 above), Enagás, S.A. distributed the 2014 gross final dividend in 2015.

This dividend amounted to 186,213 thousand euros (0.780 euros per share) and was paid on 2 July 2015.

13.5 Adjustments due to changes in value

The value adjustments recognised by the Group at 31 December 2015 and 2014 break down as follows:

	12/31/2015	12/31/2014
Translation differences	64,581	29,223
Cash flow hedge	(6,355)	(1,668)
Total adjustments due to changes in value	58,226	27,555

Hedging transactions

This heading refers to derivatives arranged by the Company and designated as cash flow hedges (see Note 19).

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The movements associated with these transactions in 2015 and 2014 were as follows:

2015

	Thousands of euros			
	01/01/2015	Change in fair value	Recognised in profit or loss	12/31/2015
Cash flow hedge	(4,053)	(18,218)	12,664	(9,607)
Taxes recognised in equity	2,385	4,581	(3,714)	3,252
Total	(1,668)	(13,637)	8,950	(6,355)

2014

	Thousands of euros			
	01/01/2014	Change in fair value	Recognised in profit or loss	12/31/2014
Cash flow hedge	11,353	(20,649)	5,243	(4,053)
Taxes recognised in equity	(928)	5,284	(1,971)	2,385
Total	10,425	(15,365)	3,272	(1,668)

Movements in 2015 and 2014 with respect to the consolidation method applied to companies were as follows:

	Fully-consolidated companies	Companies carried using the equity method	Total
Equity at 12/31/2013	(2,076)	12,501	10,425
Measurement of financial instruments	(7,944)	(12,705)	(20,649)
Tax effect	2,063	3,221	5,284
Transfers to profit and loss	10,391	(5,148)	5,243
Tax effect	(3,114)	1,143	(1,971)
Equity at 12/31/2014	(680)	(988)	(1,668)
Measurement of financial instruments	(15,656)	(2,562)	(18,218)
Tax effect	3,914	667	4,581
Transfers to profit and loss	10,326	2,338	12,664
Tax effect	(2,891)	(823)	(3,714)
Equity at 12/31/2015	(4,987)	(1,368)	(6,355)

The tax effect of the adjustments recognised under equity due to cash flow hedges has been calculated, as is indicated by IAS 12 "Income taxes", in accordance with the tax rate applicable to the country concerned at year-end for each of the Group companies that have contracted derivatives.

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The companies consolidated using the full consolidation method applied the tax rate in Spain (28%). In 2014, the Group proceeded to revise the deferred tax asset and liability amounts recognised under equity at the tax rate at which they are expected to be recovered or cancelled (25% from 1 January 2016), in accordance with the tax reform.

Companies consolidated using the equity method apply the tax rates in force in their country: Spain (28%), Chile (22.5%), Mexico (30%), Sweden (22%), Peru (28%) and for TAP the nominal rate was applied (15%). In 2014, an income tax reform was implemented in Chile that became applicable starting on 1 January 2014, which gave rise to a progressive increase in the tax rates in tranches from 20% to 27% (from 2018). In this respect, the Group proceeded to revise the deferred tax asset and liability amounts recognised under equity at the tax rate at which they are expected to be recovered or cancelled.

13.6 Non-controlling interests

Movements in the heading non-controlling interests recognised under equity in the consolidated balance sheet for 2015 and 2014 are as follows:

	Balance at 12/31/2014	Dividends paid	Allocation of results	Balance at 12/31/2015
Ente Vasco de la Energía	14,247	(831)	1,019	14,435
Total	14,247	(831)	1,019	14,435

	Balance at 12/31/2013	Dividends paid	Allocation of results	Balance at 12/31/2014
Ente Vasco de la Energía	13,906	(770)	1,111	14,247
Total	13,906	(770)	1,111	14,247

The 14,435 thousand euros recognised as non-controlling interests relate to the 10% stake that Ente Vasco de la Energía holds in Enagás Transporte del Norte, S.L.

14. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to the Group by the weighted average number of shares outstanding in the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2015	2014	Change
Profit for the year attributable to equity owners of the parent (thousands of euros)	412,662	406,533	1.5%
Weighted average number of shares outstanding (thousand shares)	238,734	238,734	-
Basic earnings per share in euros	1.7285	1.7029	1.5%

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 31 December 2015 and 31 December 2014, basic and diluted earnings per share coincide.

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15. Provisions and contingent liabilities

The directors consider that the provisions recorded in the accompanying consolidated balance sheet adequately cover the Group's exposure to the 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 risks covered by these provisions, it is not possible to make a reasonable estimate as to the timing of any payments which may arise.

15.1 Non-current provisions

The changes in the "Non-current provisions" heading in 2015 were as follows:

Non-current provisions	Opening balance	Provisions	Discounting	Amounts used	Closing balance
Employee remuneration	102	901	-	(1,003)	-
Other liabilities	4,897	6,938	-	(95)	11,740
Dismantling costs	158,341	-	(3,057)	-	155,284
Total non-current provisions	163,340	7,839	(3,057)	(1,098)	167,024

The main changes in the movement of provisions correspond to the acknowledgement, in accordance with IAS 28 (see Note 2.4), within Enagás Internacional, S.L.U. of liabilities amounting to 5,721 thousand euros, derived from losses from certain investee companies exceeding the amount of their shareholding, as well as the reversal of the provision for dismantling expenses for a better estimate of the final costs.

In relation to the provisions for the dismantling of the underground storage facilities in Gaviota, Yela and Serrable, as well as the regasification plants of Barcelona, Cartagena, Huelva and Gijón, in accordance with the applicable standard framework (see Note 4), the movement for 2015 mainly corresponds to the financial update for said provision, as well as the re-estimate performed on 31 December 2015 for the potential changes in the schedule and the cash flow amount estimated to cancel out the obligation associated with the dismantling of said assets, as well as the discount rate used to calculate the current value of the provision (see Note 3.c).

The financial updates to the provisions for dismantling are mainly recorded under the heading "Finance and similar costs" in the accompanying consolidated income statement, and correspond to the updates to the dismantling costs for underground storage facilities and regasification plants.

15.2 Contingent liabilities

As a contingent liability at 31 December 2015, the Group is in a dispute raised by Sociedad Compañía Transportista de Gas Canarias, S.A. with the European Regional Development Fund (ERDF), in which the Madrid Supreme Court signalled a vote and a ruling on 3 December 2015, obliging the Company to repay the subsidy received from the ERDF for the liquefied natural gas plant in Granadilla (Tenerife), amounting to a total of 1,259 thousand euros (principal and interest included).

16. Financial liabilities

The breakdown of current and non-current financial liabilities at year-end 2015 and 2014 was as follows:

Category \ Class	Non-current financial instruments							
	Bank borrowings and finance leases		Bonds and other marketable securities		Derivatives and other financial liabilities		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Non-current financial liabilities	1,758,319	1,621,347	2,323,400	2,040,968	19,482	21,748	4,101,201	3,684,063
Trade payables (Note 20)	-	-	-	-	93	216	93	216
Derivatives (Note 19)	-	-	-	-	91,458	50,812	91,458	50,812
Total	1,758,319	1,621,347	2,323,400	2,040,968	111,033	72,776	4,192,752	3,735,091

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Category \ Class	Current financial instruments							
	Bank borrowings and finance leases		Bonds and other marketable securities		Derivatives and other financial liabilities		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Current financial liabilities	125,790	116,216	259,402	813,888	4,159	2,462	389,351	932,566
Trade payables (Note 20)	-	-	-	-	241,201	235,808	241,201	235,808
Derivatives (Note 19)	-	-	-	-	13,403	10,675	13,403	10,675
Total	125,790	116,216	259,402	813,888	258,763	248,945	643,955	1,179,049

Below is a breakdown, by maturity, of financial liabilities at amortised cost and derivatives:

2015

	2016	2017	2018	2019	2020 and beyond	Total
Bonds and other marketable securities	259,402	468,465	-	-	1,854,935	2,582,802
Bank borrowings	125,790	288,890	151,742	141,742	1,175,945	1,884,109
Derivatives (Note 19)	13,403	10,545	10,259	10,275	60,379	104,861
Trade and other payables	245,360	923	17,268	476	908	264,935
Total	643,955	768,823	179,269	152,493	3,092,167	4,836,707

2014

	2015	2016	2017	2018	2019 and beyond	Total
Bonds and other marketable securities	813,888	399,954	751,301	-	889,713	2,854,856
Bank borrowings	116,216	205,561	151,742	171,742	1,092,302	1,737,563
Derivatives (Note 19)	10,675	9,614	7,834	7,679	25,685	61,487
Trade and other payables	238,270	18,402	923	568	2,071	260,234
Total	1,179,049	633,531	911,800	179,989	2,009,771	4,914,140

The Group had been granted lines of credit totalling 2,180,054 thousand euros at 31 December 2015 (1,720,000 thousand euros in 2014), and the amount not drawn down totalled 2,042,915 thousand euros (1,714,448 thousand euros in 2014). Similarly in 2014, the Group had been granted loans not drawn down of 176,939 thousand euros.

In the opinion of the Company's directors, this situation represents sufficient coverage for possible short-term liquidity needs in accordance with commitments existing at that date.

The average annual interest rate for 2015 for the net borrowings of the Group was 2.7% (3.2% in 2014). The percentage of fixed-rate net borrowings at 31 December amounted to 82%, with an average maturity period of 6.6 years at 31 December 2015.

The directors believe that the fair value of bank borrowings and other obligations at 31 December 2015 does not significantly differ from their carrying amount. The sensitivity of the aforementioned fair value to fluctuations in interest rates is as follows:

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	Thousands of euros			
	Change in interest rates			
	2015		2014	
	25 pbs	-25 pbs	25 pbs	-25 pbs
Change in fair value of borrowings	10,914	(10,914)	10,100	(10,100)

The financial liabilities carried at fair value in the accompanying financial statements break down as follows by fair value calculation methodology:

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	104,861	-	104,861
Total	-	104,861	-	104,861

Level 1: On the basis of quoted prices in active markets for identical assets.

Level 2: On the basis of quoted prices in active markets for similar financial assets or other valuation techniques using observable market data.

Level 3: On the basis of inputs other than directly observable market data.

The information relating to derivative financial instruments under financial liabilities is set out in Note 19.

Bank borrowings

Movements in this heading in 2015 and 2014 were as follows:

2015

	Balance at 12/31/2014	Additions	Repayments and redemptions	Other changes (interest payments, accrual of interest and measurement)	Balance at 12/31/2015
Bank borrowings	1,737,563	345,020	(110,000)	(88,474)	1,884,109
Total	1,737,563	345,020	(110,000)	(88,474)	1,884,109

2014

	Balance at 12/31/2013	Additions	Repayments and redemptions	Other changes (interest payments, accrual of interest and measurement)	Balance at 12/31/2014
Bank borrowings	1,809,775	452,942	(527,743)	2,589	1,737,563
Total	1,809,775	452,942	(527,743)	2,589	1,737,563

Financing highlights in 2015 include:

- The formalisation by Enagás Internacional, S.L.U. of a credit line amounting to a maximum of 500,000 thousand US dollars secured by Enagás S.A. with a maturity of 2017. At 31 December 2015, the available balance amounted to 137,138 thousand euros.
- The line of multi-currency financing obtained in 2013 under the Club Deal arrangement was renewed in 2014, with an agreed increase of the amount to 1,500,000 thousand euros and an extension of the term to December 2019. Enagás, S.A. has the option to request an extension for an additional one or two

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years, subject to approval by the lenders. In 2015, the Company, executed the first extension provided for in the contract until 2020 for an amount of 1,450,000 thousand euros. No drawdowns had been made on this financing 2015.

- The provision by Enagás, S.A. of the last tranche available for the amount of 110,000 thousand euros of the loan granted by the European Investment Bank in 2008 for a total of 1,000,000 thousand euros. The term of this provision is established at 10 years, with a grace period of 4 years.
- The formalisation by Enagás Internacional, S.L.U. of a bank loan maturing in 2022 for the amount of 898,800 thousand Swedish krona.

Bonds and other marketable securities

Movements in this heading in 2015 and 2014 were as follows:

2015

	Balance at 12/31/2014	Additions	Repayments and redemptions	Other changes (interest payments, accrual of interest and measurement)	Balance at 12/31/2015
Bonds and other marketable securities	2,854,856	1,624,000	(1,856,300)	(39,754)	2,582,802
Total	2,854,856	1,624,000	(1,856,300)	(39,754)	2,582,802

2014

	Balance at 12/31/2013	Additions	Repayments and redemptions	Other changes (interest payments, accrual of interest and measurement)	Balance at 12/31/2014
Bonds and other marketable securities	2,148,272	1,720,787	(1,042,220)	28,017	2,854,856
Total	2,148,272	1,720,787	(1,042,220)	28,017	2,854,856

Financing highlights in 2015 include:

- On 23 January 2015, Enagás Financiaciones S.A.U., issued 10-year bonds in the amount of 600 million euros with an annual coupon of 1.25%, guaranteed by Enagás, S.A. Part of this bond, specifically 259 million euros, was used to partially repay 282 million euros from a previous bond issue in the amount of 750 million euros with a coupon of 4.25%, maturing on 5 October 2017. The funds corresponding to this issue were paid on 6 February 2015.
- On 10 March 2015, Enagás Financiaciones S.A.U., issued 8-year bonds in the amount of 400 million euros with an annual coupon of 1.00%, secured by Enagás, S.A. The bonds were swapped in their entirety for bonds issued previously for the same amount with a floating interest rate and maturing in 2016. The funds corresponding to this issue were paid on 25 March 2015.
- On 18 May 2015, Enagás Financiaciones, S.A.U. renewed the Euro Medium Term Note (EMTN) programme in the amount of 4,000 million euros and registered with the Luxembourg Stock Exchange in 2012, for which Enagás, S.A. was the guarantor.
- On 18 May 2015, Enagás, S.A. renewed the Euro Commercial Paper (ECP) programme for a maximum amount of 1,000 million euros, listed on the Irish Stock Exchange in 2011. Banco Santander, S.A. is the arranger (coordinator of the operation) of the programme, an entity which acts as a designated dealer together with 9 other banks. At 31 December 2015, the amount drawn down from the programme

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totalled 230,000 thousand euros (230,000 thousand euros at 31 December 2014), and there were issues in 2015 for a nominal amount of 624,000 thousand euros and re-payments totalling 624,000 thousand euros.

Other financial liabilities

The heading "Other" mainly includes:

- "Current and non-current financial liabilities" classified as derivatives and others 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, Development and Technical 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 Transporte, S.A.U. The total amount of the loan granted is 3,265 thousand euros, of which 169 thousand euros was repaid in 2010, 466 thousand euros in each of the years 2011, 2012, 2013, 2014 and 2015. As at 31 December 2015, 299 thousand euros were classified as non-current, while 467 thousand euros were classified 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 Transporte, S.A.U. The total initial loan grant was 1,100 thousand euros. The Group repaid 204 thousand euros in 2009, at the request of the General Industry Secretariat, in order to adjust the size of the loan to the amount actually invested. In 2011, 57 thousand euros were paid off, while each of the years 2012, 2013, 2014 and 2015 saw 128 thousand euros paid off. At 31 December 2015, 199 thousand euros was classified as non-current and 128 thousand euros was recognised as current.
- This heading also includes another loan from the General Secretariat for Energy as 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 the Huelva electricity generation plant" being carried out by Enagás Transporte, S.A.U. The total amount of the loan granted stands at 3,598 thousand euros. 108 thousand euros was repaid in 2009 at the request of the General Industry Secretariat, in order to adjust the size of the loan to the amount actually invested, with a further repayment of 13 thousand euros in 2012. 22 thousand euros was repaid in 2012 with repayments of 64 thousand euros in 2013, 164 thousand euros in 2014 and 497 thousand euros in 2015. At 31 December 2015, 2,235 thousand euros was classified as non-current and 495 thousand euros was recognised as current.

In addition, and in relation to the shareholding that the Group has in Enagás Transporte del Norte, S.L., in the partnership agreement signed between Enagás Transporte, S.A.U. and EVE, the heading "Other non-current financial liabilities" includes the put option for the 10% shareholding in EVE, executable in July 2018. At the close of the 2014 financial year, the date for exercising the option was July 2016, but on 15 November 2015, EVE, in accordance with clause six of the aforesaid partnership agreement, gave notice of the extension of the duration of the agreement, thus extending its applicability to 20 July 2018. As at 31 December 2015, the fair value for this option amounts to 16,700 thousand euros (17,100 thousand euros at 31 December 2014).

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17. Other non-current liabilities

The changes in 2015 and 2014 in this caption of the accompanying consolidated balance sheet were as follows:

Thousands of euros	Canon Gasoducto de Extremadura, S.A.	Canon Gasoducto Al-Andalus, S.A.	Connections to the basic grid	Total
Balance at 31 December 2013	6,652	15,087	55,548	77,287
Additions	-	-	1,588	1,588
Derecognition	-	-	(19,083)	(19,083)
Recognised in profit or loss	(950)	(2,156)	(635)	(3,741)
Balance at 31 December 2014	5,702	12,931	37,418	56,051
Derecognition	-	-	(1,466)	(1,466)
Recognised in profit or loss	(951)	(2,154)	(941)	(4,046)
Balance at 31 December 2015	4,751	10,777	35,011	50,539

Amounts related to the royalties payable by group 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 Transporte, S.A.U. in these companies.

Enagás Transporte, S.A.U. recognises and records this revenue on a straight-line basis as accrued until 2020, which is when the transport contract expires (see Note 3.n).

The accrual of revenue from connections to the basic grid was recognised in 2006. The disposals relating to the basic network recorded in 2015 relate to various refunds made to customers.

18. Risk and capital management policy

18.1 Qualitative information

The Enagás Group is exposed to certain risks which it manages using a risk management and control model aimed at ensuring the continuity of the business and the achievement of the objectives of the Company in a predictable manner and with a medium-low aggregate risk profile, based on:

- establishing a risk appetite framework that in line with the business goals and the market environment in which the company carries on its activities;
- the consideration of some standard types of risk that the company is subject to;
- the existence of certain governing bodies with responsibilities in terms of risk;
- the segregation and independence of the risk management and control functions on three levels of defence.

The integral analysis of all risk permits the appropriate control and management thereof, an understanding of the relationships between them and facilitates their joint assessment. Enagás has drawn up a regulatory framework has been established through the "Risk Management and Control Policy and General Rules", which defines the basic principles that govern the risk function and identifies the responsibilities of the different bodies of the company.

The risk management and control function is laid out along three lines of defence, which present differing roles and responsibilities:

- 1st line of defence: made up from the organisational units which assume the risks in the ordinary course of their activities. They are the owners of the risks and responsible for their identification and measurement.
- 2nd line of defence: made up by the Risk Management team, responsible for ensuring the proper functioning of the risk management and control system, define the regulatory and methodological framework and carry out the periodic monitoring and overall control of the risks of the Company.

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- 3rd line of defence: made up of the Internal Auditing Management team, responsible for supervising the efficiency of the established risk controls.

The governing bodies involved in risk management and control are:

- Audit and Compliance Committee: whose main functions are to supervise the efficiency of the risk systems and evaluate the risks to the company (identification, measurement and establishment of measures for their management);
- Risks Committee: whose main functions are to establish the overall strategy for risks, establish the limits of global risk for the company, review the level of exposure to risk and the corrective actions should there be any non-compliance.

The main financial and fiscal risks to which the Group is exposed are as follows:

Credit risk

Credit risk consists of the possible losses arising from a failure to pay the financial or quantifiable obligations owed by a counterparty to which the Enagás Group has extended net credit and is pending settlement or collection.

The risk relating to receivables from its business activity is historically limited since the Group operates in a regulated environment with planned scenarios (see Note 11).

The Enagás Group is also exposed to the risk of possible failures of its counterparties to comply with transactions involving financial derivatives and the placement of cash surpluses. To mitigate this risk, cash is placed and derivatives are arranged in a diversified manner with highly solvent entities.

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.

Depending on its estimates and debt structure targets, the Enagás Group writes derivatives to mitigate those risks (see Notes 3.i, 16 and 19).

Exchange rate risk

Foreign currency risk arises in the Enagás Group through debt transactions denominated in foreign currency, income and expenses relating to companies whose functional currency is not the euro and the effect of translating the financial statements of those companies whose currency is not the euro during the consolidation process. To mitigate that risk, the Group has financing in US dollars and Swedish krona and it contracts derivative financial instruments that are subsequently designated as hedge instruments (see Notes 3.i, 16 and 19). In addition, the Enagás Group pursues a balance between the flows relating to assets and liabilities denominated in a foreign currency at each of the companies.

Liquidity risk

Liquidity risk arises as a result of differences in the amounts, or the collection and payment dates, of the Group companies' various assets and liabilities.

The liquidity policy followed by the Enagás Group is oriented towards ensuring compliance with short-term payment commitments acquired without having to obtain funds under onerous conditions over the short-term. Various management measures are used in this respect, such as maintaining committed credit facilities in a sufficient amount, and appropriate terms and flexibility, the diversification of hedging of financial needs through access to various markets and geographic areas, and the diversification of issue debt maturity dates.

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The Group's financial debt at 31 December 2015 has an average maturity term of 6.6 years.

Other risks

Given and dynamic nature of business and its risks, and despite having a risk monitoring and management system which meets the best international recommendations and practices, it is not possible to claim that all risks will be identified in the Enagás Group risk system.

18.2 Quantitative information

a) Interest rate risk:

	12/31/2015	12/31/2014
Percentage of borrowings benchmarked to fixed/hedged rates	82%	81%

Based on the above levels of fixed-rate net borrowings and after carrying out an analysis of the Group's sensitivity to a one percentage point variation in market interest rates, the Group estimates that the impact on its income statement of such a variation in the cost of servicing its floating-rate debt may vary as follows:

	Thousands of euros			
	Change in interest rates			
	2015		2014	
	25 bps	-25 bps	25 bps	-25 bps
Change in finance cost	2,599	(2,599)	3,189	(3,189)

Given the aforementioned changes, the impact on equity of the contracted derivatives would not be significant.

b) Exchange rate risk

The Enagás Group obtains financing fundamentally in euros, although it maintains certain financing in US dollars, Japanese yen and SEK. The currency that generates the highest exposure to exchange rate changes is the US dollar, given that the financing in yen is hedged through exchange rate derivatives (see Note 19).

The Group's exposure to changes in the US dollars/euro exchange rate is fundamentally determined by the translation of company financial statements denominated in foreign currency, as is indicated in Note 2.4. Enagás Internacional, S.L.U., Enagás U.S.A, LLC., Terminal de LNG de Altamira, S. de R.L. de C.V., Morelos O&M, S.A.P.I de C.V., Gasoducto de Morelos, S.A.P.I. de C.V., Morelos EPC, S.A.P.I. de C.V, Estación de Compresión Soto La Marina S.A.P.I. de C.V., TgP, GSP, Estación de Compresión Soto La Marina EPC S.A.P.I. de C.V., Estación de Compresión Soto La Marina O&M, S.A.P.I de C.V., Enagás Perú, S.A.C., Enagás México S.A. de C.V. and the consolidated subgroup in Chile, whose functional currency is the US dollar. In addition, COGA uses the Peruvian Nuevo Sol as its functional currency and Knubbsäl Topholding AB, parent company of the consolidated subgroup of the Swedegas Group, uses the Swedish krona (SEK).

The Group also has loans in US dollars granted by Enagás, S.A. to Group companies in which it does not have a majority stake.

The sensitivity of profit for the year and equity, as a result of the effect of the financial instruments held by the Enagás Group at 31 December 2015, to the main increases or decreases in the exchange rate is set out below:

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	Thousands of euros			
	Appreciation/(depreciation) of the euro against the dollar			
	2015		2014	
	5.00%	-5.00%	5.00%	-5.00%
Effect on profit after tax	(971)	971	(1,603)	1,740
Effect on equity	(30,734)	33,969	(17,889)	19,772

18.3 Capital management

The Enagás Group carries out capital management at corporate level and its objectives are to ensure financial stability and to obtain adequate financing for investments, optimising the cost of capital in order to maximise the creation of value for shareholders and maintaining its solvency commitment.

The Company uses the level of consolidated leveraging as an indicator for monitoring its financial position and managing capital. This indicator is defined as the quotient resulting from dividing net consolidated assets (understood to be the sum of net financial debt and consolidated equity) by net consolidated financial debt.

Financial leveraging at 31 December 2015 and 2014 is as follows:

	2015	2014
Current bank borrowings (Note 16)	1,884,109	1,737,563
Bonds and other marketable securities (*)	2,573,658	2,867,972
Other financial liabilities (**)	3,887	4,958
Cash and cash equivalents (Note 12)	(224,628)	(551,449)
Net financial debt	4,237,026	4,059,044
Shareholders' equity	2,318,911	2,218,514
Leverage ratio	64.6%	64.7%

(*) The value of the obligations is included at amortised cost

(**) Does not include the present value of the sell option EVE has for its shareholding in Enagás Transporte del Norte, S.L., as stated in Note 15.1, (16,700 thousand euros at 31 December 2015 and 17,100 thousand euros at 31 December 2014), or the financial liabilities the group has with EIGs which will be compensated through entry in the tax losses these companies are generating (3,054 thousand euros in 2015 and 2,369 thousand euros in 2014)

The credit rating agency Standard & Poor's has raised the long-term rating of Enagás, S.A., from "BBB" in 2014 to "A-" with a stable outlook at 31 December 2015. Likewise, the rating for Enagás, S.A., by Fitch Ratings at 31 December 2015 is also "A-" with a stable outlook.

19. Derivative financial instruments

The Enagás Group uses derivatives to hedge its exposure to business, operating and cash flow risks. During the 2015 financial year, no financial instruments were arranged in addition to those existing in 2014.

The Group has fulfilled the requirements set forth in Note 3.i 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.

These instruments are offset and settled based on differences, and therefore the actual risk faced by the Enagás Group derives from the net position and not the amount contracted.

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The fair value of these hedges at 31 December 2015 and 2014 is as follows:

2015

Company	Classification	Rate	Amount arranged	Currency	Maturity	Fair value (thousands of euros)	
						Assets	Liabilities
Interest rate swap	Cash flow hedge	Floating to fixed	475,000	Euros	January 2017	-	(3,023)
Interest rate swap	Cash flow hedge	Floating to fixed	100,000	Euros	May 2017	-	(413)
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	Euros	December 2019	-	(1,208)
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	Euros	January 2020	-	(863)
Interest rate swap	Cash flow hedge	Floating to fixed	65,000	Euros	March 2020	-	(542)
Cross Currency Swap	Net investment hedge	Fixed to fixed	400,291	Euros	April 2022	-	(98,812)
Cross-currency swap	Fair value hedges	Fixed to floating	147,514	Euros	September 2039	8,686	-
Total			1,487,805			8,686	(104,861)

2014

Company	Classification	Rate	Amount arranged	Currency	Maturity	Fair value (thousands of euros)	
						Assets	Liabilities
Interest rate swap	Cash flow hedge	Floating to fixed	200,000	Euros	June 2015	-	(1,061)
Interest rate swap	Cash flow hedge	Floating to fixed	475,000	Euros	January 2017	-	(3,945)
Interest rate swap	Cash flow hedge	Floating to fixed	100,000	Euros	May 2017	-	(81)
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	Euros	December 2019	-	(396)
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	Euros	January 2020	-	(222)
Interest rate swap	Cash flow hedge	Floating to fixed	65,000	Euros	March 2020	-	(126)
Cross Currency Swap	Net investment hedge	Fixed to fixed	400,291	Euros	April 2022	-	(43,195)
Cross-currency swap	Fair value hedges	Fixed to floating	147,514	Euros	September 2039	-	(12,461)
Total			1,687,805			-	(61,487)

The change in the fair value of hedge instruments for fully consolidated companies in 2015 was as follows:

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Company	Classification	Rate	Amount arranged	Currency	Maturity	12/31/2014	Income and expense recognised in equity		Transfers to income statement		Other variations (*)	12/31/2015	
							Hedging transactions	Translation differences	Changes in gain (loss)	Counterparty risk			
Interest rate swap	Cash flow hedge	Floating to fixed	475,000	Euros	January 2017	(3,945)	(1,113)	-	2,122	-	(87)	(3,023)	
			200,000	Euros	June 2015	(1,061)	-	-	1,061	-	-	-	
			100,000	Euros	May 2017	(81)	(444)	-	112	-	-	-	(413)
			150,000	Euros	December 2019	(396)	(891)	-	397	-	-	(318)	(1,208)
			150,000	Euros	January 2020	(222)	(943)	-	303	-	-	(1)	(863)
			65,000	Euros	March 2020	(126)	(587)	-	171	-	-	-	-
Cross-currency swap	Fair value hedges	Fixed to floating	147,514	Euros	September 2039	(12,461)	-	-	-	(1,113)	22,260	8,686	
Cross-currency swap	Net investment hedge	Fixed to fixed	400,291	Euros	April 2022	(43,195)	(11,678)	(53,302)	6,160	3,203	-	(98,812)	
Total			1,687,805			(61,487)	(15,656)	(53,302)	10,326	2,090	21,854	(96,175)	

(*) In this change the accrued unpaid interest and other fees are recorded for these derivative financial instruments, as well as the variation in fair value of the hedging derivative.

Cash flow hedge

At the end of 2015, the amount recognised in the consolidated income statement for the cash flow hedge instruments described above (interest rate swap) totalled 4,166 thousand euros.

In respect of cash flow hedges, the table below provides the schedule of years in which the cash flows hedged will occur:

Amount arranged (thousands of euros)	Currency	Maturity	Total	2016	2017	2018 and beyond
475,000	Euros	January 2017	(3,023)	(2,849)	(174)	-
100,000	Euros	May 2017	(413)	(301)	(112)	-
150,000	Euros	December 2019	(1,208)	(298)	(298)	(612)
150,000	Euros	January 2020	(863)	(211)	(211)	(441)
65,000	Euros	March 2020	(542)	(126)	(126)	(290)
940,000			(6,049)	(3,785)	(921)	(1,343)

Fair value hedges

In 2009, the Enagás Group obtained a cross currency swap (CCS) to hedge against the change in the fair value of the bond denominated in Japanese yen, the euro/yen exchange rate risk and the Japanese yen interest rate. The fixed Japanese Yen component in these CCS neutralizes the changes in the value of the bond with respect to the specified risks. This bond is recognised in the heading "Non-current liabilities" in the consolidated balance sheet.

At the date the CCS started, the principal amounts were exchanged such that Enagás received 147,500 thousand euros and paid 20,000 million Japanese Yen, which is recognised at fair value through changes in consolidated profit and loss. Enagás will receive fixed rate interest in Japanese yen and will pay 6m Euribor up until maturity. At the maturity of the contract, Enagás will receive the principal in Japanese Yen and will re-pay the initially established principal in euros.

The Group has documented the hedging of this instrument as a fair value hedge, given that it hedges exposure to changes in the fair value of the recognised liability to which a particular risk is attributed and which affects the consolidated income statement.

Changes in the fair value of the hedge instrument have been offset by the changes in the value of the hedged instrument, as is shown in the following table:

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Thousands of euros	Fair value at 31/12/2014	Fair value at 31/12/2015	Change (income statement)
Measurement of the derivative (+asset/-liability)	(12,461)	8,686	21,147
Measurement of the hedged instrument (liability)	(134,398)	(156,658)	(22,260)
Total net amount recognised in profit and loss (expense)			(1,113)

Hedges of a net investment in a foreign operation

In April 2014, Enagás Internacional, S.L.U. obtained a cross currency swap (CCS). This derivative has been designated at consolidated level as a hedge of a net investment in order to cover the Group's exposure to changes in the exchange rate relating to the stake in the net assets of certain foreign investments.

Hedges of net investments in foreign operations are recorded in a manner similar to cash flow hedges, although changes in the measurement of these transactions are recognised as exchange differences in the heading "Adjustments due to changes in value" in the accompanying consolidated balance sheet, as is indicated in Note 3.i.

These translation differences will be transferred to the consolidated income statement when the foreign transaction being hedged is sold or otherwise disposed of.

The measurement of counterparty risk in accordance with IFRS 13 (see the calculation method in Note 3.i) has represented income totalling 3,203 thousand euros in the consolidated income statement.

The fair value of this instrument at 31 December 2015 is 98,812 thousand euros (43,195 thousand euros in 2014), of which 9,624 thousand euros (7,533 thousand euros at 31 December 2014) is recorded at short term in the derivatives account included under the heading "Current financial liabilities".

20. Trade and other payables

Trade and other payables

The breakdown of "Trade and other payables" at 31 December 2015 and 2014 is as follows:

	31/12/2015	31/12/2014
Payables to related parties (Note 29)	2,439	1,991
Payable to suppliers	181,156	196,308
Other payables	20,600	5,276
Current tax liabilities (Note 22)	37,006	32,233
Total	241,201	235,808

The balance under "Payables to related parties" relates mainly to gas transportation services pending payment at that date, which the subsidiaries Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A., render to Enagás Transporte, S.A.U. as they are consolidated using the proportionate consolidation method.

The balance under "Suppliers" corresponds to amounts owed for the purchase of materials and services received, which are registered primarily in "Other operating costs" and "Non-current assets", respectively.

Information on the average payment period. Additional provision three. "Disclosure requirement" set out in Law 15/2010, of 5 July.

Below follows the information required by the Additional provision three of Law 15/2010 of 5 July (amended by Final provision two of Law 31/2014 of 3 December) prepared in accordance with the Resolution of the ICAC of 29 January 2016 regarding information to be included in the notes to the financial statements in relation to the average payment period to suppliers in commercial operations.

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In accordance with Additional provision one of the above mentioned resolution, this being the first financial year of application, no comparative information is presented.

The disclosures required under additional provision three of Spanish Law 15/2010, of 5 July, are as follows:

	2015
	Days
Ratio of operations paid	22
Ratio of operations pending payment	11
The average payment period to suppliers (PMPP)	22
	Amount (Thousands of euros)
Total payments made	647,580
Total payments pending	39,688

In accordance with the Resolution of the ICAC, the calculation of the average payment period considers the commercial operations corresponding to the delivery of goods or rendering of services accrued since the date of the entry into force of Law 31/2014 of 3 December.

Suppliers, for the exclusive purposes of providing the information set forth in this Resolution, are considered to be trade payables owed to suppliers of goods and services included in the items "Payable to suppliers", "Payable to suppliers - Group companies and associates" and "Other payables" under current liabilities in the balance sheet.

"Average payment period to suppliers" is understood to be the time that passes between the delivery of the goods or rendering of the service by the supplier and the material payment for the operation.

The maximum payment term applicable to the Company in 2015 under Spanish Law 3/2004 of 29 December establishing measures to combat late payments in business transactions is approximately 60 days. In order to obtain the foregoing information, payment obligations that have been the object of withholdings as a result of embargoes, writs of execution, administrative enforcement proceedings, or other similar acts handed down by legal or administrative bodies were excluded.

21. Defined contribution plans

The Group operates defined contribution pension plans covering the commitments acquired with respect to qualifying serving employees. The plan assets 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 Group to the pension plan in this connection amounted to 2,304 thousand euros in 2015 (2,283 thousand euros in 2014), recognised under "Staff costs" in the accompanying consolidated income statement (see Note 24.1).

22. Tax matters

22.1 Tax Reform

With the entry into force of the new Corporation Tax Law (Law 27/2014 of 27 November) on 1 January 2015, there has been a reduction in the rate of Corporation Tax to 28% for 2015 (in 2014, Corporation Tax was 30%). Furthermore, for 2016 and thereafter, a further reduction is planned in the Corporation Tax rate, to 25%.

22.2 Tax return

As of 1 January 2013, Enagás S.A. has been the dominant company in the Consolidated Tax Group 493/12 (see Note 3.p), and files consolidated tax returns in accordance with Chapter VI of Title VII of the consolidated Spanish Corporation Tax Law, Law 27/2014, of 27 November:

- Enagás Transporte S.A.U.

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- Enagás GTS S.A.U.
- Enagás Internacional, S.L.U.
- Enagás Financiaciones, S.A.U.

In 2015, the consolidated tax group 493/12 no longer included Enagás Altamira, S.L.U. as a result of a merger by absorption of the latter with Enagás Internacional, S.L.U.

The rest of the Group companies individually settle their income tax returns in accordance with the tax legislation applicable to them.

22.3 Tax receivables and payables

The balances receivable from and payable to the public authorities at 31 December 2015 are as follows:

	Thousands of euros	
	2015	2014
Tax receivables:		
Value added tax:	29,415	24,683
Income tax	162	4,822
Total	29,577	29,505
Tax payables:		
Income tax	6,293	3,767
Value added tax:	285	199
Other	30,428	28,267
Total	37,006	32,233

In 2015, 142,190 thousand euros (185,151 thousand euros in 2014) was paid on account of the amount to be finally paid for income tax 2015, which was 136,462 thousand euros for the consolidated tax group (180,420 thousand euros in 2014), leaving an outstanding amount of 1,082 thousand euros payable (4,822 thousand euros to be returned in 2014).

The amount pending payment in this respect at 31 December 2015 totals 5,211 thousand euros, relating to companies that do not belong to the consolidated tax group (3,767 thousand euros in 2014).

22.4 Reconciliation of profit before tax and taxable income

The reconciliation of accounting profit to taxable profit for income tax purposes is as follows:

	2015			2014		
	Spanish companies consolidated for tax purposes	Foreign companies	Total	Spanish companies consolidated for tax purposes	Foreign companies	Total
Accounting profit before tax	527,978	29,290	557,268	489,445	5,826	495,271
Consolidation adjustments	(14,166)	(31,043)	(45,209)	30,237	(6,206)	24,031
Permanent differences of individual companies						
Increases	2,167	29	2,196	1,872	-	1,872
Decreases	(261)	(6)	(267)	(155)	-	(155)
Temporary differences of individual companies						
Increases	67,106	152	67,258	150,421	-	150,421
Decreases	(39,621)	(36)	(39,657)	(11,362)	-	(11,362)
Taxable profit	543,203	(1,614)	541,589	660,458	(380)	660,078

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The tax base totalling (1,614) thousand euros relates to the foreign companies Enagás Perú, S.A.C. and Enagás México S.A. de C .V., which are subject to a 28% and 30% tax rate respectively.

22.5 Tax recognised in equity

Aside from the income tax charge recognised in the consolidated income statements, in 2015 and 2014, the Group recognised the following amounts for the following items in consolidated equity:

	2015			2014		
	Thousands of euros			Thousands of euros		
	Increases	Decreases	Total	Increases	Decreases	Total
Deferred tax:						
Arising in the current year:						
Measurement of other financial assets	4,659	(2,910)	1,749	206	(1,386)	(1,180)
Arising in prior years:						
Measurement of other financial assets	-	(882)	(882)	7,364	(2,871)	4,493
Total deferred tax	4,659	(3,792)	867	7,570	(4,257)	3,313
Total tax recognised directly in equity	4,659	(3,792)	867	7,570	(4,257)	3,313

22.6 Reconciliation between profit before tax and income tax expense

The reconciliation of accounting profit to the income tax expense is as follows:

	2015			2014		
	Spanish companies	Foreign companies	Total	Spanish companies	Foreign companies	Total
Accounting profit before tax	527,978	29,290	557,268	489,445	5,826	495,271
Permanent differences and consolidation adjustments	(12,260)	(31,020)	(43,280)	31,954	(6,206)	25,748
Tax rate %	144,401	(512)	143,889	156,420	(114)	156,306
Effect of the tax credits	(1,320)	-	(1,320)	(11,222)	-	(11,222)
Effect of tax loss carry forwards not recognised in the year	-	103	103	-	114	114
Effect of different tax rates	-	-	-	(280)	-	(280)
Adjustments to income tax	(587)	-	(587)	(58,144)	-	(58,144)
Other	1,502	-	1,502	853	-	853
Income tax for the year	143,996	(409)	143,587	87,627	-	87,627

22.7 Breakdown of income tax expense

The breakdown of "Income tax expense" for 2015 and 2014 is as follows:

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	2015	2014
Current tax:		
Continuing operations	(155,717)	(187,515)
Discontinued operations	-	-
Deferred tax:		
Continuing operations	11,543	41,744
Discontinued operations	-	-
Adjustments to income tax:		
Continuing operations	587	58,144
Discontinued operations	-	-
Total tax expense	(143,587)	(87,627)

The 28% rate has been used for all Spanish companies as a taxable rate for corporate tax, including those under state taxation rules and those taxed under local rules (Vizcaya). In the case of Enagás Perú, S.A.C. and Enagás México, S.A. de C.V., 28% and 30% have been applied, respectively.

22.8 Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities in 2015 and 2014 is as follows:

	2015	2014
Temporary differences (deferred tax assets):		
Grants related to assets and other grants	1,493	1,437
Depreciation deduction limit, R.D.L. 16/2012	38,553	43,351
Provision for employee remuneration	4,253	3,994
Provisions for fixed assets	10,373	8,563
Derivatives	1,357	1,373
Other	4,246	3,669
Tax loss carry forwards	5,449	1,973
Unused tax credits and other	7,711	8,053
Total deferred tax assets	73,435	72,413
Deferred tax liabilities:		
Unrestricted depreciation	296,487	311,283
Derivatives	1,004	1,486
Other	8,568	5,232
Total deferred tax liabilities	306,059	318,001

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Movements in 2015 were as follows:

	Initial value 12/31/2014	Recognised in the income statement	Recognised in equity	Other	End value on 31/12/2015		
					Carrying amount	Deferred Tax assets	Deferred Tax liabilities
Grants related to assets and other grants	1,437	76	-	(20)	1,493	1,493	-
Depreciation deduction limit, R.D.L. 16/2012	43,351	(4,797)	-	(1)	38,553	38,553	-
Provision for employee remuneration	3,994	292	-	(33)	4,253	4,253	-
Provisions for fixed assets	8,563	2,027	-	(217)	10,373	10,373	-
Derivatives	1,373	-	(16)	-	1,357	1,357	-
Other	3,669	577	-	-	4,246	4,246	-
Unrestricted depreciation	(311,283)	14,744	-	52	(296,487)	-	(296,487)
Derivatives	(1,486)	-	482	-	(1,004)	-	(1,004)
Other	(5,232)	(621)	-	(2,715)	(8,568)	-	(8,568)
Tax loss carry forwards	1,973	-	-	3,476	5,449	5,449	-
Unused tax credits and others	8,053	(342)	-	-	7,711	7,711	-
Total	(245,588)	11,956	466	542	(232,624)	73,435	(306,059)

These deferred tax assets were recognised in the consolidated balance sheet since the directors consider that, based on the best estimates of future results, including certain tax planning measures, it is likely that these assets will be recovered.

Article 7 of Law 16/2012, of 27 December, establishing several tax measures to consolidate public finances and to encourage economic activity, introduced limits on tax deductible depreciation with regard to income tax. This limitation means that companies that do not comply with the requirements established in sections 1, 2 or 3 of article 108 of the Consolidated Corporation Tax Law can deduct the book depreciation/amortisation of property, plant and equipment, intangible assets and investment properties in the tax periods that begin in 2013 and 2014 up to a limit of 70% of that which would have been tax deductible if that percentage had not been applicable, in accordance with sections 1 and 4 of article 11 of that law. This article establishes that as from 2015, this depreciation/amortisation can be deducted on a straight-line basis over 10 years or over the useful life of the asset. In this regard, the Group has decided to apply the deferred tax asset recognised at the close of 2014 (43,351 thousand euros) on straight line basis over 10 years. Based on this legislation, the deferred tax asset applied for this item in 2015 amounted to 4,798 thousand euros.

The Company also proceeded to recognise the items covered by Transitional Provision Thirty-Seven of Law 27/2004 on corporate income tax under "Unused tax credit and other". This transitional provision establishes that taxpayers that are subject to the tax rate set in this Law and that were subject to the depreciation/amortisation limitation established in article 7 of Law 16/2012, of 27 December, establishing several tax measures to consolidate public finances and to encourage economic activity, will be entitled to a deduction to tax payable in the tax period commencing in 2015, consisting of 2% of the amounts making up the tax base for that tax period. Based on this legislation, the deduction applied in 2015 amounted to 342 thousand euros.

The Group has recognised all significant deferred tax assets in its consolidated balance sheet.

With regard deferred tax liabilities, in 2009 and 2010, Enagás, S.A. availed of the unrestricted depreciation tax incentive tied to preserving jobs, enacted under Law 4/2008, of 23 December.

Similarly, in 2011 and 2012, the Enagás Group also availed itself of the unrestricted accelerated depreciation tax incentive provided for in Royal Decree-Law 13/2010 of 3 December, extending the accelerated depreciation regime for new investments in fixed assets attached to core business activities and waiving the employment maintenance obligation. The time over which this tax incentive could be applied was also extended to 2015.

However, on 31 March 2012, Royal Decree-Law 12/2012 of 30 March was published and it eliminated the accelerated depreciation tax incentive for investments made after the publication of this Royal Decree. In any

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event, the amounts pending application with respect to the investments made up until 31 March 2012 may benefit from this incentive, up to a limit of 40% of the tax base for those relating to the period 2009-2010, and of 20% for those relating to the period 20011-2012.

In 2015, deferred tax was applied in this respect totalling €15,494 thousand, through the relevant positive adjustment to the tax base totalling €55,336 thousand.

As stated in Note 22.1 above, at the end of 2014 the Enagás Group proceeded to recognise the deferred tax assets and liabilities in accordance with the provisions of Law 27/2014 on Corporation Tax, which modified, among other things, the income tax rates, with 28% being in force in 2015 and 25% being applicable in 2016 and successive years (in 2014 the tax rate was set at 30%).

22.9 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 until the four-year inspection period has elapsed.

At the end of 2015, the Enagás Group had the years 2010 to 2015 open for inspection for all taxes to which it is liable, except for income tax, which is open for inspection for the years 2011 to 2014, and the part payments for 2015 (presented in April, October and December 2015).

The directors consider that all applicable taxes have been duly paid so that even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the treatment applied, the resulting potential tax liabilities, if any, would not have a material impact on the accompanying consolidated financial statements.

23. Income

The breakdown of Group revenue at 31 December 2015 and 2014 is as follows:

Thousands of euros	12/31/2015	12/31/2014
Revenue	1,196,366	1,206,192
Revenue from regulated activities	1,159,494	1,185,103
Revenue from deregulated activities	36,872	21,089
Other income	25,233	20,989
Ancillary and other operating income	25,078	20,989
Grants	155	-
Total	1,221,599	1,227,181

The breakdown of the net amount of turnover based on the Companies within the Group from which they come is as follows:

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Thousands of euros	12/31/2015	12/31/2014
Regulated activities:	1,159,494	1,185,103
Enagás, S.A.	-	231
Enagás Transporte S.A.U.	1,117,117	1,139,781
Enagás GTS, S.A.U.	12,012	12,155
Enagás Transporte del Norte, S.L.	30,365	32,936
Unregulated activities:	36,872	21,089
Enagás, S.A.	2,158	4,670
Enagás Transporte S.A.U.	32,128	-
Gasod. Al-Andalus, S.A.	-	8,084
Gasod. de Extremadura, S.A.	-	6,294
Enagás Internacional, S.L.U. (*)	2,586	2,041
Total	1,196,366	1,206,192

(*) In September 2015, Enagás Internacional, S.L.U. merged and took over Enagás-Altamira, S.L.U. Comparative data for 2014 were adapted to reflect the impact of this merger.

24. Expenses

An analysis of Group expenses is provided below:

	Thousands of euros	
	12/31/2015	12/31/2014
Staff costs	96,301	84,695
Other operating costs	224,948	202,803
Total	321,249	287,498

24.1 Staff costs

The detail of staff costs is as follows:

	Thousands of euros	
	12/31/2015	12/31/2014
Wages and salaries	73,816	65,931
Termination benefits	3,404	4,674
Social Security	16,570	15,517
Other staff costs	7,654	5,136
Contributions to external pension funds	2,304	2,283
Own work capitalised	(7,447)	(8,846)
Total	96,301	84,695

At 31 December 2015 the Group had capitalised 7,447 thousand euros for staff costs directly related to ongoing investment projects (8,846 thousand euros at 31 December 2014) (Note 6).

The average number of Group employees, by professional category, is as follows:

Item	2015	2014
Managers	99	74
Technicians	660	571
Administrative staff	125	123
Manual workers	390	397
Total	1,274	1,165

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At 31 December 2015, the Group had 1,337 employees (1,206 in 2014). The breakdown by category and gender is as follows:

Item	2015		2014	
	Men	Women	Men	Women
Managers	85	29	64	16
Technicians	493	210	448	165
Administrative staff	26	105	28	93
Manual workers	375	14	378	14
Total	979	358	918	288

The category "Executives" forms part of the Group's Senior Management consisting of ten employees (nine men and one woman).

The average number of employees at Group companies with a disability of a LGD of 33% or higher in 2015 and 2014 is as follows:

Item	2015	2014
Managers	-	-
Technicians	3	3
Administrative staff	2	1
Manual workers	3	4
Total	8	8

24.2 Other operating costs

The breakdown of this heading at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	12/31/2015	12/31/2014
External services:		
R&D costs	472	1,634
Leases and royalties	44,250	44,901
Repairs and maintenance	42,335	39,749
Professional services	29,173	30,590
Transport	27,576	10,366
Insurance premiums	6,418	4,723
Banking and similar services	340	182
Advertising, publicity and PR	3,922	3,672
Supplies	20,224	19,300
Other services	18,728	21,310
External services	193,438	176,427
Taxes other than income tax	20,758	13,328
Other overhead costs	117	-
Other external expenses	10,207	9,304
Change in operating provisions	428	3,744
Total other operating costs	224,948	202,803

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24.3 Other disclosures

“Other operating costs” includes the fees paid for the audit of the financial statements and for other audit and non-audit work. In 2015, these expenses amounted to 1,336 thousand euros (1,322 thousand euros in 2014), as follows:

Item	2015		2014	
	Services provided by the auditor and its related parties	Services provided by other Group auditors	Services provided by the auditor and its related parties	Services provided by other Group auditors
Audit services (1)	358	49	454	47
Other assurance services (2)	919	-	823	-
Total audit and audit-related services	1,277	49	1,277	47
Other services	59	-	45	-
Tax advisory services	-	-	-	-
Total professional services	59	-	45	-

(1) **Audit services:** This heading includes the services provided to complete the statutory audit of the Group’s financial statements in the amount of €358 thousand and €345 thousand in 2015 and 2014, respectively, as well as limited reviews of the interim and quarterly consolidated financial statements.

(2) **Other assurance services related to the audit:** Virtually all of this amount corresponds to the work required to review the effectiveness of the internal control over financial reporting systems and other review work performed in connection with the information to be disclosed to the regulatory bodies, mainly the CNMV (securities markets regulator) and the CNMC (energy authority) as well as reviews of corporate transactions completed by the Enagás Group in 2015.

25. Net finance cost

The breakdown of the heading “Net financial cost” in the accompanying consolidated income statement is as follows:

	12/31/2015	12/31/2014
Finance revenue from Group companies and associates	6,884	2,760
Finance revenue from third parties	7,913	9,327
Finance revenue	14,797	12,087
Finance and similar costs	(298)	(544)
Interest on loans	(113,445)	(130,715)
Interim interests	4,177	4,887
Other	1,119	6
Financial costs	(108,447)	(126,366)
Profit from hedging instruments	2,090	231
Exchange differences	630	8,542
Net finance cost	(90,930)	(105,506)

The Group had capitalised borrowing costs in an amount of 4,177 thousand euros at 31 December 2015 (4,887 thousand euros at 31 December 2014) (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 segments). The Group identifies its operating segments based on internal reports on the Group's performance which are regularly reviewed, debated and evaluated in the decision-making process.

26.2 Segments by geographical areas

The majority of the companies that the Enagás Group owns outside of Europe are now consolidated on an equity basis, and it therefore presents the relevant expenses and income in the heading "Share of profit of equity-accounted companies" in the consolidated income statement. The information relating to geographic markets is therefore based on net profits.

The distribution of profits for 2015 and 2014 by geographic market is as follows:

Net profit	12/31/2015	12/31/2014
Europe	375,103	393,187
South America	37,559	13,346
Total	412,662	406,533

26.3 Main business segments

The business areas described below have been established on the basis of the classification included in the Hydrocarbon Sector Law 34/1998 of 7 October, and in accordance with the organisational structure of the Enagás Group, 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 Group'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 salt water vaporisers, transforming it into gas. The natural gas is then injected into gas pipelines and transported throughout the Spanish mainland.
- **Storage:** The Enagás Group operates the following underground storage facilities: Serrablo, located between the towns of Jaca and Sabiñánigo (Huesca), Gaviota (an off-shore facility) located close to Bermeo (Vizcaya) and Yela (Guadalajara).

b) Technical System Operator activity

As Technical System Operator, the Enagás Group continued to develop the functions entrusted to it over the course of 2013 by the Royal Decree 6/2000 of 23 June and the R.D. 949/2001 of 3 August, with the aim of ensuring the continuity and security of the supply, as well as good coordination between the access, storage, transportation and distribution points.

The infrastructure and Technical System Manager activities are considered to be "Regulated Activities" by the Enagás Group.

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c) Unregulated activities

These refer to all deregulated activities and transactions related to Group associates.

26.4 Bases and methodology for segment reporting

The segment information provided below is based on monthly reports prepared by the General Economic-Financial Department, and it is generated via a computer programme which breaks down the financial statements by activity.

The structure of this information is designed as if each business line were an independent business, with its own resources, distributed on the basis of the assets assigned to each line in accordance with an internal system of cost allocation by percentages.

Segment information is set out below:

INCOME STATEMENT	Thousands of euros									
	infrastructures		Technical System Management		Unregulated activities		Adjustments (*)		Group Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Operating revenue	1,199,414	1,213,737	13,755	13,680	92,392	89,261	(83,962)	(89,497)	1,221,599	1,227,181
Depreciation and amortisation	(267,687)	(295,264)	(9,347)	(7,070)	(12,993)	(15,972)	240	3,406	(289,787)	(314,900)
Operating profit	657,869	636,598	(13,132)	(10,818)	(41,945)	(34,349)	(829)	(1,814)	601,963	589,617
Finance revenue	7,037	3,086	-	202	444,190	397,121	(436,430)	(388,322)	14,797	12,087
Finance costs	(9,785)	(90,927)	(56)	(208)	(98,618)	(103,892)	12	68,661	(108,447)	(126,366)
Income tax expense	(168,370)	(108,245)	3,691	3,106	20,860	14,545	232	2,967	(143,587)	(87,627)
Profit after tax	440,115	438,434	(9,497)	(7,717)	365,864	297,977	(383,820)	(322,161)	412,662	406,533

BALANCE SHEET	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Total assets	6,289,484	6,742,402	41,188	48,530	6,331,336	3,007,720	(4,910,091)	(2,086,793)	7,751,918	7,711,859
Fixed asset purchases	120,769	113,050	8,169	13,865	9,489	9,662	(11,652)	(3,583)	126,775	132,994
Non-current liabilities (**)	510,300	538,034	15	15	13,237	7,491	70	(8,148)	523,622	537,392
-Deferred tax liabilities	303,539	314,319	-	-	2,520	3,607	-	75	306,059	318,001
-Provisions	156,292	167,664	15	15	10,717	3,884	-	(8,223)	167,024	163,340
-Other non-current liabilities	50,469	56,051	-	-	-	-	70	-	50,539	56,051
Current liabilities (**)	154,835	166,309	33,919	43,595	63,827	31,233	(11,380)	(5,329)	241,201	235,808
-Trade and other payables	154,835	166,309	33,919	43,595	63,827	31,233	(11,380)	(5,329)	241,201	235,808

(*) 'Adjustments' includes eliminations for intercompany transactions (service rendered and loans granted), as well as the elimination of Investment-Capital and Reserves.

(**) Does not include financial liabilities.

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 Group has integrated environmental protection within the Company's strategic programmes and policies via the implementation of the Environmental Management System developed and certified by LLOYD'S, prepared in accordance with the requirements of the UNE EN ISO 14001 standard, which ensures compliance with applicable environmental legislation and continual improvement of the environmental record in respect of the LNG storage and regasification plants in Barcelona, Cartagena and Huelva, the Serrablo, Gaviota and Yela underground storage facilities, the facilities for the basic gas pipeline network, the Zaragoza laboratory and the management of New Infrastructure Development Projects.

In 2015, LLOYD'S, the accreditation agency, issued the corresponding audit reports on the EMS with a positive opinion, concluding that the System has a degree of development and maturity that ensures continuous improvement in this field.

The Enagás S.A. Group goes to continual lengths to identify, classify and minimise the environmental fallout from its activities and facilities, assessing risks and promoting eco-efficiency, practising responsible waste and residue management, minimising its carbon footprint and attempting to help combat climate change.

Furthermore, the Group incorporates environmental criteria into its contractor and supplier dealings, taking environmental issues into consideration when it awards service and product supply contracts.

In 2015, environmental action totalling 29,440 thousand euros was undertaken, together with investments in balance sheet assets (8,573 thousand euros in 2014). Environmental expenses incurred by the Group in 2015 totalled 1,468 thousand euros (1,345 thousand euros in 2014) 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 third-party liability insurance policies.

In 2015, the Group did not benefit from any tax incentive as a result of its activities relating to the environment.

28. Greenhouse gas emission allowances

Certain Enagás Group facilities fall within the scope of Law 1/2006 of 9 March, governing trading in greenhouse gas emission allowances.

Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009, amended the system with respect to the period 2013-2020. Although an auction is set up as the customary procedure for allocating emission allowances as of 2013 for the owners of the facilities included in the scope of the emission allowance trading scheme, the owners that opt to do so, pursuant to that envisaged in the Directive, will receive free allowances from 2013 to 2020 in accordance with the European Union harmonisation legislation.

A decision by the Council of Ministers of 15 November 2013 approved the final free-of-charge assignment of greenhouse gas emission rights to institutions covered by the emission rights trading system in 2013-2020, including the facilities maintained by Enagás Transporte, S.A.U. The facilities for which these allocations have been received are:

- The Serrablo, Yela and Gaviota underground storage facilities.
- The Barcelona, Cartagena and Huelva LNG storage and regasification plants
- The compressor stations in: Algete, Almendralejo, Almodóvar, Bañeras, Córdoba, Crevillente, Seville, Haro, Paterna, Tivissa, Zamora, Zaragoza, Alcázar de San Juan, Lumbier and Villar de Arnedo.

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All of the rights assigned to the Enagás Group, definitively and free-of-charge for its facilities, total 985,915 rights for the period 2013 to 2020, of which 115,588 are for 2015 and 167,557 relate to 2014.

Within the Group, the rights assigned for 2015 and 2014 were valued at 6.96 euros/right and 4.72 euros/right, respectively, the spot price on the first business day of 2015 and 2014 as per RWE Trading GMBH, which implies additions for the year of 616 thousand euros (790 thousand euros for 2014).

The Enagás Group consumed 130,878 greenhouse gas emission allowances in 2015 (449,415 in 2014).

In the first quarter of 2015, the Enagás Group submitted its emission reports, verified by the accredited agency (AENOR), to the pertinent regional governments, which validated said emissions.

In the second quarter of 2015, the Enagás Group delivered greenhouse gas emission allowances equivalent to the verified emissions in 2014 for all these installations.

In 2015, the Enagás Group did not arrange any futures contracts relating to greenhouse gas emission allowances nor are there any contingencies related to provisional penalties or measures under the terms established by Law 1/2005.

29. Related party transactions and balances

The Group's "related parties", in addition to subsidiaries, associates and jointly controlled entities, are considered to be "key personnel" in its management team (members of the Board of Directors, executives and their close family members), together with entities over which key management personnel could exercise significant or total control as established in Order EHA/3050/2004, of 15 September, and CNMV Circular 1/2008, of 30 January.

Balances with Group companies that have not been eliminated during the consolidation process relate to:

- Receivables totalling 6,744 thousand euros at 31 December 2015 (4,649 thousand euros at 31 December 2014) (see Note 11).
- Payables totalling 2,439 thousand euros at 31 December 2015 (1,991 thousand euros at 31 December 2014) (see Note 20).
- Loans to Group companies totalling 168,090 thousand euros at 31 December 2015 (115,217 thousand euros at 31 December 2014) (see Note 9).

Below is a detail of the Group's related-party transactions in 2015 and 2014, 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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2015

Income and expenses	Thousands of euros				
	12/31/2015				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Expenses:					
Finance costs	-	-	-	3,215	3,215
Services received	-	-	27,291	609	27,900
Losses on derecognition or disposal of assets	-	-	98	-	98
Other expenses	-	1,007	-	-	1,007
Total expenses	-	1,007	27,389	3,824	32,220
Income:					
Finance revenue	-	-	6,885	17	6,902
Services rendered	-	-	10,651	-	10,651
Gains on derecognition or disposal of assets	-	-	142	-	142
Other income	-	-	3,106	-	3,106
Total income	-	-	20,784	17	20,801

2014

Income and expenses	Thousands of euros				
	12/31/2014				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
Expenses:					
Financial costs	-	-	-	1,480	1,480
Services received	-	-	10,098	1,597	11,695
Other expenses	-	1,083	-	-	1,083
Total expenses	-	1,083	10,098	3,077	14,258
Income:					
Finance revenue	-	-	2,759	2	2,761
Services rendered	-	-	11,767	-	11,767
Gains on derecognition or disposal of assets	-	-	106	-	106
Other income	-	-	3,106	-	3,106
Total income	-	-	17,738	2	17,740

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2015

Other transactions	Thousands of euros			
	12/31/2015			
	Significant shareholders	Group employees, companies or entities	Other related parties	Total
Debt securities of related parties (see Note 32)	-	163,880	-	163,880
Guarantees and sureties granted - Others (see Note 32)	-	89,711	148,768	238,479
Investment commitments (see Note 32)	-	250,220	-	250,220
Dividends and other profits paid out	30,051	-	-	30,051

2014

Other transactions	Thousands of euros			
	12/31/2014			
	Significant shareholders	Group employees, companies or entities	Other related parties	Total
Debt securities of related parties (see Note 32)	-	134,936	-	134,936
Guarantees and sureties granted - Others (see Note 32)	-	98,967	153,078	252,045
Investment commitments (see Note 32)	-	54,907	-	54,907
Dividends and other profits paid out	39,785	-	-	39,785

During 2015 and 2014, the Banco Santander Group complied with the aforementioned definition of “related party”.

Of the transactions indicated in the preceding table, 3,215 thousand euros in finance costs for 2015 corresponds to this related entity (1,480 thousand euros in 2014), (including the finance costs arising from interest rate hedges) and 148,768 thousand euros in guarantees and sureties granted at 31 December 2015 (153,078 thousand euros at 31 December 2014).

This bank also carried out the following transactions with the Enagás Group:

- The Enagás Group maintains financing through a multi-currency club deal that has not been drawn down at 31 December 2015 (see Note 15). This related party represents 9.63% of all banks that have participated in this source of financing for this transaction.
- Finally, in the bonds issue carried out by Enagás Financiaciones, S.A.U. in February and March 2015 (see Note 15), this related party participated as an active bookrunner and a passive bookrunner, respectively.

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.

30. Director and senior management compensation

The remuneration received in 2015 and 2014 by the members of the Board of Directors and by Senior Management of Enagás, S.A., broken down by item, was as follows:

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2015

	Salaries	Attendance fees	Other	Pension plans	Insurance premiums
Board of Directors	2,014	1,007	170	12	33
Senior management	2,212	-	111	56	17
Total	4,226	1,007	281	68	50

2014

	Salaries	Attendance fees	Other	Pension plans	Insurance premiums
Board of Directors	2,016	1,083	145	13	31
Senior management	2,241	-	104	52	26
Total	4,257	1,083	249	65	57

The Group has outsourced its pension commitments with its directors through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death and employment disability. Executive directors and senior management form part of the group covered by the mixed group insurance policy for pension commitments. Of the premium paid in 2015, 271 thousand euros corresponded to executive directors (276 thousand euros in 2014) and 320 thousand euros to senior management (325 thousand euros in 2014).

The aforementioned remuneration distributed to each of the members of the Board of Directors in 2015 and 2014, excluding insurance premiums and pension plans, was as follows:

DIRECTORS	Thousands of euros	
	2015	2014
Antonio Llardén Carratalá (Executive Director) ⁽¹⁾	1,749	1,737
Marcelino Oreja Arburúa ⁽²⁾	561	552
Sociedad Estatal de Participaciones Industriales (Proprietary Director)	76	72
Mr. Sultan Hamed Khamis Al Burtamani	11	32
Jesús David Álvarez Mezquíriz (Independent Director) ⁽³⁾	20	76
Dionisio Martínez Martínez (Independent Director) ⁽⁵⁾	-	26
José Riva Francos (Independent Director) ⁽⁵⁾	-	21
Ramón Pérez Simarro (Independent Director)	76	76
Martí Parellada Sabata (Independent Director)	81	80
Teresa García-Milà Lloveras (Independent Director) ⁽⁵⁾	-	20
Miguel Angel Lasheras Merino (Independent Director) ⁽⁵⁾	-	20
Luis Javier Navarro Vigil (External Director)	76	76
Isabel Sanchez García (Independent Director) ⁽⁵⁾	-	20
Jesús Máximo Pedrosa Ortega (Proprietary Director)	76	76
Rosa Rodríguez Díaz (Independent Director)	76	70
Ana Palacio Vallelersundi (Independent Director) ⁽⁴⁾	80	60
Isabel Tocino Biscalorasaga (Independent Director) ⁽⁴⁾	81	60
Antonio Hernández Mancha (Independent Director) ⁽⁴⁾	76	60
Luis Valero Artola (Independent Director) ⁽⁴⁾	76	53
Gonzalo Solana González (Independent Director) ⁽⁴⁾	76	57
Total	3,191	3,244

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¹ The difference in the remuneration of the Executive Chairman in 2015 with respect to 2014 was exclusively due to the increase of the withholdings on account of compensation in kind, with said compensation in kind being the same in both years.

In 2015, the Executive Chairman received fixed remuneration of 960 thousand euros and a variable remuneration of 575 thousand euros, as approved by the Board; he also received Board meeting attendance fees of 64 thousand euros (fixed remuneration plus attendance fees), and 150 thousand euros in other remuneration in kind. His combined pay came to 1,749 thousand euros. He is also the beneficiary of a life insurance policy for which the premium for the year was 33 thousand euros, while 7 thousand euros were contributed to his pension plan. The Group has outsourced its pension commitments with its directors through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death and employment disability. The Executive Chairman is one of the beneficiaries covered by this policy. The total premium paid during the year in respect of the Executive Chairman was 177 thousand euros.

² The difference in the remuneration of the Chief Executive Officer in 2015 is exclusively due to measurement differences in the compensation in kind, which has been the same in both years.

In 2015, he received fixed remuneration of 300 thousand euros and a variable remuneration of 180 thousand euros, as approved by the Board; he also received Board meeting attendance fees of 64 thousand euros (fixed remuneration plus attendance fees), and 17 thousand euros in other remuneration in kind. His combined pay came to 561 thousand euros. He is also the beneficiary of a life insurance policy for which the premium for the year was 0.5 thousand euros, while 5 thousand euros were contributed to his pension plan. The CEO is also covered by the mixed group insurance policy for pension commitments: of the total premium paid in this regard during the year, 93 thousand euros corresponded to the CEO.

³ Said Directors stood down in 2015.

⁴ Directors appointed in the General Shareholders' Meeting held on 27 March 2015 (remuneration for 2014 corresponds to the period March to December 2014).

⁵ Directors standing down in the General Shareholders' Meeting held on 27 March 2015 (remuneration for 2014 corresponds to the period between January and March 2014).

31. Other Director disclosures

In keeping with the provisions of article 229 et seq. of the Spanish Limited Liability Companies Law, these notes include disclosures 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 group companies engaged in the transport, regasification, distribution or supply of natural gas, as regulated by the Oil and Gas Act (Law 34/1998).

Ownership interests in companies that have the same, similar or complementary corporate purpose that have been reported to the Group by Directors at 31 December 2015 and 2014 are as follows:

2015

Director	Company	No. of shares	% shareholding
Luis Javier Navarro Vigil	BP, PLC	17	0.00%
Jesús Máximo Pedrosa Ortega	Iberdrola	3,382	0.00%
Jesús Máximo Pedrosa Ortega ⁽¹⁾	Iberdrola	7,472	0.00%

2014

Director	Company	No. of shares	% shareholding
Luis Javier Navarro Vigil	BP, PLC	17	0.00%
Jesús Máximo Pedrosa Ortega	Iberdrola	3,382	0.00%
Jesús Máximo Pedrosa Ortega ⁽¹⁾	Iberdrola	7,472	0.00%
Gonzalo Solana González	Endesa	25	0.00%
Gonzalo Solana González	Iberdrola	1,072	0.00%

¹ Through Inversores Asfis as joint and several director with a 60% shareholding.

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Positions held or duties performed by Group directors at companies whose corporate purpose is the same, similar or complementary disclosed to Enagás, S.A. at 31 December 2015 and 2014, are as follows:

2015

DIRECTOR	COMPANY	POSITION
Luis Javier Navarro Vigil	TLA, S. de R.L. de C.V.	Director
Marcelino Oreja Arburúa	MIBGAS	Director

2014

DIRECTOR	COMPANY	POSITION
Luis Javier Navarro Vigil	TLA, S. de R.L. de C.V.	Director
Mr. Sultan Hamed Khamis al Burtamani	Oman Oil Company, S.A.O.C.	Director of Business Development

No activities that are identical, similar or complementary to those of Enagás, other than those listed above, are carried out by its directors as independent professionals or as employees.

At the end of 2015, neither the members of the Company's Board of Directors nor persons associated with them, as defined by article 229 of the Spanish Limited Liability Companies Law, reported to the other members of the Board of Directors any direct or indirect conflict of interest with the Company's interests.

32. Commitments and guarantees

2015

Commitments and guarantees	Miles de Euros			
	12/31/2015			
	Group employees, companies or entities (see Note 29)	Other related parties (see Note 29)	Third parties	Total
Debt securities of related parties	163,880	-	-	163,880
Guarantees and sureties granted - Others	89,711	148,768	353,242	591,721
Investment commitments	250,220	-	16,065	266,285

2014

Commitments and guarantees	Thousands of euros			
	12/31/2014			
	Group employees, companies or entities (see Note 29)	Other related parties (see Note 29)	Third parties	Total
Debt securities of related parties	134,936	-	-	134,936
Guarantees and sureties granted - Others	98,967	153,078	378,070	630,115
Investment commitments	54,907	-	-	54,907

"Debt securities of related parties" includes corporate guarantees for the amount of 163,880 thousand euros at 31 December 2015 (134,936 thousand euros at 31 December 2014) as detailed below:

- Corporate guarantees granted on the debt of certain related companies. At 31 December 2015, said guarantees amounted to 138,016 thousand euros and fully correspond to the GSP project. These corporate securities will be released when the debt is refinanced. At 31 December 2014, said amount

came to 134,936 thousand euros, fundamentally corresponding to GSP projects (74,202 thousand euros) and BBG projects (57,179 thousand euros). With regard to the corporate guarantee, please note that the financial entities of the European Investment Bank, CaixaBank, S.A., Banco Bilbao Vizcaya Argentaria, S.A., and Kutxabank, S.A., communicated their full and unconditional release dated 2 December 2015, thereby confirming that there are no claims pending of any kind in relation to this.

- In addition, the undertaking acquired in the Financing Agreement existing between Knubbsäl Topholding AB and the Enagás Group is included, whereby this latter undertakes to extend a corporate guarantee in favour of the financing entities if the current Financing Agreement has not been cancelled or refinanced six months prior to its due date, this being January 2022. The maximum security commitment granted by the Enagás Group amounts to 25,864 thousand euros (237,500 thousand Swedish kronor), and in accordance with the foregoing, this corporate guarantee will not be granted prior to January 2022. In the event that it needs to be granted, this corporate guarantee may only be executed by the financing entities in the case of non-payment by Knubbsäl Topholding AB on the due date of the Financing Agreement.

In addition, "Guarantees and sureties granted - Others" includes mainly the below items for the amount of 591,721 thousand euros at 31 December 2015 (630,115 thousand euros at 31 December 2014):

- Performance bond on obligations for granted concessions, cross-collateralised by Enagás, for the amount of 89,711 thousand euros (98,967 thousand euros in at 31 December 2014).

Under guaranties and sureties granted with other related parties at 31 December 2015 include the guarantees granted before the Federal Electricity Commission ("CFE") for the service contracts relating to the Morelos Gas Pipeline and Soto de la Marina Compression Station projects for the amount of 9,201 and 8,156 thousand euros, respectively, which have been granted by the related company Banco Santander.

- Financial guarantees granted as security for the loans granted by the European Investment Bank to Enagás, S.A. for the amount of 430,000 thousand euros (450,000 thousand euros in 2014), of which 125,000 thousand euros have been granted by the related entity Banco Santander in 2015 (130,000 thousand euros in 2014).
- Guarantees pledged during bid processes for the amount of 3,267 thousand euros (2,638 thousand euros at 31 December 2014). Included within this amount and classified as guarantees with third parties, at 31 December 2015, the Enagás Group held a guarantee for the amount of 875 thousand euros for a bidding process in which Enagás Internacional, S.L.U. has been identified as the preferred industrial partner to become a shareholder. The aim of this project is the development, construction and operation of a regasification plant. The transaction is currently in the negotiation phase, subject to the fulfilment of certain exceptions included in the bid by Enagás Group.
- Technical guarantees granted before third parties to cover certain responsibilities that may arise from the execution of the agreements that make up its activity, amounting to 51,386 thousand euros at 31 December 2015, (61,843 thousand euros in 2014), of which, 6,411 thousand euros correspond to sureties formalised with Banco Santander (both at 31 December 2015 and 2014), an entity that complies with the definition of related party as defined in Note 28.

"Investment Commitments" includes the below items amounting to 266,285 thousand euros at 31 December 2015 (54,907 thousand euros at 31 December 2014):

- The Enagás Group has investment commitments amounting to 250,220 thousand euros fundamentally relating to TAP projects (141,025 thousand euros) and GSP projects (109,195 thousand euros), to be paid during the 2016 financial year. At 31 December 2014, the Enagás Group held firm investment commitments in the amount of 54,907 thousand euros relating to TAP projects (16,000 thousand euros) and GSP projects (38,907 thousand euros), which were paid during the 2015 financial year.

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The abovementioned investment commitments correspond to payment to be made by the Group until the certification of the financial end to said projects, both forecast for 2016. The infrastructure projects of the Enagás Group are carried out through long term contracts in which the Group-related project companies participate, where each project specifies the external borrowings required for their funding, without recourse to the shareholders or with limited recourse to the guarantees granted.

To satisfy part of the abovementioned investment commitments, the Enagás Group currently holds financing granted but not disposed to the amount of 21,649 thousand euros in the TAP project (53,689 thousand euros at 31 December 2014) and 115,013 thousand euros in the GSP project (94,323 thousand euros at 31 December 2014).

- The Enagás Group holds investments in nine Economic Interest Groups (EIG) whose business is the leasing of assets managed by an unrelated third party, which retains the majority of the profits and business risks, with the Group only availing itself of the tax incentives provided in Spanish legislation (see Note 9). The Enagás Group enters the tax losses generated by these EIGs against equity and offset by the debt registered with the payable tax, the corresponding revenue (Note 24). In this regard, the Enagás Group holds firm investment commitments for this item to the amount of 16,065 thousand euros, which will be paid in full during the 2017 financial year.

Lastly, the Enagás Group has a credit facility granted to Gasoducto de Morelos, S.A.P.I. de C.V., in the amount of 5,287 thousand euros, with 4,228 thousand euros undrawn at 31 December 2015 (5,882 thousand euros at 31 December 2014). Likewise at 31 December 2014, the Group held financing granted but not drawn down to Estación de Compresión Soto La Marina, S.A.P.I. de C.V., in the amount of 5,033 thousand euros.

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. Joint ventures and associates

Information on the joint ventures, jointly controlled operations and associates in which the Enagás Group had interests at 31 December 2015 is set out in the table below:

Company	Country	Activity	Type of control	Type of business	%	% of voting rights controlled by the Enagás Group	Thousands of euros (2)		Carrying amount in Functional currency		
							Carrying amount	Dividends received	Thousands of euros	Thousands of dollars	Thousands of Swedish kronor
Gasoducto Al-Andalus, S.A.	Spain	Gas transport	Joint control	Joint operation	66.96%	66.96%	23,744	7,815	23,744	-	-
Gasoducto de Extremadura, S.A.	Spain	Gas transport	Joint control	Joint operation	51.00%	51.00%	9,732	4,127	9,732	-	-
Bahía de Bizkaia Gas, S.L.	Spain	Storage and regasification	Joint control	Joint venture	50.00%	50.00%	56,235	6,750	56,235	-	-
Altamira LNG, C.V. subgroup (4)	Netherlands (4) / Mexico	Holding company/ Regasification	Joint control	Joint venture	40.00%	40.00%	41,218	-	-	52,423	-
Gasoducto de Morelos, S.A.P.I. de C.V.	Mexico	Gas transport	Joint control	Joint venture	50.00%	50.00%	14,576	-	14,576	-	-
Morelos EPC, S.A.P.I. de C.V.	Mexico	Engineering and construction	Joint control	Joint venture	50.00%	50.00%	37	-	-	43	-
GNL Quintero, S.A.	Chile	Regasification	Joint control	Joint venture	20.40%	20.40%	136,645	7,043	-	179,988	-
Terminal de Valparaíso, S.A. (1)	Chile	Holding company	Joint control	Joint venture	51.00%	51.00%	136,386	7,043	-	179,988	-
EC Soto La Marina SAPI de CV	Mexico	Natural gas compression	Joint control	Joint venture	50.00%	50.00%	9,150	-	9,150	-	-
EC Soto La Marina EPC SAPI de CV	Mexico	Engineering and construction	Joint control	Joint venture	50.00%	50.00%	2	-	-	2	-
Transportadora de gas del Perú, S.A.	Peru	Gas transport	Significant influence	Associate	24.34%	24.34%	427,325	27,756	-	569,393	-
Gasoducto del Sur Peruano, S.A.	Peru	Gas transport	Significant influence	Associate	25.00%	25.00%	135,400	-	-	152,450	-
Trans Adriatic Pipeline, A.G. (3 and 4)	Switzerland (3 and 4)	Gas transport	Significant influence	Associate	16.00%	16.00%	69,194	-	69,194	-	-
Compañía Operadora de Gas del Amazonas, S.A.C.	Peru	Operation and maintenance	Joint control	Joint venture	30.00%	30.00%	12,325	-	-	15,000	-
Tecgas, Inc.	Canada	Holding company	Joint control	Joint venture	30.00%	30.00%	1	-	-	1	-
EC Soto La Marina EPC SAPI de CV	Mexico	Operation and maintenance	Joint control	Joint venture	50.00%	50.00%	2	-	-	2	-
Morelos O&M, S.A.P.I de CV	Mexico	Operation and maintenance	Joint control	Joint venture	50.00%	50.00%	35	-	-	39	-
Swedegas subgroup (5)	Sweden	Gas transport	Joint control	Joint venture	50.00%	50.00%	97,228	-	-	-	894,550
Iniciativas de Gas, S.L. (6)	Spain	Holding company	Joint control	Joint venture	60.00%	60.00%	48,834	5,019	48,834	-	-
Planta de Regasificación de Sagunto, S.A.	Spain	Storage and regasification	Joint control	Joint venture	30.00%	30.00%	48,834	5,019	48,834	-	-

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- (1) GNL Quintero is 40% owned by Terminal de Valparaíso S.A. and 51% owned by Enagás Chile. Accordingly, the indirect stake held by Enagás Group in GNL Quintero is 20.40%. The dividend is distributed by GNL Quintero.
- (2) For companies whose local currency is not the euro (Note 2.4.f), the carrying amount of the financial investment is shown in euros at historical rates and includes the capitalised purchasing costs. The euros relating to dividends received are translated at the exchange rate at the date of the transaction.
- (3) This company has three permanent establishments in Greece, Italy and Albania.
- (4) Both companies are investees together with other international industrial partners. Its business consists of the development and operation of infrastructure projects, such as the Altamira regasification plant already in operation and the TAP trans-Adriatic gas pipeline (declared to be a project of common interest by the European Union).
- (5) In March the Enagás Group and its Belgian partner, Fluxys Europe BV, purchased 50% each of the Swedish company Knubbsäl Topholding AB. This company in turn indirectly owns 100% of the shares in Swedegas AB, operator of the Swedish gas system.
- (6) The company Planta de Regasificación de Sagunto Gas, S.A. is 50% owned by Iniciativas de Gas, S.L. Accordingly, the indirect stake held by Enagás Group in Planta de Regasificación de Sagunto Gas, S.A. is 30%. The Planta de Regasificación de Sagunto Gas, S.A. is responsible for the distribution of the dividend.

The main aggregates in the individual financial statements for joint operations, joint ventures and associates of Grupo Enagás, S.A. at 31 December 2015 are also set out below:

Balance sheet aggregates

Company	Investee information ⁽¹⁾⁽²⁾								
	Assets			Equity		Liabilities			
	Non-current	Current		Other comprehensive income	Other equity	Non-current		Current	
		Cash and cash equivalents	Other current assets			Financial liabilities	Other liabilities	Financial liabilities	Other liabilities
Gasoducto Al-Andalus, S.A.	36,743	28,176	3,766	-	62,670	-	-	-	6,015
Gasoducto de Extremadura, S.A.	15,804	20,489	2,323	-	35,625	-	-	-	2,991
Bahía de Bizkaia Gas, S.L.	262,550	26,805	7,842	(4,785)	64,402	193,627	23,406	14,876	5,671
Altamira LNG, C.V. subgroup	354,159	31,542	16,021	(873)	173,507	125,290	4,891	24,368	74,539
Gasoducto de Morelos, S.A.P.I. de C.V.	253,415	33,836	12,699	(4,454)	20,555	209,248	-	8,465	66,136
Morelos EPC, S.A.P.I. de C.V.	6	611	43,705	-	31,748	-	-	-	12,574
GNL Quintero, S.A.	880,554	181,950	18,679	-	111,075	863,237	77,441	19,542	9,888
Terminal de Valparaíso, S.A.	319,845	346	7	-	320,185	-	-	-	13
EC Soto La Marina SAPI de CV	97,731	825	5,319	-	(1,241)	66,352	-	862	37,902
EC Soto La Marina EPC SAPI de CV	11,797	17	9,337	-	(11,236)	-	-	45	32,342
Transportadora de gas del Perú, S.A.	1,319,410	137,587	89,111	-	392,794	980,233	112,352	7,904	52,825
Gasoducto del Sur Peruano, S.A.	1,321,776	60,262	35,847	-	516,944	598,137	-	-	302,804
Trans Adriatic Pipeline, A.G.	521,180	133,500	31,250	(2,600)	195,990	382,680	14,250	-	95,610
Compañía Operadora de Gas del Amazonas, S.A.C.	2,367	19,007	10,896	-	4,794	-	-	-	27,476
Tecgas, Inc.	1	-	-	-	1	-	-	-	-
EC Soto La Marina O&M SAPI de CV	106	21	3	-	(207)	-	-	-	337
Morelos O&M, S.A.P.I de CV	23	118	215	-	75	-	-	-	281
Swedegas subgroup	678,322	21,570	10,754	(279)	193,792	414,189	97,318	-	5,626
Iniciativas de Gas, S.L.	986	39	678	-	1,703	-	-	-	-
Planta de Regasificación de Sagunto, S.A.	315,917	33,894	26,734	(7,232)	26,498	294,935	25,132	32,122	5,090

(1) The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements.

(2) For companies whose local currency is not the euro (Note 2.4.f), the balance sheet figures have been translated at the year-end exchange rate.

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Income statement aggregates

Company	Thousands of euros						
	Investee information ⁽¹⁾⁽²⁾						
	Income statement						
	Revenue	Depreciation	Interest income	Interest expense	Income tax	Other income and expense	Net profit/(loss)
Gasoducto Al-Andalus, S.A.	42,599	(7,380)	12	-	(7,333)	(9,041)	18,857
Gasoducto de Extremadura, S.A.	26,833	(3,303)	10	-	(4,907)	(6,014)	12,619
Bahía de Bizkaia Gas, S.L.	53,747	(13,996)	8	(10,603)	(4,029)	(14,764)	10,363
Altamira LNG, C.V. subgroup	72,589	(13,905)	12	(6,254)	(14,271)	(16,711)	21,460
Gasoducto de Morelos, S.A.P.I. de C.V.	16,778	(5,242)	-	(6,145)	(6,214)	(3,970)	(4,793)
Morelos EPC, S.A.P.I. de C.V.	75,087	-	-	-	(7,316)	(46,090)	21,681
GNL Quintero, S.A.	179,572	(32,442)	275	(66,681)	(12,454)	(37,087)	31,183
Terminal de Valparaiso, S.A.	14,065	-	-	-	-	(29)	14,036
EC Soto La Marina S.A.P.I. de C.V.	1,728	(741)	-	(701)	7,978	(30,063)	(21,799)
EC Soto La Marina EPC S.A.P.I. de C.V.	25,025	-	-	(26)	9,148	(45,523)	(11,376)
Transportadora de gas del Perú, S.A.	490,344	(62,760)	44	(63,744)	(43,269)	(222,912)	97,703
Gasoducto del Sur Peruano, S.A.	794,187	(1,699)	128	(8,565)	(8,883)	(752,961)	22,207
Trans Adriatic Pipeline, A.G.	-	(501)	-	(1,811)	(7,208)	(26,691)	(36,211)
Compañía Operadora de Gas del Amazonas, S.A.C.	119,111	(585)	39	-	(950)	(115,346)	2,269
Tecgas, Inc.	-	-	-	-	-	-	-
EC Soto la Marina O&M SAPI de CV	766	-	-	-	86	(1,058)	(206)
Morelos O&M, S.A.P.I. de C.V.	169	(1)	-	-	(5)	(159)	4
Swedegas subgroup	42,305	(13,518)	-	(14,558)	(721)	(14,535)	(1,027)
Iniciativas de Gas, S.L.	8,523	-	-	-	13	(39)	8,497
Planta de Regasificación de Sagunto, S.A.	96,808	(30,589)	-	(14,825)	(9,917)	(15,882)	25,595

(1) The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements.

(2) For companies whose local currency is not the euro (Note 2.4.f), the income statement figures have been translated at the cumulative average exchange rate for the year.

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The main aggregates in the individual financial statements for joint operations, joint ventures and associates which formed part of Grupo Enagás, S.A. at 31 December 2014 are as follows:

Balance sheet aggregates

Company	Investee information ⁽¹⁾⁽²⁾								
	Assets			Equity		Liabilities			
	Non-current	Current		Other comprehensive income	Other equity	Non-current		Current	
		Cash and cash equivalents	Other current assets			Financial liabilities	Other liabilities	Financial liabilities	Other liabilities
Gasoducto Al-Andalus, S.A.	44,256	9,155	5,680	-	55,485	-	-	-	3,606
Gasoducto de Extremadura, S.A.	19,167	10,747	3,512	-	31,098	-	-	-	2,328
Bahía de Bizkaia Gas, S.L.	276,272	34,159	11,343	(5,610)	75,041	208,160	23,626	14,732	5,825
Altamira LNG, C.V. subgroup	328,681	13,751	14,359	(749)	135,567	131,800	4,273	26,824	59,076
Gasoducto de Morelos, S.A.P.I. de C.V.	190,027	24,388	15,779	(3,736)	22,892	162,372	-	-	48,666
Morelos EPC, S.A.P.I. de C.V.	606	20,023	8,710	-	9,014	-	-	-	20,325
GNL Quintero, S.A.	811,613	113,889	19,602	-	103,173	756,479	58,248	17,511	9,693
Terminal de Valparaiso, S.A.	286,598	-	86	-	286,402	-	-	-	282
Cia. Transporte Gas Canarias, S.A. (Gascan)	8,555	3	18	-	(2,161)	-	182	6,731	3,824
EC Soto La Marina SAPI de CV	65,683	7,680	15,947	-	6,912	-	618	1	81,779
EC Soto La Marina EPC SAPI de CV	1,883	6,447	7,912	-	(2,738)	-	-	154	18,826
Transportadora de gas del Perú, S.A.	1,176,537	218,560	62,693	1,350	372,476	897,053	100,838	7,004	79,069
Gasoducto del Sur Peruano, S.A.	111,244	8,954	322,623	-	94,850	-	334,108	-	13,863
Trans Adriatic Pipeline, A.G.	321,810	32,870	7,990	30	161,060	-	182,680	-	18,900
Compañía Operadora de Gas del Amazonas, S.A.C.	2,237	9,434	14,340	-	2,715	-	1,282	-	22,014
Tecgas, Inc.	-	111,625	-	-	111,625	-	-	-	-
EC Soto La Marina O&M SAPI de CV	-	4	-	-	4	-	-	-	-

(1) The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements.

(2) For companies whose local currency is not the euro (Note 2.4.f), the balance sheet figures have been translated at the year-end exchange rate.

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Income statement aggregates

Company	Thousands of euros						
	Investee information ⁽¹⁾⁽²⁾						
	Income statement						
	Revenue	Depreciation	Interest income	Interest expense	Income tax	Other income and expense	Net profit/(loss)
Gasoducto Al-Andalus, S.A.	30,781	(7,380)	18	-	(5,131)	(6,617)	11,671
Gasoducto de Extremadura, S.A.	20,335	(3,303)	28	-	(3,587)	(5,381)	8,092
Bahía de Bizkaia Gas, S.L.	38,972	(7,361)	-	(10,062)	(3,014)	(18,527)	8
Altamira LNG, C.V. subgroup	62,725	(11,718)	120	-	(10,879)	(25,318)	14,930
Gasoducto de Morelos, S.A.P.I. de C.V.	-	(35)	67	-	(1,333)	(4,720)	(6,021)
Morelos EPC, S.A.P.I. de C.V.	53,867	-	-	(2)	(1,616)	(48,478)	3,771
GNL Quintero, S.A.	154,966	(26,667)	18	(48,217)	(24,498)	(32,233)	23,369
Terminal de Valparaiso, S.A.	20,646	-	-	-	-	-	20,646
Cia. Transporte Gas Canarias, S.A. (Gascan)	-	(5)	-	(503)	248	(311)	(571)
EC Soto La Marina SAPI de CV	-	-	5	-	(564)	(11,913)	(12,472)
EC Soto La Marina EPC SAPI de CV	35,805	-	-	(5)	(1,592)	(36,592)	(2,384)
Transportadora de gas del Perú, S.A.	404,400	(53,011)	25	(52,031)	(35,604)	(183,299)	80,480
Gasoducto del Sur Peruano, S.A.	183,262	(237)	517	(1,109)	678	(193,678)	(10,567)
Trans Adriatic Pipeline, A.G.	-	(363)	-	(381)	3,706	(24,682)	(21,720)
Compañía Operadora de Gas del Amazonas, S.A.C.	97,449	(500)	10	-	(1,125)	(94,027)	1,807
Teggas, Inc.	28,194	-	-	-	-	(3)	28,191
EC Soto La Marina O&M SAPI de CV	-	-	-	-	-	-	-

(1) The data presented correspond to all figures for the individual companies prepared under IFRS and before the standardisation adjustments made prior to consolidation of the financial statements.

(2) For companies whose local currency is not the euro (Note 2.4.1), the income statement figures have been translated at the cumulative average exchange rate for the year.

At 31 December 2015 and 31 December 2014, the reconciliation of the carrying amount of joint ventures against the total value of investments in companies consolidated on an equity basis is as follows:

2015	Net carrying financial assets on 12/31/2015	Dividends	Shareholders' equity		Net unrealised gains (losses) reserve		Other adjustments	Total equity-accounted investments on 12/31/2015
			Profit for the year	Reserves	Translation differences	Hedging transactions		
Equity-accounted investments	1,048,295	(99,610)	46,235	49,247	142,153	(1,325)	6,110	1,191,105

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2014	Net carrying financial assets on 12/31/2014	Dividends	Shareholders' equity		Valuation adjustments		Total equity-accounted investments on 12/31/2014
			Profit for the year	Reserves	Translation differences	Hedging transactions	
Equity-accounted investments	682,108	(53,042)	11,160	38,087	63,311	(988)	740,636

On 15 October 2014, Terminal de LNG de Altamira, S. de RL de CV received an official notice from the National Water Commission (hereinafter "CONAGUA") imposing a significant administrative fine, compared with the company's revenues, for the failure to measure a component of discharged seawater (DQO: Oxygen Chemical Demand) in 2008 and 2009; and for the alleged environmental contamination of the seawater used in the regasification process.

On 27 November 2014, an appeal was filed against that official notice with the Directorate General for Legal Matters at CONAGUA. Based on the technical design of the terminal, the consideration was that the allegation relating to the environmental contamination of the water during the regasification process was unfounded since the water does not enter into contact with LNG, or with any other substance in the terminal, and therefore no contamination can take place during the regasification process.

On 10 December 2015 the appeal for reversal filed by the company Terminal de LNG de Altamira, S. de RL de CV against the administrative sanctions that had been imposed by the National Water Commission was definitively resolved. The appeal was resolved in favour of Terminal de LNG de Altamira, S. de RL de CV, with said sanctions being revoked.

34. Events after the reporting period

After the close of the period, on 2 February 2016, the Appointments and Remuneration Committee presented a Long-Term Bonus plan for 2016 to 2018 to the General Shareholders' Meeting, scheduled for 18 March 2016, for its approval. The proposed plan consists of an extraordinary, multi-year and mixed bonus, payable in cash and shares in the company, linked to the achievement of a strategic objectives, aligning the interests of the beneficiaries of the Plan with the achievement of value in the long-term for shareholders. The Plan may not exceed the delivery of as total of 307,643 shares.

In the case that the Bonus Plan is approved by the General Shareholders' Meeting, the basic characteristics of which shall be the object of development in its corresponding rules, which must also be approved by the Board of Directors.

Since 1 January 2016 and the date on which these Consolidated Annual Accounts were drawn up, no events have occurred that would significantly affect the profit (loss) of the Group or its equity.

35. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2-1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

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Appendix I – Subsidiaries of the Enagás Group at 31 December 2015

Company	Country	Activity	%	% of voting rights controlled by the Enagás Group	Share capital
Enagás Transporte S.A.U.	Spain	Regasification, storage and transport of gas	100	100.00%	532,089,120 euros
Enagás GTS, S.A.U.	Spain	Technical system operation	100	100.00%	4,913,507 euros
Enagás Internacional, S.L.U.	Spain	Holding company	100	100.00%	102,129,009 dollars
Enagás Financiaciones, S.A.U.	Spain	Financial management	100	100.00%	90,000 euros
Enagás Transporte del Norte S.L.	Spain	Gas transport	90	90.00%	38,501,045 euros
Compañía Transportista de Gas Canarias, S.A.	Spain	Storage of gas and regasification	100	100.00%	900,000 euros
Enagás Chile, S.P.A.	Chile	Holding company	100	100.00%	23,243,152 dollars
Enagás Mexico, S.A.	Mexico	Holding company	100	100.00%	1,675,127 dollars
Enagás Peru, S.A.C.	Peru	Holding company	100	100.00%	2,654,120 dollars
Enagás USA, LLC	United States of America	Holding company	100	100.00%	1,888,234 dollars

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

DIRECTORS' REPORT OF THE ENAGÁS GROUP

I.- Group performance in 2015

The net profit of the Enagás Group at the end of the 2015 financial year was 412,662 thousand euros, representing a 1.5% increase against the same period last year.

The net turnover value is 1,196,366 thousand euros on 31 December 2015.

The investments of the Enagás Group in the 2015 financial year amount to 530 million euros, of which 206 million were put into domestic investments, largely on the purchase of groups such as Gascan, BBG and Saggas. The remaining 61% of the investments, 324 million euros, was spend internationally and chiefly on buying shares in the company Knubbsäl Topholding AB and increasing the stake in TgP (see point 2 on major investments).

The share capital of Enagás, S.A. amounted to 358,101 thousand euros, represented by 238,734,260 shares, each with a nominal value of 1.50 euros and all of the same class. The Parent's shares are fully paid up and traded on the Spanish stock exchange, including the electronic trading platform (the continuous market).

The Enagás Group carries out its business activities primarily in Spain, where it develops and operates virtually all its facilities. The Group leveraged its extensive track record developing and operating regasification plants and transport networks around the world to make a number of international business investments in 2015.

In respect of operations in Spain, throughout 2015 the Group fully maintained its basic natural gas regasification and storage facilities and it increased the natural gas basic transport network, servicing demand at all times.

The domestic demand for natural gas rose to 315 TWh in 2015, 4.5% higher than the figure reached in 2014, the biggest increase since 2008.

The increase is mainly down to the higher consumption of gas used in generating electricity and for household consumption.

Specifically, the demand for electrical generation has grown by 18.2% compared against 2014, largely due to a lower hydraulic generation in 2015, the increase in the electrical demand and the greater activity of combined cycles during the summer months, owing to the heat waves recorded.

In addition, the typical demand increased by 1.7% on account of the lower temperatures reached in the first quarter of 2015, the increase in the number of household customers and renewed industrial activity.

On 19 December 2014, Order IET/2445/2014 was published in the Spanish Official State Gazette. This Order establishes the tolls and fees for third-party access to gas facilities and the 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.

Subsequently, the previous order was amended by Order IET/389/2015 of 5 March 2015, which updates the automatic calculation of maximum prices for the sale of bottled liquefied petroleum gases, before tax, and modifies the automatic calculation of sale prices, before, of liquefied petroleum gases for piping.

In terms of CO₂ emissions, Enagás has reduced its carbon footprint by more than 45% compared with 2014. The Energy Efficiency Plan contains measure that in 2015 have made it possible to prevent the emission of around 44,000 t CO₂ into the atmosphere, largely through lower internal consumption of natural gas in the operating of regasification plants below the technical minimum and ship-loading.

Additionally, the programme for reducing methane emissions in the transport network has made it possible to prevent the emission of 84.4 tonnes of methane per year.

In 2015, the Group continued to expand and enhance its regasification, transport and storage facilities to bring them into line with demand forecasts.

In this respect, the following significant actions carried out were:

- Reduced internal consumption at the Huelva plant.
- Emission below the technical minimum at the Cartagena Plant.
- Gaviota drilling tower and wells.
- Refurbishment of the dock at the Barcelona Plant.
- Power generation at the Barcelona plant.
- Euskadour compression station.
- Revamping of the dock facilities at the Barcelona Plant.

Overall, as of 31 December 2015, the Enagás Group's gas infrastructure comprising the basic natural gas network consisted of the following:

- Almost 10,314 kilometres of gas pipelines throughout Spain.
- Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara) and Gaviota (Vizcaya).
- Four regasification plants in Cartagena, Huelva, Barcelona and Gijón.
- The Group additionally owns 50% of the BBG Regasification Plant (Bilbao), 40% of the Altamira Plant (Mexico) and 20.4% of the Bahía de Quintero Plant (Chile), and indirectly 30% of the Sagunto Regasification Plant (Valencia).
- Since March 2014, the Enagás Group owns 20% of the company Transportadora de gas del Perú, whose assets make up the Natural Gas Transportation Pipeline System between Camisea and Lurín and the Liquefied Natural Gas Transport pipeline between Camisea and Costa. It is worth noting that from July 2015 the Enagás Group increased its shares in that company by 4.34%, bring its total stake up 24.34%.
- In addition, it should be noted that the Enagás Group has a 30% holding in COGA, the company responsible for operating and maintaining the gas transport infrastructure in Peru.
- From 15 April 2015, the Enagás Group hold 50% of Knubbsäl Topholding AB, indirect holder of 100% of Swedegas AB, holding company of the entire network of the high-pressure gas system in Sweden and sole operator in Sweden with European TSO (Transmission System Operator) certification.

II. Main business risks

The Enagás Group is exposed to various risks intrinsic to the sector, markets in which it operates and the activities it performs, which, should they materialise, could prevent it from achieving its objectives and executing its strategies successfully.

The Enagás Group has established a risk management and control model aimed at ensuring the continuity of the business and the achievement of the objectives of the company in a predictable manner and with a medium-low profile for all of its risks. This model is based on the following features:

- establishing a context of appetite for risk that is consistent with the established business goals and the market context in which the company is developing its activities;
- the consideration of some standard types of risk that the company is subject to;
- the segregation and independence of the risk management and control functions brought together in the company on three levels of defence;
- the existence of certain governing bodies with responsibilities for supervising the level of risk in the company;
- transparency in the information provided to third parties, guaranteeing its reliability and rigour.

The integral analysis of all risk permits the appropriate control and management thereof, an understanding of the relationships between them and facilitates their joint assessment. This is accomplished by taking into account the differences of each type of risk in terms of its nature, handling capacity, risk measurement tools, etc.

The main risks associated with the Group's business activities are classified as follows:

1. Strategic and Business Risks

These are risks which are inherent to the gas sector and are linked to potential losses of value or results derived from external factors, strategic uncertainties, economic cycles, changes to the environment, changes to patterns of demand, competition and market structure or changes to the regulatory framework, as well as those derived from taking the incorrect decisions in relation to business plans and company strategies.

The activities carried out by the Enagás Group are notably affected by legislation (local, regional, national and supranational). Any change in that legislation could negatively affect profits and the value of the company. Within this type of risk, regulatory risk is of special relevance, and is associated with the remuneration framework and, therefore, the regulated income from business activities.

Similarly, the new developments of infrastructures are subject to obtaining licences, permits and authorisation from governments, as well as legislation of various types, notably environmental regulations. These long-term and complex processes may give rise to delays or modifications to the designs initially projected due to: i) obtaining authorisation, ii) the processes relating to environmental impact studies, iii) public opposition in the affected communities, and iv) changes in the political environment in the countries in which it operates. All of these risks may increase costs or delay projected income.

The growth in demand may also bring negative effects that will have a different impact in the short and medium-to-long term.

In the short term, the variation in the demand for transport, regasification and underground storage of natural gas in Spain has a direct impact on a component of the regulated remuneration received by these activities. The degree to which regasification plants are used may have a negative impact on the forecasted operating costs, through greater internal consumption and greenhouse gas emissions.

In the medium-to-long term, the increase in the demand is a factor that creates opportunities for building new projects in transport, regasification and underground storage infrastructure for natural gas and its development may alter or delay decisions taken in dealing with these projects.

The results of the company may also be affected by the legal risk arising from the uncertainties related with the different interpretation of contracts, laws or regulations which the company and third parties may have, as well as the results of any law suits undertaken.

The internalisation process that Enagás Group is undertaking means that its operations are being developed in specific regulatory frameworks and contexts of different investment needs, which have specific risks associated with them.

This context includes risks resulting economic or political crises that affect the operations of subsidiaries, the expropriation of assets, changes in commercial, tax, accounting or employment legislation, restrictions applied to the movement of capital, etc.

Major infrastructure projects are being undertaken, which are exposed to various risks of construction, for example deviations in completion deadlines or changes to plans and designs, with potential negative impact on the planned investment, penalties, etc.

Certain internal regulatory frameworks mean that subsidiaries assume a commercial risk and their short-term revenue is affected by the increase in the demand, competitiveness of natural gas compared with other sources of energy or the negotiation of tariffs with industrial clients.

The Enagás Group has implemented measures to control and manage its strategic and business risk within acceptable risk levels. To this end, it continually monitors risks relating to regulation, the market, the competition, business plans, strategic decisions, etc., and the management measures for keeping them at acceptable levels.

2. Operational and Technological Risks

During the performance of the activities carried out by Enagás Group there may be direct or indirect losses of value caused by inadequate processes, failure of physical equipment and computer systems, human resource errors or those deriving from certain external factors.

The main operational and technological risks that the Enagás Group is exposed to are those related with incidents and/or the unavailability of its infrastructure, teams and systems, which have negative economic effects due to repair costs or higher investment. Some of the regulatory frameworks in which the group operates also establish penalties in the event of the prolonged unavailability of the infrastructure.

Each year, the Enagás Group identifies the control and management activities that allow it to adequately and appropriately respond to those risks. The control activities that have been defined include employee training, the application of certain internal policies and procedures, maintenance plans and the definition of quality indicators, the establishment of limits and authorisations, and quality, prevention and environmental certificates, etc., that allow the likelihood of the occurrence of these risk events to be minimised.

To mitigate the negative economic impact that the materialization of some of these risks could have on the Enagás Group, a series of insurance policies have been obtained.

Some of these risks could affect the reliability of the financial information prepared and reported by the Enagás Group. To control these types of risks, an Internal Control over Financial Reporting System (ICFRS) has been established, the details of which may be consulted in the Corporate Governance Report.

3. Credit and Counterparty Risks

Credit risk consists of the possible losses arising from a failure to pay the financial or quantifiable obligations owed by a counterparty to which the Enagás Group has extended net credit and is pending settlement or collection. The counterparty risk includes the potential breach of obligations acquired by a counterparty in commercial agreements that are generally established in the long-term.

The Enagás Group monitors in detail this type of risk for its commercial activity, which is particularly relevant in the current economic context.

The activities carried out include analysing the risk level and monitoring the credit quality of counterparties, regulatory proposals to compensate the Group for any possible failure to comply with payment obligations on the part of marketers (an activity that takes place in a regulated environment), the request for guarantees or guaranteed payment schedules in the long-term agreements reached with respect to the international activity, etc.

The measures for managing credit risk involving financial assets include the placement of cash at highly-solvent entities, based on the credit ratings provided by the agencies with the highest international prestige. Interest rate and exchange rate derivatives are contracted with financial entities with the same credit profile.

The regulated nature of Enagás Group business activity does not allow an active customer concentration risk management policy to be established. However, the internalisation process that the Company is carrying out will facilitate the reduction of this potential risk.

Information concerning credit and counterparty risk management is disclosed in Note 17 to the consolidated financial statements.

4. Financial Risks

The Enagás Group is subject to the risks deriving from the volatility of interest and exchange rates, as well as movements in other financial variables that could negatively affect the company's liquidity.

Interest rate fluctuations affect the fair value of assets and liabilities that accrued interest at fixed rates, and the future flows from assets and liabilities that accrue interest at floating rates. The objective of interest rate risk management is to achieve a balanced debt structure that minimises the cost of debt over a multi-year horizon with low volatility in the income statement. For this purpose, hedges are put in place using derivatives and at the moment the Enagás Group maintains its fixed or protected debt structure of over 70%.

Foreign currency risk relates to debt transactions denominated in foreign currency, income and expenses relating to companies whose functional currency is not the euro and the effect of converting the financial statements of those companies whose currency is not the euro during the consolidation process. Exchange rate risk management at the Enagás Group pursues a balance between the flows relating to assets and liabilities denominated in a foreign currency at each of the companies. The possibility of arranging exchange rate derivatives to cover the volatility affecting the collection of dividends is also analysed at each opportunity for international expansion.

The Enagás Group maintains a liquidity policy that is consistent in terms of contracting credit facilities that are unconditionally available and temporary financial investments in an amount sufficient to cover the projected needs over a given period of time.

The financial risk management policy is set out in Note 18 to the consolidated financial statements.

5. Reputational Risks

Reputational risk refers to any action, event or circumstance that could have either a harmful or beneficial effect on the company's reputation among its stakeholders.

The Group has implemented a reputational risk self-assessment procedure which uses qualitative measurement techniques. This process considers the potential reputational impact of any of the risks listed in the current inventory as a result of strictly reputational events arising from the action, interest or opinion of a third party.

6. Compliance Risk and Model

The Enagás Group is exposed to the compliance risk, which includes the cost associated with potential penalties for breach of laws and legislation, or penalties resulting from the materialisation of operational events (environmental damage, damage to third parties, filtration of confidential information, health, hygiene and workplace security, etc.). In addition, the use of improper business practices (infringement of competition laws, independence of functions, etc.) or the breach of internal company policies and procedures.

Also, the Group may be affected by risks associated with the improper use of assessment models and/or risk measurement, and hypotheses that are outdated or do not have the necessary precisions to be able to correctly evaluate their results.

7. Criminal Liability Risks

The amendments made to Article 31 bis of the Criminal Code in 2010 and 2015 establish criminal liability on the part of legal entities. In this regard, the Enagás Group could be held liable in Spain for certain crimes committed by its directors, officers and staff in the course of their work and in the interest of the Company.

To prevent this risk from materialising, the Enagás Group has approved a Crime Prevention Model and has implemented the measures needed to prevent corporate crime and the avoid liability for the Company.

As a result of the international development of the company, the Crime Prevention Model is being expanded for the purpose of meeting the requirements of Mexican criminal legislation and US anti-corruption legislation.

III. Use of financial instruments

In February 2008, the Enagás Group Board of Directors approved an interest rate hedging policy devised to align the Group's financial cost with the target rate structure set under its Strategic Plan.

In compliance with this policy, the Group entered into a series of interest rate hedges in the course of 2015. As a result, 82% of total gross debt was hedged against interest rate increases at 31 December 2015.

IV. Outlook

The natural gas market is mature. The Spanish gas sector is dependent on the stream of regulations emanating from the European Union. The Enagás Group, which generates most of its revenue from the regulated business in Spain, is committed to Europe's new energy policy objectives. To this end, it is working intensively to help make sure that these regulatory developments prove as effective as possible, factoring in the characteristics of the internal market, and that they are properly integrated into the Spanish framework.

Net profit in 2016 is expected to increase by 0.5% compared with 2015.

The Enagás Group is considering making investments in 2016 of around 465 million euros, 70% of which are expected to go towards new international acquisitions and 30% towards regulated assets in Spain.

V. Research and development

In 2015 the activities carried out by the Company, with regard to technological innovation, focused on the study, analysis and, where applicable, application of new gas technologies in order to increase and improve the efficiency and security of operations and the competitiveness of the activities carried out, concentrating its technological efforts on projects with strategic value for the Company.

The most significant activities carried out by area in 2015 were:

- a) **Production (LNG).** The contribution to the newly revised LNG Custody Transfer Handbook has been finalised with the preparation and validation of the procedure to determine the energy transferred in a load, according to the alternative method proposed (mass balance). CFD studies for flaring at the Cartagena Plant and flaring and venting at the Barcelona Plant: Corrections made subject to the results of the hydrodynamic analysis. Completion of a sensitivity analysis on the operating parameters of a recondenser to determine whether there was a need to acquire the ROMEO tool. Launch of the project to develop an internal tool (Julieta) for optimising the recondenser. Contribution to the preparation of the Retail LNG Handbook published in 2015. Revision of the state of the technology for LNG fiscal measurement in small-scale applications and launch of a pilot test to compare measurements with Coriolis meters against the static measurement in tank loaders at the Barcelona Plant.
- b) **Transport.** The Company completed its part in a European project to adopt a common position on the quantitative evaluation of gas leaks in gas transport systems. It also took part in European studies into the development of Power to Gas technology, evaluating the operating and financial repercussions that could result from injecting small amounts of hydrogen into the natural gas network. A Spanish project also commenced to design natural gas production plants based on hydrogen produced electrolytically using the excess from renewable energies and the CO₂ content of biogas.
- c) **Storage.** The use of equipment for flow measurement for multiphase flows in the exit chamber of underground wells and a pilot project has been launched.
- d) **Operation.** The SPOL tool (Logistics Optimisation and Planning System) has been adapted to the new regulatory changes introduced in 2015 and to the new infrastructure regulatory framework. Finally, the Company continued with the development of a model to determine gas quality through simulation (NGQT), having established in collaboration with the Spanish Centre for Meteorology the technical requirements for obtaining certification for the system.
- e) **Safety.** Various projects and studies have been developed in relation to the analysis of risks involving gas pipelines and Enagás facilities. Specifically, all compressor stations, pipelines and positions belonging to two autonomous communities. The Group has also continued to participate in the development of important international databases.
- f) **Measurement.** Work continued to improve the measurement of sulphur compounds, dew points and hydrocarbon levels in natural gas, implementing a methodology for the contrast of measurements taken in the laboratory as well as in the field. A model is being developed to estimate the uncertainty of measuring energy in the transport network in order to improve the limitations on local and global calculation of the uncertainty and its integration as part of the measurement system.
- g) **Projects of general interest.** The Group has continued to develop a project that will cover all of the Group's facilities and is intended to boost energy efficiency both from the standpoint of optimising consumption and producing electricity from residual energy from the process: pressure, heat and cold. Various comparisons and proofs have been conducted on the evolution of the VUM software, which is a tool used in the metrology verification procedures at measuring stations.
- h) **Other matters.** The Group has also collaborated with various regulatory preparation groups relating to gas and biomethane quality, in accordance with the M400 and M475 mandates of the European Union, and the measurement of natural gas. Analysis and preparation of a report to be sent to MINETUR on the impact of narrowing the range of the Wobbe Index in Spain Study of the variation in the main quality parameters in the RBG, meeting the needs of the Pilot Study to harmonise the Wobbe Index launched by MARCOGAZ and EASEE-gas.

VI. Transactions with treasury shares

The Group did not carry out any transactions involving treasury shares during the 2015.

VII - Additional information

This additional disclosure is included to comply with article 116.bis of Securities Market Law 24/1988, of 28 July.

a) Capital structure, 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 thereto and the percentage of total share capital represented

Capital structure of the parent company:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
05-03-02	358,101,390	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

Significant shareholdings (excluding directors):

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
BANK OF AMERICA CORPORATION	-	8,627,588	3.614
RETAILS OEICS AGGREGATE	-	2,410,274	1.01

Significant shareholdings of directors holding voting shares in the company:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr. ANTONIO LLARDÉN CARRATALÁ	56,396	-	0.024
Mr. MARCELINO OREJA ARBURÚA	1,260	-	0.001
SOLANA GONZALEZ, GONZALO (1)	440	550 ⁽¹⁾	0.000
Mr. LUIS JAVIER NAVARRO VIGIL (2)	1,405	7,075 ⁽²⁾	0.004
Mr. MARTÍ PARELLADA SABATA	910	-	0.000
Mr. RAMÓN PÉREZ SIMARRO	100	-	0.000
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	11,936,713	-	5.000
TOTAL	11,997,224	7,625	5.029

¹ Through Investigación y Desarrollo de Estudios Aplicados, S.L., 50% owned with his wife.

² Through Newcomer.

(1) through:

Name or corporate name of shareholder	Number of direct voting rights	% of total voting rights
Investigación y Desarrollo de Estudios Aplicados, S.L.	550	0.000

(2) through:

Name or corporate name of shareholder	Number of direct voting rights	% of total voting rights
NEWCOMER 2000, S.L.U.	7,075	0,003

d) Any restrictions on voting rights

Article 6 bis ('Restrictions on shareholdings and the exercise of voting rights') of the bylaws was amended at the Extraordinary Shareholders' Meeting held on 31 October 2007 to bring it in line with the provisions of Law 12/2007 of 2 July.

Law 12/2007 of 2 July, amending Hydrocarbon Law 34/1998, of 7 October, in order to bring it into line with the provisions of Directive 2003/55/EC of the European Parliament and of the Council, of 26 June 2003 concerning common rules for the internal market in natural gas, provides a new wording for Additional Provision Twenty of Law 34/1998, which vests in Enagás, S.A. the role of technical system operator and sets ceilings on shareholdings in the Company. The wording of this additional provision now stands as follows:

"Additional Provision Twenty. Technical system operator.

ENAGAS, Sociedad Anónima shall undertake the duties, rights and obligations of technical system operator. (...)

No natural person or corporate body may hold, directly or indirectly, more than 5% of the share capital of the company acting as technical system manager, or exercise more than 3% of the company's voting rights. Such shares may in no event be syndicated. Parties operating in the gas industry or natural persons or corporate bodies that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise voting rights in the technical system manager above 1%. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises. Under no circumstances may share capital 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 calculating the interest in the shareholding structure, the same individual or body corporate 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."

Accordingly, Transitional Provision Six of Law 12/2007, of 2 July, stipulates that during the four months prior to the entry into force of the Law, Enagás, S.A. shall bring its bylaws in line with Additional Provision Twenty of Law 34/1998, of 7 October. Transitional Provision Two of Law 12/2007 of 2 July, further prescribes:

"Transitional Provision Two. Technical system operator.

The voting rights that correspond to the shares or other securities held by those persons that have a shareholding in Enagás, S.A., exceeding the maximum percentages indicated in Additional Provision Twenty of Hydrocarbon Law 34/1998, shall be suspended as of the entry into force of this provision.

The Spanish energy regulator shall be entitled to bring all legal actions aimed at ensuring compliance with the limitations imposed by this provision."

In accordance with the aforementioned legal provision, article 6a ("Limitation on shareholdings and exercise of voting rights") of Enagás, S.A.'s bylaws sets forth the following:

"No 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.

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

For the purposes of computing holdings in the share capital of the company, additional provision 20 of the Hydrocarbons Law 34/1998 of 7 October shall apply".

e) *Agreements between shareholders*

There is no record 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, with no limitation of powers, to all acts embodied in the Company's objects.

The Board of Directors shall be composed of a minimum of six members and a maximum of seventeen, appointed at the General Shareholders' Meeting.

Directors shall be elected by vote. For this purpose, the shares that are voluntarily pooled, to make a share capital that is equal to or greater than the result of dividing the latter by the number of Directors, shall be entitled to appoint a number of Directors equal to the integer number resulting from that proportion. If this power is exercised, the shares pooled in this way shall not take part in the voting for the appointment of the remaining Directors.

A director need not be a shareholder, may step down from office, may have his appointment revoked, and may be re-elected on one or more occasions.

Appointment as director shall take effect upon acceptance of the post.

Persons who are subject to any of the situations referred to in article 124 of the revised Spanish Companies Law may not be appointed as directors.

ARTICLE 37.- POSTS.

The Board of Directors will appoint its Chairman and, where applicable, a Deputy Chairman, who shall act as Chairman when necessary. In lieu of a Deputy Chairman, the most senior director in age shall substitute the Chairman.

The Board of Directors will be responsible for appointing a Secretary, and may also appoint a Deputy Secretary, which shall act as Secretary when necessary, those that may not be directors. In lieu of a Deputy Secretary, the most senior director in age shall substitute the Secretary.

Provisions of the organisational and operational regulations of the Board of Directors (adopted by the Board of Directors on 29 March 2007):

ARTICLE 3.- QUANTITATIVE AND QUALITATIVE COMPOSITION.

1.- Within the minimum and maximum limits set forth under article 35 of the Company's current bylaws, and without prejudice to the powers of proposal enjoyed by shareholders, the Board of Directors shall submit to the General Meeting such Board membership size as it deems appropriate in the interests of the Company at the given time. The General Meeting shall decide on the final number.

2.- The Board of Directors shall be composed of Directors classified into the categories specified 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 Directors may belong to this category.

- b) External Consultants: 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 who 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 these Regulations.

In exercising its powers of co-option and proposal to the General Meeting to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, Independent Directors represent a broad majority over Executive Directors, and that among Non-Executive Directors the ratio of Proprietary to Independent Directors reflects the existing ratio of share capital represented by Proprietary Directors to all other 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.- In order to be considered for appointment, candidates must have a solid reputation and possess the professional know-how and experience required to discharge their duties, in addition to complying with all requirements associated with the post imposed by law and the bylaws.

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 departs from the Committee's recommendations, it must explain the reasons for this, and such reasons must be duly recorded in the minutes.

3.- Selection procedures must be free of any implied 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 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. As such, the following shall in no circumstances qualify 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 elapsed since the termination of that 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. 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) 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 a non-executive 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 their own behalf or as a significant shareholder, director or senior manager of any company that maintains or has maintained such relationship. Business dealings are considered those with suppliers of goods or services, including financial advisory and consultancy services.
- f) Persons who are significant shareholders, executive directors or senior managers of any entity that receives, or have received during the past three years, significant donations from Enagás, S.A. or its Group. Mere sponsors of a foundation receiving donations are not included here.
- g) Spouses, partners or relatives up to the second degree of any of the Company's Executive Directors or senior managers.
- 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. Significant-Shareholder Appointed Directors disqualified as such and obliged to resign due to the disposal of shares by the shareholder they represent may only be re-elected as independents once the said shareholder has sold all remaining shares in the company.

A director with shares in the company may qualify as independent, provided he or she meets all the conditions stated in this article and the holding in question is not significant.

ARTICLE 10.- TENURE AND CO-OPTION

Directors may hold their post for a period of four years, and may be re-elected. Directors appointed by co-option will perform their functions until the date of the next General Shareholders' Meeting.

ARTICLE 11.- RE-APPOINTMENT OF DIRECTORS

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

As a general rule, appropriate rotation of independent directors should be endeavoured. For this reason, when an Independent Director is proposed for re-election, the circumstances making this Director's 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 Law, 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 shareholder represented by a Significant-Shareholder Appointed Directors sells its entire interest. 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 Director must be included in the category that, in accordance with these Rules and Regulations, is most appropriate based on his/her new circumstances.

3.- The Board of Directors 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 Articles of Association:

ARTICLE 26. – SPECIAL QUORUM.

In order to enable the Ordinary or Extraordinary General Shareholders' Meeting to validly resolve to issue bonds, increase or reduce capital, transform, merge or spin-off the Company and, in general, to amend the bylaws in any

way, it will be necessary, at first call, that the shareholders in attendance (either in person or represented) hold at least fifty per cent of the share capital with voting rights.

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 powers delegated to the Executive Chairman, Antonio Llardén Carratalá, by the company's Board of Directors, were granted in the public deed executed on 9 February 2007 before the Notary Public of Madrid Pedro de la Herrán Matorras, under number 324 in his notarial archive, and recorded in Volume 20,090, Book 0, File 172, Section 8; Sheet M-6113; Entry 668 of the Madrid Mercantile Register.

On 25 March 2014 the Board of Directors of Enagás, S.A. delegated to MARCELINO OREJA ARBURÚA the powers that the Board of Directors considered had to be delegated to the Chief Executive Officer within statutory limits, in accordance with article 43 of the Company's Articles of Association and article 19 of the Board Regulations. These powers were granted in the public deed executed on 28 May 2014 before the Notary Public of Madrid Pedro de la Herrán Matorras, under number 1,306 in his notarial archive, and recorded in Volume 32,018, Book 0, File 5, Section 8, Sheet M-6113, Entry 777 of the Madrid Mercantile Register.

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 at the General Shareholders' Meeting held on 11 May 2007 is currently in force. Its terms are:

"To grant the Board of Directors the broadest powers required by law to increase the Group's share capital, once or several times, within a maximum period of five years from the date of the Meeting, under the terms of article 153.b) of the Spanish Companies Law, 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 was also empowered to cancel pre-emption rights, in full or in part, in accordance with article 159 of the Spanish Companies Law."

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, the Chief Executive Officer and eight of its officers that include express severance pay clauses.

The clauses in each case are applicable in cases of company termination of the contract, unfair disciplinary dismissal, dismissal for the reasons outlined under article 52 of the Workers' Statute, or as decided by the manager citing one of the reasons outlined under article 50 of the Workers' Statute, provided the resolution is certified by means of conciliation between the parties, legal judgement, arbitration award, or resolution by a competent administrative body. They are not applicable if the resolution is the result of a unilateral decision made by the manager without just cause.

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

VIII.- The average payment period to suppliers.

The Group's average payment period was 22 days.

IX.- Events after the balance sheet date

After the close of the period, on 2 February 2016, the Appointments and Remuneration Committee presented a Long-Term Bonus plan for 2016 to 2018 to the General Shareholders' Meeting, scheduled for 18 March 2016, for its approval. The proposed plan consists of an extraordinary, multi-year and mixed bonus, payable in cash and shares in the company, linked to the achievement of a strategic objectives, aligning the interests of the beneficiaries of the Plan with the achievement of value in the long-term for shareholders. The Plan may not exceed the delivery of as total of 307,643 shares.

In the case that the Bonus Plan is approved by the General Shareholders' Meeting, the basic characteristics of which shall be the object of development in its corresponding rules, which must also be approved by the Board of Directors.

Since 1 January 2016 and the date on which these Consolidated Annual Accounts were drawn up, no events have occurred that would significantly affect the profit (loss) of the Group or its equity.

Consolidated Financial Statements at 31 December 2015

Enagás, S.A. and Subsidiaries

On 15 February 2016, the Board of Directors of Enagás, S.A. authorised the consolidated financial statements and management report for the year ended 31 December 2015, 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.

DECLARATION 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 consolidated financial statements, prepared in accordance with applicable accounting principles, provide a true and fair view of the equity, financial position and results of the Group and that the Group's management report includes a fair analysis of the performance and results of the businesses and the situation of the Group, together with the description of the main risks and uncertainties faced. They additionally state that to the best of their knowledge the directors not signing below did not express dissent with respect to the annual consolidated financial statements or management report.

Chairman

Mr. Antonio Llardén Carratalá

Chief Executive Officer

Mr. Marcelino Oreja Arburúa

Directors

Sociedad Estatal de Participaciones Industriales-SEPI
(Represented by Mr. Federico Ferrer Delso)

Mr. Antonio Hernández Mancha

Mr. Luis Javier Navarro Vigil

Ms. Ana Palacio Vallelersundi

Mr. Martí Parellada Sabata

Mr. Jesús Máximo Pedrosa Ortega

Mr. Ramón Perez Simarro

Ms. Rosa Rodríguez Díaz

Mr. Gonzalo Solana González

Ms. Isabel Tocino Biscarolasaga

Mr. Luis Valero Artola

Secretary to the Board

Mr. Rafael Piqueras Bautista