ANNUAL REPORT

2013

enagas

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The 2013 Annual Report is an integrated report incorporating the principles of the International Integrated Reporting Council (IIRC)

Index

Enagás delivers all the commitments of its Strategic Plan for the seventh consecutive year

1. Letter from the Chairman -1.1-

Dear Shareholders

I am pleased to have this opportunity to present to you the highlights of 2013, a year which saw Enagás deliver all of the commitments in our Strategic Plan for the seventh consecutive year.

The 2013 results are proof of the company's robustness and underscore our ability to take on future challenges. Net profit advanced 6.2% thanks to our efforts in operating and financial efficiency as well as international investments, representing 30% of the increase in net profit.

The higher profits and an increased pay-out up to 75% will enable us to submit a gross dividend of €1.27 per share for approval by the General Shareholders' Meeting, a 13.8% increase on the previous year. As you well know, shareholder remuneration is a cornerstone of our strategy.

Enagás invested €531Mn in 2013. These investments, which help ensure our future growth, were possible thanks to the efforts of our team and our prudent policy of acquiring assets that fit our business.

In 2013 we updated our strategy for 2013-2015, a period in which we plan to steadily continue expanding and focus on undertaking international projects.

We are committed to good corporate governance and managerial excellence

I would also like to highlight the company's sound management and financial structure, both of which have enabled us to close the year with the lowest average cost of debt of all entities on the IBEX-35 and a prudent level of indebtedness.

The securities markets recognised our economic and financial strength in 2013, a year which saw the Enagás share price gain 17.7% and continue to outperform the IBEX-35, a trend which began in 2007 when we embarked on our current Strategic Plan. Within the shareholder structure, our free-float remained at 85%, giving us extremely high stock market liquidity.

Another key feature of the Enagás management model, which we have maintained and strengthened, is our commitment to sustainability. In this regard, I would note that this year, for the sixth year running, we were included in the prestigious Dow Jones Sustainability Index with the highest score in the Gas Utilities sector for the economic dimension, as well as leading in other aspects such as climate change policy, environmental policy and reporting, occupational health and safety and stakeholder management.

We also renewed our presence in the FTSE4Good and are one of just three Spanish companies in the new edition of the UN's Global Compact 100 index, and the only Spanish company in the Vigeo World 120 Index.

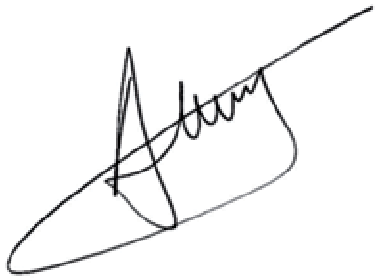
Also in 2013, our management model obtained European Excellence 500+ recognition from the European Foundation for Quality Management (EFQM) and was awarded "Proactive B+" status as a Family-responsible company.

We also continued advancing in corporate governance matters, adopting best practices in this field. As you know, our Board of Directors and Board Committees comprise mainly Independent Directors, something which is particularly relevant in a company such as ours, with a free-float of 85%. We have also been proactive in increasing the number of women both on our board and in senior management posts. With the addition of a new female Director in 2013, the percentage of women on our board is now 20%, which is higher than the average for IBEX-35 companies.

This year's Annual Report, which has been prepared for the second year running using the integrated reporting format, applies the most advanced information-reporting procedures and contains detailed information in this regard.

I would like to thank the dedication of all Enagás employees, whose technical and human qualities are the company's main assets and the foundations of our future growth.

To end, I would also like to thank all our shareholders, on my behalf and on behalf of the Board of Directors, for the trust you have placed in us and your support throughout the year. In 2014 and beyond, we will continue striving with the same enthusiasm to achieve our over-riding objective of maximising value for our shareholders, employees and stakeholders.



Antonio Llardén
Chairman

We report on matters which concern our stakeholders

2. About our 2013 Annual Report

-2.1, 2.6, 3.1, 3.2, 3.3, 3.5, 3.6, 3.7, 3.8, 3.10, 3.11-

Scope of the financial and non-financial information included in this report

The scope of this report includes information relating to 2013 is limited to Spain, where the Enagás Group (Enagás S.A., Enagás Transporte S.A.U., Enagás GTS S.A.U., Enagás Internacional S.L.U. and Enagás Financiaciones S.A.U.), hereinafter "Enagás", carries on its business. The following criteria have been applied to the information reported herein:

- Financial information is presented in accordance with the consolidation principles applied in the financial statements.

- Non-financial information relates to operations that are fully controlled by Enagás (100% ownership), including those of Enagás Transporte Norte which is 90% owned.

For further details on the scope of the financial information, refer to section 2.4 of the Financial Statements, Basis of consolidation.

Standards and principles used in preparing this report

The following standards and principles were used in preparing this 2013 Annual Report:

- The principles in the Integrated Reporting Framework, published by the International Integrated Reporting Council, IIRC *(www.theiirc.org)*, for which Enagás participated in the Integrated Reporting Pilot programme.

- The Sustainability Reporting Guidelines of the GRI (Global Reporting Initiative), version 3.1, Oil & Gas sector supplement, defining the main aspects to be taken into account.

AA1000

- The principles of the AA1000 standard: inclusivity, materiality and responsiveness.

- The 10 Principles of the UN Global Compact which are described in Appendix 6. Contents of the Global Compact.

- The work carried out by the Spanish Association of Accounting and Business Administration (AECA), where Enagás collaborates in developing integrated reporting.

We report on the key aspects (materiality analysis) - 3.5 -

The materiality analysis carried out for this report took into account the following:

Internal sources:

- The **Enagás 2013-2015 Strategic Update**, establishing the company's priorities for the coming years (see section 6. Our Strategy).
- The **CSR Strategy, Vision 2020,** which sets out our CSR commitments to help support the company's strategy (see section 7. Creating value in the present and future).
- The **issues relevant to our stakeholders,** as identified by out internal stakeholder relationship managers. In 2013, we updated our stakeholder map in line with our 2013-2015 Strategic Update, where internal parties representing our various stakeholders identified key aspects of their relations with Enagás (see section 7.2.4. Innovation culture and shared value).

External sources:

- The **opportunities and risks in the gas sector** affecting the company's management and strategy, taking into consideration the geographical and regulatory backdrop in which the company operates (see section 5. Outlook for the natural gas sector).
- The **opinion of stakeholders** expressed via the various consultations made in previous years and the opinion of the internal parties representing them.
- The **assessment made by various organisations and institutions** (indexes, agencies, etc.) regarding the scope and content of the information on sustainability published by the company, including any suggestions for improvements.

A wide range of people representing various departments within the company took part in drawing up the 2013 Annual Report, contributing information based on the abovementioned sources.

Committed to information transparency

3. Key figures: financial and non-financial

Key figures: financial and non-financial information - 2.8, EC1 -

Financial information

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EBITDA (€Mn)	383.0	399.1	478.4	563.6	596.0	636.2	701.3	780.8	885.5	934.3	**1,028.1**
EBIT (€Mn)	249.5	275.1	332.8	378.7	408.3	433.1	484.7	530.9	585.9	618.4	**668.9**
Net profit (€Mn)	142.0	158.1	191.0	216.4	238.3	258.9	298.0	333.5	364.6	379.5	**403.2**
Dividends (€Mn)	71.0	79.1	95.5	112.6	143.0	155.3	178.8	200.1	237.0	265.7	**302.4**
Pay-out	50%	50%	50%	52%	60%	60%	60%	60%	65%	70%	**75%**
Investment (€Mn)	426.3	462.9	358.7	430.6	508.6	776.9	901.6	796.3	781.4	761.4	**531.4**
Net debt (€Mn)	1,278.7	1,421.0	1,546.5	1,779.2	1,942.7	2,351.3	2,904.0	3,175.3	3,442.6	3,598.6	**3,772.7**
Equity (€Mn)	932.4	997.8	1,110.4	1,235.2	1,344.8	1,456.1	1,593.4	1,738.8	1,867.4	2,014.9	**2,118.4**
Assets (€Mn)	3,093.0	3,101.4	3,225.6	3,626.2	3,976.0	4,717.8	5,777.9	6,829.1	7,717.4	8,083.4	**7,210.6**
Net debt/EBITDA	3.3x	3.6x	3.2x	3.2x	3.3x	3.7x	4.1x	4.1x	3.9x	3.8x	**3.7x**
Interest cover (EBITDA/interest)	12.1x	12.3x	11.1x	11.1x	9.8x	7.9x	9.6x	9.9x	9.0x	8.4x	**7.9x**
Net debt/total assets	41.3%	45.8%	47.9%	49.1%	48.9%	49.8%	50.2%	46.5%	44.6%	44.5%	**52.3%**
Net debt/Net debt + shareholders' equity	57.8%	58.7%	58.2%	59.0%	59.1%	61.8%	64.6%	64.6%	64.8%	64.1%	**64.0%**
Average cost of debt	2.9%	3.0%	3.4%	3.6%	4.3%	4.7%	3.3%	2.7%	2.8%	2.5%	**3.0%**
ROE after tax (*)	15.9%	16.4%	18.1%	18.5%	18.5%	18.5%	19.5%	20.0%	20.2%	19.6%	**19.5%**
ROCE after tax (**)	7.5%	7.7%	8.5%	8.7%	8.8%	8.5%	8.2%	7.9%	8.0%	7.9%	**8.1%**

(*) Net profit/Average shareholders' equity.
(**) EBIT after tax/Average net debt + average shareholders´equity.

Financial ratings

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Standard & Poor's	A+	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	BBB	**BBB**
Fitch	-	-	A+	A+	A+	A+	A+	A+	A+	A-	**A-**

Stock market data

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Share price at 31 December (€)	8.60	12.20	15.80	17.62	19.99	15.56	15.43	14.92	14.29	16.14	**18.99**
Dividend per share (€)	0.30	0.33	0.40	0.47	0.60	0.65	0.75	0.84	0.99	1.11	**1.27**(*)
Earnings per share (€)	0.59	0.66	0.80	0.91	1.00	1.08	1.25	1.40	1.53	1.59	**1.69**
Capitalisation (€Mn)	2,052.8	2,912.1	3,771.5	4,205.9	4,771.6	3,714.7	3,682.5	3,560.7	3,411.0	3,852.6	**4,534.7**
No. of shares (Mn)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	**238.7**

(*) Distribution of the 2013 gross dividend of €1.27 per share is subject to approval by the General Shareholders' Meeting.

Integrated reporting indicators structured according to the objectives of the Enagás CSR strategy

A safe, reliable Company

	2011	2012	2013
Committed to good corporate governance			
Directors (Num.)	15	13	**15**
Independent Directors (%)	53.3%	61.5%	**60%**
Board gender diversity (%)	13.4%	15.4%	**20%**
Non Audit Fees (%)	27.2%	13.6%	**3.2%**
General Shareholders' Meeting quorum (%)	57.0%	55.8%	**53.1%**
Attractive financial results for investors and shareholders			
EBITDA growth (%)	13.4%	9.0%	**10.0%**
Net profit growth (%)	9.3·%	5.5%	**6.2%**
Dividend /share price growth (%)	18.4%	12.1%	**13.8%**
Net debt/EBITDA (veces)	3.9x	3.8x	**3.7x**
Share price performance (%)	-4.2%	+12.9%	**+17.7%**
Sustainable management of the supply chain			
Approved suppliers (Num.)	1,989	2,010	**1,875**
Critical/approved suppliers (%)	52.1%	51.8%	**54.4%**
Suppliers receiving orders/approved (%)	48%	45%	**56%**
Orders assessed in reliability analysis (%)	-	11.6%	**18.9%**
Suppliers audited in management systems (Num.)	-	31	**51**
Volume of purchases assessed under CSR criteria (%)	-	-	**64%**

Sustainable business

	2011	2012	2013
Respect for the environment			
Total CO_2 emissions (equiv. tonnes $C0_2$)	337,178	449,565	**478,884**
Surface area restored (km^2)	8.26	7.39	**3.26**
Surface area replanted (km^2)	0.40	0.81	**0.93**
Water consumption (m^3)	67,438	107,907	**94,845**
Waste generated (tonnes)	3,772	3,913	**3,455**
Waste recycled (%)	59%	48%	**63%**
Energy efficiency			
Consumption of natural gas (GWh)	1,025	1,672	**1,921**
Consumption/demand natural gas (%)	0.27%	0.46%	**0.58%**
Consumption of electricity (GWh)	193.2	183.2	**145.3**
Electricity generation/consumption (%)	-	1.85%	**8.75%**
Developing the local environment			
Social action investment (€Mn)	2.2	1.6	**1.6**
Social action investment / Net profit (%)	0.6%	0.4%	**0.4%**
Employee participation in volunteer work (%)	-	5.0%	**8.5%**
Time spent on volunteer work (hrs)	-	400	**640**
Innovation culture and shared value			
Shipper satisfaction with transmission (%)	80%	82.5%	**83%**
Transmission company and distributor satisfaction with transmission (%)	76.7%	78.3%	**79%**
Shipper satisfaction with technical system management (%)	76.7%	83.5%	**80.5%**
Transmission company and distributor satisfaction with technical system management (%)	76.7%	78.7%	**81.2%**
Shared value initiatives (Num.)	-	-	**4**

Excellent capacities

	2011	2012	2013
Equal opportunities and personal development			
Net job creation (%)	7.55%	-0.71%	**2.77%**
Voluntary employee turnover (%)	0.8%	0.46%	**0.45%**
Absenteeism (%)	3.65	2.33	**2.46**
Workforce gender diversity (%)	22.47%	22.45%	**22.8%**
Senior management gender diversity (%)	14.06%	15.87%	**18.84%**
Investment in training per employee (€)	956.20	898.25	**1,192**
Training per employee (hrs)	48.92	45.77	**52.00**
Frequency of accidents entailing sick leave for own staff (Num.)	7.51	9.01	**5.31**
Frequency of accidents entailing sick leave for contract staff (Num.)	7.08	6.36	**9.32**
Index of seriousness entailing sick leave for own staff (Num.)	0.07	0.37	**0.25**
Index of seriousness entailing sick leave for contract staff (Num.)	0.20	0.28	**0.36**
Ethical and responsible behaviour			
Complaints received via ethics channel (Num.)	-	2	**2**
Personnel trained in code of ethics (Num.)	-	-	**128**

Distribution of economic value generated (€Mn) -EC1-

	2011	2012	2013
Economic value generated (EVG)	**1,154.8**	**1,199.0**	**1,308.1**
Economic value distributed (EVD)	**727.5**	**754.3**	**817.6**
Suppliers	193.1	168.1	**157.9**
Company	164.8	164.8	**162.3**
Investment in social action	2.2	1.6	**1.6**
Taxes	162.6	163.2	**160.7**
Employees (personnel expenses)	67	79.0	**85.5**
Capital providers	302.6	342.4	**411.9**
Dividends paid to shareholders*	237.0	265.7	**302.4**
Financial results	65.6	76.7	**109.5**
Economic value retained (EVR)	**427.3**	**444.7**	**490.5**

(*) The final dividend for 2013 is subject to approval by the General Shareholders' Meeting.

Trends in Enagás infrastructures

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
National gas demand (GWh)	275,238	319,600	375,894	391,435	408,431	449,389	401,855	400,700	372,976	362,687	**333,302**
Km of gas pipeline	6,522	7,158	7,538	7,609	7,655	8,134	8,884	8,981	9,280	9,680	**10,233**
LNG storage capacity (m^3) *	560,000	710,000	987,000	1,287,000	1,287,000	1,437,000	1,437,000	1,887,000	2,037,000	2,037,000	**1,957,000**
Emission capacity (m^3(n)/hr)	2,250,000	2,700,000	3,450,000	4,050,000	4,200,000	4,350,000	4,650,000	4,650,000	4,650,000	4,650,000	**4,650,000**
Extraction capacity (Mm^3(n)/day)	12.5	12.5	12.5	12.5	12.5	6.9	6.9	6.9	12.4	27.4	**27.4**
Injection capacity (Mm^3(n)/day)	8.4	8.4	8.4	8.4	8.4	4.0	4.4	4.4	8.9	18.9	**18.9**

* Includes storage capacity at Cartagena, Barcelona and Huelva plants.

For further details on Enagás infrastructures refer to the Our Business Model section and our corporate website ***(www.enagas.es).***

We are a leading gas company in Spain and are rapidly expanding on the international stage

4. Our activity

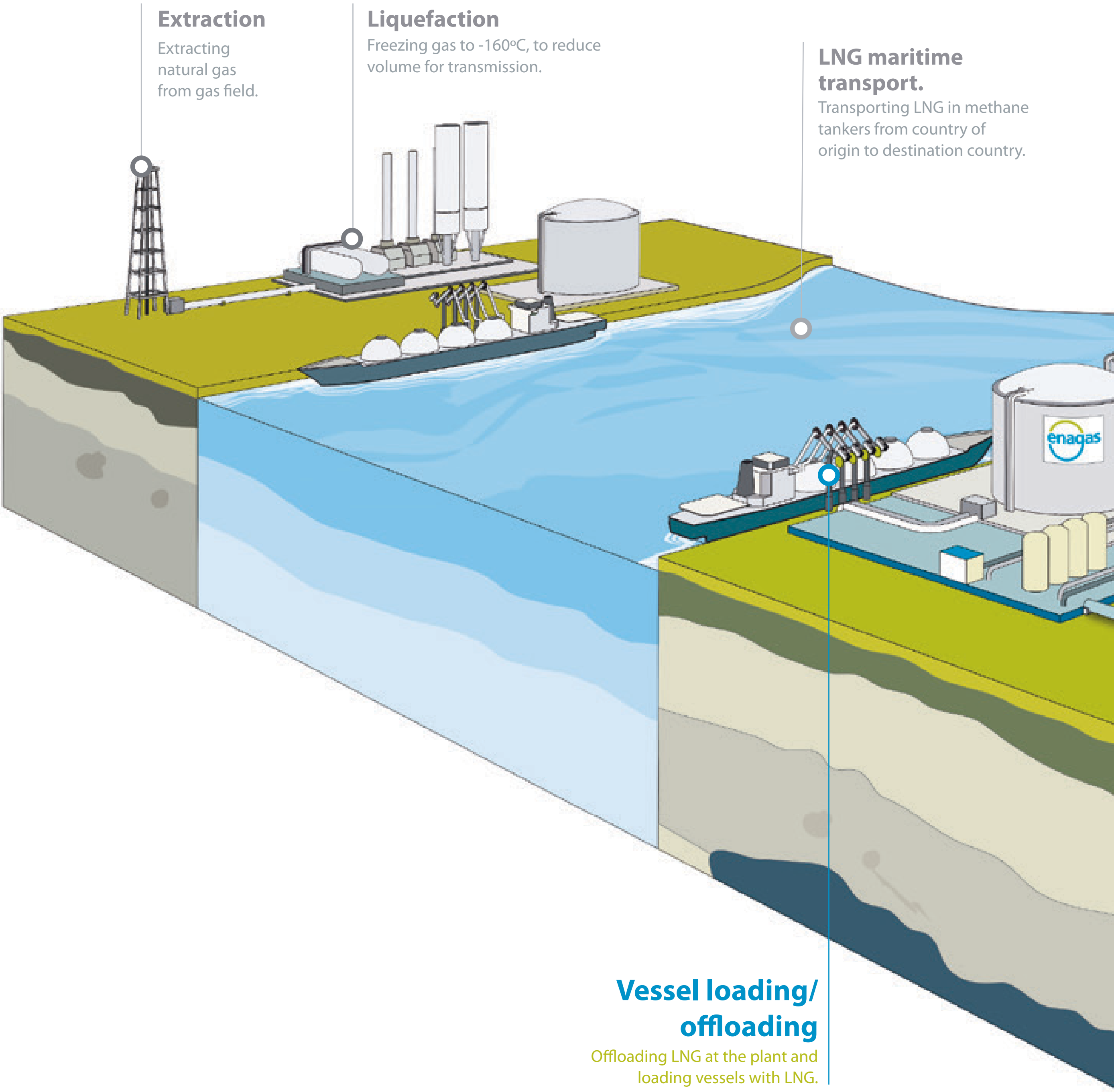
-2.2, 2.5, 2.7 -

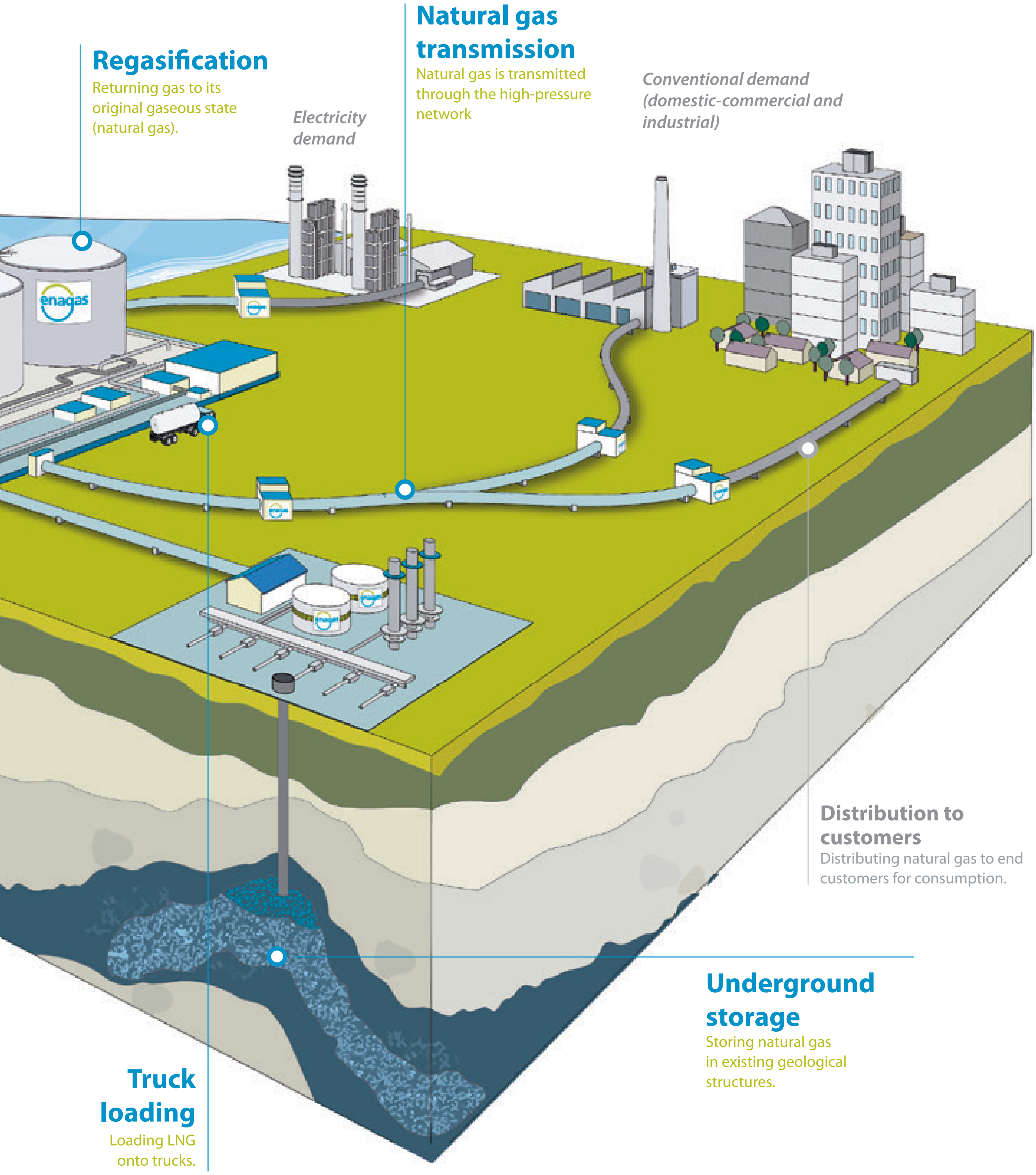
Enagás is Spain's leading natural gas transmission, regasification and storage company, the technical manager of the gas system and a European TSO.

Enagás, the technical manager of the gas system and the only transmission company for the gas transmission trunk network in Spain, plays a key role in strategically supporting development of the gas network in Spain.

The company's activities include technical management of the Spanish gas system and operating and maintaining gas infrastructures in a secure, efficient, profitable and environmentally-responsible manner.

Enagás and the gas value chain




Regasification
Returning gas to its original gaseous state (natural gas).
Electricity demand
Natural gas transmission
Natural gas is transmitted through the high-pressure network
Conventional demand (domestic-commercial and industrial)
Distribution to customers
Distributing natural gas to end customers for consumption.
Underground storage
Storing natural gas in existing geological structures.
Truck loading
Loading LNG onto trucks.

4.1. Our company - 4.8 -

Enagás has revised its mission, vision and values in line with its 2013-2015 Strategic Update.

Mission

To develop and manage gas infrastructures in a secure, efficient and environmentally-responsible manner; complying with prevailing legislation and helping guarantee supply, particularly **in our role as the** Technical System Manager in Spain; offering our experience, knowledge and best practices to create value for our stakeholders.

Vision

To be **a national and international standard bearer in the development and management of** gas infrastructures, promoting their use by offering innovative services that contribute to sustainable development.

Values

- **Efficiency**
- **Transparency**
- **Innovation**
- **Integrity**
- **Sustainability**
- **Security**

In July 2012, following the Group's restructuring and hive-downs, the Enagás Group consisted of the parent company, Enagás, S.A, and four subsidiaries, Enagás GTS, S.A.U, Enagás Transporte, S.A.U, Enagás Internacional S.L.U. and Enagás Financiaciones S.A.U. Enagás, S.A. owns 100% of all four subsidiaries.

Our remuneration

Enagás is compensated for these activities by the Spanish regulatory authorities (the Ministry of Industry, Energy and Tourism and the National Markets and Competition Commission).

This compensation is revised once a year in a Ministerial Order and should enable Enagás to recover its investment, obtain a reasonable return and incentivise efficient management.

For more information on compensation see Sections 4 and 21, Regulation of Remuneration and Revenues, of the Annual Financial Statements.

4.2. Scope of operations

Sole transmission company for the gas transmission trunk network

Enagás develops, operates and maintains its infrastructures, providing third-party access and offering services to shippers, to meet their needs and expectations.

The company boasts the following infrastructures:

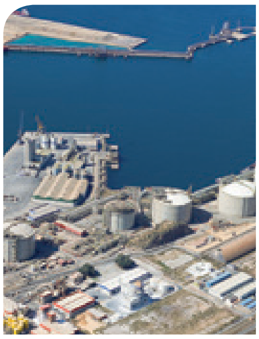
- Over 10,000 km of gas pipelines throughout Spain.
- Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara) and Gaviota (Vizcaya).
- Four regasification plants: Cartagena, Huelva, Barcelona and El Musel (Gijon). It also owns 40% of the BBG regasification plant in Bilbao and 41.94% of Gascan, a company constructing two regasification plants in the Canary Islands.

Enagás regasification plants

Barcelona plant

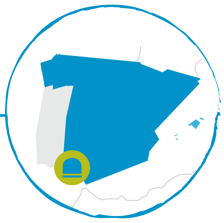
- Number of tanks **6**
- Storage capacity 760,000 m³ LNG
- Emission capacity 1,950,000 m³ (n)/h
- Docking capacity 266,000 m³ LNG

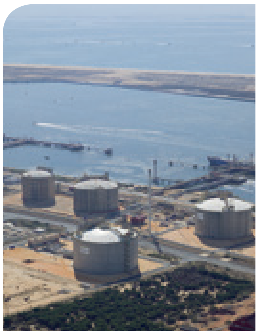
Cartagena plant



- Number of tanks **5**
- Storage capacity 587,000 m³ LNG
- Emission capacity 1,350,000 m³ (n)/h
- Docking capacity 266,000 m³ LNG

Huelva plant

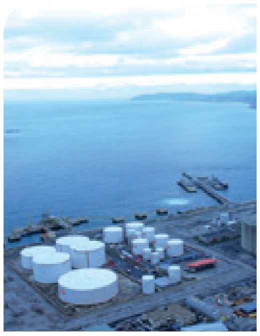




- Number of tanks **5**
- Storage capacity 610,000 m³ LNG
- Emission capacity 1,350,000 m³ (n)/h
- Docking capacity 173,400 m³ LNG

BBG plant (Bilbao)

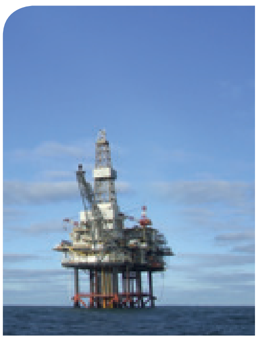
(40% ownership)



- Number of tanks **2**
- Storage capacity 300,000 m³ LNG
- Emission capacity 800,000 m³ (n)/h
- Docking capacity 270,000 m³ LNG

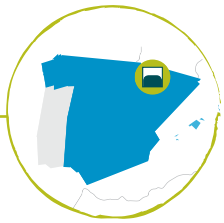
Underground storage facilities

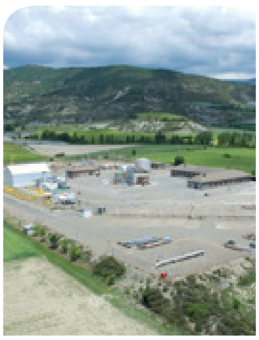
Gaviota Underground Storage Facility (Vizcaya)



- Working gas 980 Mm³ (n)
- Cushion gas - non-extractable 1,134 Mm³(n)
- Injection capacity 4.5 Mm³ (n)/d
- Production (max.) 5.7 Mm³ (n)/d

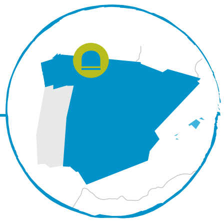
Serrablo Underground Storage Facility (Huesca)





- Working gas 680 Mm³ (n)
- Cushion gas - non-extractable 280 Mm³(n)
- Injection capacity 4.4 Mm³ (n)/d
- Production (max.) 6.7 Mm³ (n)/d

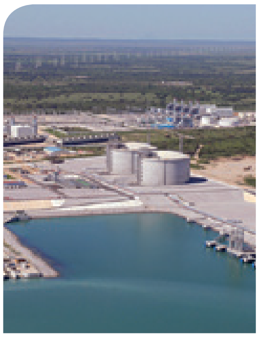
El Musel plant*



- Number of tanks **2**
- Storage capacity 300,000 m³ LNG
- Emission capacity 800,000 m³ (n)/h
- Docking capacity 266,000 m³ LNG

* Pending following RD-Law 13/2012, third transitory provision.

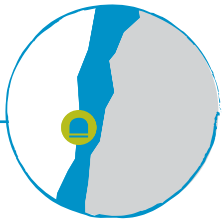
Altamira Regasification plant (Mexico) (40% ownership)



- Number of tanks **2**
- Storage capacity 300,000 m³ LNG
- Emission capacity 800,000 m³ (n)/h
- Docking capacity 216,000 m³ LNG

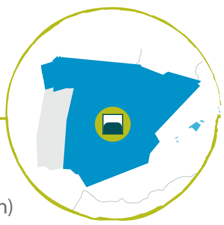
Quintero GNL plant (Chile)

(20.4% ownership)



- Number of tanks **3**
- Storage capacity 334,000 m³ LNG
- Emission capacity 600,000 m³ (n)/h
- Docking capacity 265,000 m³ LNG

Yela Underground Storage Facility (Guadalajara)



- Working gas 1,050 Mm³ (n)
- Cushion gas - non-extractable 900 Mm³(n)
- Injection capacity 10 Mm³ (n)/d
- Production (max.) 15 Mm³ (n)/d

For further details, refer to Enagás' infrastructure and services catalogue in the Gas transmission section of the corporate website ***(www.enagas.es)***.

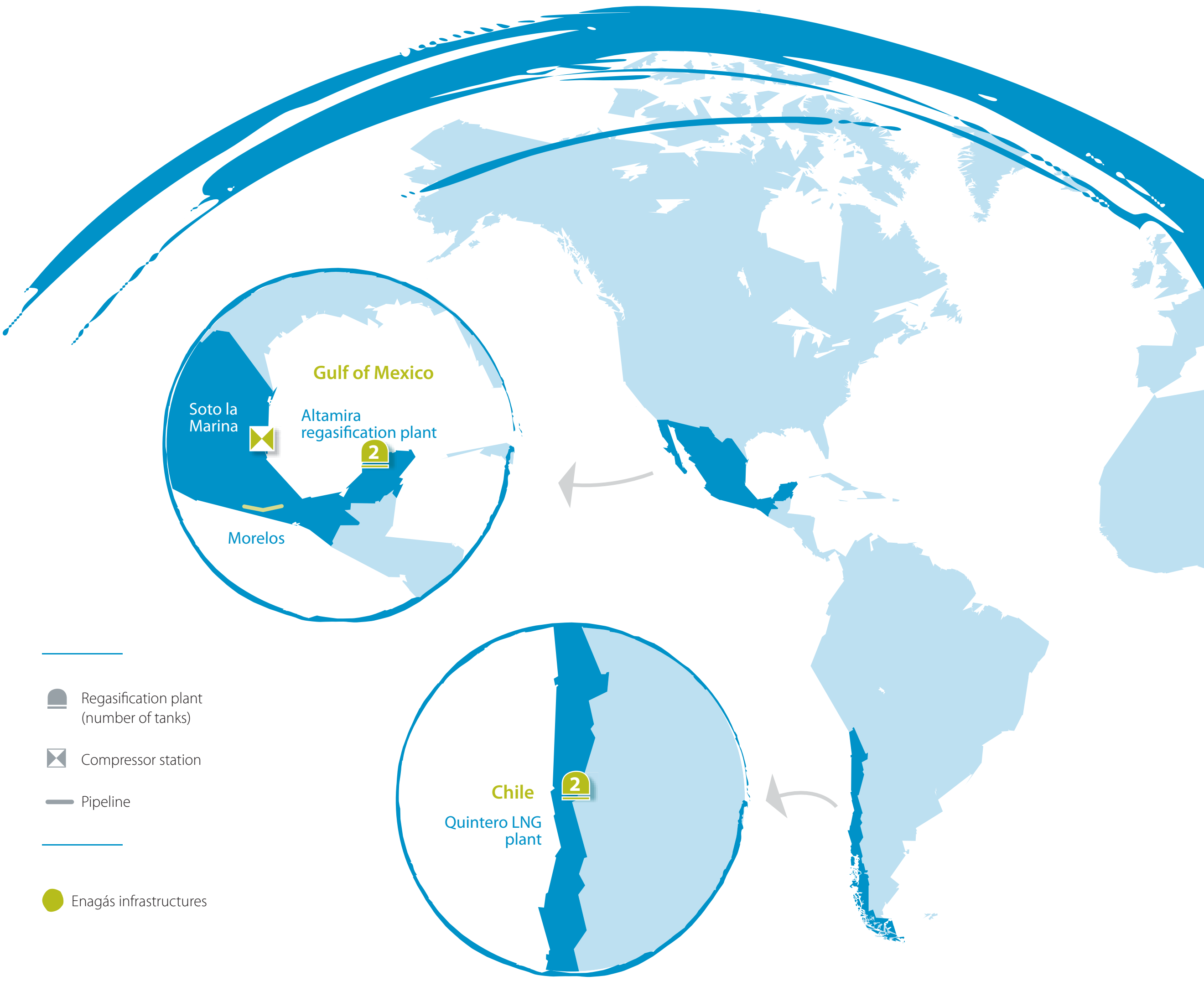
International transmission company

Enagás' extensive track record in developing and operating regasification plants and transmission networks around the world resulted in a number of international business investments in 2013. Enagás also holds TSO accreditation and is now on a par with natural gas transmission operators in other European countries.

Enagás invests in international projects which fit with its *core business*, allow it to keep its indebtedness within the target set and guarantee a satisfactory return on investment.

In this regard, Enagás owns a 40% stake in the Altamira Plant in Mexico and 40% of the Quintero LNG plant in Chile through a joint company with Oman Oil Company, in which it holds 51%.

Enagás also owns 50% of the company developing the gas pipeline in Morelos and 50% of the company which is developing the Soto la Marina compression station, both of which are in Mexico.



Acquisitions in 2013 - HR1 -

1 August

The consortium consisting of Enagás (50%) and the Mexican company Fermaca (50%) won the tender run by the Mexican Federal Electricity Committee (CFE) to provide natural gas compression service through the construction, operation and maintenance, as owner, of the Soto la Marina compressor station in the Mexican state of Tamaulipas, for a period of at least 20 years.

4 September

Enagás increased its stake in the Quintero LNG regasification terminal in Chile, through the acquisition of a second 20% tranche from the BG Group. As part of the move, Enagás brought in Oman Oil Company to hold 49% of the company Terminal de Valparaíso, in which Enagás continues to be the main shareholder. This makes Enagás the primary shareholder in the terminal.

Technical Management of the System

As the Technical System Manager, Enagás' core functions include guaranteeing continuity and security of supply and efficient coordination of access points, storage facilities, and transmission and distribution networks.

Moreover, to reinforce its autonomy as the Technical System Manager or TSM, the company has segregated the activities it performs as the System Operator from those it performs as a gas transmission company and manager of its own network, via the 2012 company hive-down.

We identify opportunities to continue to grow and reduce risks

5. Outlook for the natural gas sector

Outlook for the global natural gas sector

The natural gas market is expected to grow by tapping into non-conventional gas reserves and given the environmental benefits of reducing CO_2 emissions. The outlook for developing natural gas and LNG infrastructures is very bright.

Net imports of gas into Europe are expected to rise given stable consumption and lower output. There are also indications that gas corridors to guarantee and diversify the supply of natural gas will be encouraged.

Rising demand in the US and the discovery of *shale gas* will help boost investment in export infrastructures there as well as import infrastructures (pipelines and regasification) in Latin America. This will lead to a greater contribution from natural gas in the energy mix.

Export infrastructures in Australia are likely to be developed to help mobilise reserves, while rising demand in Asia will necessitate developing gas import infrastructures.

In addition to the abovementioned opportunities, vertically-integrated companies have recently begun to sell off their non-core *midstream-assets*, which are a perfect fit with our *core business* and could give rise to good investment opportunities.

Outlook for the natural gas sector in Spain

In 2013, gas exports rose sharply in Spain, up 35% on the previous year, at 42 TWh. Exports via tanker (32 TWh) were up 40% on 2012, while exports via international connections advanced 23% to 11 TWh.

For the first time in 13 years, the supply pattern in Spain was inverted, with natural gas imports via international connections comprising 54% of total entries (202 TWh), surpassing LNG unloaded at regasification plants. One again supply diversification remains high, with the Group importing gas from 11 different sources.

Over the coming years, the integrated operation of the Spanish gas system will need to be adapted and brought into line with new contracting models (CAM-CMP), and the processes needed to integrate the daily gas markets will be implemented *(Gas Target Model)*. Progress also needs to be made in the area of regional cooperation as outlined in EU Regulation 994/2010 regarding the security of gas supply.

Locally, and in coordination with official bodies, new services allowing greater and optimum utilisation of infrastructures must be agreed. Here, the IET Order for 2014 tolls and fees favours tanker loading at terminals.

For Enagás, our regulated assets in Spain will remain a priority, as they have been throughout our more than forty-year history. We have achieved a highly deregulated, extensive and efficient gas system but there remains scope for investment in infrastructures to help strengthen security of supply.

This holds true for the regasification plants under construction in Tenerife and Gran Canaria, which have a key role to play in improving the islands' security of supply, reducing generation costs, and, from an environmental standpoint, reducing emissions of CO_2.

For further details on gas transmission, refer to the Annual Spanish Natural Gas System Report on the Enagás' website ***(www.enagas.es)***, in the Technical Management of the System section.

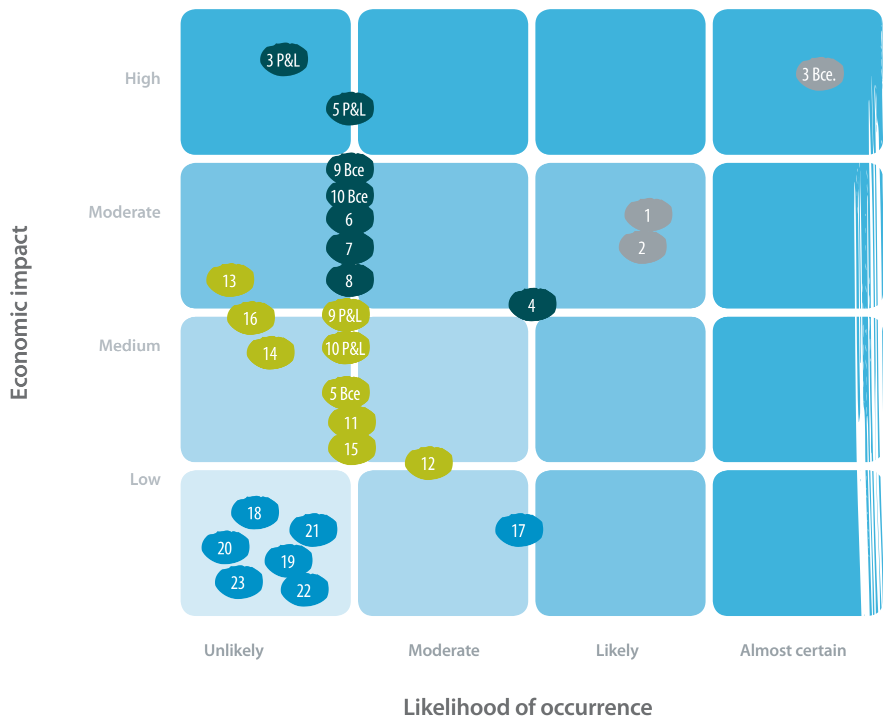
Risk management at the Enagás Group

Enagás has an Integrated Risk Management Model to enable management to deal effectively with the uncertainties, contingencies and opportunities that may arise, thereby improving its ability to create value and offer shareholders and other stakeholders a higher standard of assurance as regards profitability and environmental and social impact.

The risk matrix includes possible economic losses caused by operational, business, counterparty and financial events.

Enagás assesses the possible reputational impact the events in the risk matrix would have if they were to occur. Here we would highlight the possible reputational impact of operational risks such as incorrect business practices, leakage of confidential information, external fraud, regulatory and legal breaches, as well as business risk associated with obsolete infrastructures, equipment and systems.

Enagás Group corporate risk matrix



Risk levels: Critical Serious Manageable Acceptable

P&L Economic impact on P&L account.
Bce. Economic impact on balance sheet.

Note: The assessment of the four different types of risks has been carried out using different assessment scales for measurement of economic impact and probability.

Event	Details	P&L/ Balance Sheet	Assessment	Mitigating controls and actions defined
1. Changes in the regulatory/gas system framework.	• Changes in compensation model.	P&L		• Ongoing working relationship with domestic and European regulatory bodies and government bodies. • Active participation in gas sector agent associations. • Internal procedures related to these events.
2. Changes in demand patterns.	• Lower usage of a particular plant resulting in interruption to operations.	P&L		• Involvement in development of the European Energy Infrastructure Package in order to promote use of the Iberian Corridor. • Dialogue with other companies in the sector to seek new uses for LNG. • Study of LNG uses and services provided by underground storage systems and facilities. • Coordination with the GTS and other agents in the gas system. • Analysis of internal/external demand. • Action plan for developing plants. • Internal procedures related to this risk.

Event	Details	P&L/ Balance Sheet	Assessment	Mitigating controls and actions defined
3. Obsolescence of facilities, equipment and systems.	• Obsolescence of infrastructures, equipment and systems.	P&L Balance Sheet		• Quality, occupational health & safety and environmental certification. (ISO 9001, OHSAS 18001, ISO 14001) and audits for prevention of serious accidents. • Implementation of the LS-TPA 2.0. system and future alignment with standards implemented in other companies in the sector. • Internal procedures relating to materialisation of this risk. • Formation of various committees and working groups. • Checking the condition of installations. • Investment to prevent facilities becoming obsolete.
4. Changes in the economic and political backdrop affecting the Enagás Group.	• Changes in the value of an asset and/or company acquired and/or returns due to changes in the backdrop.	P&L		• Monitoring the profitability of investments. • Internal procedures, including control activities related to this risk.
5. Suppliers, counterparties, outsourcing and other agents.	• Non-performance and poor quality of third-party services and products that might cause losses for the Enagás Group. This mainly includes losses associated with possible delays with government bodies (CNMC, Ministry, etc.) in carrying out formalities and publishing resolutions.	P&L Balance Sheet		• Monitoring relations with government bodies. • Flow of information and documentation with government bodies and other agents in the gas system. • Enhancing communication to reduce the frequency and seriousness of administrative delays by allocating more resources. • Verifying inclusion of adequate contract clauses protecting Enagás from risks. • Periodic assessment of supplier reliability.
6. Infrastructures, equipment and systems.	• Losses resulting from incidents and availability issues with Group infrastructures.	P&L/ Balance Sheet		• Quality, Occupational Health and Safety and Environmental certifications (ISO 9001, OHSAS 18001, ISO 14001 and ISO 9001:2008). • Verification of the design, selection and execution of works or facilities and technical specifications for services, equipment and systems. • Existence of emergency action plans. • Performance and monitoring of Maintenance Plan and constant improvement of the same. • Control of physical access to facilities, buildings and plants. • Control systems and alarms to guarantee continuity and quality of service. • Investigation into and monitoring of incidents and availability issues.
7. Business practices and regulatory and legal breaches.	• Losses arising from poor business practices and/or regulatory and legal breaches.	P&L		• Business principles, ethics channel and reporting to the Business Principles Supervisory Committee. • All new employees must sign a confidentiality agreement. • Code of conduct for GTS personnel, application and monitoring of compliance. • Confidentiality agreement for third parties accessing confidential corporate information. • Controlling compliance with deadlines for work. • Monitoring training programmes and efficiency and updating of the same. • Control and monitoring of regulatory changes.

Risk levels: Critical Serious Manageable Acceptable

Event	Details	P&L/ Balance Sheet	Assessment	Mitigating controls and actions defined
8. Employment practices and workplace safety.	• Events related to occupational health & safety in the workplace.	P&L		• Review and periodic maintenance of facilities with risk of infection. • Checking compliance with the Occupational Health & Safety System and other procedures related to this risk. • Periodic review and improvement of the Occupational Health & Safety System. • Verification of installation status. • Investing to prevent facilities becoming obsolete.
9. Damage to the environment or to third parties.	• Environmental damage caused by problems with corporate buildings and infrastructures.	P&L Balance Sheet		• Environmental Policy. • ISO 14001 for infrastructures. • Analysis of environmental risks (plants and compressor stations). • Formal diagnosis of compliance with EMAS regulations.
10. Execution of processes and operations.	• Failures/unintentional errors in running processes (in internal and external communication, and losses due to leaks of confidential information etc.).	P&L Balance Sheet		• Internal Code of Conduct required by the CNMV. • Confidentiality clauses in all sale and purchase contracts, and all actions prior to such agreements involving access to confidential information or documentation. • Confidentiality clauses in all contracts signed by new recruits.
11. Poor quality or interrupted service.	• Losses resulting from poor quality and/or interrupted service.	P&L/ Balance Sheet		• Quality, Occupational Health and Safety and Environmental certifications (ISO 9001, OHSAS 18001, ISO 14001 and ISO 9001:2008). • Redundancy of control systems and equipment. • Scaling of the network and system security margin. • Improving and updating systems.
12. Structure and organisation.	• Loss of critical know-how. Loss of business opportunities due to the company lacking the capabilities to take on new challenges.	P&L		• Identification of potential and succession planning. • Knowledge Management Project. • Communities of practice. • Training associated with new business (commercial development, project and investment assessment, etc.). • Analysis of organisational models. Analysis assumptions consistent with the company's new strategy/ challenges. • Rules governing overseas assignments.
13. Lack of knowledge of regulations and standards applicable to new countries where the Enagás Group operates and/or has investments.	• Losses resulting from lack of knowledge of regulations and standards (of the energy/gas sector, accounting and tax matters, environmental, etc.) applicable in new countries where the Enagás Group operates.	P&L		• Engaging external advice from renowned firms and lawyers in countries where acquisitions are made. • Establishing alliances with local companies where investments are made. • Internal procedures relating to the materialisation of this risk.
14. Poor strategic decisions.	• Losses arising from poor strategic decisions (e.g. loss of compensation resulting from poor geographical location of work centres, loss of unresolved disputes relating to port duties, etc.).	P&L/ Balance Sheet		• Compliance with General Investment Regulations. • Periodic monitoring of status of unresolved disputes with the DATR and S.G. • Periodic meetings with working group. • Monitoring existing situation with corresponding administrative authorities: conversations with port authorities.

Risk levels: Critical, Serious, Manageable, Acceptable

Event	Details	P&L/ Balance Sheet	Assessment	Mitigating controls and actions defined
15. Fraud and unauthorised activities.	• Intentional acts involving undue appropriation of the company's assets, or breaches of ethical principles and internal policies.	P&L/ Balance Sheet		• Business principles, ethics channel and reporting to the Business Principles Supervisory Committee. • Control of physical access to facilities, buildings, plant, etc. • Control access to systems and data (user access and profiles). • Project to extend and improve ICFR in relation to anti-fraud policies (fraud testing applying SAS 99 methodology).
16. Corporate transactions.	• Losses arising from corporate transactions carried out by the Enagás Group. Mainly losses arising from decisions taken by strategic partners and actions by the same, which may negatively impact the Enagás Group's interests.	Balance Sheet		• Assessment of current partners to identify weaknesses and strengths for the Enagás Group. • Definition of criteria in choosing strategic partners. • Inclusion of adequate contract clauses.
17. Competitive pressure from other market agents..	• Award risk for potential corporate acquisitions.	P&L		• Internal procedures relating to the materialisation of this risk. • Inclusion of different scenarios in the Strategic Plan to ensure compliance.
18. Dependence on suppliers.	• Dependence on a single systems supplier.	P&L/ Balance Sheet		• Business principles, ethics channel and reporting to the Business Principles Supervisory Committee. • All new employees must sign a confidentiality agreement. • Modification of outsourcing policy. • Outsourcing Model to guarantee technological control of the SL-ATR 2.0. system to avoid dependence on suppliers.

Risk levels: Critical Serious Manageable Acceptable

Event	Details	P&L/ Balance Sheet	Assessment	Mitigating controls and actions defined
19. Power of market agents.	• Influence of other market agents on regulatory decisions in the countries where the Group operates.	P&L	●	• Ongoing working relationships with Spanish and European regulatory bodies and public administrations. • Active participation in gas sector agent associations and working groups.
20. Changes in accounting, tax and legal matters.	• Changes in accounting, tax and legal matters.	P&L/ Balance Sheet	●	• Technical advice from renowned external advisors. • Analysis of methodologies used to calculate fair value of financial instruments, derivatives, and counterparty risk analysis.
21. Relationship with investors and shareholders.	• Losses arising from mistakes or inadequacies in management and communication with shareholders, investors, analysts, etc.	P&L	●	• D&O insurance policy, covering possible shareholder claims over poor decisions taken by executives and Directors. • Communication policy for Investor Relations Department explaining, in a clear and transparent manner, to shareholders, investors and analysts all events and decisions taken by the company. • Ongoing monitoring and permanent relationship with shareholders, investors and analysts.
22. Credit or counterparty risk.	• Economic losses resulting from a counterparty being unable to meet contractual obligations.	P&L/ Balance Sheet	●	• The company is in the process of agreeing a reciprocal netting clause with most of its banks to reinforce its position in the event of breaches by these institutions.
23. Financial risk.	• Liquidity, interest rate and exchange rate risk.	P&L/ Balance Sheet	●	• Periodic sensitivity and "what-if" analysis of interest rate movements on the company's financing costs. • Analysis of the company's optimum financing structure. Arrangement of appropriate hedges. • Existence of a liquidity policy reviewed regularly by the Board of Directors that defines appropriate liquidity levels for the company.

Risk levels: Critical, Serious, Manageable, Acceptable

For further information on the Enagás integrated risk management model, refer to the Corporate Responsibility section on our corporate website ***(www.enagas.es)***,. -1.2, 4.10, 4.11, S02, S04, 4.9 -

Risk management model - 1.2, 4.10, 4.11, S02, S04–

The company's management is responsible for managing corporate risks and determining the measures to offset these, with support from the Audit and Compliance Committee as the Model supervisor.

Enagás has an Integrated Risk Management Model aligned with its Risk Policy that enables the company to manage its risks and opportunities, thereby boosting its ability to generate sustainable value for all stakeholders.

The Integrated Risk Management Model is based on best practices in managing corporate risks, as set out in the ISO 31000 international standard and the COSO II (Committee of Sponsoring Organizations of the Treadway Commission) international methodology framework.

For further details on Enagás' risks, refer to the Annual Financial Statements, Management Report for the Enagás Group, section II Main business risks. Main business risks.

For further information on the Enagás integrated risk management model, refer to the Corporate Responsibility section on our corporate website ***(www.enagas.es)***. **-1.2, 4.10, 4.11, S02, S04, 4.9 -**

Roles and responsibilities for risk management - 4.9 -

	Nurturing an internal ethos	Approving Corporate Management profile	Determining level of risk acceptable to Corporate Management	Approving global risk map	Risk management and control
Governing bodies (Board of Directors and Audit and Compliance Committee)		●		●	
Sustainability Committee	●	●		●	●
Management Committee	●	●	●	●	
Heads of each Department			●		●
General Secretariat-Internal Audit	●				●

Defining the *strategic drivers* of our 2013-2015 plan and pillars for international growth l

6. Our strategy

Enagás updated its 2013-2015 Strategic Plan in 2013, reaffirming the strategic *drivers* that will guide us over the next three years:

Strategic drivers

- Prioritisation of the core business: regulated assets in Spain
- Improvement of the shareholder remuneration policy
- Exploitation of international growth opportunities
- Sustainability as a driver of the company's business development

1. Our **regulated assets in Spain** will continue to be a priority as there is still scope to invest in infrastructures to improve security of supply.

2. **Improvement of the shareholder remuneration policy.** In 2013, the board decided to increase the *pay out* to 75%. This decision will be submitted for approval to the General Shareholders' Meeting.

3. Developing an **international strategy** based on the following strengths:

   a. 40 years of experience managing a complex, increasingly extensive gas network supporting an energy system in which renewable energies have come to play an increasingly prominent role in recent years.

   b. Global specialists in LNG infrastructures.

   c. Making inroads into strategic growth markets that are stable from a political and regulatory standpoint.

4. **Sustainability** as one of the cornerstones of our business, both in our activity in Spain and in our international growth. In this regard, in 2013 we updated our Corporate Responsibility strategy to help us achieve three key objectives:

   - A safe, reliable company
   - Sustainable business
   - Excellent capacities

(For more information see chapter 7. Creating value in the present and future).

As a consequence, and complementing our activity in the Spanish Gas system, we have developed an international growth strategy focusing on strategic and stable countries where we are planning strategic investment, as follows:

	Participating in the expected integration of the European gas market	Global specialist in LNG infrastructures (regasification and liquefaction)	Development of natural gas assets in growth markets
Description	• Increase our presence in the integration of the European gas market through alliances, joint ventures and minority stakes in key projects and/or selected assets.	• To become a specialist based on our considerable industrial capacities: - As an industrial partner with a stake in an asset or guaranteeing its development.	• Investment in selected assets: - In developing markets. - In attractive mature markets.
Underlying assumptions	• The integration of the European natural gas market is a reality. • Enagás can play a key role in the consolidation process.	• Enagás' decades of experience set it apart. • There are attractive opportunities for global specialists in specific niche markets.	• Ideal strategic partner. • There are opportunities in developing markets. • Enagás can seize these opportunities using its key capacities and creating value. • Gaining international experience before entering mature markets.

We will make this investment in accordance with our proven and stringent criteria for risk and returns, financial structure and core business asset types.

Strategic businesses

- Creating value in the areas where we have most experience: LNG, natural gas transmission and storage.

Governance

- Strategic role as an industrial partner, actively participating in managing assets.

Risk profile

- Similar risk in regulated and non-regulated businesses.

Results

- Stable and predictable cash flows, with attractive returns and low risk.

Partners

- Formation of alliances with local groups with capabilities that dovetail with those of Enagás.

Enagás Chairman Antonio Llardén and the Minister of Industry, Energy and Tourism, José Manuel Soria.

Significant events in 2013

Continuing the path embarked on in 2011 with the acquisition of a stake in the Altamira regasification plant in Mexico, and, a year later, the purchase of a stake in the Quintero LNG plant in Chile, the following significant events occurred in 2013:

- In August 2013, Enagás was awarded the **Soto la Marina compressor station project** in Mexico:

  The consortium consisting of Enagás (50%) and Mexican company Fermaca (50%) won the tender run by the Mexican Federal Electricity Committee (CFE) to provide natural gas compression service through the construction, operation and maintenance, as owner, of the Soto la Marina compressor station in the Mexican state of Tamaulipas, for a period of at least 20 years.

  The infrastructure will interconnect with the San Fernando-Cempoala gas pipeline owned by Petróleos Mexicanos (Pemex) and will increase transmission capacity.

  The project is expected to entail investment of around US$90Mn.

- Enagás increased its stake in the **Quintero LNG regasification plant** in Chile in September 2013, through the acquisition of the second 20% tranche from the BG Group.

  As part of the move, Enagás brought in Oman Oil Company to hold 49% of the company Terminal de Valparaíso, in which Enagás continues to be the main shareholder. Enagás is therefore the terminal's main shareholder.

The operation falls under the April 2012 agreement signed by Enagás to acquire the BG Group's 40% shareholding in LNG Quintero in two tranches. Enagás incorporated the company Terminal de Valparaíso for the acquisition of the first tranche (20%), which was completed in September 2012.

The acquisition of the remaining 20% required an investment of US$176Mn by Terminal de Valparaíso (US$3.52Mn from Enagás).

Our management-by-objectives model ensures we comply with our strategy

-4.10, 4.5-

The management-by-objectives model determines the variable remuneration of all Enagás Group employees with objectives being set for the entire organisation. The model is key to ensuring we meet our business targets.

The Appointments, Remuneration and Corporate Responsibility Committee is charged with approving the company's annual objectives, which affect variable remuneration throughout the company, including that of Executive Directors. In 2013, Enagás defined its objectives, based on four strategic drivers.

Strategic Drivers	Company objectives	KPIs	Target	Actual
Prioritisation of the core *business:* regulated assets in Spain	**Regulated assets:** Investment and associated remuneration	• Investments • Investments put into operation	€146.4Mn €520.3Mn	**€137.4Mn** **€516.0Mn**
Improvement of shareholder remuneration policy	**Financial result:** Increase based on critical actions	• Profit after tax	€406.0Mn	**€406.5Mn**
Exploitation of international growth opportunities	**International expansion:** New acquisitions and tenders	• Improved position in Mexico	Opening of Mexico office	**Office opened**
Sustainability as a driver of the company's business development	**Sustainability:** Organisational model, investor management, indices and issuances	• Presence in sustainability indices • Reduction of manageable CO_2 emissions	DJSI - 2.53%	**DJSI** **- 18.35%**

For further information on compliance with the company's targets for 2013, see the Annual Director Remuneration Report on the corporate website, under Shareholders and Investors - Corporate Governance

Our objectives for 2014 will follow the same structure and will be approved before the end of the first quarter.

Bolstering our organisational structure to handle our international growth

In 2012, in order to meet the demands of Enagás' new holding structure, the needs of international investors and to help drive international expansion, the company appointed Marcelino Oreja Arburúa as its CEO.

Continuing our efforts to promote and strengthen our international presence as a key growth driver over the coming years, we set up a Business Development Department in 2013.

We create value through sustainable management and excellence

7. Creating value in the present and for the future

"Sustainability as a driver of business development" is one of the four *drivers* in the 2013-2015 Strategic Update. In other words, the CSR Strategy ("Vision 2020") and the Sustainable Development Model are key components of the deployment and development of strategy in all areas of the business - management of regulated assets in Spain, and also international development.

CSR Strategy ("Vision 2020") defines three strategic objectives:

- **A safe, reliable company:** excellence in administration and management, with sustainable results for our shareholders.
- **Sustainable business:** boosting innovation and energy efficiency in creating corporate value.
- **Capacities for excellence:** we focus on our people and on ethical responsible behaviour in our international development.

CSR Strategy is deployed through the Sustainable Management Model, based on integration of the governance model, assessment tools for identifying improvements and a specific action plan for addressing any areas for improvement identified. It also avails itself of a scorecard system with indicators to gauge levels of performance in critical areas.

The action plan, known as the Quality, Excellence and Sustainability Master Plan ("PDQES"), is structured around the three CSR Strategy targets. Fulfilment of initiatives is linked to employees' variable remuneration.

For further details of Enagás' Vision 2020 CSR strategy, Quality, Excellence and Sustainability Master Plan and Sustainable Development Model, refer to the Corporate Responsibility section of the Enagás website ***(www.enagas.es)*** **. - 4.8, 4.12.-.**

CSR Strategy defines how the company is able to create value in the present and also for the future. In other words, how the company is able to manage its resources to secure sustainable results over time.

The following is a summary of the main performance indicators in 2013, in terms of the resources employed and the results and effects achieved.

Management of sustainable resources

Financial resources

- €531.4Mn in investment
- €546.0Mn in assets brought on stream
- Net debt/EBITDA 3.7x

Human resources

- 1,149 employees
- 22.80% women
- 2.46% absenteeism
- Accident frequency index for own staff 5.31
- Seriousness index for own staff 0.25
- 52 training hours per employee

Natural resources

- 1,921 GWh in consumption of natural gas
- 145.31 GWh of electricity consumption
- 8.75% of electrical power generated internally
- 0.09 hm^3 water consumption
- Consumption of methanold 345 hl

Material resources

- 1,957,000 m^3 LNG storage capacity
- 4,650,000 (m^3(n)/h) vaporisation capacity
- 27.4 Mm^3(n)/day extraction capacity at storage facilities
- 18.9 Mm^3(n)/day injection capacity at storage facilities
- 10,233 km of gas pipelines

Supply chain

- 1,875 approved suppliers:
  - 54.4% critical / approved suppliers
  - 55.6% suppliers receiving orders / approved suppliers
- 18.9% of orders assessed in reliability analysis
- 64% of purchases assessed under CSR criteria

2013 indicators

Governance and remuneration

- 15 Board Members
- 60% Independent Directors
- Female Board members 20%
- 53.1% quorum at AGM

Business processes at Enagás

Technical management of the Gas System

Development of infrastructures

Management of infrastructures and third-party access

Risk management

- 3.2 % *Non Audit Fees*

Results and impact of activity

Financial Results

- €1,308.1Mn in revenue
- €1,028.1Mn in EBITDA
- €403.2Mn net profit
- Leverage 64%
- Financial resources €2,114Mn

Impact on the surroundings

- 478,884 T CO_2 eq GHG emissions (CO_2 + CH_4 + N_2O + HCFCs)
- 3,455 t of waste
- 3.26 km^2 of restored surface area
- 0.93 km^2 of replanted surface area
- €1.6Mn in social investment

Relations with stakeholders

- 17.7% increase in share price
- Dividend +13.8%
- 83/100 shipper satisfaction with transmission
- 79/100 satisfaction of transmission companies and distributors with transmission
- 80.5/100 satisfaction of shippers with technical management of system
- 81.2/100 satisfaction of transmission companies and distributors with technical management of the system

The following chapters address levels of performance and future prospects in the major areas of company management, structured in terms of the three CSR Strategy targets: a safe and reliable company, sustainable business and capacities for excellence.

What was our level of performance in 2013?

Over the last year we have made progress in...

Committed to Good Corporate Governance

- Another female director on the Board (20%).
- Annual Corporate Governance Report audited by an independent third party.
- Reduction of *non-audit fees* to 3.2%.

Sustainable management of the supply chain

- Broadened scope of supplier reliability analyses - 662 orders from 170 firms.
- More certification of main suppliers in terms of quality, prevention and environmental concerns, with improvements by more than 550 suppliers.
- Improvements to the supplier reliability analysis system.

Attractive financial results for investors and shareholder

- Achievement of financial objectives: EBITDA, net profit, dividend and average cost of debt.
- Increase in shareholder remuneration (*pay-out* 75%, pending approval by AGM).
- 17.7% share price performance.

What were our results in 2013?

Our major indicators are...

Committed to Good Corporate Governance

Directors
15

53.1%
General Shareholders' Meeting quorum

Independent directors
60%

Board gender diversity
20%

3.2%
Non Audit Fees

7.1. A safe, reliable company

In which areas can we make progress in 2014?

We are working on...

Committed to Good Corporate Governance

- Appraisal of the functioning of the Board by an independent external expert.
- Analysis of the implementation of a multi-annual remuneration plan.
- Maintenance of the Board's independence and diversity.

Sustainable management of the supply chain

- Analysis of product and service categories for which quality, prevention and environmental certifications will be mandatory for work with Enagás.
- More information on climate change management within the supply chain.
- Greater assessment of compliance and audits for critical suppliers.

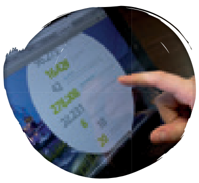
Attractive financial results for investors and shareholders

- Increase in net profit (+2.4%) and dividend (+2.4%), *pay-out* (75%).
- Investment in the region of €625Mn (35% regulated assets in Spain).
- Net debt approximately €3,750Mn, average cost of borrowing 3.3% and net debt/EBITDA ratio 3.8x.

Attractive financial results for investors and shareholders

EBITDA growth
10.0%

Greater net profit
6.2%



13.8%
Dividend growth

Share price performance
+17.7%

Net debt /EBITDA
3.7x

Sustainable management of the supply chain

1,875
Approved suppliers

Critical /approved suppliers
54.4%

Orders assessed in reliability analysis
18.9%

Suppliers audited in management systems
51

55,6%
Suppliers receiving orders /approved

Volume of purchases assessed under CSR criteria
64%

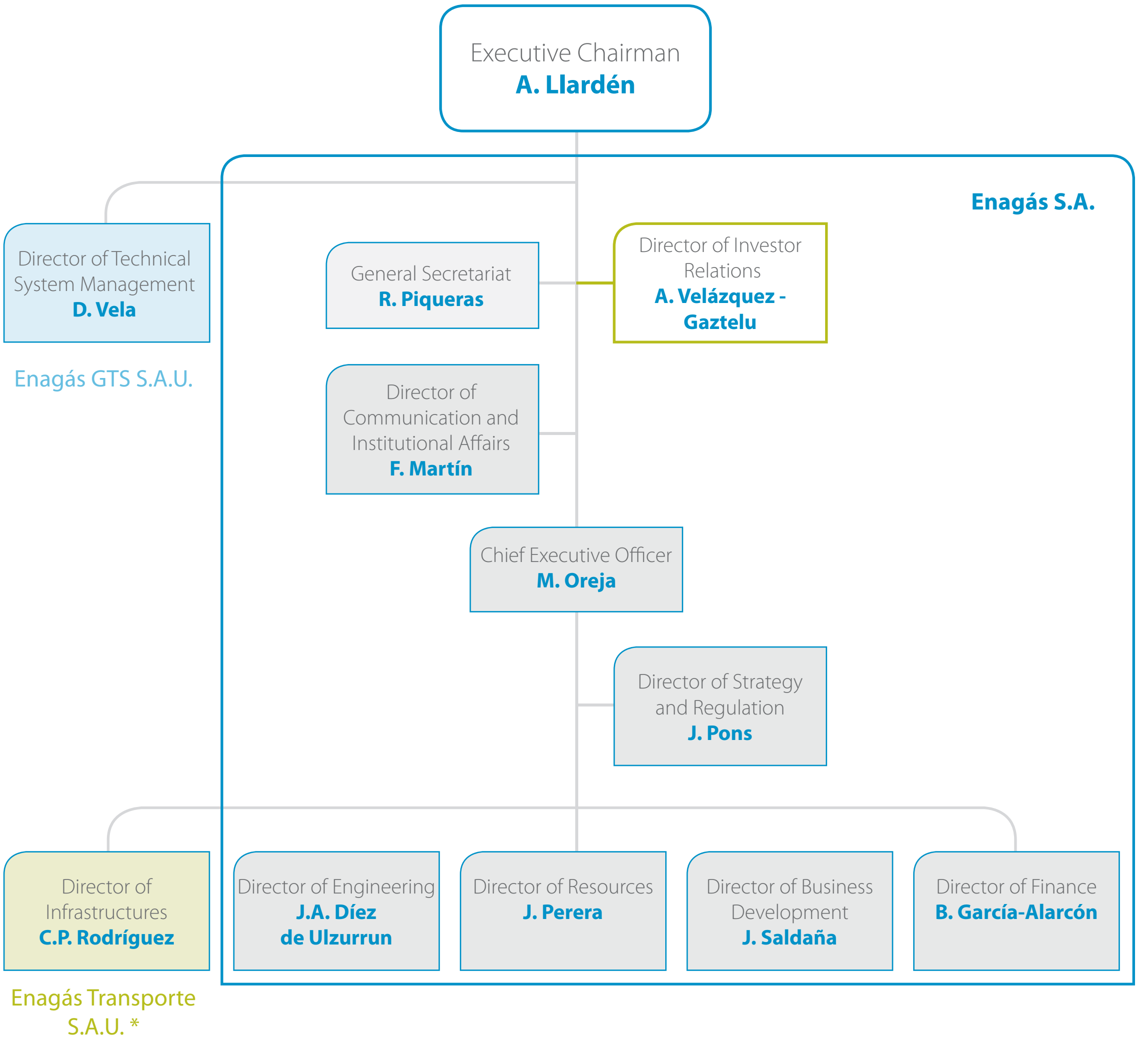
7.1.1.Committed to Good Corporate Governance

Composition of Governing Bodies -2.3, 4.1, 4.2, 4.3, LA13 -

Board of Directors and Committees (at 31 December 2013)

Name of director	Board Post	Type of Director	Post on Audit and Compliance Committee	Post on Appointments Remuneration, and RSC
Antonio Llardén Carratalá	Chairman	Executive	-	-
Marcelino Oreja Arburúa	Chief Executive Officer	Executive	-	-
Dionisio Martínez Martínez	Director	Independent	-	Chairman
José Riva Francos	Director	Independent	Chairman	-
SEPI -Sociedad Estatal de Participaciones Industriales (represented by Federico Ferrer Delso)	Director	Propietary (SEPI)	Member	-
Martí Parellada Sabata	Director	Independent	Member	-
Teresa García-Milá Lloveras	Director	Independent	-	Member
Miguel Ángel Lasheras Merino	Director	Independent	-	Member
Luis Javier Navarro Vigil	Director	External	Member	-
Jesús David Álvarez Mezquíriz	Director	Independent	-	Member
Ramón Pérez Simarro	Director	Independent	-	Member
Isabel Sánchez García	Director	Independent	Member	-
Jesús Máximo Pedrosa Ortega	Director	Propietary(SEPI)	-	Member
Rosa Rodríguez Díaz	Director	Independent	-	-
Sultan Hamed Khamis Al Burtamani	Director	Propietary (Oman Oil Holdings Spain S.L.)	-	-

The Enagás organisational chart - LA1-



☐ Members of the Management Committee

* Enagás Transporte holds a 90% stake in Enagás Transporte Norte.

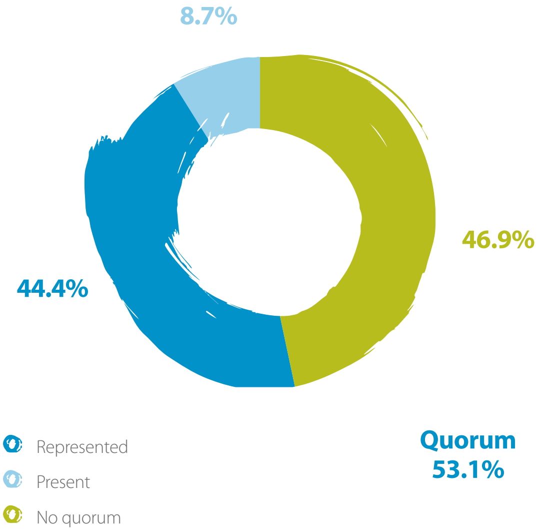
Activities of Governing Bodies

General Shareholders' Meeting

Enagás' General Shareholders' Meeting met at second call on 24 April 13. All the agenda motions proposed by the Board of Directors to the Company's shareholders were passed at the meeting. These included the following:

- To approve the performance of the Board of Directors of Enagás, S.A. in 2012.
- Approval of the report on the changes to the "Regulations on the Organisation and Functioning of the Board of Directors of Enagás, S.A." in order to adapt them to the requirements for certification as TSO.
- To submit to the advisory vote of the Meeting the Annual Report on the Directors Remuneration Policy referred to in Article 61b of the Ley de Mercado de Valores (Securities Market Act, "LMV").

Quorum at 2013 AGM



	Board of Directors	Appointments, Remuneration and, CSR Committee	Audit and Compliance Committee
Meetings	11	7	5
Absences	11	2	-
With proxy votes	5	2	-
Without proxy votes	6	-	-

Evaluation and remuneration of the Board of Directors
-4.10, 4.5, LA12-

The main aspects of the Board of Directors compensation policy are:

- Compensation will be commensurate with and related to the performance and qualifications of Board members.
- Compensation will never compromise the independence of judgement of Board members.
- Compensation will be based on market criteria, taking into account the practices of similar companies in Spain and abroad.

The following criteria have also been established for Executive Directors compensation:

- Variable compensation will always be linked to the Company's performance and achievement of objectives.
- All components of compensation will be subject to adequate control systems that define the performance of the Directors.
- Any share-based compensation plan (equity or cash settled) shall be subject to shareholder approval at the General Shareholders' Meeting.

Moreover, the Board is considering rolling out a multi-year bonus plan linked to share price, taking into account the practices of similar companies.

Remuneration to the Board of Directors in 2013 was as follows.

(Thousands of €)

	Salary	Non-variable remuneration	Per diems	Variable, short-term	Variable, long-term	Fees	Termination benefits	Other	Total 2013	Total 2012
Antonio Llardén Carratalá (Executive)	22	960	42	576	-	-	-	70	1,670	1,667
Marcelino Oreja Arburúa (Executive)	22	300	42	52	-	-	-	7	423	103
Dionisio Martínez Martínez (Independent)	54	-	54	-	-	5	-	-	113	81
José Riva Francos (Independent)	22	-	50	-	-	5	-	-	77	81
Sociedad Estatal de Participaciones Industriales -SEPI- Represented by Federico Ferrer Delso (Proprietary Director)	22	-	54	-	-	-	-	-	76	76
Martí Parellada Sabata (Independent)	22	-	54	-	-	-	-	-	76	76
Teresa García-Milá Lloveras (Independent)	22	-	54	-	-	-	-	-	76	76
Miguel Ángel Lasheras Merino (Independent)	22	-	54	-	-	-	-	-	76	71
Luis Javier Navarro Vigil (Another external director)	22	-	54	-	-	-	-	-	76	76
Jesús David Alvarez Mezquíriz (Independent)	22	-	50	-	-	-	-	-	72	64
Ramón Pérez Simarro (Independent)	22	-	50	-	-	-	-	-	72	76
Isabel Sánchez García (Independent)	22	-	50	-	-	-	-	-	72	76
Jesús Máximo Pedrosa Ortega (Proprietary)	22	-	29	-	-	-	-	-	51	-
Rosa Rodríguez Díaz (Independent)	22	-	22	-	-	-	-	-	44	-
Sultan Hamed Khamis Al Burtamani (Proprietary)	22	-	15	-	-	-	-	-	37	45

For further information concerning the remuneration of the Board of Directors, see the Annual Report on Remuneration of Board members on the corporate website (***www.enagas.es*),** under Investor Relations - Corporate Governance

Good corporate governance practices

The company's governance bodies introduced the following good corporate governance practices in 2013: **- 4.5, 4.10 -**

- Maintaining separation of functions (Chairman / Chief Executive Officer). The CEO is responsible for managing the company's business, under the supervision of the Chairman, who is responsible for the driving the company forward and ongoing coordination of its activities.

- Appointment of a female director In 2013, female members of the Board rose from two (2) to three (3).

- Maintaining 15 directors in compliance with the best practices of good governance.

- Submitting the Annual Directors' Remuneration Report to a consultative vote for the second year as a separate item on the agenda at the General Shareholders' Meeting. Board Member remuneration is reported in the terms legally provided for in the notes to the Financial Statements and the Annual Corporate Governance Report.

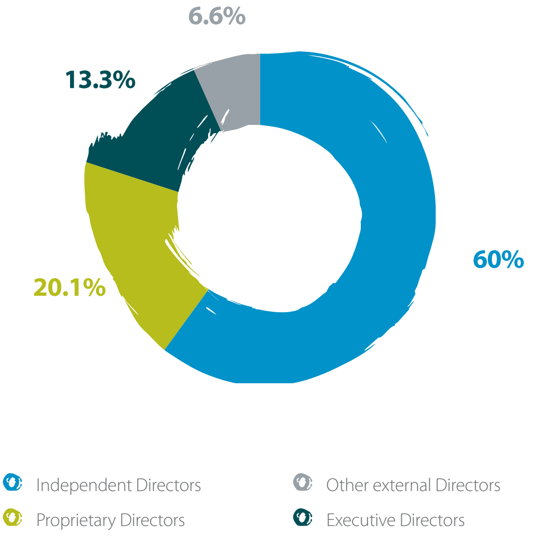
- The role of the Lead Independent Director. This involves, among other functions, performing the Chairman's Board functions as Vice-Chairman, in the event of the Chairman being absent due to illness or for any other reason.

- Maintaining a high level of Board independence - 60% independent directors on the Board, as against 44% at Ibex-35 companies.

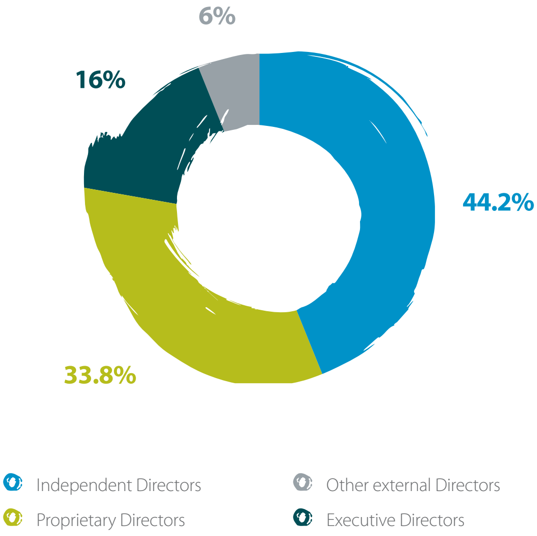
- The Chairmen of the Board's two committees are independent directors. Furthermore, the Articles of Association require that a majority of Board committee members should be independent and that executive directors should not be represented on them.

- Approving an internal procedure for awarding contracts to the External Auditor. These *fees* accrued by the external auditor as *non-audit* fees were lower in 2013 (3.2%) with respect to fees in 2012 (13.6%).

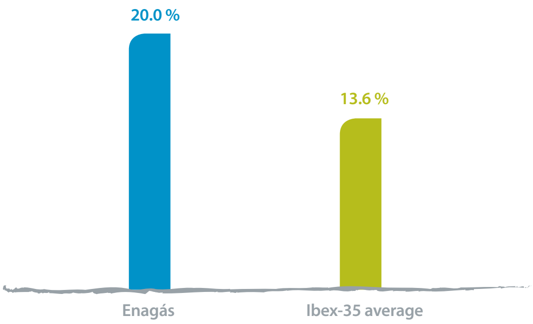
Composition of the Enagás Board



Board composition at Ibex-35 companies



Female members of Enagás Board vs Ibex-35 average



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

- Enagás fully complies with 48 recommendations.
- Enagás partially complies with one recommendation: recommendation 19 concerning the attendance of Board meetings.
- Enagás explains one recommendation: recommendation 1 concerning the legal restrictions on voting rights.
- Three recommendations are not applicable to Enagás: 2, 37 and 38, as there is no other listed company in the Enagás Group and the Board does not have an executive or delegated committee.

Moreover, in 2014 Enagás intends to continue improving and enhancing good corporate governance practices:

- The Board will undergo an evaluation process carried out by an independent external expert, to increase the Board's ability to supervise and address the challenges facing the company.

- Committees will maintain their level of independence, even if their chairmen depart the committees as the result of the duration of their terms (Order ECC/461/2013 of 20 March and CNMV Circulars 4/2013 and 5/2013 of 12 June).

- Candidates for independent directorships will be selected through a rigorous, transparent official procedure, in due consideration of abilities, market knowledge and gender diversity.

- Continued separation of Chairman/CEO functions to guarantee the Board's impartiality in evaluation and supervision of management.

- Appointment of a new "Lead Independent Director" to prevent any potential dominance by the Chairman or CEO.

- Ratification of the provisional appointment of the CEO at the General Shareholders' Meeting.

- Analysis of rollout of a multi-year bonus plan linked to share price, taking into account the practices of similar companies. The Appointments, Remuneration and CSR Committee felt a long-term bonus plan for 2014 would be a positive move, and detailed an independent remuneration consultant to devise the plan.

For further details of Good Corporate Governance Practices and specific policies and regulations, see the corporate website ***(www.enagas.es)*** **-** "Corporate Governance" in the Corporate Responsibility and Investor Relations sections. **- 4.4, 4.6, 4.7, 4.8. -.**

7.1.2. Attractive financial results for investors and shareholders

Financial Challenges	2013 Challenge	2013 Results
I. EBITDA growth	9%	10.0%
II. Net profit growth	5.5%	6.2%
III. Dividend growth	13%	13.8%
IV. Average cost of debt	Around 3.25%	3.02%

Income statement (€Mn)	2013	2012	Chg. %
Regulated revenue	1,235.4	1,140.4	8.3%
EBITDA	1,028.1	934.3	10.0%
EBIT	668.9	618.4	8.2%
Financial result	-109.5	-76.7	42.8%
Net profit	403.2	379.5	6.2%

Balance sheet, financial ratios and average cost of debt (€Mn)	2013	2012
Total assets (€ Mn)	7,210.6	8,083.4
Net debt (€ Mn)	3,772.7	3,598.6
Equity (€ Mn)	2,118.4	2,014.9
Net debt/Total assets (%)	52.3%	44.5%
Net debt/EBITDA (times)	3.7x	3.8x
Net debt/(net debt + equity) (%)	64.0%	64.1%

Other (€Mn)	2013	2012	% Chg
Investment	531.4	761.4	-30.2%
Assets put into operation	546.0	994.4	-45.1%

Figures for 2013 include the proportional consolidation of the 40% stake in Altamira LNG CV, equity-method consolidation of the 20.4% contribution of GNL Quintero (this stake increased from 20% to 20.4% in September 2013) and full consolidation, from March, of Enagás Transporte del Norte (Naturgás). Full year 2012 results included proportional consolidation of the 40% stake in the Altamira plant in Mexico for the whole year and equity-method consolidation of the stake in the Quintero LNG plant in Chile in the fourth quarter.

EBITDA rose by 10% from €934.3Mn to €1,028.1Mn in 2013, mainly because total revenue stood at €1,308.1Mn, 9.2% more than the total for 2012, against a 6% increase in operating costs.

Regulated revenue was up by 8.3% compared with 2012, boosted by the addition of new assets put into operation, especially the Yela underground storage facility and the contribution from Enagás Transporte del Norte (Naturgás) since March 2013.

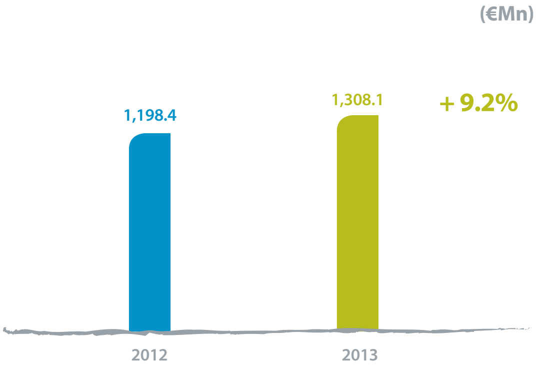
The depreciation and amortisation charge at year-end 2013 was €-359.2Mn, 13.7% more than in 2012, mainly due to the integration of Naturgás Transporte and assets brought on stream (the Yela underground storage facility).

Net finance expense (€-109.6Mn) increased compared to the figure of €-76.7Mn in 2012, mainly due to higher debt levels, lower capitalised borrowing costs as a result of the slowdown in assets brought on stream and a slightly higher average cost of debt vs. 31 December 2012.

At 31 December net debt stood at €3,772.7Mn, 4.8% more than the net debt figure in December 2012.

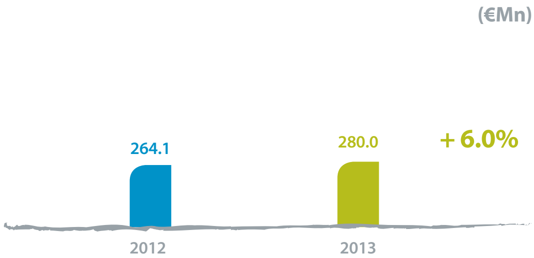
Net profit totalled €403.2Mn at 31 December 2013, a 6.2% increase on the figure of €379.5Mn reported in 2012.

Operating revenue



Growth chiefly due to the integration of Naturgas Transporte and other assets

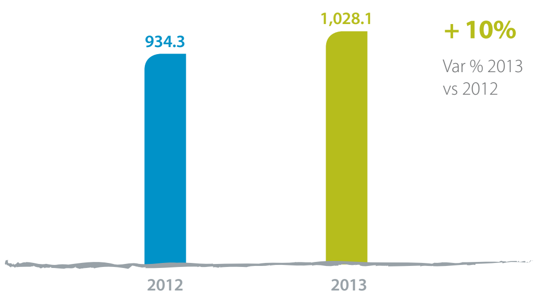
Operating expenses



Strict control of operating costs which, despite the increase in the company's assets base, are increasing much less than total revenues

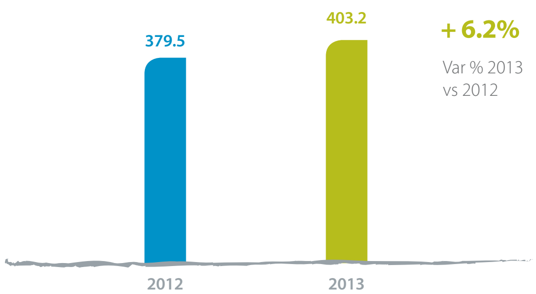
EBITDA

(€Mn)



Net Income

(€Mn)



Investment

Enagás invested €531.4Mn in 2013, short of the €650Mn target, mainly due to lower investment in cushion gas at the Yela and Castor facilities in relation to intended investment due to the outcome of the auction on 14 May 2013.

Projects worth €546Mn came on stream in 2013, as per the year's target of €550Mn.

Both figures include €245Mn from the acquisition of a 90% stake in Naturgas Transporte, a transaction finalised on 15 February 2013.

The most important projects for which commissioning certificates were issued were:

- Zarza de Tajo-Yela gas pipeline
- Bilbao - Treto gas pipeline

See section 4.2. "Scope of operations" for information on purchases in 2013.

Financing strategy

The Company's financing strategy remains prudent, focusing on diversifying sources in terms of instruments and maturities. The main instruments used and their respective maturities are as follows:

- Very long-term financing through a bond placement with AFLAC.
- Long-term financing with ICO and EIB loans.
- Medium-term financing through the issue of simple bonds and private placements.
- On 8 May 2012 Enagás arranged an EMTN programme for up to €2Bn on the Luxembourg stock exchange. This gives the issuer, Enagás Financiaciones, rapid and flexible access to capital markets, enabling it to take advantage of private investment opportunities under attractive maturity and cost conditions. The outstanding balance under this programme at 31 December 2013 was €1,220Mn. Enagás also operates a public issue launched in 2009 in the amount of €500Mn, maturing in 2015.
- Short-term financing on the Euro Commercial Paper (ECP) programme and credit policies.
- Enagás has operated an ECP Programme on the Dublin stock exchange since 2011. The programme has a maximum amount of €1Bn, allowing Enagás

substantial repayment flexibility at a very attractive cost in comparison to traditional bank lending. At 31 December 2013 the outstanding balance on issues stood at €282Mn.

In December 2013 Enagás signed a five-year financing deal worth a total of €1,200Mn. The operation was carried out using the Club Deal procedure with 13 banks, of which more than 70% are multinationals. It optimises Enagás' liquidity and financial structure, and is in accordance with the profitability/debt targets stipulated in the 2013-2015 Strategic Update. At 31 December 2013 Enagás also had bilateral facilities worth €460Mn.

For further details of capital funds contributed by the state, refer to Financial Statements, section 6. Property, Plant and Equipment.

Financial structure

In accordance with the company policy of holding mainly fixed-rate debt, 72% of debt was fixed-rate at 31 December 2013.

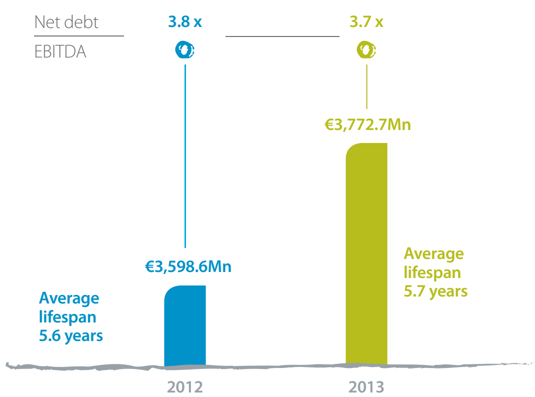
The average lifespan of debt was 5.7 years, and financial resources totalled €2,114Mn.

In the last quarter of 2013 the Group arranged early cancellation of loans maturing in 2014 and 2015 in the total amount of €800Mn, smoothing out the maturity profile and extending the average lifespan of debt. This eliminated the risk of refinancing in 2014.

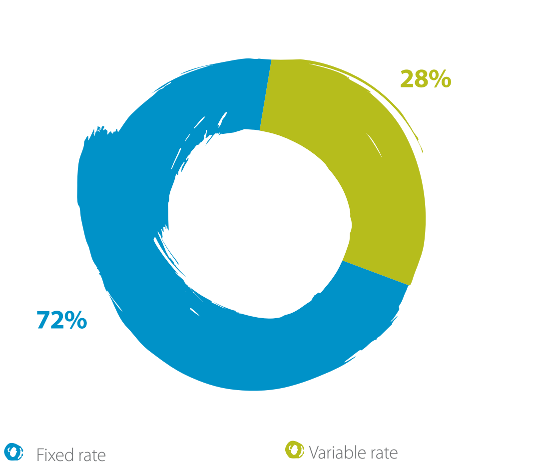
In 2013 Enagás restructured Group debt by concentrating it with Enagás S.A., interrupting Enagás S.A.'s structural subordination with Enagás Transporte. This operation affords the Group more financial flexibility, and enables future issues of the *holding* to have a corporate *rating* . The *rating* agencies ratified the operation, and following the elimination of the Enagás Transporte guarantee, they maintained the rating for the bond maturing in 2017.

The arrangements made in December 2013 by Enagás, S.A. for a five years line of credit on the Club Deal procedure in the total amount of €1,200Mn will optimise the company's liquidity and financial structure.

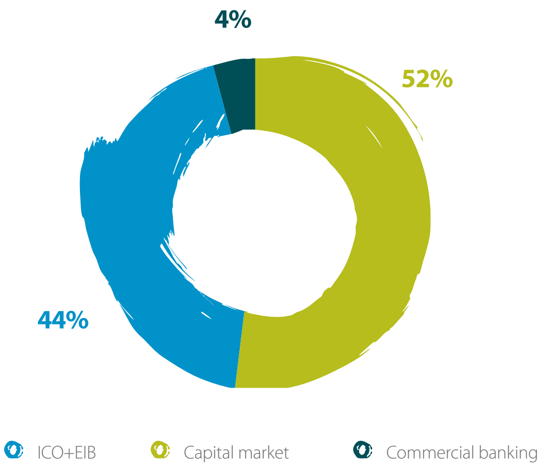
Net debt



Debt structure



Type of debt



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of shares (million)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7
Capitalisation (€Mn)	2,053.1	2,912.6	3,771.5	4,206.5	4,771.6	3,714.7	3,682.5	3,560.7	3,411.5	3,853.2	4,534.8
Price at 31 December (€)	8.60	12.20	15.80	17.62	19.99	15.56	15.425	14.915	14.290	16.140	18.99
High (€)	8.68	12.20	16.00	21.14	21.67	21.25	15.90	16.73	16.99	16.48	20.53
Low (€)	5.79	8.19	11.46	15.16	15.86	10.32	10.43	12.08	12.46	12.63	16.39
Average (€)	7.13	9.44	13.66	17.42	18.27	17.28	13.53	14.76	14.99	14.56	18.58
Days quoted	250	250	256	254	253	255	254	257	257	256	255
Share volume (M)	223.3	255.7	425.8	443.6	771.2	548.8	439.7	464.2	532.1	599.2	615.5
Turnover (€Mn)	1,574.5	2,416.2	5,710.8	7,742.4	13,950.3	9,719.4	5,976.8	6,730.0	7,929.7	8,884.0	11,466.5
Net earnings per share (€)	0.59	0.66	0.80	0.91	1.00	1.08	1.25	1.40	1.53	1.59	1.69
Dividend per share (€)	0.30	0.33	0.40	0.47	0.60	0.65	0.75	0.84	0.99	1.11	1.27*
Price/earnings ratio (P/E)	14.58	18.42	19.75	19.36	20.03	14.36	12.36	10.68	9.36	10.15	11.26

(*) Distribution of the 2013 gross dividend of €1.27 per share is subject to approval at the General Shareholders' Meeting.

Enagás share price performance in 2013

Share price performance in 2013

2013 still showed traces of an economic crisis that has lasted more than six years. However, this year has revealed the first signs of a recovery by the Spanish economy, such as an increase in exports despite EU recession and a turnaround with respect to volumes of imports. The perception of the Spanish economy is improving quarter after quarter, and this has renewed investor confidence in Spain's securities market. The IBEX-35 index reached 10,000 points this year, a level not seen since July 2011. Another key indicator of renewed investor confidence in the Spanish economy is the country's risk premium, 220 points at year-end 2013 compared to 400 points at year-end 2012.

In 2013 Enagás presented its 2013-2015 Strategic Update with its targets for the years ahead, confirming its commitments to investors. The company also continued to deploy a solid financial policy with strict cost control mechanisms, managing its network efficiently, guaranteeing supply security and making the Spanish gas system an international benchmark.

Enagás has also continued its international expansion, rigorously examining projects and never losing sight of its *core business*.

These factors enabled Enagás to present financial results in 2013 beyond market expectations, increasing the share price listing by 17.7% at 31 December 2013.

On 3 December the rating agency Standard & Poor's reviewed Enagás' *rating* and maintained its BBB status, although it improved the associated outlook from "Negative" to "Stable". On 20 December Fitch Ratings also improved Enagás' *outlook* , and the rating now stands at A-/Stable.

Enagás share price performance in 2013

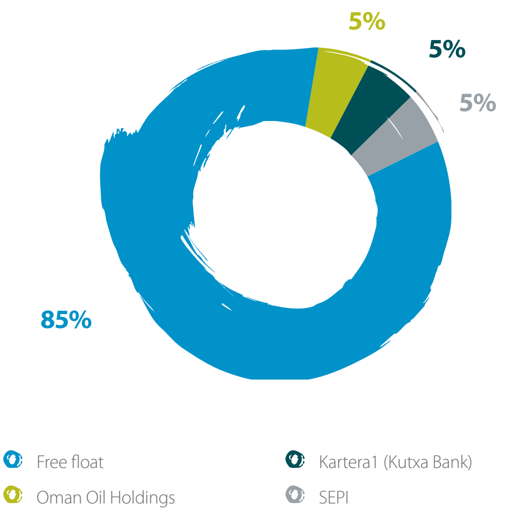
Enagás ended the year trading at €18.99 per share, equivalent to a market cap of €4,534.8Mn, an increase of 17.7% against the previous year. In 2013 the listing reached a maximum of €20.53 on 3 May, and a minimum of €16.39 on 2 January.

A total of 615 million Enagás shares changed hands in 2013, a 2.7% increase on 2012 trading volumes, with a cash volume of €11,466 Mn.

Share capital and shareholder structure -2.9-

The Enagás *free float* remained unchanged since year-end 2012, with an increase of 85% against 75% at year-end 2011. In-house estimates for year-end 2013 revealed 75% of foreign shareholders, one of the highest percentages among IBEX 35 companies.

Share capital and shareholder structure



Dividends

One of the proposals to be submitted to the 2014 General Shareholders' Meeting is to increase the percentage of net profit assigned to dividends to 75% from 70% in 2012. This further demonstrates Enagás' commitment to maximising value creation for its shareholders.

As a result of Enagás' 2013 profit and the increase in *payout* , the Board is proposing a gross dividend of €1.27 per share. If approved, this would be a 13.8% increase on the previous year, exceeding the 13% target set at the start of the year.

Continuing an active, transparent dialogue

In 2013 Enagás continued to pursue its active policy of providing simple, transparent information concerning its strategy, activities and results to financial markets, despite their ongoing difficulties and uncertainties.

Once again Enagás' senior executives were closely involved with shareholders and investors, boosting dialogue with stakeholders to fully address their concerns and requests for information.

The Enagás Chairman carried out four *online* webcasts on the corporate web portal ***(www.enagas.es)*** to present details of the quarterly results, which were followed by an average of 85 listeners, and made visits to the world's major finance hubs to present the Company's long-term targets and strategy.

In coordination with the Investor Relations Department, meetings were held in 2013 with over 310 institutional investors, 31 analysts and the Big Three rating agencies. During a period of strict cost-reduction policies operated by fund managers and lower exposure to Spanish equity income, this figure signals the growing interest of investors in Enagás.

Communication with analysts has been fundamental to maintaining analytical coverage by 31 brokers. Like the rest of the market, they are given detailed, up-to-date information on Enagás' activity. At year-end 2013 the outcome of consensus was 38% of purchase recommendations, 38% of stay recommendations and 24% of sale recommendations, putting the average target price at €19.78 per share, an increase of more than 14% on the target price the previous year.

In addition, the Shareholder Information Office has responded to the information needs of shareholders, especially regarding the General Meeting and the distribution of dividends for the year. Enagás provides ongoing service to shareholders via three information channels: the free phone shareholder support line (900 100 399), an e-mail (accionistas@enagas.es) and the corporate website ***(www.enagas.es).***

7.1.3. Sustainable management of the supply chain

The Enagás supply chain

The supply chain is extremely important to Enagás, as sustainable management of our suppliers helps minimise risks (assurance), gives us a certain amount of edge (new ground-breaking low-cost products and services) and boosts productivity (lower costs through contracts with suppliers).

The company classifies suppliers in accordance with the type of service or product they supply, in two categories:

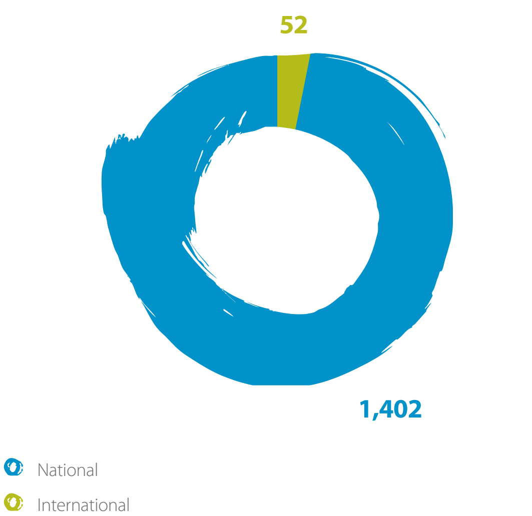
- Providers of facilities and services: IT & communications, engineering etc.
- Providers of equipment: electrical equipment, piping manufacturers, rotary machine manufacturers, manufacturers of instrumentation and control devices etc.

The company operates mainly on a domestic basis, where most investment is concentrated, although in recent years it has bought up foreign assets. This means that most of its contracts for facilities and services are more easily drawn up with Spanish companies – **EC6** -. A major investment agreement (more than €2Mn) was signed up in 2013 with clauses in relation to respect for human rights. **- HR1 -**

In its international activities, Enagás encourages local suppliers participation. This is the case, for example, in Mexico, where the company has identified Mexican companies with offices in Spain, and Spanish companies with setups in Mexico. Specifically, construction of the Soto La Marina Compressor Station, one of the largest contracts for station construction and assembly, was awarded to a Mexican firm, maintaining all the quality standards demanded by Enagás **- EC6-.**

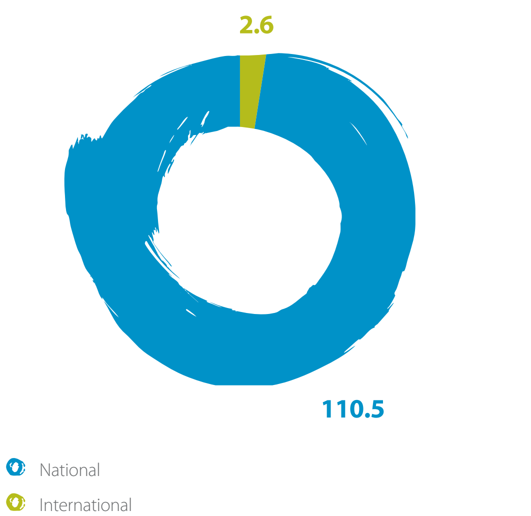
Work and services

Number of orders



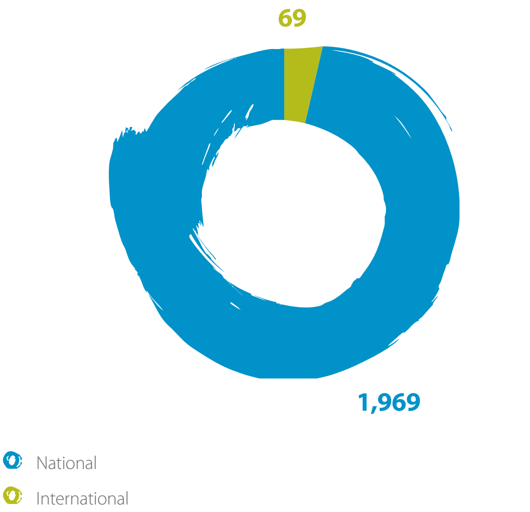
Volume of orders

(€Mn)



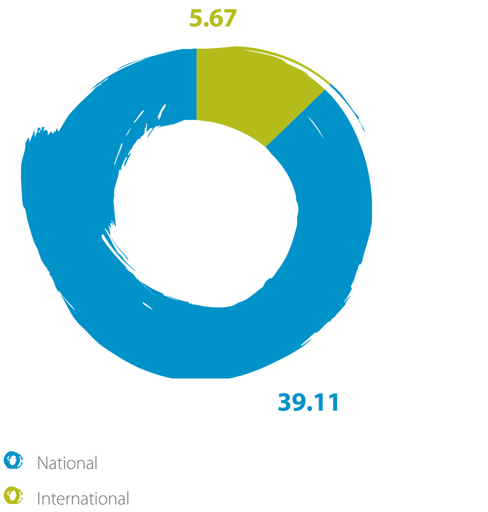
Supplies

Number of orders



Volume of orders

(€Mn)



Strategy for a sustainable supply chain

For several years the company has focused on improving management of its supply chain, both internally by optimizing management processes, and also externally by producing incentives for better management by suppliers.

The main initiatives introduced for the purchasing process are set out below.

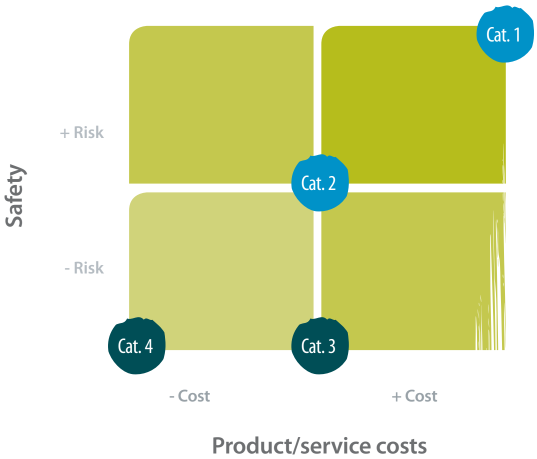
Risk classification of suppliers

Enagás classifies its suppliers into four categories, depending on the risk entailed by a failure or malfunction in the product or service supplied on the company's operations, and the costs incurred:

- Category 1: products or services in respect of which a failure or malfunction during operations would entail major risks or costs. This means more stringent criteria have been established for approval of suppliers.
- Category 2: products or services in respect of which a failure or malfunction during operations would entail moderate safety risks or costs.
- Category 3: products or services in respect of which a failure or malfunction would have no effect on the safety of company operations.
- Category 4: products or services in respect of which a failure or malfunction would have no effect on the safety of company operations, and the costs of the product or service are low.

Enagás considers that critical suppliers are classified in categories 1 and 2, accounting for 54.4% of approved suppliers.

Classification of suppliers in categories and requisites for approval



Category of more stringent requisites

Category of less stringent requisites

Supplier approval

Enagás has an approval process that suppliers must satisfy before they may take part in procurement processes and respond to invitations to tender. At year-end 2013 there were 1,875 approved suppliers, 55.6% of which received orders during the year.

To be approved as an Enagás supplier, it is necessary to go through an evaluation process, which examines, among other things:

- Whether the candidate company is able to satisfy the established technical, quality, environmental and safety requirements.
- Whether the candidate has sufficient resources to supply the quantities stipulated in orders and to carry out the projects, works or contracted services within the delivery period or stipulated time frame.
- Whether these requirements have been maintained within the parameters considered acceptable by Enagás for an extended period of time.
- Observance of the principles of the United Nations Global Compact and the Universal Declaration of Human Rights.

Approval criteria are established in accordance with the supplier's category, and are more stringent for suppliers in categories 1 and 2 (critical suppliers).

The company continues to seek quality, prevention and environmental certification for its main suppliers. An analysis has been conducted of more than 550 suppliers, which have been informed of the need to deploy action plans to obtain certification. The company is now analysing the products and services for which certification must be obtained to enable suppliers to work with Enagás in the future.

For further details concerning the approval of suppliers and the contracting process, see the Suppliers section of the Enagás website ***(www.enagas.es)*** .

Audits

Enagás performs internal audits on its critical suppliers:

- Category 1 suppliers: Enagás visits their facilities and approves the product by means of prototype trials, samples or other special tests[1] . For facilities and services, trials and tests are substituted by analysis and evaluation of references of services and facilities provided by the supplier, which must be similar to the services for which approval is being sought. Enagás also examines and sizes the supplier's production resources and personnel.

- Category 2 suppliers: Enagás visits their facilities if this is deemed necessary. For goods and equipment, at the very least it carries out a general review of documents including the technical regulations applicable, designs and performances of the materials and equipment, and references for supplies and certifications/accreditations held by the supplier.

Most of these suppliers (46.9%) are registered in the RePro database managed by the Achilles company. Achilles conducts external audits of suppliers to gauge their quality management, prevention, environmental and CSR systems. In 2013, 51 Enagás suppliers were audited on the overall audit plan for 162 suppliers.

Enagás also works with Achilles to improve CSR *scoring* in the RePro database, in order to monitor the progress of suppliers in this area. The suppliers of around 64% of Enagás purchases are registered with this system, and have therefore been assessed on the basis of this model.

[1]In certain cases, in view of the difficulties involved in carrying out tests on equipment such as turbocompressors, pumps, motors, gas compressors, exchangers, scraper traps, rapid-action gates, control systems, loading booms, flares, air coolers etc., only the general documentation is examined. This includes, inter alia, the technical regulations applicable, designs and performances of the materials and equipment, and references for supplies and certifications/accreditations held by the supplier, whether its facilities have been visited or not.

Supplier reliability analysis

Enagás has a supplier reliability analysis procedure as backup to the assessment process, which enables the company to apply the results to various phases of the purchasing process. This is an obvious incentive for our suppliers to improve their performance, as they know they are being observed and compared to their closest competitors.

In this process, the units receiving the product or service complete the assessment questionnaire, which includes 3 areas for analysis: observance of deadlines, technical quality and service quality.

Enagás has boosted the reliability analysis to 662 orders from 170 companies, in a bid to demand that its suppliers apply continuous improvement processes. The company is now notifying suppliers of the results and their positions with respect to the average for the category, stating the deficiencies encountered in each case. **– HR2 –**

The results of the reliability assessment have been included as an additional criterion in the contract award process, and may be a key decision-making factor for extremely similar technical and economic offers.

Cooperation with our suppliers: creating shared value

Enagás has engaged a cooperation initiative with its main suppliers to carry out joint projects to create shared value: the "Suppliers' Circle". The areas of cooperation are cost efficiency, sustainability and applied innovation (for further information, see 7.2.4. Innovation culture and shared value).

What was our level of performance in 2013?

Over the last year we have made progress in ...

Respect for the environment

- Extension of the scope of ISO 14001 certification to include the Gaviota and Yela underground storage facilities.
- EMAS certification of the Huelva and Barcelona regasification plants.
- Preparation of the Enagás Group Carbon Footprint in accordance with the GHG Protocol guidelines and directives.

Boosting energy efficiency

- 18.35% reduction of manageable GHGs against the target set, linked to the variable remuneration of employees.
- Use of residual heat to produce electricity: Almendralejo compressor station and Huelva plant (8.75% of electricity consumption).
- The Zaragoza Data Processing Centre was presented with the DatacenterDynamics Awards EMEA prize in the "Innovation in the Micro Data Center" category.

Development of the local environment

- Donation of 100,000 euros to the "Cáritas ante la Crisis" programme, an amount previously spent on Christmas presents.
- Deployment of the Volunteer Portal, in association with the "Hazloposible" Foundation.
- Cooperation agreement with the Juan XXIII Foundation to enable mentally disabled students to take up work placements at Enagás.

Culture of innovation and shared value

- Redefinition of the company stakeholder map in accordance with the 2013-2015 Strategic Update.
- Promotion and development of new services at LNG plants and new uses such as development of vehicular gas, industrial gas, light schemes and cars.
- Identification of 4 projects in cooperation with suppliers as part of the "Supplier's Circle".
- Attendance of international events by Enagás: LNG 17, meeting of the International Gas Union (IGU) etc.

What were our results in 2013?

Our major indicators are ...

Respect for the environment

Total emissions of CO_2
478,884

3,455
Waste generated (tonnes)

Waste recycled (%)
63%

Surface area restored (km²)
3.26

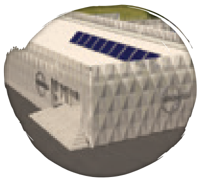
0.93
Surface area replanted (km²)

Water consumption (m³)
94,845

Boosting energy efficiency

1,921
Own consumption of natural gas (GWh)

Own consumption of natural gas / demand
0.58%



Electricity generation/ consumption (%)
8.75%

Consumption of electricity (GWh)
145.31

7.2. Sustainable businesses

In which areas can we make progress in 2014?

We are working on ...

Respect for the environment

- Carbon footprint certification of the Enagás Group by an official body.
- Noise reduction at the Cartagena Plant below 70 dBA (mornings and afternoons) and 60 Dba (nights) across the entire facility.
- Establishment of a new methanol recovery plant at the Serrablo storage facility.
- Encouragement of the environmental management model on international projects.

Boosting energy efficiency

- Definition and development of the energy efficiency plan.
- Development of specific initiatives to boost the efficient consumption of natural gas at plants operating below the technical minimum, during ship-loading operations and injection at underground storage facilities.
- Definition of a model to calculate and reduce the company's rogue emissions.

Development of the local environment

- Boosting the participation of Enagás employees on voluntary schemes.

Culture of innovation and shared value

- Definition of the stakeholder management model: prioritisation of material issues, consultation mechanisms etc.
- Definition of new ways of working with different stakeholders to delve deeper into the culture of innovation and creation of shared value.

Development of the local environment

Social action investment (€Mn)
1.6

Investment in social schemes / net profit (%)
0.4%

8.5%
Employee participation in volunteer work (%)

Time spent on volunteer work (hrs)
640

Culture of innovation and shared value

83
Shippers' satisfaction with transmission

Satisfaction of transmission companies and distributors with transmission
79

Initiatives leading to the creation of shared value
4

Satisfaction of transmission companies and distributors with technical management of the system
81.2

Shippers' satisfaction with technical system management
80.5

7.2.1. Respect for the environment

Environmental Management System - EC2 -

ISO 14001 and EMAS certification

The Enagás Environmental Management System is certified to UNE-EN-ISO14001 for development of infrastructures, operation and maintenance of regasification plants, underground storage facilities and transport facilities, and in 2013 it was extended to the Gaviota and Yela underground storage facilities.

This year, adopting the most stringent environmental regulations, the Huelva and Barcelona regasification plants were certified to EMAS standards.

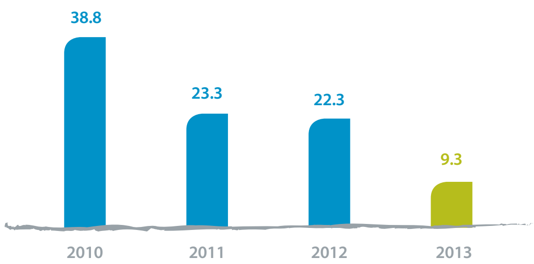
In the coming years the company will continue to work to extend the scope of UNE-EN-ISO14001 and EMAS certification, demonstrating its commitment to the environment as already observed in its environmental policy and strategic environmental plan.

For further details of activities certified to UNE-EN-ISO14001 / EMAS standards, the environmental policy and strategic environmental plan, see the corporate website ***(www.enagas.es)*** - section Corporate Responsibility.

Environmental investment and expenditure -EC2, EN30-

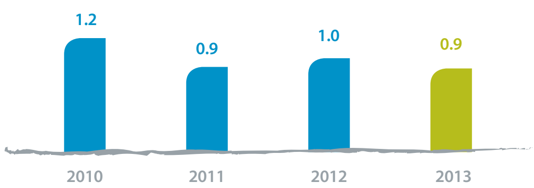
Environmental investment

(€Mn)

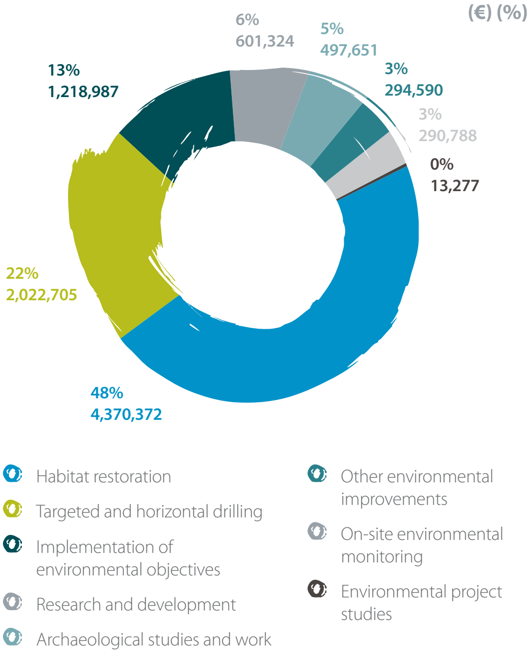


Environmental costs

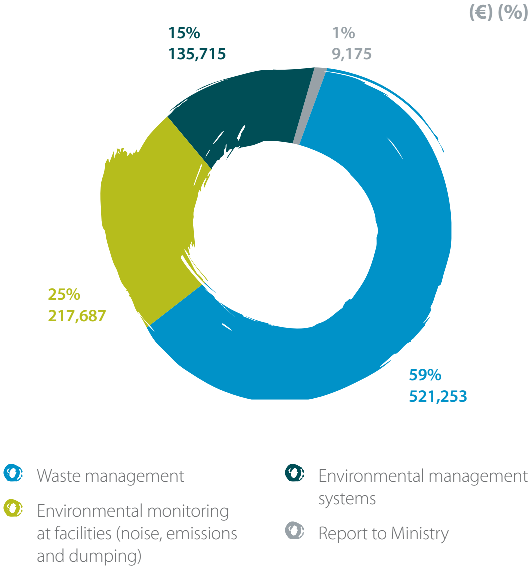
(€Mn)



Environmental investment by areas



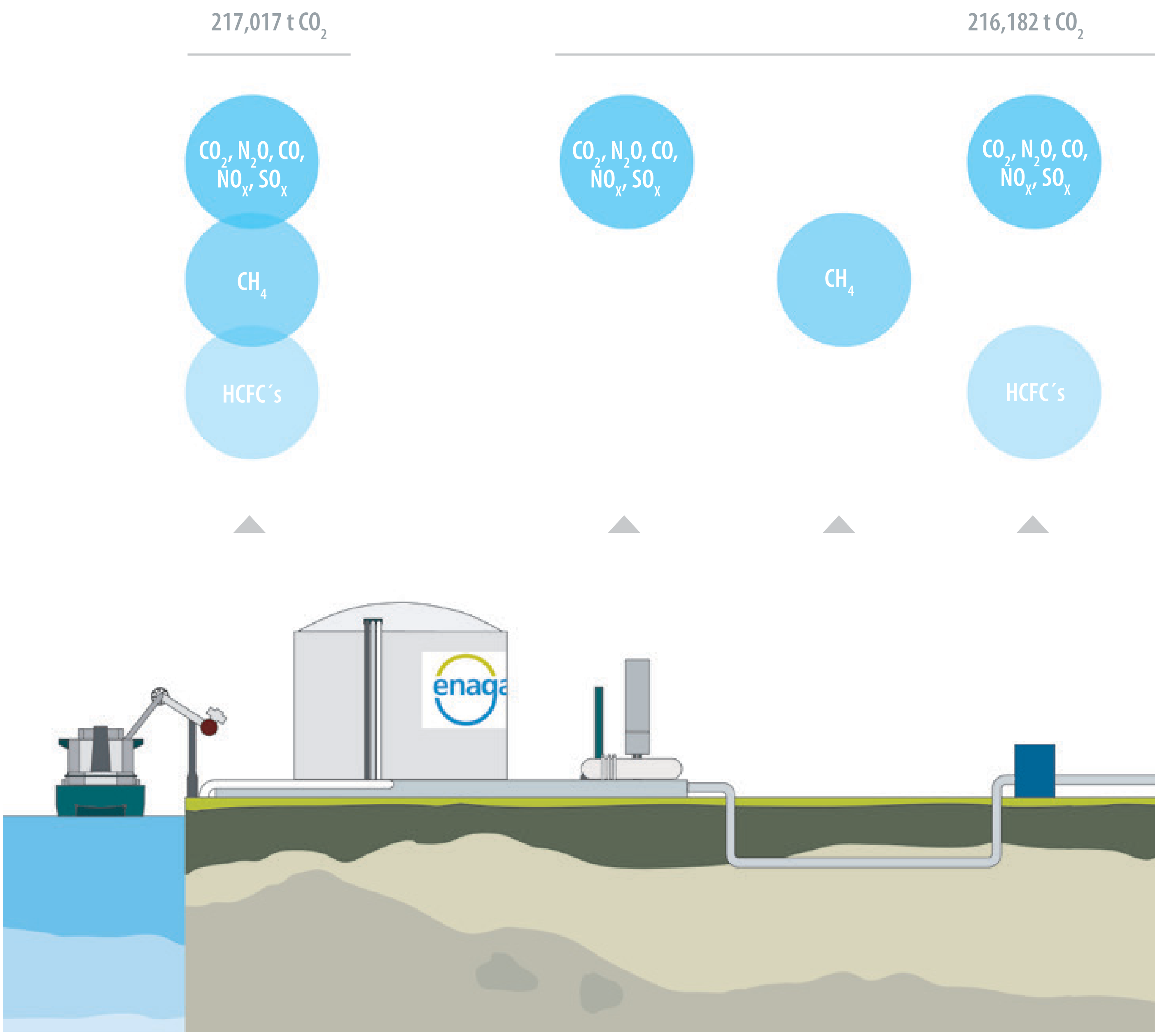
Environmental costs by areas



As part of the environmental system, Enagás has a procedure to assess environmental aspects. This identifies, assesses and monitors the main impacts of company business at each of its facilities: emissions of greenhouse gases (climate change), emissions of non-greenhouse gases, noise emissions, conservation of biodiversity, consumption of materials and management of resources. **- EN12 -** The Strategic Environmental Plan is reviewed annually, and takes stock of the targets and goals to be achieved in connection with each aspect identified. **- EC2-**

There follows a list of the main indicators and items of interest.

Climate change: carbon footprint - EC2, EN16, EN17, EN18, EN19, EN29 -



Regasification plants

CO_2, N_2O, CO, NO_X, SO_X

Natural gas combustion (boilers, flares, emergency generators, combustion evaporators, air conditioning) and combustion of gasoil in machinery.

CH_4

Venting and leakages (ship loading, maintenance and operation of plants).

HCFCs

Cooling (air conditioning).

Gas regulation and metering stations

CO_2, N_2O, CO, NO_X, SO_X

Combustion of natural gas in boilers.

Gas pipeline network

CH_2

Venting and leakages (maintenance and operation).

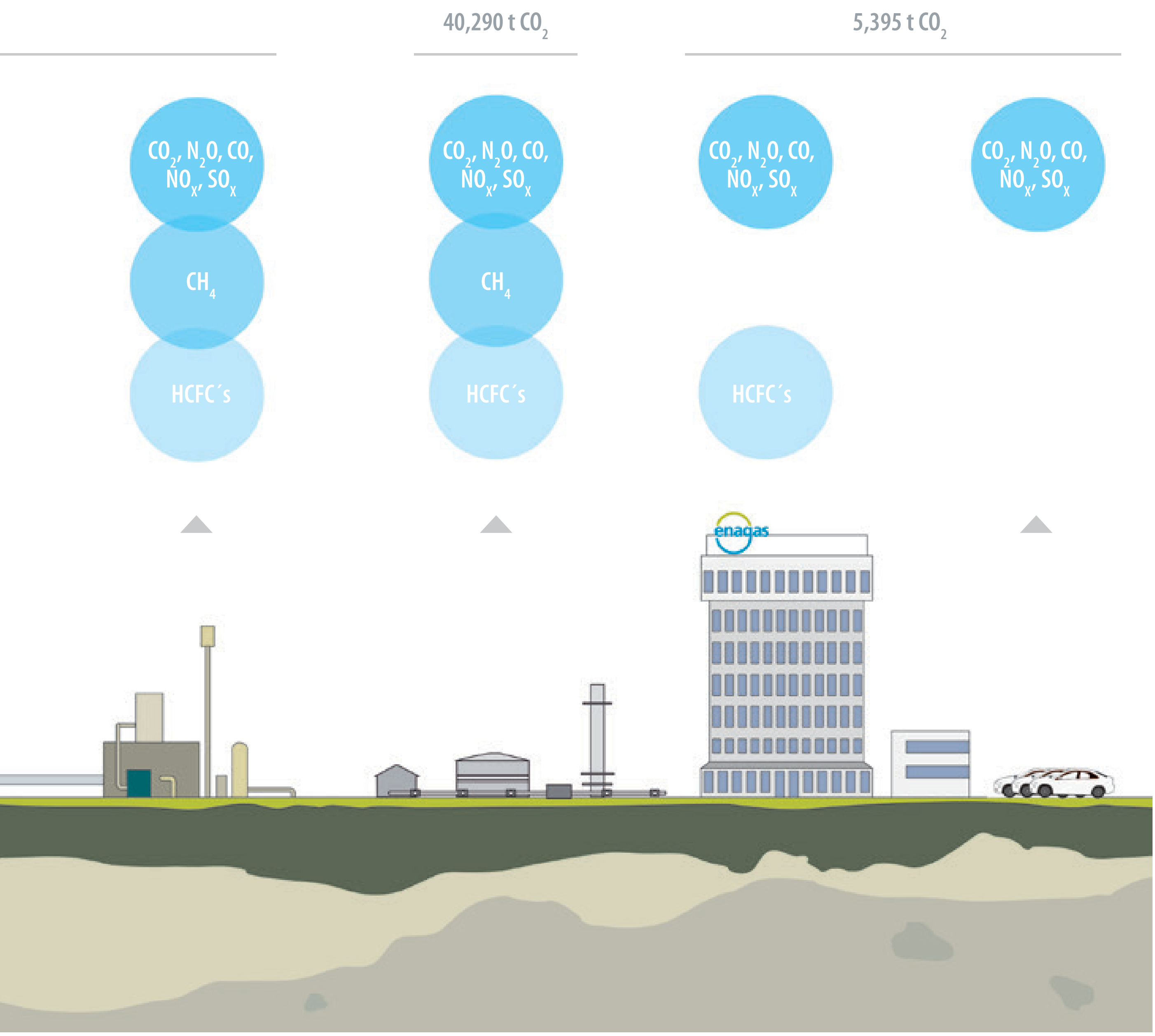
Transmission centres

CO_2, N_2O, CO, NO_X, SO_X

Natural gas combustion (boilers, air conditioning) and gasoil combustion in machinery.

HCFCs

Cooling (air conditioning).



Compressor stations

CO_2, N_2O, CO, NO_x, SO_x

Natural gas combustion (turbocompressors, boilers, air conditioning) and gasoil combustion in machinery.

CH_4

Venting and leakages (maintenance and operation).

HCFCs

Cooling (air conditioning).

Underground storage facilities

CO_2, N_2O, CO, NO_x, SO_x

Natural gas combustion (turbocompressors, boilers, air conditioning) and gasoil combustion in machinery.

CH_4

Venting and leakages (maintenance and operation).

HCFCs

Cooling (air conditioning).

Head office and central laboratory

CO_2, N_2O, CO, NO_x, SO_x

Combustion of natural gas (boilers, air conditioning).

HCFCs

Cooling (air conditioning).

Fleet of vehicles

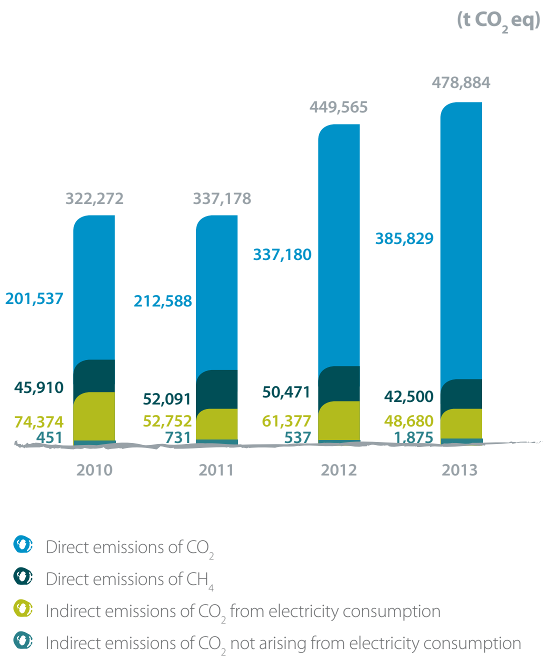
CO_2, N_2O, CO, NO_x, SO_x

Combustion of gasoil and petrol.

Enagás' commitment in relation to climate change and reduction of greenhouse gases grows every year. Since 2011 the company has set up an internal multidisciplinary working group which monitors emissions on a monthly basis, identifies improvement initiatives and reviews compliance with the objective of reducing emissions, which has an effect on the variable remuneration of all employees. **- EN12 -**

In 2013 the company took yet another step by drawing up the Enagás Group's Carbon Footprint as per the GHG Protocol guidelines and directives. This task accurately identified emissions associated with scopes 1 and 2, and established a basis to gradually increase the information on emissions associated with scope 3.

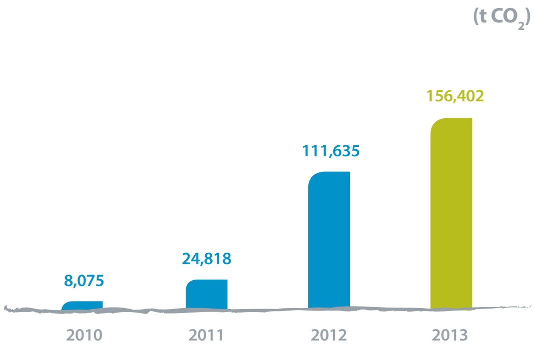
GHG emissions



As mentioned in the 2012 Annual Report, scope 1 emissions (direct emissions of CO_2 and CH_4) continue to increase, chiefly due to emissions from operation of regasification plants below the technical minimum and from ship loading operations.

In 2013, natural gas reaching the Spanish Gas System by pipeline exceeded liquid natural gas from regasification plants for the first time. This effect improved the functioning of Enagás' compressor stations, and increased their emissions. Simultaneously, the number of days over which regasification plants operated below the technical minimum increased, and it was necessary to eliminate the *boil-off* generated to keep the facilities operational, and increase flare emissions.

Flaring emissions



The company continues to improve its ratios of CO_2 emissions associated with operation of its facilities, in a bid to optimise operation of the gas system to guarantee supply. However, it is the various players within the Spanish Gas System, and shippers in particular, which decide the system's incoming and outgoing gas in accordance with the needs of their customers.

Enagás is aware of the need to make further inroads in terms of reducing emissions. For further information on energy efficiency measures and reduction of emissions, see section 7.2.2. "Boosting energy efficiency".

European Emissions Trading Scheme (ETS 2013-2020)

International policies addressing climate change, and European policies in particular, are increasingly restrictive. The European Emissions Trading Scheme (ETS 2013-2020) establishes a gradual reduction of the free allowances granted to facilities with an installed thermal power capacity in excess of 20MW, from 80% in 2013 on the standard calculated for each facility, to 30% by the year 2020. This period also includes the possibility of reducing the free allowance for partial curtailment of operations at the facilities.

The new ETS 2013-2020 period includes flare emissions, which had hitherto been excluded. As already mentioned, flare emissions associated with operation of plants below the technical minimum have considerably increased over the last two years, and were therefore not considered in the previous calculation of free allowances. This was the main reason for Enagás' deficit of allowances in 2013, which stood at 166,657.

To sum up, Enagás and other companies affected by the European Emissions Trading Scheme must gradually reduce their greenhouse gas emissions and go to the market to secure the emission rights required to offset them.

ETS 2013	Plants	Underground storage	Compressor stations	Total
Rights assigned (t)*	20,566	36,462	105,764	162,792
CO_2 emissions verified (t)	155,054	29,977	144,418	329,449
Balance of rights (t)	-134,532	6,298	-38,654	-166,657

This emissions allowance takes account of the partial curtailments notified to the authoritis, although the actual resolution has not yet been received.

Verified emissions (t CO_2)	2013
Serrablo underground storage facility	11,907
Barcelona LNG regasification plant	4,570
Cartagena LNG regasification plant	88,196
Huelva LNG regasification plant	62,289
Algete compressor station	83
Almendralejo compressor station	41,019
Almodóvar compressor station	107
Bañeras compressor station	437
Córdoba compressor station	2,575
Crevillente compressor station	40
Dos Hermanas compressor station	77
Haro compressor station	3,480
Paterna compressor station	8,327
Tivissa compressor station	2,212
Zamora compressor station	8,298
Zaragoza compressor Station	317
Alcázar de San Juan compressor station	18,784
Lumbier compressor station	9,414
Montesa compressor station	19,026
Villar de Arnedo compressor station	28,581
Chinchilla compressor station	1,251
Gaviota underground storage facility (Platform)	18,070
Denia compressor station	389
TOTAL	**329,449**

For further details of European Emission Trading, see section 27 of the financial statements deadling with Greenhouse Gas Emission Allowances.

Emission of non-GHGs

(NOx, SOx and CO) -EN12, EN20-

Non-greenhouse gas emissions

As part of its Environmental Monitoring Programme, Enagás carries out regulatory voluntary checks (self-checking) at all its combustion sites.

Facility	Actions 2013
Gas pipeline network	155 regulatory inspections
Regasification plants	4 regulatory inspections
Underground storage facilities	4 regulatory inspections

Noise emissions

In 2013 a definition was drawn up of facilities at which noise levels are significant, and the specific action to be taken in each case. In 2014 and 2015 the measures proposed were implemented, and an analysis will be conducted of the efficiency of the measures taken – **EN29-.**

Action has been scheduled at the Cartagena plant in 2014 to take noise levels below 70 dBA (mornings and afternoons) and 60 dBA (at night) throughout the facility.

Conservation of biodiversity -EN12-

As the Enagás Biodiversity Position stipulates, the company is committed to preventing, minimising and integrating the impacts of its activities in the areas concerned, adding environmental criteria as of the planning and assessment stages of its investment decisions, right through to implementation, start-up and rollout of company infrastructures.

For further details of the Company's Biodiversity Position, see the Corporate Responsibility section of the Enagás website ***(www.enagas.es)*** . **- EN12 -**

Conversation of biodiversity at Enagás is based on the following:

- Evaluation of impacts on biodiversity.
- Restoration work on areas affected.
- Environmental monitoring.
- Training and dialogue with stakeholders.

There follows a detailed explanation of each:

Evaluation of impacts on biodiversity - EN14, OG4 -

Environmental Impact Assessments (EIAs) are carried out for all Enagás construction projects; these consider all protected areas* located in the project surroundings. **- EN15 -**

Environmental Impact Assessments in relation to studies of gas pipeline routes consider the following measures to preserve biodiversity: **- EN14, OG4 -**

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

*Enagás takes into account the existence of special protection areas and habitats of interest listed by the IUCN (International Union for Conservation of Nature) and protection of the cultural heritage associated with them.

By December 2013 the area occupied by gas pipelines and other company facilities in Spain's Natura 2000 network (SCI/SPA) protected areas covered 3.7 km^2. **- EN11 -**

When building gas pipelines, Enagás uses legal expropriation. This is a regulated procedure that ensures transparency in infrastructure development and equal treatment for all Spanish citizens in the legal system. This procedure has to be employed because of the large number of private properties per km of pipeline in Spain (around 15 on average). **– SO9, SO10 -**

This procedure involves public information and consultation with all affected parties. Compensation is established through a scale of standard rates based on the nature of the property and its crops. Any persons subject to forced expropriation who do not agree with the compensation offered may appeal, at no cost, to the regional expropriation court, which will determine the fair price payable. **– OG10, SO9, SO10 –**

Species preservation case study: Bilbao – Treto gas pipeline (F.II)

The electrofishing technique was used to remove fish to prevent them being harmed by local pipeline work around their water courses. The fish caught were taken to nurseries, where they remained until the process had been completed. Fishing was carried out against the current in a section of approximately 100 metres, 50 m upstream and 50 m downstream of the water course crossing point. When the fishing process had been completed, the fish were taken to a section of river some 300 metres upstream of the crossing point, away from the area where they could have been affected by work on the pipeline. A register was taken of the species in each catch, and of the numbers caught: there were 361 eels, 65 trout and 54 minnows.

The catches were supervised at all times by an official of the Cantabria Government's Fishery Service, who located a suitable place for the catches to be released.

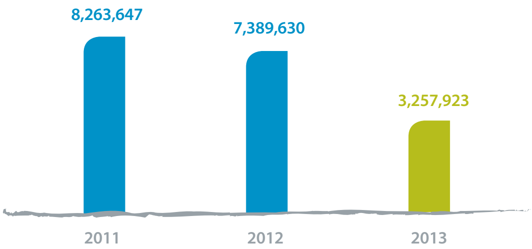
As required by the Cantabria Government's Department of Mountains and Nature Preservation, all fishing equipment was disinfected (boots, waders, buckets, fishing gear, nets etc.) prior to each stage of electrofishing. This was a preventive measure taken in view of the presence of white-clawed crayfish (Austropotamobius pallipes), an invasive species.

Restoration work on areas affected – EN13-

After it builds gas pipelines, Enagás restores the banks of water courses and local land by decompacting, replacing topsoil and reconstructing boundary areas. It also replants the areas affected by sowing compatible herbaceous species, shrubbery and bushes.

Area restored*

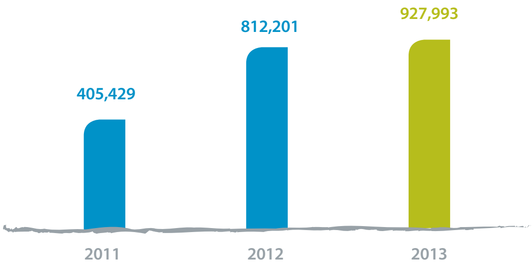
(m²)



*Depending on the infrastructures built

Area replanted

(m²)



Land restoration case study: Martorell-Figueras gas pipeline

During replanting work around the Martorell-Figueras pipeline, pits were dug with an inner plantation. The purpose of the pits is to create waterlogged areas when the river rises above its banks for the colonisation of amphibians.

Landscaping integration techniques were used in this task to reduce the visual impact of rockfills around the pipeline route. An ageing treatment was applied to the limestone and granite rocks to make them darker and blend into the surroundings.

Environmental monitoring

During the construction phase, and during the first 3 years of operation of facilities, an environmental monitoring process is carried out. This includes environmental audits of construction work to ascertain compliance with the requisites established in the environmental impact declaration and other environmental permits, and environmental supervision of gas lines to check the effectiveness of the corrective measures applied during construction, and developments in the plantations made.

In 2013 on-site environmental audits were performed on 133 km of gas pipeline, with environmental monitoring of 1,297 km of operating gas pipelines. **– EN11 –**

Training and dialogue with stakeholders

Enagás is committed to training, both of its own personnel and of external parties, and to the dissemination of biodiversity conservation strategies to its main stakeholders.

Enagás encourages transparent dialogue with stakeholders in its areas of operation, through consultation processes associated with environmental impact surveys, a corporate website with an environmental mailbox and environmental documentation for all projects, and environmental awareness campaigns targeting suppliers.

Water consumption

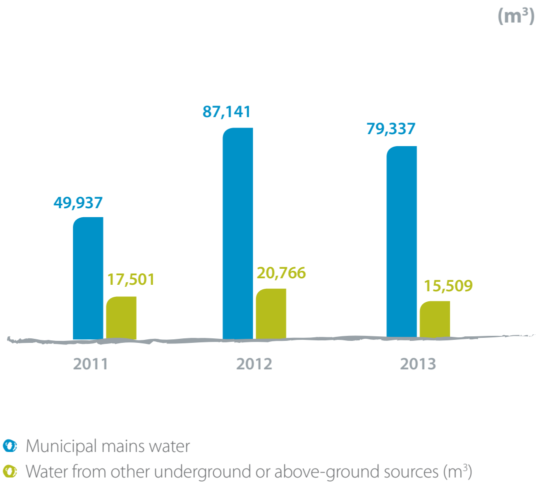
- EN8, EN9, EN12, EN21 -

Enagás does not consume water in its production processes. It does, however, use water for sanitation, irrigation and firefighting. This comes from the mains network and other underground or surface sources.

In addition, as part of its Environmental Monitoring Programme, the company checks discharges of waste water from domestic use and water returned to the sea from regasification plants.

Facility	Actions 2013
Gas pipeline network	10 analyses of discharges in the septic tanks at 9 centres
Regasification plants	Checks on domestic and cooling water
Serrablo underground storage facility	Annual checks at discharge points
Gaviota underground storage facility	Quarterly checks on purification discharges of sanitary water
Yela underground storage facility	Annual analysis of discharge of sanitary water into septic tank

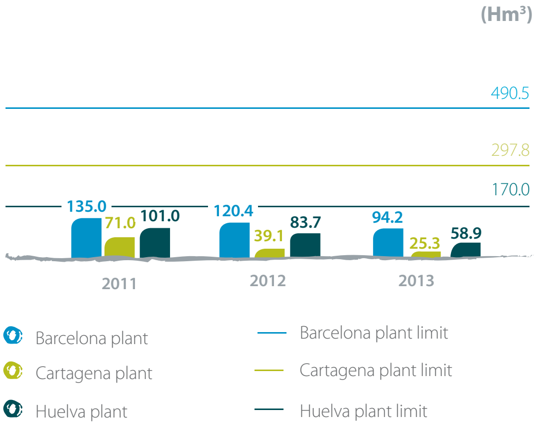
Water consumption by sources



In 2013, extraction limits were exceeded at the well at the Seville compressor plant. This facility consumes more water than other such facilities, due mainly to the watering of 6,000 m² of gardens featuring significant wooded coverage. In 2012 a request was issued for the concession threshold to be increased in accordance with the needs of the facility. The authorities had not replied at the date of publication of this report.

Enagás uses sea water in submerged combustion evaporators at regasification plants. This water is returned under the same conditions as those in which it is withdrawn (the temperature decrease is minimal and it does not affect the marine ecosystem). The volume of water taken is directly proportional to the quantity of gas regasified.

Seawater withdrawn and returned to its source



Action to minimise the consumption of sanitary water and service water:

- Flow reducers in taps and showers.
- Float adjustments in cisterns to reduce flush volumes.
- Reductions in automatic garden sprinkling times.

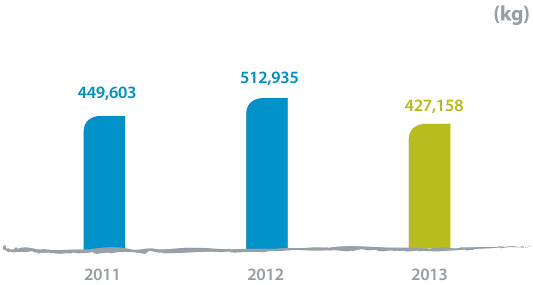
Consumption of material resources - EN1-

Enagás does not use raw materials in its production processes. It uses ancillary items in connection with its transmission activities such as the following:

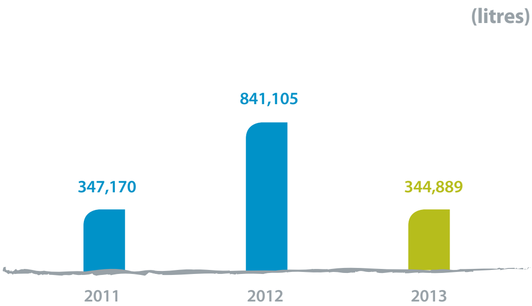
- THT: this is used as an odorant in gas transportation activities, and its concentration is established by law.
- Methanol: this is used in underground storage facilities during the extraction of natural gas, to prevent hydrates forming during transportation of gas from wells to the plant.
- Liquid nitrogen: this is used to make equipment at regasification plants and the Yela facility inert, during commissioning, maintenance or operations, to prevent the build-up of inflammable mixes when natural gas comes into contact with oxygen in the air.
- Oils: these are used for maintenance tasks at facilities.
- Triethylene glycol: this is used to reduce the water vapour content of natural gas in drying towers.
- Sodium hypochlorite: this is used at regasification plants to prevent the formation of precipitates and solid incrustations that could damage seawater evaporators. It is also used in the gas pipeline network and underground storage facilities for preventive maintenance and disinfection of hot water for sanitary use and to control legionella.

Enagás' objective is to optimise its processes as a way of minimising its consumption of materials and, by extension, its environmental impact.

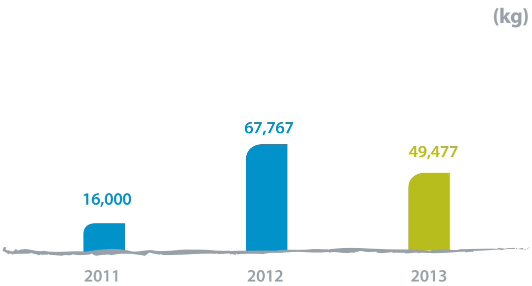
Consumption of THT



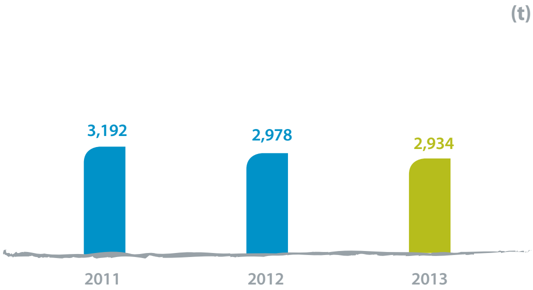
Methanol consumption



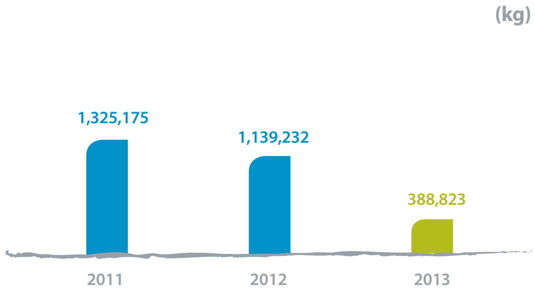
Consumption of triethylene glycol (TEG)



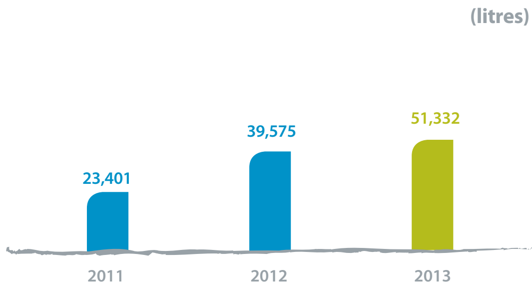
Consumption of liquid nitrogen



Consumption of sodium hypochlorite



Consumption of oils



Lower consumption of methanol and triethylene glycol is due to lower production (extraction) at underground storage facilities.

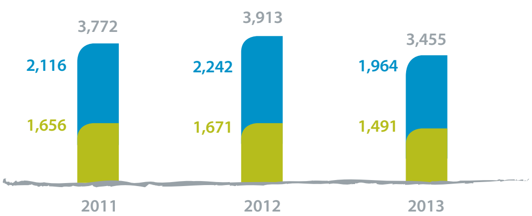
Lower consumption of sodium hypochlorite is due to the decreased use of sea water evaporators caused by lower volumes of regasification due to the increased operation of plants below the technical minimum.

Waste management -EN12-

Enagás mainly generates waste through its facilities and equipment maintenance. The company's objective is to recycle, reuse and extract value from such waste wherever possible.

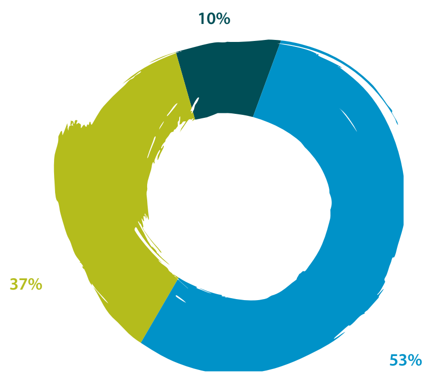
Waste handled

(t)



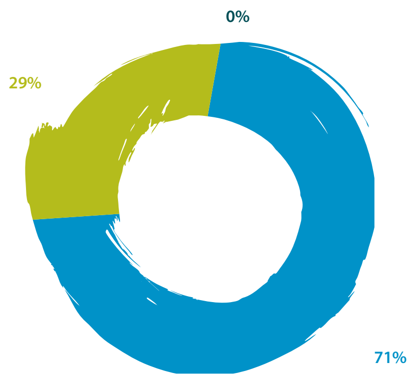
Hazardous waste
Non-hazardous waste

Hazardous waste processed by types of waste



Recycling/Recovery (includes upgrading/energy recovery)
Elimination
Physical-chemical treatment

Non-hazardous waste processed, by types of waste



Septic tank sludge accounts for 80.6% of non-hazardous waste. Enagás also generates waste in the form of general urban waste, inert waste, paper and cardboard and scrap metal, although the volumes of these are insignificant (less than 150 t/year).

Main hazardous waste managed (t) / LER Code -EN22-	2011	2012	2013	Process
Waters with methanol / 160709*	1,514.0	1,438.0	1,210.6	Upgrading
Oil/water/detergent mix / 130802 * / 120301*	79.3	160.7	174.8	Upgrading
Used oil / 130205*	16.1	15.1	28.6	Recovery/ Elimination
Electrical and electronic waste / 160213*	8.2	13.6	10.9	Upgrading

81.2% of the hazardous waste generated by Enagás is water with methanol from the gas extraction process at the Serrablo storage facility. Enagás upgrades this waste in its methanol recovery plants at the Serrablo and Gaviota storage sites.

The Gaviota methanol recovery plant has produced a total of 180,000 litres of methanol, while the Serrablo facility has recovered 12,479.7 litres. **-EN2 -** At Serrablo, a new methanol regeneration system is being fitted due to flocculation and sedimentation problems in the previous system that could not be solved **-EN2, EN26-**

Action to minimise the environmental impact of the waste generated **– EN26 -:**

- Use of alternative products.
- Prolongation of the working life of equipment.
- Purchasing materials unpackaged, on palettes or in bulk.
- Internal re-use of used containers.
- Re-use of discarded IT equipment.
- Dissemination of best practices for maintenance and cleaning of equipment.

7.2.2. Boosting energy efficiency

Enagás is committed to natural gas for safe supply, cost efficiency - meaning greater competitiveness - and sustainability. Natural gas must be the bridge between fossil fuels and a future of renewable energies, and must also make a major contribution to achievement of the European Union's 20-20-20 targets: reducing primary energy consumption by 20%, reducing greenhouse gas emissions by 20%, and increasing renewable energy consumption by 20%.

The company works on a daily basis to improve energy efficiency at its facilities in order to reduce greenhouse gas emissions and energy costs, thereby boosting the efficiency of the Spanish Gas System.

In recent years the company has carried through a number of initiatives to reduce energy consumption at its plants, and use the residual energy produced by certain processes to generate its own electricity. This has the dual advantage of reducing costs and lessening environmental impact.

Energy consumption - EN1-

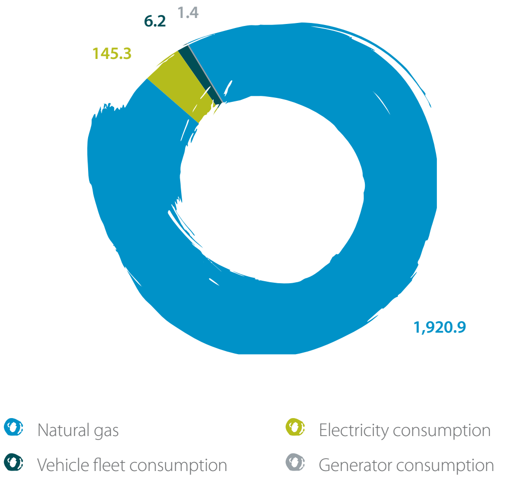
The company's main energy consumption is its own use of natural gas, which is necessary to compress the gas, optimise transportation and guarantee supply. It accounts for approximately 92% of its energy consumption.

Electricity is mostly consumed at regasification plants, and accounts for almost 7% of the company's energy consumption. Consumption by vehicles and generators is negligible (less than 1%).

Energy consumption

Energy consumption

(GWh)



Consumption of electricity -EN4-

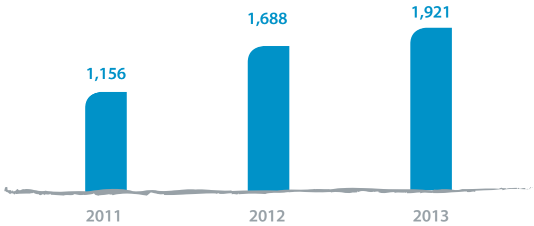
Consumption of electricity

(GWh)

Consumption of natural gas -EN3, OG6-

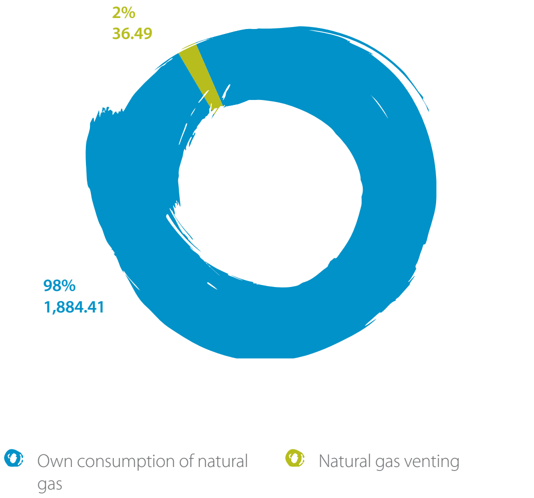
Consumption of natural gas

(GWh)



Consumption of natural gas

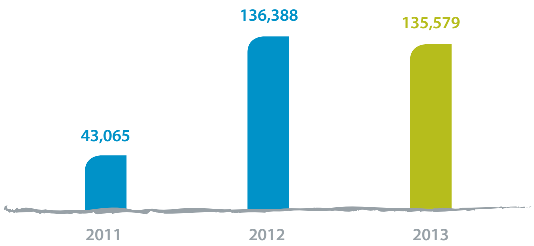
(GWh)



Consumption by generators and fleet of vehicles-EN3-

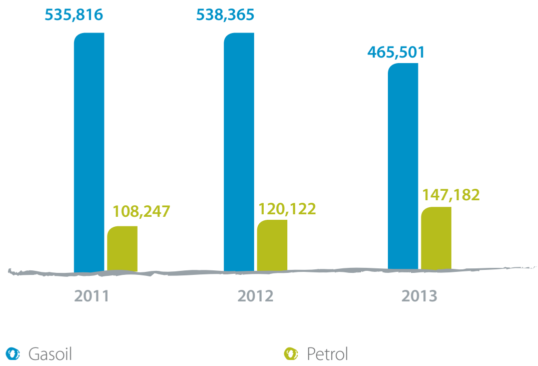
Consumption of gasoil generating units

(litres)



Fuel consumed in vehicle fleet

(litres)



The company's energy consumption depends on demand for natural gas, in terms of volume, its distribution over time and geographic locations. As mentioned in the section dealing with climate change, demand in 2013 brought about an increase in self-consumption of natural gas due to better operation of compressor stations, an increase in ship loading operations and the number of days of operation under the technical minimum at regasification plants.

The company is aware that developments in demand depend mainly on external factors. Consequently, it focuses on boosting efficiency by improving natural gas self-consumption ratios for the gas transported at its facilities. In 2013, efficiency targets were met for the various facilities: compressor stations, regulation and metering stations, plants and underground storage facilities.

Ratio per facility	Target	Actual	% compliance
Internal consumption in compressor stations/gas transmitted	0.464%	0.440%	100%
Internal consumption in regulation and metering stations / gas transported	0.0856%	0.0855%	100%
Internal consumption in plants / gas regasified and loaded in cisterns*	0.058%	0.041%	100%
Internal consumption in underground storage / gas injected and extracted	1.781%	1.511%	100%

(*) Excludes own consumption associated with plants operating below the technical minimum and with ship loading operations.

Enagás also met its global target for emissions of CO_2, with a 9% reduction at its facilities in association with self-consumption of natural gas, electricity consumption and venting with respect to the 2013 target (18.35% for manageable emissions).

Production of electricity

- EN1, OG2,OG3-

The company has implemented innovative systems to generate electricity using residual energy (heat/cold/pressure) in plant operations and at compressor stations. It also does this through the tri-generation plant at the Zaragoza Data Processing Centre.

- Almendralejo compressor station (Badajoz): this uses the residual heat of turbocompressor exhausts to generate electricity. The plant generated 9.272 GWh in 2013.

- Huelva plant: here the company uses ocean-thermal energy (using seawater in the hot reservoir and LNG in the cold reservoir) to generate electricity. The plant generated 3.446 GWh in 2013. It plans to generate approximately 24 GWh/year when normal operations commence in 2014.

- Zaragoza Data Processing Centre: the centre has a tri-generation plant powered by natural gas. Part of the residual thermal energy generated by combustion of gas is used to power the high-pressure meter calibration laboratory's heating system. The rest is transformed into the cooling power required for ICT units. This plant, coupled with the use of high-performance systems, enables the centre to use 30% less electricity than other similar facilities.

In 2013 the Zaragoza Data Processing Centre was presented with the DatacenterDynamics Awards EMEA prize in the "Innovation in the Micro Data Center" category. Its work was also acknowledged by the ICT Companies Energy Efficiency Platform EnerTIC, in the "Smart Data Center" category.

In 2013, €778,000 were invested in the installation of the turboexpander at the Barcelona plant for future electricity production. **- OG2, EC9-**

Energy efficiency initiatives
- EN5, EN6, EN7, EN18, EN19 -

Energy efficiency measures and electricity production now allow Enagás to generate a volume of electricity that is the equivalent of 8.75% of the power consumed by its facilities.

In 2014 the company will continue its energy efficiency initiatives to further reduce energy consumption and the associated emissions of greenhouse gases. The following are some of the projects planned:

Energy savings and in-house generation of electricity

- Installation of air compressors with a frequency variator at the Cartagena plant.
- Optimisation of impellers on sea water pumps at the de Cartagena plant.
- Tank pressure valves at the Barcelona plant.
- Optimisation of lighting at compressor stations.
- Modification of the compressed air system at compressor stations.
- Energy savings through *crank* operations on turbocompressors.
- Self-generation of electricity in Almendralejo.
- Self-generation of electricity at the Huelva plant to normal operating mode.

Reduction of leakages and self-consumption

- Closure of vent stack at the Barcelona plant, using nitrogen instead of steam.
- Replacement of fuel gas with N_2 on the Barcelona plant's flare.
- Exceptional measures to minimise flare-burned gas during operations below the technical minimum at the Huelva, Barcelona and Cartagena plants.
- Turbo restaging at compressor stations (TC3 Almendralejo).
- Adjustment of outgoing boiler temperature at regulation and metering stations.
- Reduction of self-consumption by fewer turbo start-ups at compressor stations.
- Reduction of venting by fewer turbo start-ups at compressor stations.
- Overhaul of the J2 compressor at the Serrablo storage facility.
- Plan to address rogue emissions for the Barcelona plant, transport assets and the Serrablo storage facility.

Reduction of operating additives

- Liquid nitrogen at the Barcelona plant.
- Hypochlorite at the Huelva plant.

For the fourth year running, in 2014 the company will set an emissions reduction target affecting the variable remuneration of all employees.

As already mentioned, the overall volume of the company's emissions of CO_2 largely depends on developments in the demand for natural gas, and the company has very little control over this factor. Thus it has decided to focus on boosting the efficiency of its facilities, particularly on activities which account for most of its emissions. A target has already been established with regard to:

- Reduction of self-consumption of natural gas during plant operations below the technical minimum.
- Reduction of natural gas self-consumption ratios for gas ship loading operations at plants.
- Reduction of natural gas self-consumption ratios during gas injection operations at underground storage facilities.
- Reduction of rogue emissions in the transport network, following on from the work initiated in 2013.

Case study: Inspection and measurement of rogue emissions

In 2013 the company undertook a project to inspect and measure rogue emisions at plants, compressor stations, regulation and metering stations, underground storage facilities and positions.

Measuring rogue emissions at facilities is a complex process that requires very specific technology. In 2013 an initiative was undertaken for accurate efficient quantification of rogue emissions at the Barcelona plant, the Serrablo underground storage facility and Yela well heads, 50 regulation and metering stations, 40 positions and 5 compressor stations: Bañeras, Tivissa, Lumbier, Córdoba and Coreses.

An infrared camera was used to detect actual leakage points. A quantifier ("FID") was then used to measure PPMs at the point of leakage, and the mass flow rate at each point in kg/h is obtained from the tables provided by the EPA.

This leakage inspection and measurement method is much more effective for detection purposes in terms of accuracy and the time required. When leakages are located and quantified, corrective maintenance operations are carried out to make repairs.

The results were as follows:

- Barcelona plant: 272 leakage points reduced to 254, with repairs carried out during the measurement process. 173 tonnes of CH_4 /year reduced to 156 tonnes of CH_4 /year after repairs during the measurement process.
- 40 Positions: 405 leakage points reduced to 317, with repairs carried out during the measurement process. 184 tonnes of CH_4 /year reduced to 154.5 tonnes of CH_4 /year after repairs during the measurement process.
- 50 Regulation and metering stations: 176 leakage points reduced to 108, with repairs carried out during the measurement process. 55 tonnes of CH_4 /year reduced to 42.3 tonnes of CH_4 /year after repairs during the measurement process.
- 2 Compressor stations: 86 leakage points reduced to 56, with repairs carried out during the measurement process. 35 tonnes of CH4 /year reduced to 22 tonnes of CH_4 /year after repairs during the measurement process.
- Serrablo facility and Yela well heads: 68 leakage points reduced to 49, with repairs carried out during the measurement process. 40 tonnes of CH_4 /year reduced to 31.4 tonnes of CH_4 /year after repairs during the measurement process.

Repairs identified that were to be made after the survey are now being carried out, and this will greatly reduce rogue emissions at each facility.

7.2.3. Development of the local environment

In recent years Enagás has worked hard to reconcile the company's business plans with the needs and expectations of the local communities in which it operates. The company sees its commitment to society as cooperation with institutions, foundations, NGOs and other bodies, mainly in relation to health, culture, social integration or education.

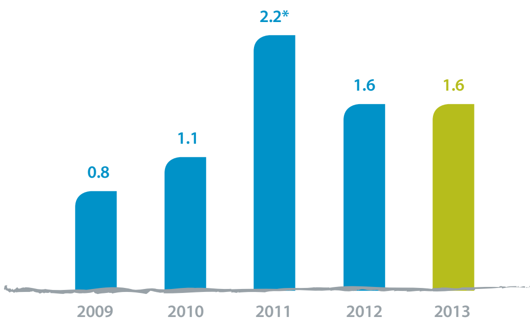
Cooperation materialises in a number of formats such as sponsorship, patronage and donations, goods and services contracts with foundations for the integration of people with distinctive capacities, or corporate volunteer schemes.

Sponsorship, patronage and donations

Cooperation projects with the various communities in which Enagás operates are identified through the company's dialogue with the major local public bodies and entities. Initiatives are selected and implemented in accordance with the Procedure for Managing Sponsorship, Patronage and Donations, which sets out the company's social action criteria and the process to be carried out. –S01-

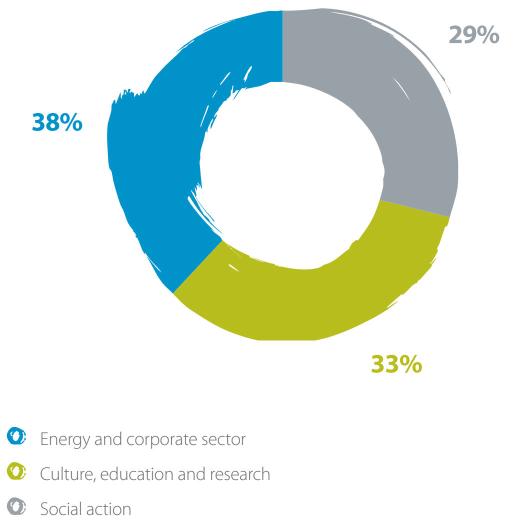
Sponsorship, patronage and donations -EC8-

(€Mn)



* In 2011 an exceptional donation was made to the town of Lorca after its earthquake disaster.

Sponsorship, patronage and donations by areas -EC8-



The procedure also features a questionnaire that Enagás sends to entities a posteriori to enable projects to be monitored and ascertain the number of beneficiaries and assess cooperation and the results obtained. -S01-

Some of the results achieved with contributions by Enagás -S01-

- It was estimated that **2,380** people will benefit from the **"Cáritas ante la Crisis" project,** thanks to the **contribution of 100,000 euros,** a sum previously allocated to Christmas presents.

- Assistance to the **Royal Foundation "Instituto Elcano"** in preparing and distributing international strategic surveys on the energy sector.

- Donation of **La Caixa's 92,566 points** to the **"Alianza por la Solidaridad" NGO** to help boost food safety programmes in underdeveloped regions in Africa.

- Cooperation with the **Energy and Environment Sustainability Foundation (Funseam)** to carry out and publicise energy and environment sustainability activities.

Contratación de bienes y servicios para fomentar la integración social

Goods and services contracts in favour of social integration

Enagás draws up goods and services contracts with institutions that foster the integration of people with distinctive capacities in Enagás' operations. For example, the company uses the catering, mailing and shrink-wrapping services provided by associations such as the "Juan XXIII" Foundation.

Enagás signed a Cooperation Framework Agreement with the Foundation in 2013 whereby its mentally disabled students were eligible for placements with the company.

Corporate volunteering

The Enagás corporate volunteering scheme with the slogan "En nuestras manos" [In our hands] is based on work by employees with not-for-profit organisations and projects, contributing their time, their skills and talent.

The programme enhances corporate pride, improves the working atmosphere and develops different capacities among employees in line with company values, thus boosting employee/company links. It also helps improve our surroundings by making them more sustainable and inhabitable, in cooperation with the local communities in which we operate.

The company offers ground-breaking initiatives, and allows employees time off work to take part in projects, and also pays their travel expenses.

In 2013, the company rolled out the following volunteer schemes:

- A volunteer event with disabled people in Madrid, along with the Juan XXIII Foundation.
- Visits to children in hospital at the San Rafael and 12 de Octubre Hospitals in Madrid and the Virgen del Rocío Hospital in Seville, with the Theodora Foundation.
- Assistance for low-income elderly people with a risk of social isolation and mobility problems, with leisure activities designed especially for them, with the "Desarrollo y Asistencia" Foundation.
- Participation in the Intercompany Charity Football Tournament in Madrid and in the Corporate Solidarity Day in Madrid and Zaragoza, along with the "Cooperación Internacional" Foundation.
- Solidarity recycling of plastic caps, initially for the AEFAT association and now for the SEUR Foundation, as a contribution to research into specific illnesses and surgery for children with access to few economic resources.
- Christmas project - collection of non-perishable foodstuffs, toys and warm clothes on programmes such as "Solidarity Breakfasts" and associations assisting families with a risk of social exclusion.

The Volunteer Portal was also rolled out at the end of 2013, along with the "Hazloposible" Foundation. This web platform provides information on Enagás initiatives, and also a large number of activities arranged by other organisations, making it easier for employees to join initiatives in different areas, locations etc.

Participation by 98 employees (8.5% of the headcount)

7 Volunteer work

640 hours of work

7.2.4. Culture of innovation and shared value

Management of stakeholders

-PR5, 3.5, 4.14, 4.15, 4.16, 4.17, EC1-

In 2013 Enagás created the "Culture of innovation and shared value" working group, composed of those responsible for relations with the company's stakeholders. The group focuses on reviewing the stakeholder management model in accordance with the company's 2013-2015 Strategic Update.

Each member of the working group worked on an individual basis, and subsequently a round of pooling and consensus sessions was arranged. The results were presented to the Excellence Steering Group, composed of Senior Management at the company.

This year the group worked on defining the stakeholder relations model by means of the following:

- Review of the stakeholder map in due consideration of an update of corporate strategy: Enagás stakeholders were identified and prioritised, and stakeholders were defined as groups that will influence Enagás in the achievement of its strategic objectives and those that will be affected by the company during its achievement of the objectives.
- Identification of issues relevant to each stakeholder.

Map of Enagás shareholders, by relationship areas

Regulation of the sector

- Ministry of Industry, Energy and Tourism
- CRE (Energy Regulating Commission)
- ENTSOG
- CFE Mexicana
- European institutions
- Southern gas region regulatory authorities
- CNMC

Financing

- Banks

Reputation

- Media

enagas

International development

- International investment partners
- Critical suppliers for business development

Share listing / Stock market

- Investors
- Analysts
- Rating agencies
- Spanish Securities Market Commission ("CNMV")

Business operation

- Spanish gas system shippers
- Spanish gas system operators
- Employees
- Directors and Provincial Heads of Industrial and Energy Area
- Critical suppliers for business operation
- Local environment

In 2014 the material issues will be prioritised and consultation mechanisms will be defined, including relations channels and regularity. New ways of working with different stakeholders will also be examined in order to delve deeper into the culture of innovation and creation of shared value.

Results of stakeholder consultations -3.5, 4.14, 4.15, 4.16, PR5 -

In 2013 consultations were carried out with companies related to business operations, shippers and operators of the gas system (transporters and distributors) under the AA1000APS standard (inclusivity, relevance and response), in order to assess the company's performance and its ability to respond to needs and expectations.- **PR5 -**

			Percentage and number of responses	Assessment of services provided by Enagás	Services
Business operation	Enagás Transmission	Shippers	70%/30	83/100	Enagás services as a transmission company (capacity management and viability analysis, infrastructure operation and programming etc.)
		Systemoperators (transmission and distribution companies)	60%/6	79/100	
	Enagás Technical System Manager	Shippers	65%/26	80,5/100	Technical System Management Services (programming, operations, deliveries and balances etc.)
		Systemoperators (transmission and distribution companies)	50%/7	81,2/100	

Consultations with other stakeholders will commence in 2014 on the basis of the mechanisms and regularity defined at the beginning of the year.

For further details concerning the stakeholder management model, see the Corporate Responsibility section on the Enagás web site***(www.enagas.es)*** . **-4.14, 4.15, 4.16-**

Stakeholder cooperation measures

In the years ahead Enagás intends to roll out value-creation initiatives with its stakeholders. The "Culture of innovation and shared value" working group is focusing on this to define and implement the initiatives.

The following are some of the cooperation initiatives already initiated by the company.

Cooperation in business operation
- EN26-

Shippers and operators of the Spanish Gas System

As a transport company, in 2013 Enagás worked hard to improve its service to customers (shippers, transporters and distributors) in a number of areas:

- Efficiency and sustainability of regulated business: Implementation of the new module taking up regulated services. Implementation of electronic signature of contracts: drastic reduction in the time required for the signature of contracts, helping customers optimise their demand schedules.

- Development of *Natural Gas Quality Tracking:* this is a system to monitor gas quality in the basic gas pipeline network, using a certified-for-use simulation to improve the quality of the information and the publication cycle, when this has been included in regulations and acknowledgement by the proper metrology body.

- Development and improvement of communication with customers: restructuring and improvement of information on the website and the "SIT-GAS" portal. Our improved version of the services and infrastructures catalogue.

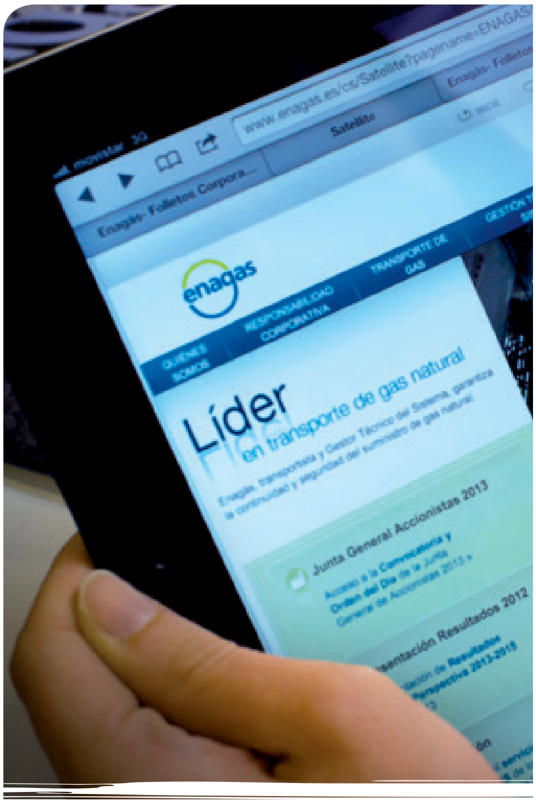
- Integration with European regulations for capacity allocation processes on international intra-European connections.

The company has also worked on promoting and developing new LNG plant services: *Parking Gas* (LNG storage and trading), *Bulk Break, Small Scale, Bunkering GNL* (Ten-T projects); and on new uses of natural gas and LNG, such as development of vehicular gas, industrial gas, light schemes and cars.

In the area of Technical Management of the System, the company has focused on the following:

- Development of a new communications channel through the SL-ATR 2.0 Portal for the entire Spanish gas system (users with *e-tokens*), providing access to documentation and information on the state of play of Working Subgroups to modify the NGTS. This improves distribution and shortens information transmission time, focusing on the principle of transparency, the cornerstone of functions of Technical Management of the System.

- Publication of "Action Guide for New Agents" in Spanish and English on the Enagás website, with information concerning the Spanish Gas System and its regulations.



Suppliers

Enagás has engaged a cooperation initiative with its main suppliers to carry out joint projects to create shared value: the "Suppliers' Circle". The areas of cooperation are cost efficiency, sustainability and applied innovation.

Six suppliers are now actively involved in these initiatives: Indra, Atos Worldgrid, Ampo, STS, Emerson and Montrel.

In 2013 the company identified four cooperation projects relating to the use of *wireless* technology in temperature and pressure control systems and security systems, and systems to detect leakages and cracking in gas pipelines.

Cooperation with sector regulators -4.13, SO5-

Enagás interacts with regulators, both directly and through industry associations, to propose regulatory improvements, whether directly or as part of consultations by the regulators.

Issues dealt with by Enagás nationally

- MINETUR (Ministry of Industry, Energy and Tourism) European gas regulation working group.
- CNE (Spanish Energy Commission) - hub development group.
- Consultation processes dealt with via the Hydrocarbons Consultative Committee (CCH).
- Implementation of Regulation 994/2010 on measures to guarantee security of gas supply.
- Specific developments and implementation of national regulations, with direct interaction with the CNE and MINETUR.
- Regulation working group of the Association of the Spanish Technical Platform for CO_2 (PTECO_2).
- Development of detailed technical regulations in the Technical System Management Regulations Group (NGTS).
- Spanish gas quality group (MINETUR).

Issues dealt with by Enagás internationally

Legislative processes	• Regulation (EU) No 347/2013 on guidelines for trans-European energy infrastructure. • Regulation (EU) No 984/2013 establishing a Network Code on CapacityAllocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009.
Southern Regional Initiative	Projects to harmonise the natural gas market in the southern region with regulators and infrastructure operators in France, Spain and Portugal: • Early coordinated implementation throughout the entire region of Regulation (EU) No 984/2013 (network code on capacity allocation mechanisms) and European Commission Decision 2012/490/EU of 24 August amending Annex I to Regulation (EC) No 715/2009 on conditions for access to natural gas transmission networks (Directives for congestion management procedures). • Regional investment plan (Gas Regional Investment Plan South (GRIP South)).
Activities through ENTSOG	• Development of network codes concerning: gas balance in transmission networks and interoperability and data exchange systems. • Monitoring in comitology arrangements for the network code on capacity allocation mechanisms and early implementation by members. • Monitoring, participation and cooperation with the Energy Regulators Cooperation Agency in drawing up a framework directive on the harmonisation of tariff structures. • Monitoring, participation and cooperation with the Energy Regulators Cooperation Agency in relation to amendments to Regulation (EU) No 984/2013 on new capacity and incremental capacity. • Monitoring implementation of European Commission Decision 2012/490/EU of 24 August 2012 (Directives for congestion management procedures). • Development and implementation of Regulation 1277/2011 on wholesale energy market integrity and transparency (REMIT). • TYNDP 2013-2022.
Activities through GIE	• Development and implementation of Regulation 1277/2011 on wholesale energy market integrity and transparency (REMIT). • Monitoring of European gas quality processes. • Development and evolution of the small-scale LNG market. • Transparency Template for underground storage facilities.
Activities through CEN	• CEN/TC 234 WG11. • CEN/PC 408.
Activities through EASEE-gas	• Business Process Working Group. • Gas Quality Working Group. • Executive Committee.
Activities through UNECE	LNG survey document.
Activities through IGU	Interaction involving the IGU (International Gas Union) and ICER (International Confederation of Energy Regulators).

Enagás is also involved with the governing bodies of a number of Spanish associations and organisations such as Sedigas, Enerclub or Instituto Elcano, and international bodies such as ENTSOG, GIE, EASEE Gas or UNECE.

Commitment to information transparency

Enagás considers transparency is a key feature of its relations with stakeholders. The company's communications policy is based on transparency, rigour and truthfulness of the information disclosed. Enagás establishes and maintains relations of trust with the media, and also makes use of new communication channels such as the social networks, where it has official profiles on Facebook, Twitter and Linkedin. The corporate website is still the company's main communications channel. Visits increased in 2013 by 18% against the previous year (upwards of 450,000 visits). The company issued 20 press releases, and Enagás featured in more than 4,000 articles in the written press and in more than 19,000 in digital media.

Striving for transparency with regard to all stakeholders, at meetings, conferences and forums Enagás distributed almost 4,500 corporate publications with information on its activities and infrastructures. The company also launched a specific corporate leaflet on the 2013-2015 Strategic Update, setting out the main strategic and financial issues for the years ahead.

In 2013 Enagás produced a corporate video on the new Data Processing Centre in Zaragoza, one of the company's most innovative projects. Approximately 800 people logged in for a first-hand account of some of the Enagás facilities in 2013.

International activity

Enagás has also made use of communication initiatives pursuant to its new strategy in developing international business. In 2013 it organised and/or was proactive in a number of international events such as:

- LNG 17, the gas sector's main trade fair and congress in Houston (USA) between 16 and 19 April. Enagás had a stand at the event, and the company's Chief Executive was one of the inauguration speakers.

- Meeting of the International Gas Union (IGU). In October, Enagás played host in Barcelona to the IGU's Strategy and LNG Committees at an event attended by almost 100 representatives of the world's major gas companies.

- The "Shale gas, an energy source to be debated" seminar on 25 November in Madrid, to shed some light on this new energy source. The technical encounter was attended by five major shale gas experts from around the world, along with 200 representatives of businesses and institutions.

Internal communication

Following the 2013-2015 Strategic Update in February 2013, a number of specific courses of action were taken for internal communication of the new corporate strategy:

- Working meeting of the Chairman and Chief Executive Officer along with 80 company executives and managers to explain the main focuses of strategy.

- Launch of the "Interactive Café" initiative, each session of which gives ten professionals at the company the chance to discuss the company's new strategy and other areas of interest with the Chief Executive Officer. The initiative was warmly welcomed by employees at the organisation. A total of 5 sessions were held in 2013.

- Executive Encounter on 25 and 26 July, with a number of working meetings to boost internal communication between executives and encourage team work.

The usual internal communications channels continued to be used - the intranet (more than 200 news items), the "Azulyverde" magazine, 1,400 copies of which are distributed every four months, the fortnightly newsletter "Ráfagas", and 15 internal communication campaigns focusing on environmental issues, prevention of occupational hazards, corporate volunteer schemes, reconciliation, equality and innovation.

What was our level of performance in 2013?

Over the last year we have made progress in...

Ethical and responsible behaviour

- Approval of the procedure for management of offering and acceptance of gifts.
- Approval of the Internal Audit Code of Ethics for internal auditors.

Equal opportunities and personal development

- A professional development programme, "Hasta dónde quieres llegar" (How far do you want to go?), to encourage the professional development of women at the company.
- Boosting knowledge management through participation by more than 50% of employees in the 3 practice communities.
- Second Ingenia Award to encourage a culture of continuous improvement and innovation among employees.
- Encouraging professional development of employees through mechanisms to boost internal horizontal mobility.
- Extension of the scope of OHSAS 18001 certification to include the Gaviota and Yela underground storage facilities and the transport centres in Chinchilla, Majorca and Denia.

What were our results in 2013?

Our major indicators are...

Ethical and responsible behaviour

Complaints received via ethics channel

2

128

Personnel trained in Code of Ethics

In which areas can we make progress in 2014?

We are working on...

Ethical and responsible behaviour

- Boosting mechanisms and tools to guarantee compliance with Human Rights, particularly on international projects.
- Galvanising systems to prevent fraud and corruption, particularly on international projects.

Equal opportunities and personal development

- Review of performance assessment systems.
- Signature of a cooperation agreement with the Spanish Ministry of Health, Social Policy and Equality aimed at increasing the number of women in positions of responsibility.
- OHSAS 18001 certification for Enagás SA and Enagás GTS.
- Diagnosis of healthy workplace certification for the Enagás Group as per the "healthy workplace model" defined by Spanish certification body AENOR.

Equal opportunities and personal development

Net job creation (%)
2.77%

Voluntary employee turnover (%)
0.45%

Absenteeism
2.46

22.8%
Workforce gender diversity (%)

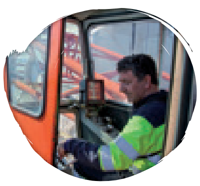
Senior management gender diversity (%)
18.84%

Investment in training per employee (€)
1,192

Training per employee (hrs)
52

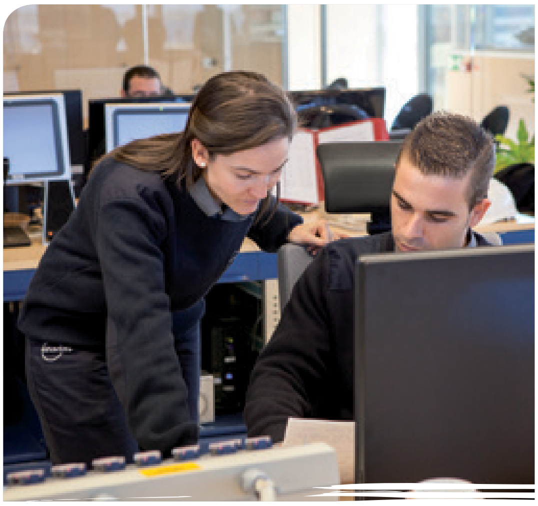
5.31
Frequency of accidents entailing sick leave for own staff

Frequency of accidents entailing sick leave for contract staff
9.32



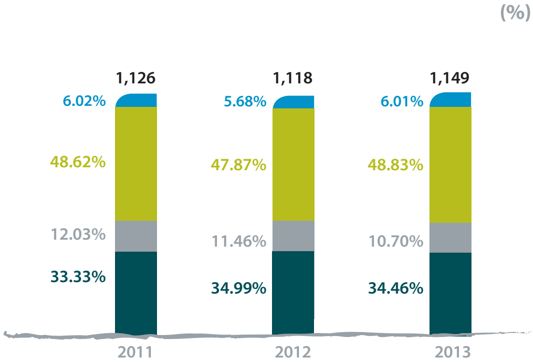
Seriousness rate with sick leave for contractors
0.36

Index of seriousness of accidents leading to sick leave for own staff
0.25



Evolution and breakdown of workforce–LA1, LA2, LA13-

Workforce growth by professional groups



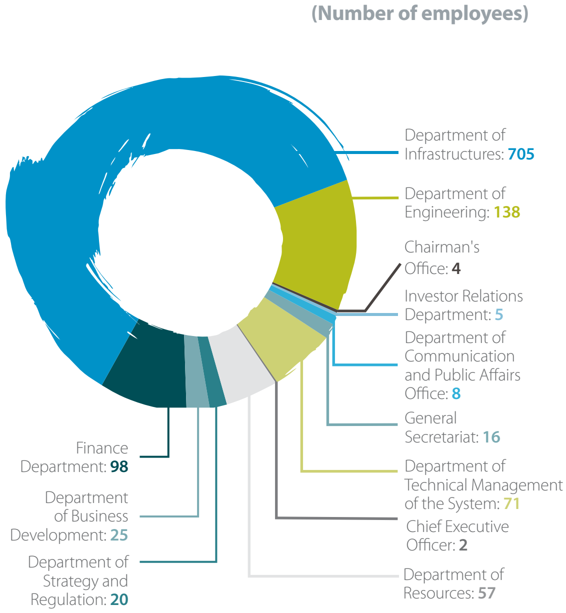
7.3.1. Equal opportunities and personal development

Our employees

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

Enagás' commitment to its employees and to creation of stable quality employment, even during a period of obvious economic crisis, is borne out by its staff additions 13.5% since 2007, with indefinite contracts in excess of 96%.

Workforce composition by organisational units



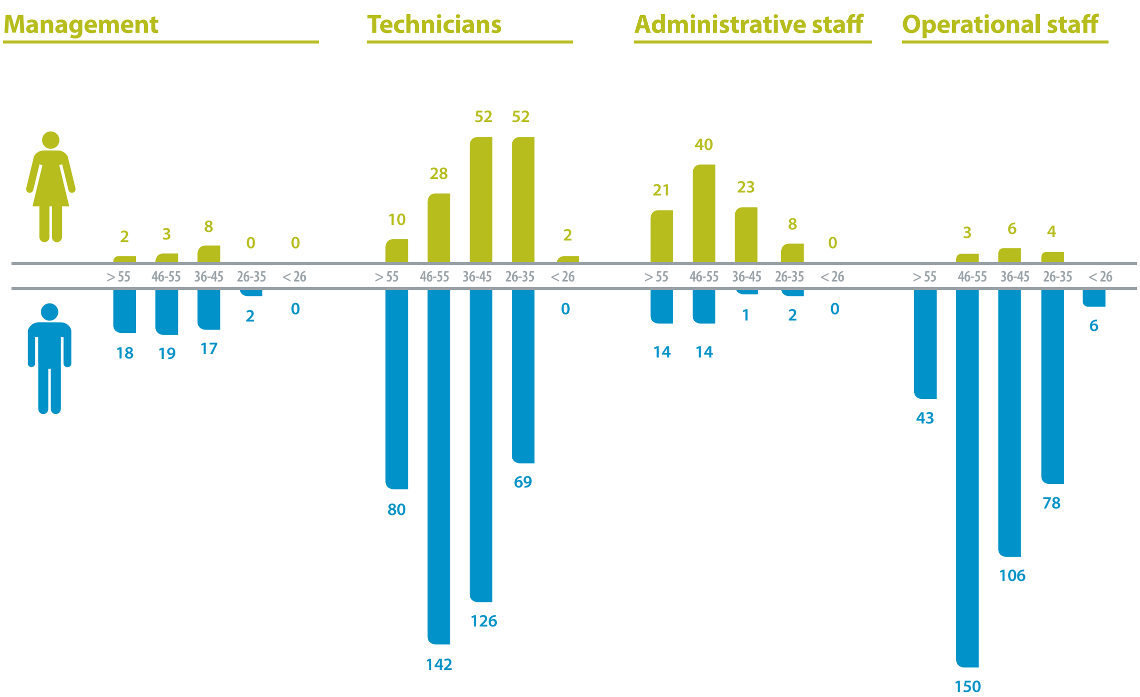
For further details of the Company's Human Resources policy, see the Corporate Responsibility section on the Enagás website ***(www.enagas.es)*** .

Breakdown of employees by professional category, age and gender - LA1, LA2, LA13-

Professional group	Gender	2011	2012	2013
Management	Female	9	10	13
	Male	55	53	56
Technicians	Female	135	136	144
	Male	404	401	417
Administrative staff	Female	95	93	92
	Male	34	32	31
Operational staff	Female	14	12	13
	Male	380	381	383
Total		**1,126**	**1,118**	**1,149**

Breakdown of employees by professional category Range of age and gender - LA1, LA2, LA13-

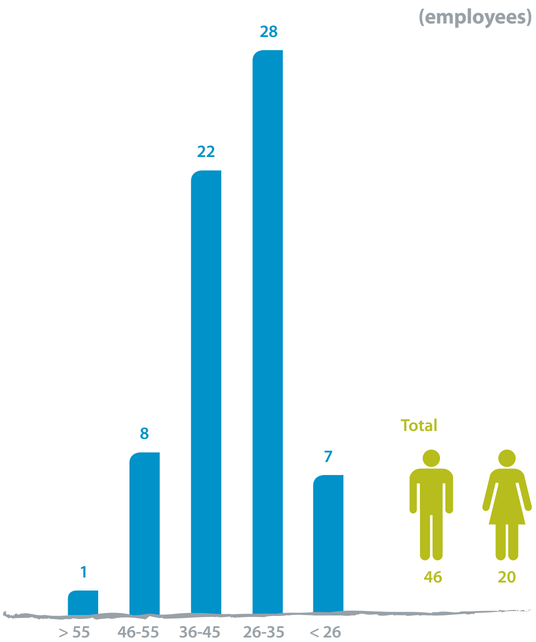
(Number of employees)



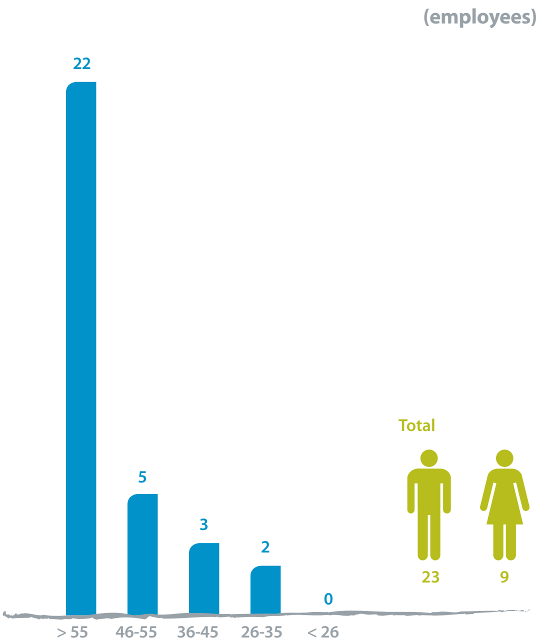
Employee turnover and new employee hires -LA2-

Rotation rate

New hires

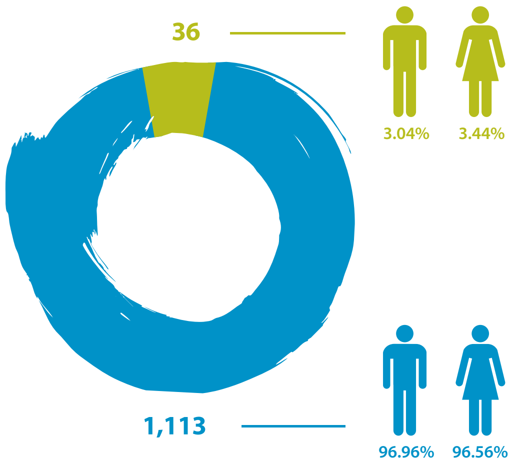


Permanent contracts terminated



Contract types -LA1-

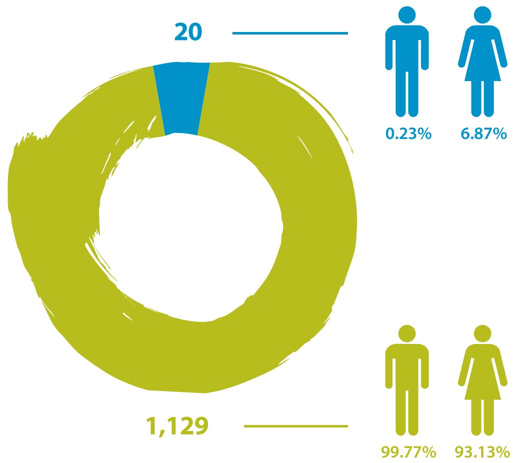
Type of contract, as per contract term



Permanent contract

Temporary contract

Type of contract, as per working hours



Part-time

Full-time

Employees covered by the Collective Bargaining Agreement, by professional categories* -LA4-

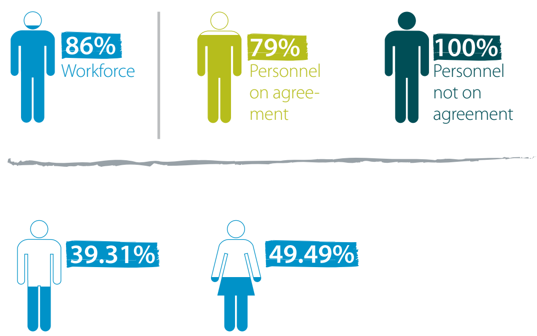
* The collective bargaining agreement does not apply to managerial staff

Evaluation and remuneration of our employees -4.10, 4.5, LA12-

Enagás assesses the performance of everyone who works in the company. To this end, it has two assessment systems affecting fixed and variable remuneration, respectively: a performance assessment system and a management by objectives model.

Workforce subject to performance assessment - LA12-

Impact, fixed remuneration



Workforce covered by the management by objectives model - LA12-

Impact, variable remuneration

In 2013 the company extended the new performance evaluation system to all personnel excluded, after an initial review of key skills. For staff covered by the collective bargaining agreement (60.92% -LA4-), this system is only applied to employees at certain levels, as set out in the Enagás collective bargaining agreement.

The management-by-objectives (MBO) model aligns employee performance targets with the challenges facing the company by setting objectives that are applicable at both the departmental and individual level. This system applies to all staff not covered by the collective bargaining agreement. For staff covered by the collective bargaining agreement who do not receive variable remuneration, if the company achieves its objectives, this directly impacts on increases in their fixed remuneration (see section 6. Our strategy for further information on company objectives in 2013).

In 2014, Enagás intends to review its performance evaluation systems and analyse the possibility of deploying a long-term incentive programme.

Focus on equality and work-life balance -LA1, LA3, LA13, LA14, LA15, EC3-

Enagás is a company that focuses on equal opportunities: it encourages the incorporation of women by publicity conferences at schools; it sends internal messages with guidelines on work-life balance and quality, videos and campaigns; it encourage specific social benefits and favours positive discrimination for the professional development of women.

Initiatives carried out in recent years have led to a gradual increase in female employees at Enagás, especially at management level.

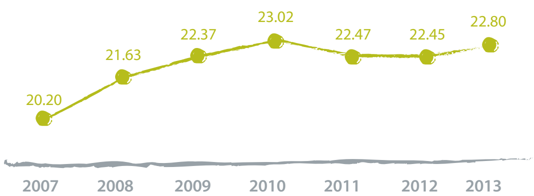
The Enagás remuneration model factors in considerations of equality and non-discrimination, and thus any differences between the salaries of different individuals are due solely to their positions in the organisation, levels of experience, length of service and value contribution.

Enagás also offers 59 measures relating to work-life balance based on employment quality, working-hour flexibility, support for employees' families, professional development and equal opportunities.

Enagás offers a family assistance programme covering for the social and assistance needs of employees and their immediate families, i.e. parents, spouses and children, whether or not they live at the same address. This programme is available throughout Spain.

Changes in number of female employees - LA1 -

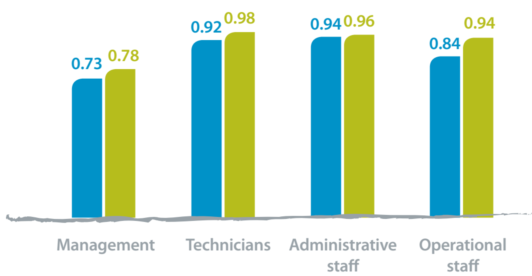
(%)



Changes in percentage of women in management posts - LA13 -

(%)

Ratio between average basic male/female salary by professional categories* -LA14-



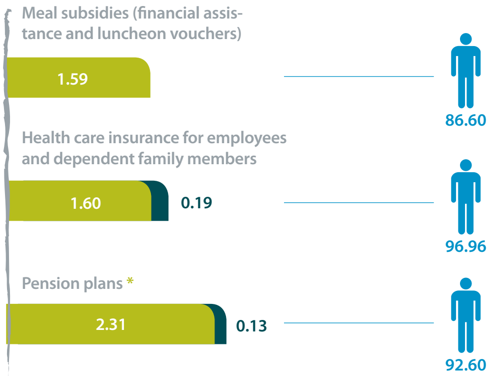
Remuneration for women/remuneration for men

Basic salary for women/basic salary for men

* The Chairman is not included. The survey was conducted on full-time employees. Average remuneration was calculated with respect to employees that worked over the full year 2013 at Enagás (1,109).

Social benefits (on the Enagás social benefits plan) most used by employees - LA3, EC3 -

(M€,%)

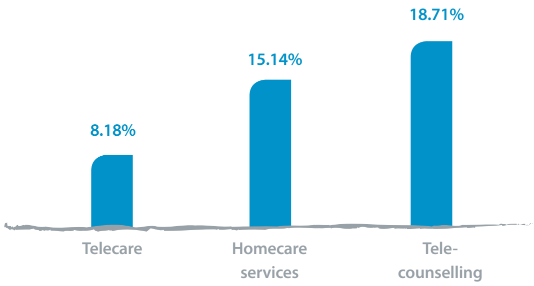


- Costs met by the Company
- Costs met by the employee
- % of workforce taking advantage of benefits

* Pension plans offer defined benefits (contribution of a percentage of salary to the pension plan)

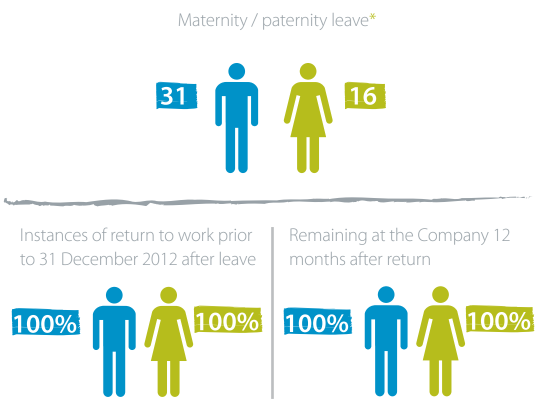
Family assistance measures most used by employees* - LA3 -

(% of workforce taking advantage of benefits)



* Pension plans constitute defined benefits (contribution of a percentage of salary to the pension plan)

Work-life balance -LA15-



* Transfer of maternity leave for mothers to fathers has been accounted for as paternity leave

Specific equality and work-life balance measures

In 2013 the company stepped up its efforts in this direction through two initiatives:

- A professional development programme, "Hasta dónde quieres llegar" (How far do you want to go?), to encourage the professional development of women at the company. The aim is to help them overcome the barriers that professional females self-impose due to cultural constraints, the constraints of corporate organisation, time allocations, corporate structures and values etc.
- The production of the second video of the Equality Plan for all employees, for an educational look at the company's commitment to equal opportunities and a balance between the personal and professional lives of its employees.

128
Persons trained in Business Principles

100
Persons trained in Work-Family Balance, Harassment and Equality:

44
Persons trained at the Equality Plan Conference/Seminar

In 2013 Enagás renewed its certification as a Family-Responsible Company, first issued in 2007. Enagás maintains its "B+ Proactive" rating.

In 2012 Enagás renewed the Ministry for Health, Social Services and Equality's "Equality at Work" Seal, which it first obtained in 2010. Furthermore, in 2014 the Company also signed a cooperation agreement with the Ministry for Health, Social Policy and Equality aimed at increasing the number of women in executive positions.

The company will continue to work in the years ahead to gradually increase the percentage of female employees, especially in management.

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

efr empresa

Development of people
–LA10, LA11, EC7 -

Enagás encourages the development of people on a number of initiatives that manage knowledge and harness the excellent capacities of our employees to achieve the company's objectives.

Knowledge management at Enagás includes the following:

- Identification and maintenance of knowledge through the definition of a corporate knowledge map pinpointing critical knowledge disciplines and groups of experts within each.

  The Enagás knowledge map was approved in 2011, and is reviewed on a continuous basis.

- Development of cooperation environments to share knowledge and best practices among employees.

  The company has three practice communities for gas quality and measurement; maintenance and prevention, the environment and quality. At present more than 50% of employees are actively involved in the specific forums created in each of them, providing documentation and sharing good practices.

- Encouragement of a culture of innovation to generate further knowledge, through management models and specific programmes to boost the generation of ideas.

  The second Ingenia innovation award was launched at the end of 2013, to delve deeper into the creation of a culture of continuous improvement and innovation at Enagás, encouraging employees to come up with new energy efficiency ideas, new business opportunities and improvements to management systems.

- Training for maintenance and development of new knowledge, capacities and skills for employees.

  Enagás's focus on training has been stepped up in recent years, and per-employee investment has tripled since 2007.

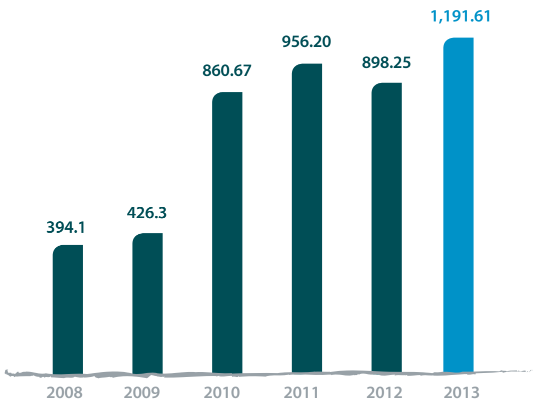
Enagás has also approved a new selection process for internal vacancies whereby professional staff will have priority over assessments of external applicants. The purpose of this initiative is to boost professional development among employees, encouraging internal rotation.

Our training

The purpose of training at Enagás is to cover the needs of new knowledge / boost the knowledge required to develop corporate business. This means the assessment of superiors concerning the training transferred or the impact of training on the work place (positive assessment of 95%* in 2013), as is the assessment of employees involved in training programmes (8.78/10** in 2013).

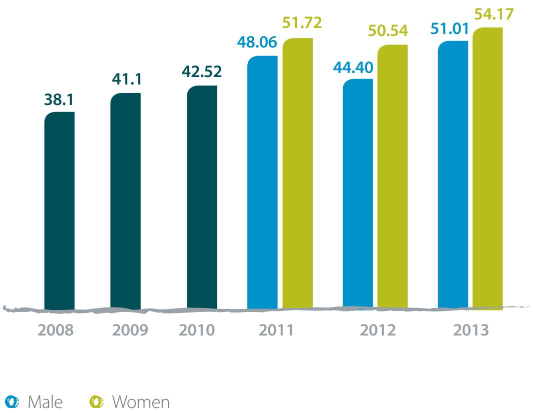
Investment in training by employees -LA10-

(€)



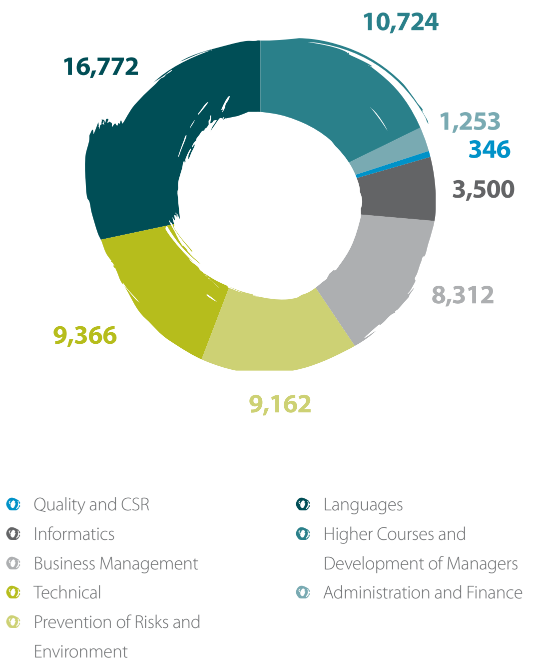
Training hours by employees -LA10-

(hours)



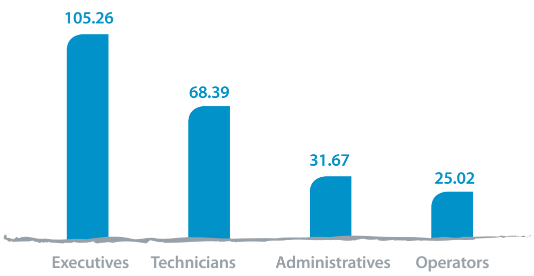
Training hours by themes - LA10 -

(Number of employees)



Training hours by employees -LA10-

(by professional categories)



* Of the cases assessed (45 courses of the courses taught in 2012).
** Data calculated on the basis of satisfaction surveys received of approximately 40% of the total of courses taught in 2013.

A number of training initiatives were deployed for Enagás employees in 2013 in relation to technical and management skills. Some of these were as follows:

- The Assets Maintenance Management Programme for employees working at the company's different infrastructures, who obtained certification as assets maintenance experts.
- The Investment Projects and Company Valuation Course, the objective of which was to boost knowledge of techniques and methods to analyse the feasibility of investment projects and company valuations to assist the company's globalisation plans.

Enagás employees have also arranged training courses for other companies. For example:

- Cooperation with other operational staff in the energy sector (REE and CLH) to carry out joint training programmes, and specific training in "Infrastructures and operation of the gas system" to a group of 70 people on 7 training schemes.
- SINOPEC Training Programme on the Operation and Maintenance of Regasification Plants at Enagás' facilities, attended by some 25 people over 2 weeks.
- The Gas System Training Programme on Measurement and Discharge at Regasification Plants, attended by some 15 people.

Enagás also has an agreement with the university under which its interns attend courses on aspects of their work (business, technical matters, tools and IT applications used in their Unit), complementing their postgraduate programme at the university for Citius and Optimus scholarships.

For further details of the Annual Training Plan, refer to the Corporate Responsibility section on the Enagás website ***(www.enagas.es)***.

Management of the Prevention of Occupational Hazards at Enagás

The Enagás Occupational Health & Safety System is certified under the international OHSAS 18001 standard for:

- Storage and regasification of liquefied natural gas.
- Natural gas transmission and storage.
- Infrastructure project management.

The transport units at Chinchilla, Majorca and Denia joined this certification in 2013, as did the Yela and Gaviota underground storage facilities.

Plans were made in 2014 for OHSAS 18001 certification for Enagás SA and Enagás GTS, and for the integration of OHSAS 18001 certification for the activities of Enagás Transporte SAU and a diagnosis for healthy corporate certification for the Enagás Group in accordance with the AENOR "Healthy Workplace Model".

The prevention management system also includes procedures and guidelines for identifying and evaluating risks throughout all operational stages of facilities (planning, commissioning, emergency shutdowns, maintenance and decommissioning), as well as external technological and natural risks. **- PR1 -**

Enagás has led the Marcogaz *Health and Safety Working Group* since 2012. Marcogaz is the technical association for the European gas industry, responsible for issues related to occupational health and safety in the industry. Enagás is also a member of the Marcogaz *Sustainability Standing Committee* for leaders of the occupational health & safety and lifecycle & emission working groups. The Standing Committee discusses issues relating to health & safety and the environment in the gas industry at European level **- PR1, LA6 -.**

100% of the Enagás workforce is represented on the health & safety committees.**- LA6, LA9 -.**

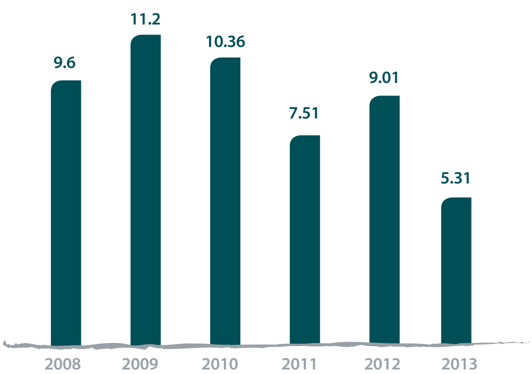
For further details of the health & safety management model, meetings, prevention committees and groups, see the Corporate Responsibility section on the Enagás website ***(www.enagas.es)*** . **- LA6, LA9 -.**

Índices de accidentalidad de nuestros empleados y del personal contratista

At Enagás all accidents are reported, irrespective of whether they lead to sick leave or not, and whether they are fatal, serious or multiple. Records are completed in all cases, with the most important incidents being investigated as set out in the "Treatment of accidents and incidents" procedure.- **LA7** -

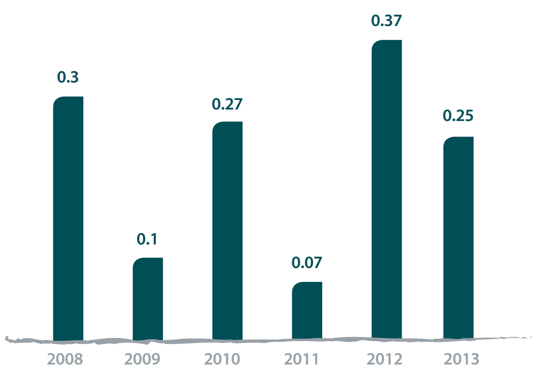
There were no deaths of Enagás or contractor personnel in 2013.

Accident rate with sick leave for own staff* - LA7-



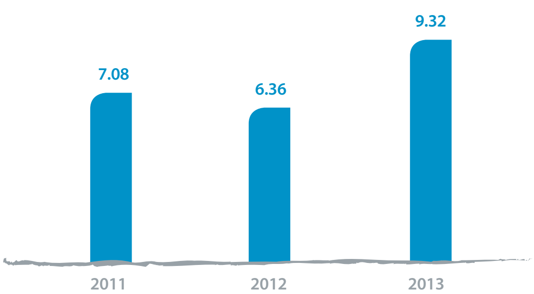
* Number of accidents leading to sick leave x10^6 / number of hours worked.

Seriousness rate with sick leave for own staff* - LA7-

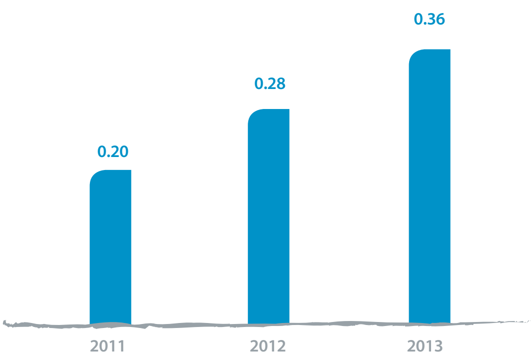


* Number of working days lost x 10^3 / Number of hours worked.

Frequency of accidents entailing sick leave for own staff - LA7 -



Seriousness index entailing sick leave for non-Enagás staff - LA7 -

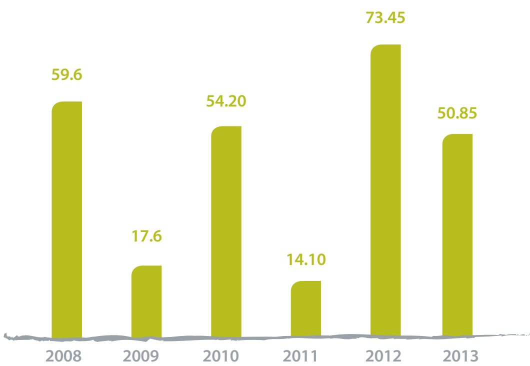


In 2013 the prevention culture campaign "Tu salud, tu mejor trabajo" (Your best work is your health) focused on encouraging healthy habits to improve food, fitness and mental wellness. More than 14 communications were issued by means of banners, e-mails, networks etc. and fun activities such as a gastronomy competition, and 14 articles and information were published on the best health habits to improve fitness. The total number of courses of action to incentivise prevention was 543, with 445 talks to contractors / associates, and news items and articles published in relation to business at the Gaviota site, including prevention and emergency helicopter action. **– LA7 –**

A computer application was also developed and rolled out in 2013 for document management to coordinate the corporate activities of contractors, and safety data sheets were drawn up for natural gas, liquefied natural gas, and condensed odorised natural gas at the Gaviota facility.

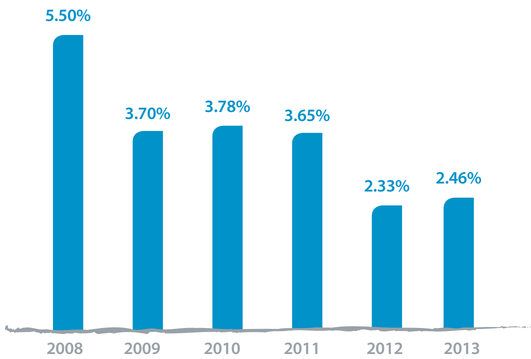
The company also offers a family assistance programme to help employees and their families with serious medical conditions (see the section dealing with equality and work-life balance in this chapter). **– LA8 –**

Rate of days lost -LA7-



* The impact of occupational accidents and illnesses reflects the time that the employees concerned are absent from their workplace. The accident rate is calculated as the ratio between these days lost and the total number of hours worked.
LDR = (Total days lost /Total hours worked)*200,000

Rate of employment absenteeism -LA7-



* Theoretical hours (average workforce x 1,682 hours)

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

Our employees' health

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

Main medical service initiatives – LA8 –

1,487 Medical consultations

183 Vaccinations against flu, tetanus and hepatitis A and B

984 Medical check-ups

7.3.2. Ethics and responsible behaviour

The Enagás Code of Ethics

- HR3, HR11, SO3, SO4 -

The Enagás Code of Ethics, approved by the company's Business Principles Supervisory Committee in 2012, has been signed by all employees, it is structured in accordance with company values and contains the best international practices and modifications arising from the new Criminal Code. **- HR3, SO3 -**

The new Code of Ethics (Business Principles) is another step forward in the commitment of Enagás and all of its employees to sustainability, ethics and good corporate governance. This will help improve the company's position with its stakeholders.

Enagás suppliers must adhere to the Code of Ethics and all the company's corporate policies, as set out in the General Contracting Rules.

Moreover, the Code of Ethics also establishes that any person, regardless of their relationship with Enagás, may send confidential anonymous consultations or notifications concerning irregular conduct through various channels: an electronic mailbox, canal.etico@enagas.es, by post to a member of the Business Principles Supervisory Committee, by fax or intranet form, in the case of employees.

Two notifications were received through the ethics channel in 2013. One of these was accepted and the other was not, because it did not concern any irregular conduct or conduct contrary to the Enagás Code of Ethics. **- HR11-**

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

No instances of corruption were identified in 2013. The Enagás Business Principles and Ethics Channel constitute an essential tool for confidential and anonymous reporting of this type of incident and procedures on how such reports are dealt with **- S04 -.**

Work progressed in this area in 2013 following approval of the procedure for management of the offering and acceptance of gifts, which must be adhered to by all Enagás Group employees. The procedure establishes that all gifts offered or received to a value exceeding 150 euros must be registered and notified to the Business Principles Supervisory Committee.

Also in 2013, Enagás approved its Internal Audit Code of Ethics setting out the principles and mandatory rules for internal auditors, in line with the Enagás Group's Business Principles.

Enagás intends to continue to boost its systems to fight fraud and corruption, particularly on international projects, where this issue could entail major risks to the company.

Respect for human rights

Enagás carries on most of its activities in Spain, where no major operations have been identified that could constitute violations of human rights. In recent years the company has acquired assets outside Spain, in countries where human rights are a relevant issue. This means that, as part of its due diligence process, Enagás is introducing procedures to assess the impact on human rights of any potential business partners and assets that could be of interest to the company.

Enagás will continue to work on fostering mechanisms and tools to ensure compliance with human rights, focusing on employment rights and the rights of local communities, on the basis of the assessment of the *UN Framework and Guiding Principles on Business and Human Rights (Ruggie Framework)*.

Annual Corporate Governance Report 2013

8. Annual Corporate Governance Report

Informe de Auditoría

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

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

INDEPENDENT ASSURANCE REPORT ON THE ANNUAL CORPORATE GOVERNANCE REPORT

To the Board of Directors of Enagás, S.A.:

1. We have performed an assurance engagement regarding the compliance of the content of the accompanying Annual Corporate Governance Report for 2013 of Enagás, S.A. with the minimum content of the Annual Corporate Governance Report provided for by Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission (CNMV) and with the provisions of Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March.

2. The preparation of the Annual Corporate Governance Report and its content are the responsibility of the Board of Directors of Enagás, S.A., which is also responsible for the design, implementation and maintenance of the procedures through which the information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our assurance engagement. We carried out our engagement in accordance with the applicable requirements of the Code of Ethics of the International Federation of Accountants (IFAC).

3. We carried out our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) on reasonable assurance engagements. That standard requires the performance of procedures and the obtainment of sufficient appropriate evidence to make it possible to reduce the assurance engagement risk to an acceptably low level in the circumstances of the engagement and to express a conclusion in a positive form. In this regard, our engagement included, inter alia, the following:

    - Reading and understanding the information prepared by the Company contained in the Annual Corporate Governance Report and assessing whether said information encompasses all the information required by Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission and by Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March.

    - Holding meetings with and submitting queries to the Company's personnel, the members of the Board of Directors and other bodies responsible for the various areas of governance of the Company on which the report is issued for the purpose of analysing the information included in the Annual Corporate Governance Report.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

- Evaluating internal control relevant to the internal compilation and validation of the data and information set out in the Annual Corporate Governance Report. This evaluation is part of our assessment of the engagement risk and is performed for the sole purpose of being able to design assurance procedures that are appropriate in the circumstances.

- Verifying, by means of selective tests, the criteria used in preparing the information included in the Annual Corporate Governance Report and its adequate compilation and consistency with the data furnished by management of the Company.

- Analysing the minutes of the Annual General Meeting, of the Board of Directors meetings, of the Audit and Compliance Committee meetings and of the Nomination, Remuneration and Corporate Social Responsibility Committee meetings of Enagás, S.A. for the purpose of assessing the compliance of the information included in the Annual Corporate Governance Report.

- Obtaining a representation letter on the work performed signed by the persons responsible for preparing the Annual Corporate Governance Report.

4. For the recommendations of the Unified Good Corporate Governance Code that have not been implemented by the Company, the directors of Enagás, S.A. offer the explanations that they consider appropriate. In relation to said explanations, we checked that the assertions contained in the Annual Corporate Governance Report do not contradict the evidence obtained from the application of the procedures described in paragraph 3 above.

5. Also, as regards the system of Internal Control over Financial Reporting (ICFR) (see section F of the accompanying Annual Corporate Governance Report), we verified the existence of the corresponding report issued by the Company's auditor. That report states that the work was performed in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

6. Based on the results of our work, in our opinion the content of the accompanying Annual Corporate Governance Report for 2013 of Enagás, S.A. has been prepared, in all material respects, in accordance with Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission (CNMV) and with Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March, and its content complies with the provisions of those regulations.

DELOITTE, S.L.

Ana

Ana Sánchez Palacios

20 February 2014

A. Ownership Structure

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

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

Indicate whether different types of shares exist with different associated rights

YES NO ✓

Category	Number of shares	Nominal value	Number of voting rights	Different rights

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

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Kartera 1, S.L.	11,936,713	11,936,713	5.00
Oman Oil Holdings Spain S.L.U.	11,936,702	11,936,702	5.00
Retail OELCS Aggregate	0	2,410,274	1.01
Fidelity International Limited	0	4,710,880	1.97

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
Kartera 1, S.L.	Kutxabank,S.A	11,936,713
Oman Oil Holdings Spain S.L.U.	Oman Oil Company, S.A.O.C	11,936,702
Retail OELCS Aggregate	Retail OELCS Aggregate	2,410,274
Fidelity International Limited	Fidelity International Limited	4,710,880

Indicate the most significant movements in the shareholder structure during the year:

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

Name or corporate name of Director	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Name or corporate name of direct shareholder	Number of indirect voting rights	
Luis Javier Navarro Vigil	1,405	Newcomer 2000,S.L.U.	7,075	0.00
Marcelino Oreja Arburúa	1,260			0.00
María Teresa García-Milá Lloveras	1,500			0.00
Dionisio Martínez Martínez	2,010			0.00
Sociedad Estatal de Participaciones Industriales (SEPI)	11,936,713			5.00
Martí Parellada Sabata	910			0.00
Ramón Pérez Simarro	100			0.00
Sultan Hamed Khamis Al Burtamani	1			0.00
Antonio Llardén Carratalá	56,396			0.02

% of total voting rights held by the Board of Directors	**5.03**

Complete the following tables on share options held by Directors:

Name or corporate name of Director	Number of direct voting rights	Indirect voting rights		Number of equivalant shaves	% of total voting rights
		Direct holder	Number of voting rights		

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

Related-party name of corporate name	Type of relationship	Brief description

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

Related-party name or corporate name	Type of relationship	Brief description
Kutxabank,S.A Enagás, S.A.	Corporate	Dividends and other benefits paid: €14,178 thousand
Oman Oil Company, S.A.O.C Enagás, S.A.	Corporate	Dividends and other benefits paid : €14,178 thousand
Kutxabank,S.A Enagás, S.A.	Commercial	Guarantees and sureties : €1,017 thousand
Sociedad Estatal De Participaciones Industriales (SEPI) Enagás, S.A.	Corporate	Dividends and other benefits paid: 14,178 miles de euros
Retail OEICS Aggregate Enagás, S.A.	Corporate	Dividends and other benefits paid: 2,863 miles de euros
Fidelity International Limited Enagás, S.A.	Corporate	Dividends and other benefits paid: 5,595 miles de euros

A.6 Indicate whether the Company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Corporate Enterprises Act ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable:

YES NO ✓

Members of the shareholder´s agreement	% share capital affected	Brief description of agreement

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

YES NO ✓

Parties to agreed action	% share capital affected	Brief description of agreement

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

YES NO ✓

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

YES ✓ NO

Name or corporate name	Remarks
Sociedad Estatal de Participaciones Industriales (SEPI)	The restrictions on the transfer of securities and voting rights applicable to Enagás (see A.10), as outlined in Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector and article 6bis of the Articles of Association, are not applicable to the public sector. At present the public-sector enterprise is represented in Enagás through SEPI, which does not currently exercise control over Enagás, S.A as its stake is 5%.

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

At year-and:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	0	0.00

(*) Through:

Name or corporate name of the direct holder of the stake	Number of shares held directly
Total	

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007:

Date of communication	Total shares adquired	Total indirect shares adquired	% of share capital

A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

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

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

1.- The acquisition may be performed via sale-purchase or any other business method for consideration.

2.- The authorisation pertains to shares which, together with those already held, do not exceed 10% of the Company's share capital.

3.- The purchase price shall not exceed by 50% or fall short by 50% of the average trading price of the seven sessions previous to the purchase date.

4.- The authorisation is extended for a five-year period, as from the date of this agreement.

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

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

This authorisation for the acquisition of treasury shares shall, as appropriate, replace all authorisations previously granted by the AGM.

A.10 Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the Company by means of share purchases on the market.

YES ✓ NO

Description of restrictions

Sociedad Estatal de Participaciones Industriales(SEPI)
Restrictions under the law.-

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

"No natural person or corporate body may hold, directly or indirectly, an interest in the parent company (ENAGÁS, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Such shares may in no event be syndicated. Any party operating within the gas sector, including natural persons or bodies corporate that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. These restrictions will not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40% (continues in Section H as Clarification of Section A.10).

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

YES NO ✓

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

A.12 Indicate whether the Company has issued securities not traded in a regulated market of the European Union.

YES NO ✓

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

B. General Shareholders' Meeting

B.1 Indicate whether the quorum required for constitution of the General Shareholders' Meeting differs from the system of minimum quorums established in the LSC and specify any such difference.

YES NO ✓

	% of difference quorum established in art. 193 LSC for general cases	% of difference quorum established in art. 194 LSC for special cases of art. 194 LSC
Quorum required first call		
Quorum required second call		

Description of differences

B.2 Indicate and, as applicable, describe any differences between the Company's system of adopting corporate resolutions and the framework established in the LSC:

YES NO ✓

Describe how they differ from the rules established in the LSC.

	Reinforced majority other than provided by art. 201.2 LSC for the cases of 194.1 LSC	Other cases of reinforced majority
% establish by the entity for adopting resolutions		

Describe the differences

B.3 Indicate the rules governing amendments to the Company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.

Article 18 of the Articles of Association states that:

"The shareholders, when constituted as a duly summoned General Meeting, shall by a majority of votes decide upon the matters that fall within the powers of the General Meeting. The General Meeting is responsible for addressing and agreeing upon the following issues: c) Amendments to the Articles of Association."

Likewise, article 26 states that: "An ordinary or extraordinary General Meeting may validly resolve to increase or reduce capital, make any other alterations to the Articles of Association, issue bonds, remove or restrict the pre-emptive subscription right for new shares, and restructure, merge or split the Company, transfer all the assets and liabilities thereof, or move the registered office to outside Spain, if, at the original date and time specified in the notice of meeting, there are present, in person or by proxy, shareholders representing at least fifty percent of voting subscribed capital.

At second call, the attendance or representation of shareholders holding at least twenty-five percent of subscribed capital with voting rights shall be sufficient."

B.4 Indicate the attendance figures for the General Shareholders' Meetings held during the year:

	Attendance data				
			% remote voting		
Date of general meeting	% attending in person	% by proxy	Electronic means	Other	Total
30/03/2012	10.29	45.15	0.00	0.30	55.74
24/04/2013	6.62	44.40	0.00	2.04	53.06

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings:

YES **NO ✓**

Numbers of shares required to attend the General Shareholders´ Meeting

B.6 Indicate whether decisions involving a fundamental corporate change ("subsidiarisation", acquisitions/disposals of key operating assets, operations that effectively entail the Company's liquidation) must be submitted to the General Shareholders' Meeting for approval or ratification even when not expressly required under company law.

YES ✓ NO

B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings which must be made available to shareholders on the website.

All information on Enagás, S.A.'s Corporate Governance is available to the public on its website website (www.enagas.es or www.enagas.com).

Access to the aforementioned information is as follows:

- In Spanish: Página Principal - Accionistas e Inversores - Gobierno Corporativo.
- In English: Home - Investor Relations - Corporate Governance.

C. Company Management structure

C.1 Board of Directors

C.1.1 List the maximum and minimum number of Directors included in the Bylaws:

Maximum number of Directors	15
Minimum number of Directors	6

C.1.2 Complete the following table with Board members' details:

Name or corporate name of Director	Representative	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Antonio Llardén Carratalá	--	Chairman	22/04/2006	30/04/2010	Vote at General Shareholders' Meeting
Marcelino Oreja Arburúa	–	Chief Executive Officer	17/09/2012	17/09/2012	Vote at General Shareholders' Meeting
Dionisio Martínez Martínez	--	Director	31/05/2002	30/04/2010	Vote at General Shareholders' Meeting
Isabel Sánchez García	--	Director	30/04/2010	30/04/2010	Vote at General Shareholders' Meeting
Jesús David Álvarez Mezquíriz	--	Director	25/04/2003	25/03/2011	Vote at General Shareholders' Meeting
José Riva Francos	--	Director	31/05/2002	30/04/2010	Vote at General Shareholders' Meeting
Luis Javier Navarro Vigil	--	Director	09/07/2002	25/03/2011	Vote at General Shareholders' Meeting
Martí Parellada Sabata	--	Director	17/03/2005	24/04/2013	Vote at General Shareholders' Meeting
María Teresa García-Milá Lloveras	--	Director	22/04/2006	30/04/2010	Vote at General Shareholders' Meeting

Name or corporate name of Director	Representative	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Miguel Ángel Lasheras Merino	--	Director	22/04/2006	30/04/2010	Vote at General Shareholders' Meeting
Ramón Pérez Simarro	--	Director	17/06/2004	24/04/2013	Vote at General Shareholders' Meeting
Sociedad Estatal de Participaciones Industriales (SEPI)	Federico Ferrer Delso	Director	25/04/2008	30/03/2012	Vote at General Shareholders' Meeting
Sultan Hamed Khamis Al Burtamani	--	Director	20/12/2010	25/03/2011	Vote at General Shareholders' Meeting
Rosa Rodríguez Díaz	--	Director	24/04/2013	24/04/2013	Vote at General Shareholders' Meeting
Jesús Máximo Pedrosa Ortega	--	Director	24/04/2013	24/04/2013	Vote at General Shareholders' Meeting

Total number of Directors	**15**

Indicate any board members who left during this period:

Name or corporate name of Director	Director position at the time of dismissal	Date of dismissal

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

Executive Directors

Name or corporate name of Director	Committee proposing appointment	Position held in the Company
Antonio Llardén Carratalá	Appointments, Remuneration and CSR Committee	Charmain
Marcelino Oreja Arburúa	Appointments, Remuneration and CSR Committee	Chief Executive Officer

Total number of Executive Directors	2
% of the board	13.33

External Proprietary Directors

Name or corporate name of Director	Committee proposing appointment	Name or corporate name of significant shareholder represented or proposing appointment
Sociedad Estatal de Participaciones Industriales (SEPI)	Appointments, Remuneration and CSR Committee	Sociedad Estatal de Participaciones Industriales (SEPI)
Sultan Hamed Khamis Al Burtamani	Appointments, Remuneration and CSR Committee	Oman Oil Holdings Spain S.L.U
Jesús Máximo Pedrosa Ortega	Appointments, Remuneration and CSR Committee	Sociedad Estatal de Participaciones Industriales (SEPI)

Total number of Proprietary Directors	3
% of the board	20.00

Independent External Directors

Name or corporate name of Director	Profile
Dionisio Martínez Martínez	Independent Director
José Riva Francos	Independent Director
Isabel Sánchez García	Independent Director
Martí Parellada Sabata	Independent Director
Ramón Pérez Simarro	Independent Director
Miguel Ángel Lasheras Merino	Independent Director
Jesús David Álvarez Mezquíriz	Independent Director
Rosa Rodríguez Díaz	Independent Director
María Teresa García-Milá Lloveras	Independent Director

Total number of Independent Directors	9
% of the board	60.00

List any Independent Directors who receive from the Company or Group any amount or payment other than standard Director remuneration or who maintain or have maintained during the period in question a business relationship with the Company or any group company, either in their own name or as a significant shareholder, Director or senior manager of an entity which maintains or has maintained the said relationship.

LUIS JAVIER NAVARRO VIGIL, representing NEWCOMER, S.L.U., has a business relationship with TERMINAL DE LNG DE ALTAMIRA, S. DE R.L. DE CV (abbreviated to TLA, S. DE R.L.- MÉXICO), a subsidiary of the Enagás Group, as he has entered into an agreement to provide consultancy services to TLA, S. DE R.L.- MÉXICO and hold a position on the board of directors of TLS, S. DE R.L. -MÉXICO.

This is why it has been considered appropriate to include LUIS JAVIER NAVARRO VIGIL as an "Other External Director" pursuant to the definition laid down in Enagás' Board Regulations (SEE BELOW).

If applicable, include a statement from the board detailing the reasons why the said Director may carry on their duties as an Independent Director.

Name or corporate name of Director	Description of the relation	Reasoned statement

Other External Directors

Name or corporate name of Director	Committee notifying or proposing appointment
Luis Javier Navarro Vigil	Appointments, Remuneration and CSR Committee

Total number of Other External Directors	1
% of the board	6.67

List the reasons why these cannot be considered Proprietary or Independent Directors and detail their relationships with the Company, its executives or shareholders:

Name or corporate name of Director	Reasons	Company, executive or shareholder with whom the relationship is maintained
Luis Javier Navarro Vigil	Director and commercial relationship with Group Company	Terminal de LNG de Altamira, S. de R.L. de CV

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

Name or corporate name of Director	Date of the change	Preceding condition	Present condition

C.1.4 Complete the following table on the number of female Directors over the past four years and their category:

Number of female Directors

	Year 2013	Year 2012	Year 2011	Year 2010
Executive	0	0	0	0
Proprietary	0	0	0	0
Independent	3	2	2	2
Other external	0	0	0	0
Total	**3**	**2**	**2**	**2**

%of total Directors of each type

	Year 2013	Year 2012	Year 2011	Year 2010
Executive	0.00	0.00	0.00	0.00
Proprietary	0.00	0.00	0.00	0.00
Independent	33.33	25.00	25.00	25.00
Other external	0.00	0.00	0.00	0.00
Total	**20.00**	**15.38**	**13.33**	**12.50**

C.1.5 Explain the measures, if applicable, which have been adopted to ensure that there is a sufficient number of female Directors on the board to guarantee an even balance between men and women.

Explanation of measures

Shareholders at the General Shareholders' Meeting of 24 April 2013 voted to appoint ROSA RODRÍGUEZ DÍAZ a Director of Enagás, S.A., bringing the number of female Directors in 2013 to three (3) as opposed to two (2) the previous year.

C.1.6 Explain the measures taken, if applicable, by the Nomination Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female Directors, and whether the Company makes a conscious effort to search for female candidates who have the required profile:

Explanation of measures

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

When, despite the measures taken, there are few or no female Directors, explain the reasons:

Explanation of measures

Enagás is aware that it must continue to encourage and facilitate the presence of women in the event of any vacancy arising on the Board, particularly for Independent Directorships. In this regard, Enagás complies with article 8 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, which prescribes that selection procedures must be free of any implied bias against women candidates, and that the Company shall seek out and include women with the target profile among the candidates for Board places

.

At present, three (3) of the fifteen (15) members of the Board of Directors of Enagás, S.A. are women: MARÍA TERESA GARCÍA-MILÁ LLOVERAS, ISABEL SÁNCHEZ GARCÍA and ROSA RODRÍGUEZ DÍAZ. ISABEL SÁNCHEZ GARCÍA is also a member of the Audit and Compliance Committee, while MARÍA TERESA GARCÍA-MILÁ LLOVERAS is a member of the Appointments, Remuneration and Corporate Responsibility Committee.

C.1.7 Explain how shareholders with significant holdings are represented on the board.

At present two of the five shareholders with significant holdings are represented on the board.

The shareholder OMAN OIL HOLDINGS SPAIN S.L.U. is represented by the Director SULTAN HAMED KHAMIS AL BURTAMANI.

In addition to being a legal person Director represented by FEDERICO FERRER DELSO, the shareholder SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI) is also represented on the board by JESÚS MÁXIMO PEDROSA ORTEGA.

C.1.8 Explain, if applicable, the reasons why Proprietary Directors have been appointed upon the request of shareholders who hold less than 5% of the share capital:

Name or corporate name of Director	Justification

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

YES NO ✓

Name or corporate name of Director	Brief description

C.1.9 Indicate whether any Director has resigned from office before their term of office has expired, whether that Director has given the board their reasons and through which channel. If made in writing to the whole board, list below the reasons given by that Director:

Name of Director	Reasons

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s):

Name or corporate name of Director	Brief description
Marcelino Oreja Arburúa	Pursuant to the resolution passed by the Board of Directors of Enagás, S.A. on 17 September 2012, MARCELINO OREJA ARBURÚA was delegated 34 joint and several powers and 13 joint powers. These powers are those which 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 delegated to the Chief Executive Officer, MARCELINO OREJA ARBURÚA, by Enagás' Board of Directors, were granted in the instrument in public form dated 5 December 2012 and executed before the Notary Public of Madrid Pedro de la Herrán

Matorras, with number 2680 in his notarial archive and is recorded in Volume 29,601, File 194, Section 8; Sheet M-6113; Entry 739 of the Madrid Companies Register. (For more information on the powers delegated by the Board of Directors see Section H. CLARIFICATION OF SECTION C.1.10 BELOW.).

C.1.11 List the Directors, if any, who hold office as Directors or executives in other companies belonging to the listed Company's Group:

Name or corporate name of Director	Corporate name of the Group entity	Position
Marcelino Oreja Arburúa	Enagás Transporte del Norte, S.L	Chairman
Antonio Llardén Carratalá	Enagás Transporte, S.A.U	Representative of sole director
Antonio Llardén Carratalá	Enagás GTS, S.A.U	Representative of sole director
Luis Javier Navarro Vigil	Terminal de LNG de Altamira, S. de R.l. de CV	Director

C.1.12 List any Company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the Company:

Name or corporate name of Director	Corporate name of the Group entity	Position
María Teresa García-Milá Lloveras	Banco Sabadell, S.A	Director

C.1.13 Indicate and, where appropriate, explain whether the Company has established rules about the number of boards on which its Directors may sit:

YES ✓ NO

Explanation of rules

Pursuant to article 35 of the Articles of Association, the new wording of which was approved at the 2012 AGM, the following must not be Directors or, if applicable, natural person representatives of a legal person Director:

a) Natural or legal persons who hold the post of Director in more than 5 (five) companies whose shares are admitted to trading on domestic or foreign markets.

b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group.

C.1.14 Indicate the Company's general policies and strategies that are reserved for approval by the Board of Directors in plenary session:

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

C.1.15 List the total remuneration paid to the Board of Directors in the year:

Board remuneration (thousands of euros)	3,011
Amount of total remuneration corresponding to accumulated pension rights (thousands of euros)	1,529
Total board remuneration (thousands of euros)	4,540

C.1.16 List any members of senior management who are not Executive Directors and indicate total remuneration paid to them during the year:

Name or corporate name	Position
Rafael Piqueras Bautista	General Secretary
José Manuel Castro Del Real	Head of Internal Audit
Claudio Rodríguez Suárez	General Manager Gas Assets
Felisa Martín Villan	General Manager Communications and Institutional Relations
Javier Perera De Gregorio	General Manager Corporate Resources
Borja García-Alarcón Altamirano	General Manager Finance
Jesús Luis Saldaña Fernández	General Manager Business Development
Diego Vela Llanes	General Manager Technical System
Juan Andrés Díez de Ulzurrun Moreno	General Manager Engineering
Juan Pons Guardia	General Manager Strategy and Regulation

Total remuneration received by senior management (thousands of euros)	2,812

C.1.17 List, if applicable, the identity of those Directors who are likewise members of the Boards of Directors of companies controlled by significant shareholders and/or their group companies:

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

Name or corporate name of related-party Director	Name or corporate name of related-party significant shareholder	Relationship
Sultan Hamed Khamis Al Burtamani	Oman Oil Holdings Spain S.L.U.	Manager business development

C.1.18 Indicate whether any changes have been made to the board regulations during the year:

YES ✓ NO

Description of amendments

On 18 February 2013, the Board of Directors of Enagás, S.A, at the behest of the Appointments, Remuneration and Corporate Social Responsibility Committee, approved the content of the changes to the Rules and Regulations on the Organisation and Functioning of the Board of Directors of Enagás, S.A.

In accordance with article 528 of the Restated Corporate Enterprises Act, Enagás' Board of Directors approved an explanatory report on the scope and content of this change, which was laid before the Company's shareholders at the 2013 AGM.

The modifications were made in accordance with the requirements of article 63.3 b) of Law 34/1998 governing the Hydrocarbons Sector (and, pursuant to same, the Spanish National Energy Commission's Resolution of 26 July 2012) with respect to limitations of access and the obligation to resign Board membership for those exercising control or rights in a company carrying out any of the functions of production or sale of natural gas arising from separation of the transportation and production or sale of natural gas.

The express stipulation has been added to the Board's Regulation of limitation of access and the obligation to resign Board membership for any natural persons or bodies corporate with one of the incompatibilities indicated (i.e. exercise of control or rights in a company carrying out any of the functions of production or sale of natural gas), the presence of whom or which on the Enagás Board may affect the Company's status as technical transmission operator.

The following amendments have been made in this regard:

(i) Firstly, an addition has been made to the prohibitions in Article 3 of the Board's Regulations ("Quantitiative and Qualitative Composition") to expressly prohibit access to the Board to those exercising control or rights in a company carrying out functions of production or sale of natural gas, on the terms established in Article 63.3 b) of the Hydrocarbons Law.

(ii) Furthermore, in addition to the above, a specific reference has been added to the Company Memorandum and Articles of Association and the Board's Regulations within the reasons for resignation of Board members listed in article 12 of the Board's Regulations, stipulating the obligation of Directors to place their offices at the disposal of the Board and tender their resignation, if the Board deems fit, when they are affected by instances of incompatibility or prohibitions laid down in law, the Articles of Association or the Board's Regulations.

(iii) Finally, in keeping with the abovementioned amendments, article 25 of the Board's Regulations has also been modified to include in the criteria that must be used by the Enagás Appointments, Remuneration and Corporate Social Responsibility Committee to select those proposed for directorships the stipulation that the Committee must ensure that access to the Board by a new Director does not affect the Company's status as technical transmission operator.

Additionally, in compliance with the legal requirements concerning restrictions on the exercise of voting rights arising from the Hydrocarbons Law, and particularly concerning restrictions on access or permanence on the Board of Enagás as technical transmission operator, a new letter g) has been added to section 3 of article 27 concerning Shareholder Relations, stipulating that the Board, as the Presiding Panel, shall see that the stipulations of regulations for the hydrocarbons sector are met in connection with restrictions on the exercise of voting rights (a limit of 5% on equity holdings, and 3% or 1% on the exercise of voting rights).

C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing Directors. List the competent bodies and the processes and criteria to be followed for each of these procedures.

Appointment of Directors.

Pursuant to article 8 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors of Enagás, S.A., Directors shall be appointed by the General Meeting or by the Board of Directors in conformity with the provisions of the Ley de Sociedades de Capital (Corporate Enterprises Act, "LSC") and the Company's Articles of Association.

Candidates must be persons who, in addition to satisfying the requirements of the post under the law and under the Articles of Association, have acknowledged prestige and appropriate professional knowledge and experience to perform their tasks. Proposals for the appointment of Directors which the Board of Directors submits to the General 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, Remuneration and Corporate Social Responsibility Committee. Following corporate governance recommendations, when the Board of Directors departs from the Committee's recommendations it must explain its reasons, and such reasons must be duly recorded in the minutes. The process of filling board vacancies has no implicit bias against women candidates; the Company makes a conscious effort to search for female candidates who have the required profile. Special mention should be made of the specific requirements that have been established to ensure the independence and impartiality of Independent Directors which are set out in article 9 of the Board Regulations. Independent Directors are defined as those who, appointed based on their personal and professional aptitudes, can perform their duties without being affected by dealings with the Company, its significant shareholders or its executives. As such, under no circumstances may the following be classified as Independent Directors: a) persons who have been employed by or served as Executive Directors of Group companies, unless three or five years, respectively, have 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. Dividends and pension supplements received by a Director on account of his/her prior professional or employment relationship shall not be taken into account for the purposes of this section provided that such supplements are unconditional and, consequently, the Company providing them may not, on a discretionary basis, suspend, modify or revoke any accrual thereof, without incurring a breach of obligations; c) persons who are, or have been during the past three (3) years, a partner of the external auditor or party responsible for the auditor's report reviewing the accounts of Enagás, S.A. or any other Group company for that period; d) persons who are Executive Directors or Senior Managers of another company where an Executive Director or Senior Manager of Enagás, S.A. is an External Director; e) persons who maintain, or have maintained in the past year, a significant business relationship with Enagás, S.A. or any other Group company, whether on their own behalf or as a significant shareholder, Director or Senior Manager of any company that maintains or has maintained such relationship. Business relationships shall be defined as relationships whereby the Company serves as a provider of goods or services, including those of a financial nature, or as an advisor or consultant; f) persons who are significant shareholders, Executive Directors or Senior Managers of any entity that receives, or has received during the past three (3) years, significant gifts from Enagás, S.A. or its Group. Patrons or trustees of any foundation that receives donations shall not be included under this section; g) spouses, partners or relatives up to the second degree of any of the Company's Executive Directors or Senior Managers; h) persons who have not been nominated, whether for appointment or renewal, by the Appointments, Remuneration and Corporate Social Responsibility Committee; i) persons who, in respect of a significant shareholder or one represented on the Board, find themselves in any of the circumstances described under sections a), e, f) or g). In the event of kinship as described under letter g), this limitation shall apply not only in respect of the shareholder, but also in respect of its Proprietary Directors at the investee. Proprietary Directors who lose their status as such as a result of the sale of their interest by the shareholder that they represented may only be re-elected as Independent Directors if the shareholder that they represented until that time has sold all of its shares in the Company. Any Director holding an interest in the Company may hold the status of Independent Director provided that he/she meets all of the conditions established under this article and, further, that his/her interest is not significant (continues in Section H, CLARIFICATION OF SECTION C.1.19).

C.1.20 Indicate whether the board has evaluated its performance during the year:

YES ✓ NO

Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments

The Appointments, Remuneration and Corporate Social Responsibility Committee resolved that the evaluation of the Board of Directors for the year ended 31 December 2013 be carried out by an independent consultancy firm. To this end, it appointed SODALI, which drew up an extensive questionnaire which was sent to all Directors to be completed. The consultant respected the confidentiality of all responses and submitted its conclusions to the Committee, which were studied at its meeting on 17 February 2014 before being laid before the Board that same day.

According to the report, Directors are largely satisified with the way the Board, its Chairman and the Committees carried out their duties during the year.

Even though the Company has three female Directors, according to the the report, Directors feel that greater gender diversity is called for on the Board.

C.1.21 Indicate the cases in which Directors must resign.

In accordance with corporate governance recommendations, articles 12.2 and 12.4 of the Regulations of the Board of Directors stipulate that:

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

a) When they are affected by instances of incompatibility or prohibitions laid down in law, in the Articles of Association, or in these Regulations.

b) When they are in serious breach of their duties as Directors.

c) When they may put the interests of the Company at risk or damage its credibility and reputation. The moment a Director is indicted or tried for any of the criminal offences stated in article 213 of the LSC, the board shall examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director shall be called on to resign.

d) When the reason for which they were appointed as Directors no longer holds.

e) When Independent Directors cease to meet the conditions required under article 9.

f) When the shareholder represented by a Proprietary Director sells its entire interest. They shall also do so, in the appropriate number, when that shareholder reduces its stake to a level requiring a reduction in the number of its Proprietary Directors.

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

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

C.1.22 Indicate whether the duties of chief executive officer fall upon the Chairman of the Board of Directors. If so, describe the measures taken to limit the risk of powers being concentrated in a single person:

YES ✓ NO

Measures for limiting risk

The duties of the Company's chief executive officer fall upon the Chairman of the Board, ANTONIO LLARDÉN CARRATALÁ, who is responsible for managing the Company's business, always in accordance with the decisions and criteria laid down by the General Meeting and the Board of Directors in their respective spheres of authority. Therefore, he is vested in the powers and duties set forth in article 46 of the Articles of Association and those vested in him in general by the Board of Directors at its meeting on 24 January 2007, and any other general or specific powers and duties vested in him since then.

Measures taken to limit the risk of powers being concentrated in a single person:

i) Appointment of the Chief Executive Officer - on 17 September 2012 the Board of Directors appointed MARCELINO OREJA ARBURÚA as Chief Executive Officer, who is responsible for managing the Company's business, under the supervision of the Chairman, who is responsible for driving the Company forward and on-going coordination of its activities. The appointment of a Chief Executive Officer does not affect the duties of the Chairman of the Board of Directors as laid down in the Articles of Association and the Rules and Regulations on the Organisation and Functioning of the Board of Directors.

ii) Coordinating Independent Director - Article 18 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors stipulates that this post shall be held by the Chairman of the Appointments, Remuneration and Corporate Social Responsibility Committee pursuant to the conditions described later in this report.

iii) In addition, the Board of Directors' Regulations contain a detailed list of issues which must be presented to the Board; in general terms, the Board retains sole authority on transactions valued at over €3 million (€3,000,000). Similarly, Enagás internal regulations on investment and tendering also reserve decision making powers for the board for sums of over €3 million (€3,000,000).

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

YES ✓ NO

Explanation of rules

Article 18 of the Board Regulations stipulates that the Board of Directors may appoint an Independent Director, on the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee, to perform the following duties, under the title of Coordinating Independent Director:

a) To request the Chairman of the Board of Directors to convene that body when the said Coordinating Independent Director deems it appropriate.

b) To request that items be included on the Agenda of the meetings of the Board of Directors.

c) To coordinate and voice the opinions of External Directors.

d) To oversee the Board's evaluation of its Chairman and, where appropriate, the Managing Director.

e) To perform as a Deputy Chairman the functions of the Chairman as regards the Board of Directors if the Chairman is absent, ill or unable to act as Chairman for whatever reason. In the absence of a Coordinating Independent Director, for the purposes of this section the most senior director in age shall act as Chairman.

Since 2010, the Chairman of the Appointments, Remuneration and Corporate Social Responsibility Committee has been vested in the powers to perform the duties of the Coordinating Independent Director.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?:

YES NO ✓

If applicable, describe the differences.

Description of differences

C.1.24 Indicate whether there are any specific requirements, apart from those relating to the Directors, to be appointed Chairman.

YES NO ✓

Description of requirements

C.1.25 Indicate whether the Chairman has the casting vote:

YES NO ✓

Matters for which there is a casting vote

C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for Directors:

YES NO ✓

C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for Independent Directors:

YES ✓ NO

Maximum number of years in office	12

C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a Director may hold. Also indicate whether only one Director of the same category may be appointed as a proxy. If so, give brief details.

Article 39 of the Articles of Association establishes that each Director may grant a proxy to another Director, but no Director present at a meeting may hold more than two proxies. Furthermore, in accordance with article 7.3 of the Regulations of the Board, proxies for the representation of absent Directors may be granted by any means, with a telegram or facsimile addressed to the Chairman or Secretary of the Board being valid.

C.1.29 Indicate the number of board meetings held during the year and how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	11
Number of board meetings held without the Chairman's attendance	0

Indicate the number of meetings of the various board committees held during the year:

Committee	Nº meetings
Appointments, Remuneration and CSR Committee	7
Audit and compliance committee	5

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions:

Directors' attendance	5
% of attendances of the total votes cast during the year	96.18

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

YES ✓ NO

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

Name	Position
Antonio Llardén Carratalá	Chairman
Borja García-Alarcón Altamirano	General Manager Finance

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

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

Article 5, paragraph c) of the Rules and Regulations on the Organisation and Functioning of the Board of Directors states the following powers and duties relating to financial statements and external audit:

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

The Board of Directors shall see to it that the financial statements provide a true and fair view of the Company's equity, financial position and results of operations, in accordance with the law.

2.- To lay before the General Meeting a nomination for the role of accounts auditor of the Company on the proposal of the Audit and Compliance Committee and in fulfilment of these Rules and Regulations.

Except if otherwise indicated expressly in the minutes of proceedings, there shall operate a presumption that, before setting their hands to the authorisation for issue of the financial statements as required by law, the Directors have availed themselves of the information necessary for the performance of that act, whether directly or via the Audit and Compliance Committee. The Board may place on record any reservation it thinks fit with respect to the foregoing.

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

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

3.-To frame policy on risk control and management, and the periodic monitoring of internal information and control systems.

Equally, article 7, paragraph c) of the Audit and Compliance Committee Regulations states that the Committee shall serve as a channel for communications between the Auditors and the Board of Directors, evaluating the results of each audit and the management team's responses to its recommendations, and mediating and arbitrating in the event of disagreement between the two concerning the principles and criteria to be applied in the preparation of the financial statements. It also confers the role of overseeing the execution of contracted audit work and ensuring that the auditor's opinion on the financial statements and the main contents of the Auditors' Report are written clearly and accurately to this Committee.

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

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

YES NO ✓

C.1.34 Explain the procedures for appointing and removing the Secretary of the board, indicating whether their appointment and removal have been notified by the Nomination Committee and approved by the board in plenary session.

Appointment and removal procedure

Article 20 of the Regulations of the Board of Directors details the procedures for the appointment and dismissal of the Secretary of the Board. The Secretary to the Board of Directors shall be appointed by the Board and need not be a Director. The Secretary shall exercise the functions conferred upon such position under company and commercial law and in these Rules and Regulations. To ensure the independence, impartiality and professionalism of the Secretary, his/her appointment and removal shall be the subject of a prior report from the Appointments, Remuneration and Corporate Social Responsibility Committee and must be approved by the Board in plenary session. Also, article 25 of the Regulations establishes that the functions of the Appointments, Remuneration and Corporate Responsibility Committee shall include responsibility for reporting on the appointment and dismissal of the Secretary of the Board of Directors.

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

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

YES ✓ NO

Remarks

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

a) adhere to the spirit and letter of primary enactments and their implementing regulations, including those issued by regulatory agencies;

b) comply with the Company's Articles of Association and the Rules and Regulations of the Board and other regulations of the Company; and

c) are consistent with the Good Governance Recommendations accepted by the Company

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

1. Measures to preserve the independence of the auditor:

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

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

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

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

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

In accordance with article 5, section D of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, the Board shall adopt and execute all acts and measures required to ensure transparency of the Company with regard to the financial markets, uphold the proper formation of prices for the Company's and its subsidiaries' shares, and perform all functions attending the Company's status as a listed company pursuant to current laws and regulations.

Likewise, article 7 section e) of the Regulations on the Organisation and Duties of the Audit and Compliance Committee of the Board of Directors of Enagás, states that the Audit and Compliance Committee is entrusted with assessing compliance with the Internal Code of Conduct in Matters Relating to Securities Markets, the Company's governance regulations in general, and making the proposals necessary for their improvement. In fulfilling this duty, the Audit and Compliance Committee shall liaise with the Appointments, Remuneration and Corporate Social Responsibility Committee in considering Company Directors' and managers' compliance with the Code.

It assists with drafting the Annual Corporate Governance Report, especially in areas concerning transparency of information and conflicts of interests.

The Audit and Compliance Committee also provides information at General Meetings on questions within the scope of its remit.

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

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

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

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

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

YES **NO** ✓

Outgoing auditor	**Incoming auditor**

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

Explanation of disagreements

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

YES ✓ NO

	Company	Group	Total
Amount of non-audit work (in thousands euros)	47	0	47
Amount of non-audit work as a % of the total amount billed by the audit firm	5.25	0.00	3.24

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

YES **NO** ✓

Explanation of reservations

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

	Company	Group
Number of consecutive years	10	10
Number of years audited by current audit firm/ Number of years the Company's financial statements have been audited (%)	24.39	24.39

C.1.40 Indicate and give details of any procedures through which directors may receive external advice:

YES ✓ NO

Procedures

Article 15 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors stipulates that Directors shall further be entitled to propose to the Board of Directors the engagement, at the Company's expense, of legal, accounting, technical, financial, commercial or any other type of experts deemed necessary for the interests of the Company, for the purpose of assisting the Board in performing its duties when there are specific problems of a certain importance and complexity linked to such performance.

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

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

C.1.41 Indicate whether there are procedures for Directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:

YES ✓ NO

Procedures

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

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

The notice of meeting, which other than in exceptional circumstances shall be issued at least three days in advance of the intended date of the meeting, shall contain all information and documents thought appropriate or relevant for Directors to be properly informed. Directors shall further be furnished with the minutes of the previous meeting, whether or not such minutes have been adopted.

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

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

C.1.42 Indicate and, where appropriate, give details of whether the Company has established rules obliging Directors to inform the board of any circumstances that might harm the Organisation's name or reputation, tendering their resignation as the case may be:

YES ✓ NO

Details of rules

Pursuant to Corporate Governance recommendations, article 12 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors establishes that Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, when, inter alia, they may put the interests of the Company at risk or damage its credibility and reputation. The moment a Director is indicted or tried for any of the criminial offences stated in article 213 of the LSC, the Board shall examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director shall be called on to resign.

C.1.43 Indicate whether any Director has notified the Company that they have been indicted or tried for any of the offences stated in article 213 of the LSC:

YES **NO** ✓

Name of Director	**Criminal case**	**Observation**

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the Director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

C.1.44 List the significant agreements entered into by the Company which come into force, are amended or terminate in the event of a change of control of the Company due to a takeover bid, and their effects.

Enagás does not have any such significant agreements.

C.1.45 Identify in aggregate form and provide detailed information on agreements between the Company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other transaction.

Type of beneficiary	Number of beneficiaries	Description of the resolution
Executive Directors and Senior Management	11	The Company has an agreement with the Executive Chairman, the Chief Executive Officer and NINE (9) 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, court 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. The termination benefits envisaged for the Chairman are equivalent to three years' pay (both fixed and variable), while those provided for the Chief Executive Officer are equivalent to two years' pay (both fixed and variable). The termination benefits to which the NINE (9) officers are entitled depend on their length of service at the Company and their age. All such contracts have been approved by the Board of Directors.

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the Company or its Group:

	Board of Directors	General Shareholders' Meeting
Body authorising clauses	YES	NO

Is the General Shareholders' Meeting informed of such clauses?	NO

C.2 Board committees

C.2.1 Give details of all the board committees, their members and the proportion of Proprietary and Independent Directors:

Audit and Compliance Committee

Name	Position	Type
José Riva Francos	Chairman	Independent
Sociedad Estatal de Participaciones Industriales (SEPI)	Member	Proprietary
Luis Javier Navarro Vigil	Member	Other External
Martí Parellada Sabata	Member	Independent
Isabel Sánchez García	Member	Independent

% of Executive Directors	0.00
% of Proprietary Directors	20.00
% of Independent Directors	60.00
% of Other External Directors	20.00

Appointments, Remuneration and CSR Committee

Name	Position	Type
Dionisio Martínez Martínez	Chairman	Independent
María Teresa García-Milá Lloveras	Member	Independent
Ramón Pérez Simarro	Member	Independent
Miguel Ángel Lasheras Merino	Member	Independent
Jesús David Álvarez Mezquíriz	Member	Independent
Jesús Máximo Pedrosa Ortega	Member	Proprietary

% of Executive Directors	0.00
% of Proprietary Directors	16.66
% of Independent Directors	83.33
% of Other External Directors	0.00

C.2.2 Complete the following table on the number of female directors on the various board committees over the past four years:

Number of female Directors

	2013		2012		2011		2010	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
Audit and Compliance Committee	1	20.00	1	20.00	1	20.00	0	0.00
Appointments, Remuneration And CSR Committee	1	16.66	1	20.00	1	20.00	1	20.00

C.2.3 Indicate whether the Audit Committee is responsible for the following:

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

C.2.4 Describe the organisational and operational rules and the responsibilities attributed to each of the board committees.

Audit and Compliance Committee

The Audit and Compliance Committee comprises five (5) members, which is within the limits established in article 44 of the Articles of Association, article 26 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, and article 3 of the Audit and Compliance Committee Regulations, which set a minimum of three (3) and maximum of five (5) members, appointed by the Board of Directors. Three (3) of the Committee's members, including the Chairman, are Independent Directors, one (1) is a Proprietary Director, and the fifth is classified as "Other External Director". The Chairman of the Audit and Compliance Committee, JOSÉ RIVA FRANCOS, is an Independent Director, pursuant to article 44 of the Articles of Association and article 26 of the Regulations of the Board of Directors which establishes that the Chairman must be an Independent Director.

- As per article 3 of the Audit and Compliance Committee Regulations, Executive Directors may not sit on this Committee and at least one of its members must be an Independent Director. The article also stipulates that the Chairman of the Board of Directors and members of other committees may not sit on the Audit and Compliance Committee.

- As established in article 4 of the Committee Regulations, the term of a Committee member shall be the same as the term of office for a Directorship. A member of the Audit and Compliance Committee shall vacate that office if he vacates his Directorship or, while remaining a Director, if so decided by the Board of Directors. The foregoing notwithstanding the Committee Chairman shall be replaced every four (4) years. A former Chairman may be re-elected after the lapse of one (1) year from his vacating office. The foregoing shall be without prejudice to an outgoing Chairman remaining on the Committee if so resolved by the Board of Directors on adequately reasoned grounds.

- The remuneration of Committee members, as provided for in article 5 of the Committee Regulations, will be approved as established in the Articles of Association and the Rules and Regulations of Board of Directors for the setting of remuneration to Directors, subject to the same requirements of public disclosure.

- In the exercise of his office, a Committee member shall be under the same duties and subject to the same principles of action as those prescribed for Directors in the Articles of Association, the Rules and Regulations of the Board of Directors and current legislation.

- In keeping with article 8 of the Audit and Compliance Committee Regulations, the Committee must meet at least four (4) times a year and the Chairman shall call as many further meetings as he/she believes are required for the Committee to discharge its duties. In 2013, the Committee met five (5) times.

- The tasks to be performed by the Audit and Compliance Committee are set out in article 44 of the Articles of Association, article 26 of the Regulations of the Board of Directors and article 7 of the Committee Regulations.

- The chief purposes of the Committee are to evaluate the Company's accounting verification system, ensure the independence of the External Accounts Auditor, review the internal control system, safeguard the transparency of information, and ensure compliance with the Internal Code of Conduct.

- To fulfil these objectives, in addition to the functions established by law for the Audit and Compliance Committee, the Committee shall have the following duties: (continues in Section H, CLARIFICATION OF SECTION C.2.4)

C.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. In addition, indicate whether on a voluntary basis any of the board committees has produced an activity report.

The Regulations of the Audit and Compliance Committee are available for consultation at the headquarters of Enagás, S.A. and on its website at www.enagas.es or www.enagas.com.The Audit and Compliance Committee has prepared a report on its activities in 2013, available both at the headquarters of Enagás, S.A. and on its corporate website.

The Appointments, Remuneration and Corporate Social Responsibility Committee has no specific regulations, as it is sufficiently regulated under article 45 of the Articles of Association and article 25 of the Regulations Governing the Organisation and Functioning of the Board of Directors. The Articles of Association and the Rules and Regulations on the Organisation and Functioning of the Board of Directors are available for consultation at the headquarters of Enagás, S.A. and on its website at www.enagas.es or www.enagas.com.

C.2.6 Indicate whether the composition of the Executive Committee reflects the participation within the board of the different types of Directors:

YES NO ✓

If the answer is no, explain the composition of the Executive or Delegate Committee

Enagas does not have a Delegate or Executive Committee

D Related-Party and Intragroup Transactions

D.1 Identify the competent body and explain, if applicable, the procedures for approving related-party or intragroup transactions.

Competent body

Board of Directors

Procedures

Article 14 bis of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S .A. stipulates that:

"1.-The Board of Directors shall oversee the transactions that the Company enters into, either directly or indirectly, with Directors, with significant shareholders or with persons related to these as defined in law. The execution of such transactions shall require authorisation from the board, on the basis of a favourable report from the Appointments, Remuneration and Corporate Social Responsibility Committee. The transactions shall be assessed from the point of view of equal treatment and on an arm's length basis, and shall be disclosed in the annual corporate governance report and in the Company's regular public reporting as provided in applicable laws and regulations.

2.- The authorisation provided in the previous paragraph shall not be necessary, however, for transactions that simultaneously comply with the three following conditions:

(a) they are undertaken by virtue of contracts whose conditions are basically standardised and are usually applied to the customers who contract for the type of product or service in question;

(b) they go through at market prices, generally set by the person supplying the goods or services or, when the transactions are goods or services that have no set prices, at normal market rates, similar to those applied in commercial relations with customers with similar characteristics; and

(c) their amount is no more than 1% of the Company's annual revenues.

3.- If the conditions provided in the paragraph above are met, the affected parties shall not be under a duty to report the transactions.

4.- Exceptionally, when grounds of urgency make it advisable, related-party transactions may be authorised, if appropriate, by the Executive Committee, and later ratified by the board."

Explain if the authority to approve related-party transactions has been delegated to another body or person.

No. Article 14 bis. 4 of the Rules and Regulations of the Functioning of the Board of Directors of Enagás, S.A. stipulates that, exceptionally, when grounds of urgency make it advisable, related-party transactions may be authorised, if appropriate, by the Executive Committee, and later ratified by the Board.

At present, Enagás does not have an Executive Committee..

D.2 List any relevant transactions, by virtue of their amount or importance, between the Company or its group of companies and the Company's significant shareholders:

Name or corporate name of significant shareholder	Name or corporate name the Company or its Group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
Kartera 1, S.L	Enagas, S.A.	Corporate	Dividends and other benefits paid	14,178
Kartera 1, S.L	Enagas, S.A.	Commercial	Guarantees and sureties	1,017
Oman Oil Holdings	Enagas, S.A.	Corporate	Dividends and other benefits paid	14,178
Fidelity International	Enagas, S.A.	Corporate	Dividends and other benefits paid	5,595
Retail OEICS	Enagas, S.A.	Corporate	Dividends and other benefits paid	2,863

D.3 List any relevant transactions, by virtue of their amount or importance, between the Company or its group of companies and the Company's managers or Directors:

Name or corporate name of Director or or senior manger	Name or corporate name of related party	Relationship	Type of transaction	Amount (in thousands of euros)
Sociedad Estatal de Participaciones Industriales (SEPI)	Enagas, S.A.	Director	Dividends and other benefits paid	14,178

D.4 List any relevant transactions undertaken by the Company with other companies in its Group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the Company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Corporate name of the Group company	Brief description of the transaction	Amount (in thousands of euros)
Bahía de Bizkaia Gas, S.L.	Guarantee	60,207
Compañia Transportista de Gas Canarias, S.A.	Guarantee	2,831
Gasoducto de Morelos Sapi de CV	Guarantee	7,262
Morelos EPC	Guarantee	7,262
Soto la Marina	Guarantee	6,435
Gasoducto de Morelos Sapi de CV	Loan	14,650
Gasoducto de Morelos Sapi de CV	Interest payable	1,704
Compañia Transportista de Gas Canarias, S.A.	Loan	732
Enagás , S.A.	Financial revenue loan Gasoducto de Morelos Sapi de CV	1,126
Enagás , S.A.	Financial revenue Enagás transporte SAU Loan Gascan	11

D.5 Indicate the amount of related-party transactions.

121,095 (in thousands of euros)

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the Company and/or its Group, and its Directors, management or significant shareholders.

Mechanisms for detecting and resolving any possible conflicts of interest between Enagás, S.A. and/or its Group, and its Directors, managers or shareholders are primarily set out in Enagás, S.A.'s Internal Code of Conduct in Matters Relating to the Securities Markets.

The Internal Code of Conduct is applicable to the following persons:

- Members of the Board of Directors.
- Managing Directors and members of the Management Committee.
- Board members and, in the appropriate cases, members of the Management Committee of subsidiary or partially owned companies in which Enagás S.A. has operational control.
- In general, everyone who has access to the Company's privileged or reserved information.

Concerning transactions carried out with related parties, the Company must adopt the following measures:

a) Report them twice a year to the CNMV and include them in the Annual Report in the Corporate Governance section.

b) Submit them in draft form to the Board of Directors for authorisation prior to their execution, following the relevant report from the Appointments, Remuneration and CSR Committee, and assess whether they satisfy market criteria.

All those described as being subject to this Internal Code of Conduct must:

- Notify the Secretary to the Board of Directors of any possible conflicts of interest to which they may be subject due to family relationships, their personal assets and liabilities or any other reason. Communications must be made within fifteen (15) days and, in any case, before the decision that may be affected by the potential conflict of interest is taken.
- Keep the information updated, taking into account any modification or cessation of previously reported situations as well as the emergence of new conflicts of interest.

- Refrain from participating in any decision-making process that may be affected by such a conflict of interest with the Company.

The Appointments, Remuneration and CSR Committee is the body responsible for regulating and resolving any conflicts of interest that may arise and, pursuant to article 25 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, is assigned the following duties:

a) To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the provisions of the Internal Code of Conduct on matters relating to the Securities Market.

b) To report to the Board of Directors on any related-party transactions before authorisation thereof. The Board of Directors may not authorise any transaction which has not been issued with a favourable report from the Appointments, Remuneration and Corporate Social Responsibility Committee as outlined in article 14 bis of the Rules and Regulations of the Functioning of the Board of Directors of Enagás, S.A., except for those transactions which meet the three conditions stipulated in article 14 bis.

c) To report to the Board of Directors on measures to be taken in the event of breach of these Rules and Regulations or the Internal Code of Conduct on matters relating to the Securities Markets on the part of Directors or other persons subject to those rules. In performing this duty, the Appointments, Remuneration and Corporate Social Responsibility Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

D.7 Is more than one Group company listed in Spain?

YES NO ✓

Identify the listed subsidiaries in Spain.

E Risk Control and Management Systems

E.1 Describe the risk management system in place at the Company.

Enagás has an Integrated Risk Management Model which consolidates risk management by support area to enable management to deal effectively with the uncertainties, risks and opportunities that may arise, thereby improving its ability to create value and offer both shareholders and other stakeholders a higher standard of assurance as regards profitability and environmental and social impact.

The Enagás risk policy and integrated risk management procedure allows an integrated risk management framework to be established that identifies the basic principles and roles of the various decision-making bodies and the constituent parts of the risk management system.

All initiatives aimed at controlling and mitigating risk shall follow these Basic Principles:

- Segregation and independence among risk managers and supervisors.
- Global supervision and like-for-like measurement of risks assumed by Enagás.
- Consistent understanding of risk management.
- Information on risks as required for decision making.
- Efficient coordination among the Company's different business areas/units to guarantee the optimum use of the knowledge and resources available.
- Transparency regarding the processes and methodologies used.
- Active supervision by the Audit and Compliance Committee and the Management Committee.
- Regular reviews of the risks and adoption of best practices concerning risk supervision and management.
- Entrusting overall risk management to the Company's various governing bodies.

The main roles to be carried out by the Company's various bodies are:

1. Nurturing an internal risk management environment.

2. Setting goals for the Organisation as a precondition of identifying potential scenarios with an impact on the achievement of those goals.

3. Every unit manager or head must systematically identify relevant events.

4. Evaluating all risks in terms of their impact and probability in quantitative and qualitative terms.

5. Responding to these risks (to avoid, reduce, share or accept a given risk).

6. Establishing control activities as necessary to ensure the department and unit heads adequately respond to the risks.

7. Within the risk management framework, reporting and communicating at all organisational levels to identify, evaluate and respond to risks, and, ultimately, take decisions and achieve the objectives set down at the organisation-wide level.

8. Overseeing risk management (this includes the Audit and Compliance Committee, the Sustainability Committee, Directors, etc.).

Integrated Risk Management is a dynamic, multi-directional and interactive process involving on-going monitoring, review and supervision, thereby allowing the identification of events that could affect the Company as a result of changes in its environment, goals and strategies.

Enagás, S.A. has grouped these risks, separating them in terms of the nature of the risk and bearing in mind the different measurement methods applied, as follows: operational, business, criminal, counterparty/credit, financial and reputational risk. In 2013, the heads of the various divisions and business units at Enagás, S.A. managed their risks based on a self-assessment of some of these and by permanently monitoring control activities and risks in relation to the Company's accepted level of risk.

In 2013 and pursuant to the Risk Management Model for Criminal Liability approved in 2011 by the Company's Board of Directors at the behest of the Audit and Compliance Committee, a series of action plans were rolled out to prevent offences which could be committed by the Company's managers or employees for which the Company could be held criminally liable in accordance with the reformed Spanish Criminal Code that came into force in December 2010. The Enagás Group has carried out a preliminary identification of the potential criminal and civil liability risks facing its Directors.

E.2 Identify the bodies responsible for preparing and implementing the risk management system.

Internal Audit

Description of duties

The key risk management functions include:

- Proposing risk management strategy to the Sustainability Committee
- Nurturing a risk-aware culture across the Company and helping to train employees in risk management skills.
- Designing and reviewing the risk management process.
- Supporting the Sustainability Committee in framing, adopting and updating internal risk management regulations.
- Supporting individual departments in risk identification and assessment.

The key roles of the Internal Audit Unit are:

- Focusing audit work on the most significant identified risks and on established internal controls.
- Reporting on the progress of control activities as regards design-related matters to the Audit and Compliance Committee and the departments concerned.

Name of the Committee or Body

Audit and Compliance Committee

Description of duties

- Identifying and analysing, in conjunction with the internal and external auditors, the main risks to which the Company is exposed, and, in particular, those affecting its financial position.
- Producing a risk assessment report for the Board of Directors.
- Proposing, where appropriate, to the Board of Directors measures required to manage, mitigate or prevent risks detected.

Name of the Committee or Body

Management Committee

Description of duties

- Creating the structures and environment required for the Integrated Risk Management model to operate effectively.
- Establishing the Company's risk management philosophy: accepted risks, integrity, ethical values and staff competencies.
- Approving the accepted risk level for the Company as a whole.
- Permanently reviewing the Organisation's activities and potential inherent risks with reference to the accepted level of risk for the Company.
- Proposing to the Audit and Compliance Committee the measures needed to manage those risks identified.

Name of the Committee or Body

Sustainability Committee

Description of duties

- Establishing a general policy on risk management, defining the Company's stance in the short, medium and long term.
- Across all company levels and activities, nurturing a common risk culture aligned with the strategies and objectives laid down by Senior Management.
- Reporting to the Audit and Compliance Committee on progress made in risk management and proposing actions in response to breaches of risk policy or internal regulations and/or conflicts arising in connection with risk management.

Name of the Committee or Body

Management or Business Unit.

Description of duties

- As the owners of the risk, it is their responsibility to manage the risks inherent in their activity by establishing suitable controls and action plans.
- Introducing risk management objectives in all functions.

E.3 Indicate the main risks which may prevent the Company from achieving its targets.

Following the risk assessment carried out in 2013, the main risks affecting the Enagás Group are as follows:

Business risks related to:

- Changes in the regulatory/gas system framework - assessment focuses largely on potential changes in the remuneration model.
- Changes in demand patterns, specifically the Company quantifies the possible costs related to interrupting operations of infrastructures given a sharp decline in demand.
- Risk of infrastructures and current systems becoming obsolete.
- Potential changes in the economic and political environment which may affect the Enagás Group - these largely refer to possible changes in the value of an asset and/or company acquired due to changes in the environment.

Operational risks

- Infrastructures, equipment and systems: Losses resulting from incidents and availability issues with Group infrastructures, equipment and systems.
- Poor quality or service interruption: Losses resulting from poor quality and/or service interruption.
- Suppliers, counterparties, outsourcing and other agents: under this heading we would highlight delays in government decisions.
- Labour practices and OHS.

When assessing reputational risk we would note the potential reputational impact of operational risks such as incorrect business practices, leaking confidential information, external fraud, regulatory and legal breaches as well as business risk: infrastructures, equipment and systems becoming obsolete.

E.4 Identify if the Company has a risk tolerance level.

The Integrated Risk Management Model sets the level of acceptable risk in order to determine the corporate risk profile, risks being identified, analysed and measured by each department.

E.5 Identify any risks which have occurred during the year.

Operational risks (incidents with infrastructures and systems) and Business Risk (regulatory changes for the energy/gas industry as well as the risk of potential changes in demand trends).

No significant risks were reported during the year apart from some non-material risks inherent in the Enagás Group's activities due to the specific nature of its operations and business.

E.6 Explain the response and monitoring plans for the main risks the Company is exposed to.

With regard to Business Risk arising from "Changes in the energy/gas regulatory industry", the significant controls and offsetting actions involve:

- Ongoing working relationship with domestic and European regulatory bodies and government bodies.
- Active participation in gas sector agent associations.
- Internal procedures related to these events.

With regard to Business Risk arising from "Changes in demand trends", the significant controls and offsetting actions involve:

- Involvement in development of the European Energy Infrastructure Package in order to promote use of the Iberian Corridor.
- Dialogue with other companies in the sector to seek new uses for LNG.
- Study of LNG uses and services provided by underground storage systems and facilities.
- Coordination with the GTS and other agents in the gas system.
- Analysis of internal/external demand.
- Action plan for developing plants.
- Internal procedures related to this risk.

With regard to the risk of "infrastructure and current systems becoming obsolete", the significant controls and offsetting actions involve:

- Quality, OHS and environmental certification. (ISO 9001, OHSAS 18001, ISO 14001) and audits for prevention of serious accidents.

- Implementation of the LS-TPA 2.0. system and future alignment with standards implemented in other companies in the sector.

- Internal procedures relating to materialisation of the risk.

- Formation of various committees and working groups.

- Verification of installation status.

- Investing to prevent facilities becoming obsolete.

With regard to the risk of "Potential changes in the value of an asset and/or company acquired due to changes in the environment", the significant controls and offsetting actions involve:

- Monitoring the profitability obtained from investments made.

- Internal procedures which include control activities related to this risk.

With regard to the risk of "Delays in official decisions", the significant controls and offsetting actions involve:

- Monitoring relations with government bodies.

- Flow of information / documentation with government bodies.

- Increasing communication to reduce the frequency and seriousness of administrative delays by allocating more resources.

With regard to the risk of "Losses resulting from incidents and availability issues with Group infrastructures, equipment and systems" as well as "Losses resulting from poor quality and/or service interruption" the significant controls and offsetting actions involve:

- Quality Management Systems for the Quality, Occupational Health & Safety and Environmental Certification System (ISO 9001, OHSAS 18001, ISO 14001 and ISO 9001:2008).

- Preventative and corrective system maintenance.

- Improving and updating systems.

- Redundancy of control systems and equipment.

- Scaling of the network and system security margin.

With regard to the risk of "Labour practices and OHS", the significant controls and offsetting actions involve:

- Quality Management Systems for the Quality, Occupational Health & Safety and Environmental Certification System (ISO 9001, OHSAS 18001, ISO 14001 and ISO 9001:2008).

- Checking compliance with the Occupational Health & Safety System and other procedures related to this risk.

- Periodic review and improvement of the Occupational Health & Safety System.

In 2013, Enagás monitored the controls associated with critical risks.

F Internal Control Over Financial Reporting (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the Company.

F.1 The entity's control environment

Specify at least the following components with a description of their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

As part of the ICFR responsibilities at Enagás, S.A. and Subsidiaries (hereinafter the "Group"), the following bodies and/or functions develop, maintain and oversee the preparation of Group financial reporting:

Board of Directors

Pursuant to article 5 c) of the Rules and Regulations of the Functioning of the Board of Directors, the board shall "frame policy on risk control and management, and the periodic monitoring of internal information and control systems" and is ultimately responsible for guaranteeing an internal control environment conducive to complete, reliable and timely financial reporting.

Pursuant to article 26 5) of the same regulations, the Audit and Compliance Committee has been delegated these duties

Audit and Compliance Committee and Board of Directors

In compliance with article 7 of the Rules and Regulations of the Functioning of the Audit and Compliance Committee, the Audit and Compliance Committee's duties and competencies include "[supervising] the preparation process and monitoring the integrity of financial information on the company and, if applicable, the group, and revising compliance with regulatory requirements, the adequate boundaries of the scope of consolidation and correct application of accounting principles".

Likewise, article 44 of the Articles of Association states that the Audit and Compliance Committee is responsible for overseeing the efficiency of internal control and risk management systems, and discussing with auditors any significant weaknesses in the internal control system identified during the course of the audit.

To carry out these duties the Audit and Compliance Committee has an Internal Audit Unit, as established in the General Internal Audit Regulations.

Finance Department

The Finance Department is responsible for designing, implementing and ensuring there is a suitable and efficient ICFR system. The ICFR Unit assists it in this duty.

Internal Audit

Reporting to the Audit and Compliance Committee as per the Internal Audit General Regulations, this function is responsible for "assessing and improving the efficiency of the risk management processes and internal control within the Company".

Its main duties, which are coordinated by, overseen and supervised by the Audit and Compliance Committee, include:

- Carrying out periodic reviews, on a selective basis, to guarantee that all information is up-to-date in accordance with the Annual Audit Plan.
- Designing and carrying out a Test Plan on (i) general controls; (ii) controls for the area, cycle and sub cycle; and (iii) established procedures which complement the self-assessments carried out by the people in charge.
- Verifying, on a selective basis, compliance with the flow charts designed.
- Drawing up and issuing reports on ICFR system audits in accordance with the Annual Audit Plan.
- Verifying the correct implementation of corrective action concerning the ICFR system in accordance with the Annual Audit Plan.

Internal Control over Financial Reporting Unit

Reporting to the Finance Department, this unit is key in managing ICFR and has the following tasks:

- Guaranteeing coherence of ICFR.
- Monitoring the updating and documentation of the sub-cycles/processes which affect the preparation of financial information (carried out by the people in charge of the sub-cycles/processes).
- Overseeing the updating and maintenance of the tools used to manage the model.
- Managing the self-assessment of the ICFR system and monitoring the results.
- Coordinating the ICFR risk assessment and periodically updating the risk map.
- Carrying out an annual evaluation of the requirements to update the document attributing the accounts to ICFR areas, in order to maintain the required standard of financial information.
- Drawing up and updating the Enagás Group Internal Control over Financial Reporting system Manual ("ICFR system Manual").
- Updating and disseminating applicable ICFR system regulations, both internal and external.
- Identifying the training needs and organisational/execution needs for courses relating to ICFR or other related issues (these are channelled via the "Training School" programme included in the Training Plan and "Training Programme").
- Monitoring and updating the model for defining scopes.
- Collaborating with Internal Audit concerning clarifications, ensuring independence at all times.
- Collaborating in classifying any deficiencies detected during reviews of the ICFR system (material weaknesses, significant deficiencies, insignificant deficiencies).
- Collaborating in implementing corrective measures detected in the external audit.

Departments and Business Units involved in preparing financial information

The people in charge of the subcycles/processes involved in the preparation of financial information perform the following key duties:

- Supervising the actions and evaluations carried out for each of the processes for the cycles in the Areas, with the possibility of eventually carrying out tests to confirm the results of specific controls.
- Establishing, monitoring and evaluating the effectiveness of the control activities within the cycles/sub-cycles, mainly concerning communication, allocating responsibilities, delegating competences, segregating duties and managing access to information and other critical resources, developing and modifying the processes (both operational and control) and support systems.

- Coordinating the design, documentation and implementation of ICFR system processes, ensuring objectives to manage all processes in question are met.

- Ensuring that all documentation concerning the process is kept up-to-date (who, what, how, rules, proof, etc.) as well as that concerning the ICFR system control and risk objectives.

- In the case of amendments or updates to regulations, procedures, instructions etc., the owner of the process shall notify the ICFR Unit.

- Reporting, formally and periodically on the outcome of the self-assessments carried out.

- Collaborating in identifying qualitative factors which may affect the inclusion of this process in the general ICFR model.

- Implementing and promoting the implementation of corrective action in the area of ICFR.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the Company.

The design and review of the organisational structure as well as defining clear lines of responsibility falls to the Appointments, Remuneration and Corporate Social Responsibility as stipulated in article 25 of the Enagás, S.A. board regulations. The Appointments, Remuneration and Corporate Social Responsibility "under article 45 of the Articles of Association, has the following duties and powers […]: To formulate proposals to the Board of Directors regarding the Company's organisational structure, including the creation of senior management posts in order to achieve improved and more efficient Company administration […]"

Likewise, the Corporate Resources department is responsible for designing, implementing and updating the organisational structure. The internal mechanisms used by this department to clearly define the lines of responsibility are enumerated in:

- The General Regulations governing Management-by-Objectives

- The job analysis and description sheets

- The Human Resources Development Procedure

- The Development Procedure and Processes which, among other issues, establish and develop, in accordance with the Company's strategy and business and operating needs, the organisational structure of the departments/units, the overall management model for processes and job descriptions.

The particular features of the ICFR lines of responsibility and authority are regulated by the "ICFR system Manual" as well as various rules and regulations concerning the key governing bodies and senior management.

The organisational structure is available to all employees on the intranet in the form of an organigram (by company and department) and is regularly updated.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

The following documents are available to all employees as part of the Group's corporate governance policy and other corporate policies:

Internal Code of Conduct in Matters Relating to Securities Markets

As stipulated in article 5 of the Rules and Regulations of the Functioning of the Board of Directors of Enagás, S.A., the Company has an Internal Code of Conduct in Matters Relating to Securities Markets which was drawn up and approved by the board. These regulations establish the rules for acting in securities markets and mandatory filings, in particular concerning the following:

- Conduct in situations of Privileged Information and Relevant Information, and the handling of such information;
- The trading of Affected Securities of Enagás or companies in its business group,
- Detecting and dealing with conflicts of interest;
- Company relations with related parties;
- The treasury share policy of Enagás and its subsidiaries;
- Generally, compliance with securities market regulations.

These regulations are applicable to the members of the Board of Directors, members of the Management Committee, executives and other staff involved in stock market operations or with access to privileged information as stipulated in articles 2, 3 and 4. In this regard, upon receiving a copy of the regulations covered persons must sign a statement acknowledging receipt and declaring that they are aware of their obligations. These regulations are also available on the internet and intranet.

The Audit and Compliance Committee is responsible for ensuring compliance with the regulations and the Company's general governance rules, and makes suggestions, as necessary, to improve these (article 7 of the Rules and Regulations of the Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A.).

Business principles. Enagás Group Code of Ethics

The Company has a code of conduct, "Our Business Principles. Enagás Group Code of Ethics", applicable to all our employees in their professional activities and in relation to the Company's stakeholders, which lays down the conduct the Company expects of its Directors and employees regardless of their individual responsibility within the Organisation. Upon receiving a copy of the code all employees must sign a declaration stating that they are cognisant of the contents, shall uphold them and ensure they are upheld. The Code of Ethics is also available on the internet and intranet.

Matters concerning financial information are covered in the document in addition to the following principles:

- "We are honest people": the document describes the conduct with regard to internal control and fraud prevention to be followed throughout the Organisation and states that employees expressly reject corruption and bribery. It also covers conflicts of interest and determines the general lines of action for ICFR. In this regard, in 2013 the Company approved procedures for managing the offering and acceptance of gifts.

- "We are impartial and transparent": this section states that the principles adopted by the Board of Directors include ensuring the transparency and reliability of information. It also states that any irregular practices in the preparation of or internal control over financial information must be reported immediately to the Business Principles Supervisory Committee (hereinafter the "BPSC").

The Audit and Compliance Committee is responsible for ensuring compliance with these principles and has entrusted the BPSC with analysing and resolving notifications and queries and, if applicable, proposing corrective measures as laid down in the "Business Principles Management Procedures (Ethics Channel)". According to these procedures, the BPSC shall refer any issues of a financial or accounting nature, or concerning internal control or fraud, to the Audit and Compliance Committee.

Among its duties, the BPSC shall propose to the Audit and Compliance Committee any amendments to or removal of the Business Principles.

Internal Audit Code of Ethics

A Code of Ethics for Internal Audit was approved in 2013 laying down the ethical culture in the function as an independent activity. It includes:

1. The Principles which are relevant to the profession and practice of internal audit, namely:
    - Integrity
    - Objectivity
    - Confidentiality
    - Competence

2. The rules of conduct which describe the behaviour expected from all internal auditors. These rules help interpret the Principles when applied in practical situations and are intended to guide the ethical conduct of all internal auditors.

Once a year all internal auditors must sign a declaration stating that they are cognisant of, understand and uphold these rules. This Code of Ethics is available on the intranet.

- 'Whistle-blowing' channel, for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the Organisation, stating whether reports made through this channel are confidential.

The Company has a whistle-blowing channel, the Ethics Channel, which is a consultation and reporting channel open to all employees and people who work with the Company. Through this channel any person can confidentially report to the BPSC any actions and/or conduct which, to the best of their knowledge, breach the Business Principles, including those of a financial or accounting nature, or concerning internal control or fraud.

This Committee shall respond to all reports and periodically prepare a report to be submitted to the Audit and Compliance Committee. However, according to the "Business Principles Management Procedures (Ethics Channel)", if the consultation or notification is of a financial or accounting nature or concerns internal control or fraud, the BPSC shall forward these directly to the Audit and Compliance Committee.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

The Human Resources Development Unit, which reports to the Corporate Resources Department, has a "Training School" which manages and plans all the training programmes and other instruction initiatives for all Enagás, S.A. employees, as set out in the Training Plan and Training Programme".

The Resources Department, in coordination with the Finance Department and the Internal Audit Unit, identifies and analyses the specific training needs of all personnel involved in preparing and reviewing financial reporting, including issues concerning accounting, internal control and risk management.

In 2013, the Finance Department and Internal Audit took part in various training programmes, including changes to the SGAC IFRS 2013, accounting practices applicable to Enagás, Internal Audit management, Executive Master in Finance, Financing OIL & Gas.

F.2 Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

Identifying risk is one of the core fundamentals in risk analysis with regard to the preparation of financial information. The "Enagás Risk Policy" document acts as a reference in the area of risk identification, as it states the Company's policies on how to deal effectively with uncertainty, risks and the associated opportunities, thereby improving its capacity to generate value in order to achieve the aims of the Organisation, which include reliable financial reporting.

The "Integrated Risk Management Procedure" establishes a framework for Integrated Risk Management, identifying the factors involved and the role to be played by each part of the Group. It also stipulates that risk identification and analysis must be carried out, by means of a self-assessment process, by all departments in collaboration with Internal Audit, to create the risk map for all departments and/or units as well as the Organisation as a whole. Senior management, the Sustainability Committee and the Audit and Compliance Committee shall be informed at all times of the progress made.

- The process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

Pursuant to the "ICFR System Manual", the risk identification process covers all financial reporting objectives to ensure the accuracy and completeness of the same. The manual describes the risks related to the financial reporting process as:

- Integrity risk: that no transactions fail to be registered.

- Validity risk: that transactions made are not valid.

- Registry risk: that transactions are incorrectly registered.

- Cut-off risk: that transactions are not fully registered within the accrual period.

- Valuation risk: that transactions are incorrectly valued.

- Presentation risk: that transactions are presented in a confusing manner, or in a way that does not fully meet current regulatory requirements.

- Risk of internal fraud: includes the manipulation of files, software and information, and other unauthorised activities (involving employees) leading to intentional financial misstatements; and misappropriation of funds and assets due to inappropriate use of corporate assets.

At least once a quarter the ICFR Unit fully evaluates all control processes and corresponding specific risks mitigation measures in place, and at the same time, assesses whether new risks need to be added.

- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies. etc.

The Finance Department operates a management and updating process to identify those companies which should be included in the scope of consolidation. This process is detailed in the "Period-end procedures for the Consolidated Financial Statements and Annual Accounts".

In compliance with article 7 of the Rules and Regulations of the Functioning of the Audit and Compliance Committee, the Committee's duties and competencies include "[supervising] the preparation process and monitoring the integrity of financial information on the company and, if applicable, the group, and revising compliance with regulatory requirements, the adequate boundaries of the scope of consolidation and correct application of accounting principles".

- The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

In the process of identifying risks associated with achieving the financial reporting objectives, the possible effects of other kinds of risks identified in the risk map are taken into account. The risks which may affect this include operational, financial, reputational, civil liability, etc.

- Finally, which of the Company's governing bodies is responsible for overseeing the process.

The Audit and Compliance Committee is responsible for overseeing the risk management systems (pursuant to article 44 of the Articles of Association). However, pursuant to the General Internal Audit Regulations, Internal Audit, reporting to the Committee, shall "ensure that all potential risks to the Group are identified, measured and controlled by the relevant departments".

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1 Procedures for reviewing and authorising the financial information and the description of ICFR to be disclosed to the market, stating who is responsible in each case, as well as documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Procedures for reviewing and authorising the financial information to be disclosed to the markets.

The Organisation has the following documents to ensure the reliability of the financial information to be disclosed to the securities markets:

- The "Manual of Accounting Policies", which establishes and provides clear information on the accounting policies required for performing accounting estimates and preparing the Company's Financial Statements and accompanying notes, to ensure that these provide a true and fair view of its equity, financial position, results of operations, changes in equity and cash flows.

- "Period-end procedures for the Individual Financial Statements and Annual Accounts" and "Period-end procedures for the Consolidated Financial Statements and Annual Accounts" establishing the process of preparing, processing, reviewing and authorising the financial information at the closing of accounts by the persons in charge. These also establish the controls of judgements, estimates and evaluations which may materially affect the financial statements.

- "Procedure on the provision of Regular Reports to Securities Market Regulators" which establishes the process to be followed when preparing periodic financial information to be disclosed to the regulated markets regarding interim financial reports, intermediate management reports and, if applicable, quarterly financial reports. This also specifies the people in charge of approving this financial information.

With regard to the preparation and subsequent disclosure of financial reporting, the Investor Relations Department, the Finance Department, the General Secretariat, the Board of Directors and the Chairman of the Board all play a key role at the various levels within the Organisation in the validation and approval of all financial information.

Description of ICFR: Control and Activities

The Group's ICFR control structure is based on the COSO Model (The Committee of Sponsoring Organizations of the Treadway Commission) established to create a framework for internal control (1992). Likewise, the recommendations of the report on "Internal Control over Financial Reporting at Listed Companies" prepared by the CNMV's Internal Control Working Group (ICWG) are taken into consideration.

In this regard, the ICFR model states a number of key control objectives which, if fully implemented, allow reliability and transparency in preparing financial reporting. Implementation of these objectives is intrinsically tied to the effectiveness of "Control activities" at each stage of their execution.

In this context, the control structure defined is based on two classes of control:

- General controls

- Process controls

General controls

The General Controls, or tags, form the basis of the ICFR model. These are interlinked controls that directly affect the Enagás organisational structure and procedures. These are known as the "control environment" in the CNMV and COSO's recommendations.

At the end of 2013, there were 32 ICFR general controls in operation. Senior Management is responsible for overseeing these controls which are split between the following divisions:

- Finance Department

- Resources Department

- General Secretariat

- Investor Relations Department

These controls are assessed once a year to incorporate any updates and to identify new control components.

Process controls

Process controls (control activities) are controls over an organisation's operating processes that are more specific than general controls. These are part of each of the main cycles and sub-cycles comprising the ICFR procedures, guaranteeing the reliability and transparency of Enagás financial reporting. These are factors which mitigate the risks inherent in the financial reporting procedure mentioned above to ensure the established control objectives are met.

These control activities are used throughout all the ICFR model and the eight areas which affect financial reporting:

- Acquisitions
- Fixed assets
- Inventories
- Revenue
- Payroll and personnel
- Financial management
- Support services
- Financial reporting

These areas in turn affect a further 28 cycles and 67 subcycles and are formally documented in a corporate IT tool.

These process controls can be classified by the following different characteristic attributes:

According to their nature:

- Preventative: Preventing errors or any irregularities which may affect the information, i.e. preventing the impact of financial risks.
- Detective: Identifying errors or irregularities which may affect the financial information, i.e. identifying errors when they arise.
- Corrective: Correcting errors or irregularities which may affect the financial information, i.e. rectifying errors when they arise.
- Directive (Policy): controls based on corporate policies procedures/instructions; such controls normally require an authorised signature or formal approval.

According to level of automation:

- Manual: control mechanisms directly executed by people.
- Semi-automated: control mechanisms executed by people and validated by IT support, or vice versa.
- Automated: control mechanisms with "IT support".

The quarterly self-assessment process carried out by the ICFR unit allows the Organisation to confirm the validity of the description of these controls by the people responsible, identifying any updates (new process controls, elimination, automation, etc.).

At 31 December 2013, there were 338 ICFR process controls, approximately 11% of which were automated.

Operating activities

In addition to the controls we have mentioned above, when designing the ICFR subcycles a series of operating activities are defined to establish a flow chart showing how these impact financial reporting. Likewise, these activities are included in a corporate IT tool which establishes the models for the ICFR subcycles.

At 31 December 2013, there were 810 operating activities, approximately 11% of which were automated.

F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

IT systems play an important role and are configured to support the preparation, processing and extraction of the financial information to be disclosed. This is why they are included in the ICFR actions and configuration.

All actions concerning information systems are regulated in the "Information Security Policy" which defines the principles to effectively manage information security in the IT systems, as well as the assets involved in the processes.

Based on the principles of this policy, Enagás has designed the "General Rules for Management of IT Systems" establishing the responsibilities and the relationship between the requesting units and the Information Systems Department.

We also have General Computer Controls ("GCCs"). These provide a control framework designed to offer a reasonable level of security in IT systems used for financial reports, guaranteeing, to the greatest degree possible, that the information is confidential, available and complete. At 31 December 2013, there were 46 General Computer Controls covering five control areas:

- Management and Planning
- Physical and logical security
- Application development and maintenance
- Infrastructure development and maintenance
- Fraud prevention and detection

Here we would note that within the Infrastructure Development and Maintenance area is the GCC relating to the Business Continuity and Disaster Recovery Plan.

The objectives established within the framework of General Computer Controls help achieve control objectives related to the processing of computer generated information, through the defining, development, implementation and reviewing of control activities such as user and authorisation management, administrator management, access control, incident management, change management, business continuity, information storage and recovery, operations monitoring, etc.

Integral to the objectives of control of IT systems is the need to establish an appropriate segregation of duties, which is a prerequisite for an ICFR system to function efficiently and effectively. It is therefore of vital importance that there is a clear distinction between who has to execute actions related to the treatment of financial information, and who has to review and/or approve them. For this reason, correctly allocating profiles, both in IT systems and in terms of positions and functions, is critical to the success of the process.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Enagás is particularly vigilant about any activities carried out by third parties which may significantly impact the financial statements to ensure maximum control over key procedures that may be outsourced, and that the activities are carried out to the standard that the Group demands.

The internal rules regulating this can be found in “Identification and Treatment Procedures for Service Organisations”.

The Group also has the following regulations and internal procedures regulating the contracting process and ensuring quality control of third parties:

- The “General Management Regulations pertaining to Supplier Selection and Contracting”
- The “Purchase Management Procedures”
- The “Supplier Accreditation Procedure”
- The “Procedure for Ensuring Supplier Reliability”

When the Organisation hires the services of independent experts for appraisal, calculation or valuation services, we request that they verify they are reputable firms in their field and are independent. This helps ensure that the Group's management is able to supervise and take the ultimate decisions on the estimate processes which may impact accounting records.

F.4 Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the Company's operating units.

The Accounting and Tax Department which reports to the Finance Department is responsible for keeping all accounting policies regularly updated and communicating these to all personnel involved in the financial reporting process.

It has therefore drawn up the "Accounting Policy Manual", an internal document which outlines all procedures and the accounting policies required for performing accounting estimates and preparing the Company's Financial Statements and accompanying notes, to ensure that these provide a true and fair view of its equity, financial position, results of operations, changes in net equity and cash flows. Those employees involved in the process are informed of any updates to the policy via the intranet.

F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the Entity or Group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The preparation, review and approval of all financial information in standard format is regulated by the "Period-end procedures for the Individual Financial Statements and Annual Accounts" and the "Period-end procedures for the Consolidated Financial Statements and Annual Accounts", as well as the "Accounting Policy Manual", which serve as guides to carrying out these tasks.

Furthermore there is a specific mechanism for the process of preparing the financial statements and accompanying notes, where the Audit and Compliance Committee, as a board committee, takes on special relevance, overseeing this process (e.g. monitoring the supervision work of the Internal Audit unit, being cognisant of the internal control systems as well as monitoring the work performed by the external auditor) before the financial statements are certified by the Board of Directors. The functions of the Audit and Compliance Committee in this regard are detailed in article 7 of the "Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A.".

The Group has an IT tool to record and treat all financial information which satisfies the needs of both individual and consolidated reporting.

F.5 Monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1 The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the Company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

In this context, one of Enagás top priorities is to take a proactive, and thereby preventative role during a phase of constantly overseeing the model, to ensure that the model is updated and aligned with both the business and the best regulatory practices.

Constant analysis of and following up of ICFR, detecting possible flaws and making the corresponding improvements and adjustments are achieved by taking the following measures:

- A periodic evaluation of the design and effectiveness of current anti-fraud programmes and controls. Its scope and frequency depends on the importance of the associated risk and the demonstrated efficacy of the controls in place.
- The participation of Internal Audit, through the supervision functions attributed by the ICFR model through the "General Internal Audit Regulations", the "ICFR Manual" and the "Rules Governing the Organisation and Operation of the Audit and Compliance Committee of the Enagás, S.A. Board of Directors".
- Effective supervision by the Audit and Compliance Committee as to overall control of the ICFR model, delegated by the Board of Directors, and implemented by Internal Audit.
- Reporting on flaws found, taking corrective measures to solve them, establishing mechanisms to track them and assigning the necessary resources to achieve them, according to the instructions in the "ICFR Manual".
- In the last instance, once finalised, and subsequent to the implementation of the proposed measures, a design and final validation process will be undertaken, which will eventually be incorporated into the ICFR model.

The role of Internal Audit is crucial in the supervision process with its main objectives being:

- To ensure that all potential risks to the Company are identified, measured and controlled by the relevant departments.

- To ensure and improve the Group's established internal control system.

- To monitor that work schemes and business activities are consistent with the Organisation's values.

In order to ensure that these objectives are met, there is an "Annual Internal Audit Plan", which is overseen and approved by the Audit and Compliance Committee, and includes a review of the ICFR system.

The Group's management conducted an internal assessment of the ICFR system and concluded that the system in place for Enagás, S.A. and Subsidiaries at 31 December 2013 is effective and contains no significant deficiencies.

F.5.2 A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the Company's senior management and its Audit Committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

Article 7 of the Regulations of the Audit and Compliance Committee of the Enagás, S.A. Board of Directors details the objectives and functions of the Committee, which include ensuring that the auditor, the Internal Audit function and other experts can inform Senior Management and the Board of Directors of any significant internal control weaknesses encountered during their review of the financial statements or other assignments. These reports are made after each review task has been completed. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The Committee is also in charge of supervising compliance with the Internal Code of Conduct on Matters relating to Securities Markets. The reports on the activities of the Audit and Compliance Committee contain important information about communication procedures and the conclusions reached at the end of each year.

F.6 Other relevant information

There is no other relevant information regarding ICFR at Enagás to add to that which we have provided above.

F.7 External auditor review

State whether:

F.7.1 The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

Enagás has voluntarily subjected its ICFR to review since 2008. All reviews have been carried out by Deloitte, S.L., auditor of Enagás, S.A. and Subsidiaries.

The report for 2013 is attached.

Deloitte.

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

AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the Board of Directors of Enagás, S.A.:

We have examined the accompanying information relating to the system of Internal Control over Financial Reporting (ICFR) of Enagás, S.A. and Subsidiaries ("the Group") contained in Note F of the accompanying Annual Corporate Governance Report for the year ended 31 December 2013. This examination includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the Group's consolidated financial statements at 31 December 2013, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by Group management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework" (1992).

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, uses or sales of assets of a company which could have a material effect on the financial information. The limitations inherent to any system of internal control over financial reporting might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

Group management is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000: "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International

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Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at 31 December 2013, the Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by Group management in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework" (1992). Also, the disclosures contained in the information relating to the system of ICFR which is included in Note F of the Group's Annual Corporate Governance Report at 31 December 2013 are in accordance, in all material respects, with the requirements established by Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March, and as established in CNMV Circular 5/2013, of 12 June, and all other legislation in force.

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011, of 1 July, and, therefore, we do not express an audit opinion under the terms of the aforementioned legislation. However, we have audited, in accordance with the audit regulations in force in Spain, the consolidated financial statements of Enagás, S.A. and Subsidiaries prepared by the Directors of Enagás, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group, and our report dated 20 February 2014 expresses an unqualified opinion on the aforementioned consolidated financial statements.

DELOITTE, S.L.

Oliverio Álvarez Alonso
20 February 2014

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G Degree of Compliance with Corporate Governance Recommendations

Indicate the degree of the Company's compliance with Corporate Governance recommendations.

Should the Company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the Company's behaviour. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

Explain

Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, in force since the enactment of Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that: "No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the parent company (ENAGÁS, S.A.), nor may they exercise voting rights in such Company of over 3%. Under no circumstances may such shareholdings be syndicated. 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 said parent company of over 1%. These restrictions do not apply to direct or indirect interests held by public-sector enterprises. Under no circumstances may share capital be syndicated. The sum of direct and indirect shares held by individuals or legal entities operating in the natural gas industry may not exceed 40%. For the purposes of calculating the stake in that shareholding structure, in addition to the shares or other securities held or acquired by entities belonging to its same group, as defined by article 4 of Act 24/1988, dated 28 July, on the Securities Market, stakes shall be attributed to one and the same individual or body corporate when they are owned by: a) those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that governing body; b) the partners in conjunction with whom any such person exercises control over a subsidiary 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. Non-compliance with the limitation on a stake in the capital referred to in this article shall be deemed a very serious breach in accordance with the terms set out in article 109 of this Act. Responsibility shall lie with the individuals or bodies corporate that end up as owners of the securities or whoever the excess stake in the capital or in the voting rights can be attributed to, pursuant to the provisions of the preceding paragraphs. Whatever the case, the penalty system stipulated herein will apply. Enagás, S.A. may not transfer the shares of the subsidiaries carrying out regulated activities to third parties." Meanwhile, article 6 bis of the Company's Articles of Association establishes that: "No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company, nor exercise voting rights in such company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the System Technical Manager of over 1%. These restrictions will not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share capital be syndicated. Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%. For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply. Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical systems management, which are regulated businesses under Hydrocarbons legislation." Additional Provision Twenty of the Spanish Hydrocarbons Industry Act 34/1998, of 7 October, was modified by Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials. It establishes the same limitations on interests in share capital and the exercise of voting rights as specified in Additional Provision Thirty-one of Act 34/1998, governing the hydrocarbons industry.

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

See sections: D.4 and D.7

Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

b) Any acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose;

c) Operations that effectively add up to the Company's liquidation.

See section: B.6

Compliant

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 27, should be made available at the same time as the publication of the Meeting notice.

Compliant

5. Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a) The appointment or ratification of directors, with separate voting on each candidate;

b) Amendments to the Bylaws, with votes taken on all articles or groups of articles that are materially different.

Compliant

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Compliant

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the Company's best interests and, as such, strive to maximise its value over time.

It should likewise ensure that the Company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Compliant

8. The board should see the core components of its mission as to approve the Company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the Company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

a) The Company's general policies and strategies, and in particular:
   - i) The strategic or business plans, management targets and annual budgets;
   - ii) Investment and financing policy;
   - iii) Design of the structure of the corporate Group;
   - iv) Corporate governance policy;
   - v) Corporate social responsibility policy;
   - vi) Remuneration and evaluation of senior officers;
   - vii) Risk control and management, and the periodic monitoring of internal information and control systems;
   - viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: C.1.14, C.1.16 and E.2

b) The following decisions :
   - i) On the proposal of the Company's chief executive, the appointment and removal of senior officers, and their compensation clauses.
   - ii) Directors' remuneration, and, in the case of executive directors, the additional remuneration for their executive functions and other contract conditions.
   - iii) The financial information that all listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Group.

c) Transactions which the Company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1.ª They are governed by standard form contracts applied on an across-the-board basis to a large number of clients;
2.ª They go through at market prices, generally set by the person supplying the goods or services;
3.ª Their amount is no more than 1% of the Company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the Directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.
See sections: D.1 and D.6

Compliant

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.
See section: C.1.2

Compliant

10. External Directors, Proprietary and Independent, should occupy an ample majority of board places, while the number of Executive Directors should be the minimum practical bearing in mind the complexity of the corporate Group and the ownership interests they control.
See sections: A.3 and C.1.3.

Compliant

11. That among External Directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by Proprietary Directors and the remainder of the Company's capital.

This proportional criterion can be relaxed so the weight of Proprietary Directors is greater than would strictly correspond to the total percentage of capital they represent:

1.º In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.

2.º In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: A.2, A.3 and C.1.3

Compliant

12. The number of Independent Directors should represent at least one third of all board members.

See section: C.1.3

Compliant

13. The nature of each Director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Appointments Committee. The said Report should also disclose the reasons for the appointment of Proprietary Directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: C.1.3 and C.1.8

Compliant

14. When women Directors are few or non existent, the Nomination Committee should take steps to ensure that:

a) The process of filling board vacancies has no implicit bias against women candidates;

b) The Company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Compliant

15. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that Directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the Company's chief executive, along with the chairmen of the relevant board committees.

See sections: C.1.19 and C.1 41

Compliant

16. When a company's Chairman is also its chief executive, an Independent Director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

See sections: C.1.22

Compliant

17. The Secretary should take care to ensure that the board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;

b) Comply with the company Bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;

c) Are informed by those good governance recommendations of the Unified Code that the Company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full board meeting, the relevant appointment and removal procedures being spelled out in the board regulations.

See section: C.1.34

Compliant

18. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each Director may propose the addition of other items.

See section: C.1.29

Compliant

19. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When Directors have no choice but to delegate their vote, they should do so with instructions.

See sections: C.1.28, C.1.29 and C.1.30

Partially compliant

The Board of Directors met 11 times during 2013. Attendance: 11 absentees, 5 of whom had delegated their votes and 6 of whom had not. The Appointments, Remuneration and CSR Committee met seven times: Attendance: 2 absentees, with votes delegated in both cases. The Audit and Compliance Committee met five times: Attendance: All members attended all meetings.

20. When Directors or the Secretary express concerns about some proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Compliant

21. The board in full should evaluate the following points on a yearly basis:

a) The quality and efficiency of the board's operation;

b) Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;

c) The performance of its committees on the basis of the reports furnished by the same.

See sections: C.1.19 and C.1.20

Compliant

22. All Directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the Bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: C.1.41

Compliant

23. All Directors should be entitled to call on the Company for the advice and guidance they need to carry out their duties. The Company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the Company's expense.

See section: C.1.40

Compliant

24. Companies should organise induction programmes for new Directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Compliant

25. Companies should require their Directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of directorships their board members can hold.

See sections: C.1.12, C.1.13 and C.1.17

Compliant

26. The proposal for the appointment or renewal of Directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

a) On the proposal of the Nomination Committee, in the case of Independent Directors.

b) Subject to a report from the Nomination Committee in all other case.

See section: C.1.3

Compliant

27. Companies should post the following Director particulars on their websites, and keep them permanently updated:

a) Professional experience and background;

b) Directorships held in other companies, listed or otherwise;

c) An indication of the Director's classification as executive, proprietary or independent; in the case of Proprietary Directors, stating the shareholder they represent or have links with.

d) The date of their first and subsequent appointments as a company Director; and

e) Shares held in the Company and any options on the same.

Compliant

28. Proprietary Directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to Proprietary Directors, the latter's number should be reduced accordingly.

See sections: A.2 , A.3 and C.1.2

Compliant

29. The Board of Directors should not propose the removal of Independent Directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a Director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in Ministerial Order ECC/461/2013.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Compliant

30. Companies should establish rules obliging Directors to inform the board of any circumstance that might harm the Organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a Director is indicted or tried for any of the crimes stated in article 213 of the Corporate Enterprises Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: C.1.42 and C.1.43

Compliant

31. All Directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other Directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the board, Director or otherwise.

Compliant

32. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: C.1.9

Compliant

33. Remuneration comprising the delivery of shares in the Company or other companies in the Group, share options or other share-based instruments, payments linked to the Company's performance or membership of pension schemes should be confined to Executive Directors.

The delivery of shares is excluded from this limitation when Directors are obliged to retain them until the end of their tenure.

Compliant

34. External Directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Compliant

35. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report that detract from reported earnings.

Compliant

36. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or circumstances of this kind.

Compliant

37. When the Company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

See sections: C.2.1 and C.2.6

Not applicable

38. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Not applicable

39. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following:

a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting.

b) These committees should be formed exclusively of External Directors and have a minimum of three members. Executive Directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.

c) Committees should be chaired by an Independent Director.

d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Meeting proceedings should be minuted and a copy of the minutes sent to all board members.

See sections: C.2.1 and C.2.4

Compliant

40. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See sections: C.2.3 and C.2.4

Compliant

41. Audit committee members, particularly the Chairman, are appointed in light of their knowledge and experience of accounting, audit or risk management.

Compliant

42. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

See section: C.2.3

Compliant

43. The head of internal audit should present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

Compliant

44. Control and risk management policy should specify at least:

a) The different types of risk (operational, technological, financial, legal, reputational…) the Company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b) The determination of the risk level the Company sees as acceptable;

c) Measures in place to mitigate the impact of risk events should they occur;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: E

Compliant

45. The Audit Committee's role should be:

1º With respect to internal control and reporting systems:

a) Review internal control and risk management systems on a regular basis, so the main risks are properly identified, managed and disclosed.

b) Monitor the independence and efficacy of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2º With respect of the external auditor:

a) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.

b) Monitor the independence of the external auditor, to which end:

i) The Company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Compliant

46. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

47. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: C.2.3 and C.2.4

Compliant

48. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: C.1.38

Compliant

49. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be Independent Directors.

See section: C.2.1

Compliant

50. The Nomination Committee should have the following functions in addition to those stated in earlier Recommendations:

a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) Examine or organise, in appropriate form, the succession of the Chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.

c) Report on the senior officer appointments and removals which the chief executive proposes to the board.

d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: C.2.4

Compliant

51. The Nomination Committee should consult with the Company's Chairman and chief executive, especially on matters relating to Executive Directors.

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

Compliant

52. The Appointments Committee should have the following functions in addition to those stated in earlier recommendations:

a) Make proposals to the Board of Directors regarding:

i) The remuneration policy for Directors and senior officers;

ii) The individual remuneration and other contractual conditions of Executive Directors.

iii) The standard conditions for senior officer employment contracts.

b) Oversee compliance with the remuneration policy set by the Company.

See section: C.2.4

Compliant

53. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to Executive Directors and senior officers.

Compliant

H Other Information of Interest

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the Company or Group, explain briefly.

2. You may include in this section any other information, clarification or observation related to the above sections of this report.

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

3. Also state whether the Company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable identify the Code and date of adoption.

This annual corporate governance report was adopted by the Company's Board of Directors at its meeting held on:

17/02/2014

List whether any Directors voted against or abstained from voting on the approval of this Report.

YES NO ✓

Explanatory Notes

Explanatory note on section A.2.-

The list of direct and indirect holders of significant stakes set out in section A.2 of this Report includes those significant shareholders who at 31 December 2013 qualified as such in the relevant official register of the CNMV. The foregoing is independent of the question of whether or not the issuer received timely notice from any relevant shareholder in pursuance of article 23 of Royal Decree 1362/2007 of 19 October. According to the relevant official register kept by the CNMV, at 31 December 2013 the significant shareholders of Enagás, S.A. were those listed in section A.2 of this Report.

Explanatory note on section A.10.-

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

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

b) 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.

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

Restrictions under the Company's Bylaws-

In accordance with the aforementioned legal provision, article 6a bis of Enagás, S.A.'s Bylaws stipulates the following:

No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company, 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 holdings be syndicated.

The sum of direct and indirect shares held by individuals or legal entities operating in the natural gas industry may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply.

Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical systems management, which are regulated businesses under Hydrocarbons legislation.

Explanatory note on section B.6.-

Article 4 (i) of the Rules and Regulations of General Meetings provides that the exclusive powers of the shareholders in General Meeting include, inter alia, the power to decide on transactions involving a structural change to the Company, such as assumption of membership of entities engaging in core activities carried on by the Company; acquisition or alienation of essential operating assets, where such transaction effectively involves changing the objects of the Company; or any transaction the effect of which is equivalent to the liquidation of the Company.

Explanatory note on section C.1.2-

The CEO of Enagás, S.A., Marcelino Oreja Arburúa, was appointed a Director on 17 September 2012 by co-option. His appointment to office was ratified by the shareholders at the General Meeting of 24 April 2013.

Explanatory note on section C.1.10.-

The Chief Executive Officer, Marcelino Oreja Arburúa, has been delegated the following powers:

A) Jointly and severally:

1. Collect whatever is payable to him for any reason, in bills, cheques, promissory notes, or by deposit in a bank account, by public or private bodies in the European Union, other international organisations, by central, regional, provincial, local government authorities, executive agencies, government depositaries and, in general, by any private individual or legal entity in the public or private sectors; establish and settle balances, determine the form of payment of amounts owed to the Company, grant extensions of deadlines, set payment terms and conditions; cash orders of payment from the central, regional or local government tax authorities, including receiving from central government tax offices or other agencies money in cash or any means that represents it and accept the refund of amounts paid in tax.

2. Represent the Company in dealings with third parties, whether natural or juristic, public or private, and before all kinds of authorities, public officials, boards and collegiate bodies, chambers, committees, associations, public

property registers, companies registers, or public registers of any other kind, trade unions, mutual insurance companies, executive or non-executive agencies, whether autonomous or otherwise, directorates, regional offices of any kind of central, regional, provincial or local government authorities and any other public entities of any level or jurisdiction, whether Spanish or otherwise, whatever their name or nature. Exercise any rights, remedies, claims and defences relating to the Company; formulate petitions and in connection with all types of proceedings, file claims and appeals of any kind, including motions for reconsideration and appeals for review, in which the Company has an interest, either in proceedings initiated by the Company or in those of others that directly or indirectly affect the Company; file them, take part in the processing of them; formulate and respond to representations, propose and examine evidence; apply for stays and adjournments; discontinue and abandon or in any other way withdraw from them, at any stage of the proceedings; execute and enforce agreements, detachments and return of documents; request and respond to certificates and summonses, be they governmental, notarial or of any other nature; request certificates, depositions and authentic copies; take delivery from public authorities, including post and telegraph offices and customs officers, of all kinds of papers, objects, goods and consignments in general addressed to the Company, executing any notarial instruments or documents under hand required for such withdrawal or dispatch.

3. Make formal appearances in representation of the Company before courts and tribunals of any branch or level, whether in the civil, criminal, administrative, social or labour or any other jurisdiction, and before any arbitrator or arbitration body, of all levels, both domestic and foreign, whatever their territorial scope, and before any other authority, justice system, prosecutor's office, boards, centres, offices, departments, panels, bodies and officers belonging to the judiciary and the administration of justice, of any branch and level, and before them make sworn or ordinary statements and respond to interrogatories in court under non-determinative oath; initiate, pursue and complete as principal, defendant, partner in joinder of parties, coadjutor or in any other capacity, all types of judicial proceedings before any jurisdiction; file, pursue and waive appeals of any kind, including governmental and administrative appeals, and motions for reconsideration, rehearing, appeals for review to the same or a higher court, applications to the Supreme Court on the ground of manifest injustice of a previous decision, appeals against refusal of leave to appeal, actions to have decisions declared void, appeals on the ground on lack of jurisdiction, actions for enforcement of rights or any other legally permitted ordinary or extraordinary appeals, and the abandonment, discontinuance or any other form of withdrawal from proceedings in which the Company has an interest, as well as all kinds of proceedings, including conciliation proceedings, with or without a pre-trial settlement, proceedings of voluntary jurisdiction, governmental, notarial, mortgage and tax proceedings and, accordingly, to bring, respond to and pursue through all their formalities and levels until their conclusion all kinds of actions, claims, complaints, criminal actions, accusations, pleas and defences, and exercise any other causes of action, ratifying them whenever personal ratification is required; choose venues and submit implicitly or explicitly to jurisdictions; give evidence as a legal representative at any of the aforementioned proceedings, petition for stays of proceedings; make, request, receive and comply with summonses, notifications, citations and service of process; apply for joinders, attachments, cancellations, enforcements, dispossessions, filings, auctions of assets, statements and assessments of costs; raise issues of jurisdiction and preliminary issues; challenge witnesses; furnish and challenge evidence, waive evidence and the transfer of proceedings to another court; agree to favourable rulings; provide and withdraw payment bonds and deposits as and when required by the court; provide sureties, make judicial deposits and, in both cases, request they be refunded as and when appropriate, and execute and enforce court rulings.

4. Attend, speak and vote at meetings that are held in bankruptcy proceedings, whether fault-based or otherwise, and in temporary receivership proceedings and arrangements with creditors while they remain in force, approve and challenge creditors' claims and their ranking, appoint and accept appointments as receivers and administrators, appoint representatives; accept and reject debtors' proposals and appoint members of conciliation bodies.

5. Confer powers on court representatives and counsel, freely chosen by him, with general powers for litigation and special powers freely established in each case, including those of responding to interrogatories in court, reaffirming positions, withdrawing and abandoning actions, signing such public or private documents as may be necessary for the exercise of such powers.

6. Enter into contracts of any kind with central, regional, provincial and local government authorities and executive agencies and, in general, with any private individual or legal entity in the public or private sectors, including contracts for works, supplies and services (excluding regasification, gas transmission and storage, and gas supply contracts); arrange auctions, calls for bids, competitive tendering, direct procurement or any other legal form of procurement; sign proposals and procurement specifications, award contracts and accept contract awards, sign the related contracts and any public and private documents that may be required for their formalisation, fulfilment or performance and discharge.

7. Take the necessary steps to establish arrangements with central, regional, provincial and local government authorities and their agencies concerning all kinds of public prices, levies, whether they be charges, taxes or rates, that affect the Company, agree to such arrangements and for this purpose approve, agree to and sign any covenant, contract or accord referring thereto.

8. Buy, sell, lease, purchase under a preferential right, assign, subrogate, contribute, encumber, exchange unconditionally or subject to conditions, at a declared price, deferred or paid in cash, all kinds of goods and real estate; establish, accept, modify, acquire, dispose of, defer, terminate and cancel, fully or partially, payment bonds, pledges and other security interests in favour of third parties.

9. Lease property as the lessor or lessee thereof.

10. Enter into finance lease agreements, subject to such terms and conditions as he may freely determine.

11. Buy, sell, lease, purchase under a preferential right, assign, subrogate, contribute, encumber, exchange unconditionally or subject to conditions, at a declared price, deferred or paid in cash, all kinds of real estate; establish, accept, modify, acquire, dispose of, defer, terminate and cancel mortgages, easements and other rights in rem over real estate, whether of common law or foral law [administrative law particular to the Basque Country and Navarre], and also prohibitions, conditions and all kinds of restrictions on real estate; provide real estate collateral guarantees in favour of third parties.

12. File declarations of construction and cultivation, definition and demarcation of boundaries, grouping together, aggregation, segregation and division of property, and organise buildings under condominium arrangements.

13. Apply for official franchises and authorisations, permits and licences, and complete all the formalities to obtain them, and to renew, amend or cancel them as may be necessary or appropriate.

14. Negotiate and establish with owners affected by future gas installations, whether or not there are compulsory purchase proceedings pending, the imposition of rights of way for pipelines and ancillary components and the purchase of land on which to install gas distribution and regulation chambers or other components that depend on or belong to the networks of the Company granting the power of attorney, arranging for this purpose such mutually agreed transactions, clauses and prices that he considers to be fair, and signing public and private documents of any kind, regardless of the amount involved, and cancel rights of way fully or partially.

15. Initiate any proceedings for compulsory purchase in which the Company has an interest, make formal appearances thereat and make the representations that he considers appropriate, request and conduct expert appraisals, request and receive compensation and, in general, participate in such proceedings in all formalities and appeals related thereto without limitation, executing and signing for the purpose public or private documents of any kind.

16. With regard to proceedings for compulsory purchase, imposition of rights of way and temporary occupation governed by the Law and Regulations on Compulsory Purchase that are instituted by the Company granting power of attorney for the construction of gas pipelines, networks and branches and ancillary installations, they may:

    a) Formulate requests and petitions, request and respond to certificates and summonses of all kinds, request affidavits, certificates and certified copies in which the Company has an interest, in dealings with private individuals and legal entities in the public or private sectors, without any exception.

    b) Make and withdraw deposits of any kind, including cash, at public entity depositaries of any kind and those held by private individuals or legal entities, at any of their offices and agencies.

    c) Attend the drawing up of official records of facts and events prior to and after the completion of compulsory purchase actions.

    d) Group together, aggregate, segregate and divide real estate, making the filings relating thereto with the relevant Property Registers.

    e) Arrange for the imposition of rights of way and title restrictions and for the acquisition and occupation by mutual agreement of property and rights affected by the laying of gas pipelines, their networks and branches and ancillary installations, fixing prices and conditions.

    f) Discharge or redeem any charges or liens affecting the properties, fixing the price and conditions of such redemption.

    g) Authorise and as appropriate empower by granting power of attorney to such persons as he considers appropriate to represent the Company at the official recording of facts and events prior to and at the time of the occupation of properties affected by compulsory purchase proceedings.

17. Enter into contracts with any private individuals or legal entities in the public or private sectors for the long-term provision of services of regasification, transmission and storage, procurement of points of entry to the Company's gas system, gas supply and any other contract for the provision of services connected with the gas business and ancillary activities.

18. Enter into contracts with any private individuals or legal entities in the public or private sectors for the short-term provision of services of regasification, transmission and storage, procurement of points of entry to the Company's gas system, gas supply, connection to installations and any other contract for the provision of services connected with the gas business and ancillary activities.

19. Set up, merge, change the corporate form, dissolve and wind up, take part in the enlargement or modification, of any kind of companies, partnerships, consortia, European consortia and joint ventures, represent the Company in them, attend or take part in all kinds of meetings, holding office and appointing officers and representatives as he considers appropriate; contribute to commercial companies all kinds of assets, receiving in payment the relevant shares, equity interests, scrip certificates, convertible or non-convertible debentures, option rights or shares and, in the case of dissolution, the relevant assets. Establish share syndication agreements.

20. Apply for entries to be made at the Property and Companies Registers; send, receive and respond to summonses and notifications and request notarial certificates of all kinds, signing certificates of attendance and any other formality connected with them.

21. Apply for the registration of trade marks and trade names, patents of invention and introduction, utility models and other modalities of industrial property, or challenge and denounce any attempted or actual misappro-

priation of the name, trade marks and countersigns of Company products and counterfeits of them, initiating and pursuing the appropriate proceedings and making formal appearances in proceedings initiated by others, making statements, providing proof and petitioning as appropriate.

22. Acquire and dispose of intellectual and industrial property rights.

23. Organise, direct and inspect all of the Company's services and installations and verify audits of Company funds.

24. Hire and dismiss personnel employed by the Company, of whatever kind and category, appoint and remove them from their duties, stipulating their pay, duties and tasks, and the remuneration payable for extraordinary services.

25. Grant loans and credits to Company staff and agree subsequent renewals, alterations, subrogations and cancellations thereof.

26. Grant payment bonds and personal and in rem guarantees to Company staff as surety for the fulfilment of personal and mortgage loan contracts granted to Enagás personnel..

27. Negotiate and sign on behalf of the Company any kind of general or partial collective agreements and any other type of pact, agreement or arrangement with the Company staff, trade unions, or administrative or judicial authorities that are competent in matters of labour and social security.

28. Issue any kind of certificates, identity cards and other documents with the details of Company staff that are contained in the Company record books and files.

29. Sign all documentation to do with social security, accidents at work insurance, enrolments and dis-enrolments, filings and changes; initiate and pursue claims before the Spanish National Institute of Social Security and offices thereof, mutual insurance companies, benefit societies and insurance companies.

30. Make formal appearances and represent the Company in dealings with the regional traffic department and offices thereof, in order to register, transfer and scrap any type of vehicle belonging to the Company and to register and de-register them as appropriate.

31. Take delivery of letters, certificates, dispatches, parcels, postal orders and declared value items from communications offices, and of goods and property shipped from shipping companies, Customs and agencies. Receive, open, answer and sign any kind of correspondence and keep the Company's books in accordance with the law.

32. Sign any public or private documents that may be necessary in order to jointly and severally exercise the powers granted hereunder as effectively as possible.

33. Request and obtain electronic signature certificates from authorised providers of certification services and use the electronic signature whenever he considers it appropriate in accordance at all times with the applicable rules on electronic signatures.

34. Grant such powers of attorney as he considers necessary, being able to confer each and every one of the aforementioned powers granted hereunder or part of them on such person or persons as he considers appropriate. He may also revoke the powers granted by the Board of Directors, by himself or by other Company bodies.

B) Jointly:

1. Enter into all types of banking arrangements including: factoring, leasing, lease financing, reverse factoring and any other similar banking arrangements with any Spanish or foreign bank, including the Bank of Spain and the branches thereof, the European Investment bank, the Spanish Official Credit Institute, registered savings banks, savings banks, post office savings banks, the Confederation of Spanish Savings Banks, the General Deposit Fund or any other similar Spanish or foreign trading, transfer, exchange or credit institution.

2. Open, monitor, cancel or draw down from ordinary current accounts or credit, sight or fixed-term deposit accounts, secured through a security interest, personal guarantee, pledged securities or trade notes, with or without a guarantee.

3. With regard to ordinary current accounts or credit, sight or fixed-term deposit accounts opened on behalf of the Company, write personal cheques, issue bank drafts, issue bank cheques, perform bank transfers or use any other accepted payment system or mechanism; pay in or withdraw voluntary or required amounts and deposits of cash or securities, signing any documentation required to perform such transactions.

4. Issue, cash, accept, endorse, receive, sign, intervene, challenge, pay and negotiate any type of bills of exchange, letters of credit, non-credit or credit facilities, promissory notes, cheques and other bank bills, commercial bills, bank giros, or bills of exchange.

5. Obtain and award loans or credits, with or without collateral or personal guarantees, including the pledging of securities, and arrange subsequent renewals, amendments and subrogations. Acquire and extend credits.

6. Request, cancel and withdraw personal and collateral-backed sureties, guarantees and payment bonds.

7. Enter into discounting arrangements for promissory notes issued by the Company with banks and financial institutions authorised to perform discounting, and enter into loan or other financing arrangements represented by promissory notes with these entities; contract agency services to facilitate such financing arrangements.

8. Buy and sell shares, debentures, bonds, stakes and any other type of security or instrument, and collect any yield from these.

9. Pay in bearer cheques paid to the Company, signing the reverse, for the sole purpose of paying them into the current accounts held with the Bank of Spain, and other banks, credit institutions and savings banks.

10. Arrange transfers between current and credit accounts or loan accounts set up in the Company's name through bank transfers, bank cheques or any other accepted payment system or mechanism in all types of banks, including the Bank of Spain, savings banks and other credit institutions, both Spanish and foreign.

11. Award and accept loans to/from subsidiaries and investees and the parent Company.

12. Make payments to settle invoices for gas purchases and settle taxes by personal cheque, bank giro or transfer, bank cheque or any other accepted payment system or mechanism from ordinary current accounts and credit, sight or fixed-term deposit accounts opened by the Company, to which end any type of document may be signed.

13. Sign any public or private documents that may be necessary in order to jointly exercise the powers granted hereunder as effectively as possible.

The powers described in this section can only be exercised jointly with one of the authorised signees stipulated in the deed of powers of attorney executed before the notary of Madrid Pedro de la Herrán Matorras on 13 June 2012 with number 1,291 of his notarial archive and registered as entry 278 in the record of Company M-6113. The terms of these powers of attorney are as follows:

- Jointly with another authorised signee from Group B or from Group A, up to a limit of €30,000 thousand, except for power of attorney 12, which can be jointly executed for any amount with another authorised signee from Group B or from Group C.

- Jointly with another authorised signee from Group C up to a limit of €20,000 thousand.

Explanatory note on section C.1.16.-

In 2013, a total of €2,812 thousand was paid to members of senior management. This amount includes the remuneration paid to three members of senior management who left office in the course of the year, as specified below:

Diego de Reina Lovera, who left his position as Chief Financial Officer on 17 June 2013.

Erundino de Neira Quintas, who left his position as Head of Resources and CSR on 17 June 2013.

Javier González-Juliá, who left his position as Officer for Technical Management of the System and Operations on 1 August 2014.

In addition, in 2013, two members of Senior Management also received indemnifications of €2,122 thousand.

Explanatory note on section C.1.19.-

RE-ELECTION: Article 10 of the Regulations of the Board of Directors stipulates that "Directors may hold office for a period of four years, and may be re-elected. Directors who are co-opted shall hold office until the date of the first subsequent General Meeting. Under article 11 of the Board Regulations, as a general rule, an appropriate rotation of Independent Directors shall be sought. For this reason, when an Independent Director is proposed for re-election, the circumstances making this Director's continuity in the post advisable must be justified. Independent Directors shall not remain as such for a period in excess of 12 consecutive years.

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

REMOVAL AND DISMISSAL: Directors shall leave their post after the first General Shareholders' Meeting following the end of their term of appointment and in all other cases in accordance with the law, the Articles of Association and these Rules and Regulations (article 12.1 of the Regulations of the Board). The Board of Directors shall not propose the removal of Independent Directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the board, based on a proposal from the Appointments Committee (article 12.3 of the Regulations of the Board).

Explanatory note on section C.2.4.-

a) In relation to the financial statements:

- Overseeing the preparation process and monitoring the integrity of financial information on the Company and, where relevant, the Group, and checking compliance with regulatory requirements, the due definition of the scope of consolidation and correct application of accounting principles.

- Providing information on the financial statements prior to their authorisation for issue by the Board of Directors.

- In its Report, the Committee shall include the information that it deems necessary on the application of accounting criteria, internal control systems and any other relevant facts.

The Board of Directors must properly explain any departure from the Audit and Compliance Committee's prior Report in the financial statements finally authorised for issue.

- Examining the information on the Company's activities and results that is produced regularly in compliance with securities market regulations, and ensuring that such information is transparent and accurate.

b) In relation to internal audits:

- Monitoring the independence of the internal audit unit.

- Supervising the Company's internal audit services and verifying the internal control systems, in order to achieve optimum monitoring of the execution of the annual internal audit.

In particular, the Committee shall monitor the quality of the work of the internal audit unit in areas including: accuracy and integrity of information, compliance with policies, plans, legislation and standards and asset protection measures.

The Committee shall have full access to internal audit systems and shall meet regularly, in plenary session or through its Chairman, with the Internal Audit Manager, from whom it may request all the information necessary for its work.

- Providing information and putting forward proposals to the Board of Directors regarding the selection, appointment, reappointment and dismissal of the head of Internal Audit.

c) In relation to external audits:

- Making proposals to the Board of Directors for submission to shareholders at the General Meeting concerning the appointment of the External Accounts Auditor, in accordance with applicable laws and regulations, and providing information on the remuneration payable to the External Accounts Auditor and other terms and conditions of their engagement.

- Liaising with the external auditors to obtain information on any issues that could compromise the latter's independence or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in technical auditing standards.

- Receiving on an annual basis from the auditors a written confirmation of their being independent from the Company and any entity directly or indirectly related to it, and a disclosure of any manner of additional services provided to such entities by the auditors or persons or entities related to them in accordance with the Ley 19/1988 de Auditoría de Cuentas (Audit Act 1988).

- To issue annually, prior to the issue of the audit report, a report giving an opinion on the independence of the auditors or audit firms. The report must at all events make reference to the provision of additional services referred to in the above sub-section.

- Taking receipt of the external auditor's regular reports on the audit programme and results of its execution, and ensuring that senior management takes account of its recommendations.

- Serving as a channel for communications between the Auditors and the Board of Directors, evaluating the results of each audit, and the management team's responses to its recommendations, and mediating and arbitrating in the event of disagreement between the two concerning the principles and criteria to be applied in the preparation of the financial statements.

- Overseeing the execution of contracted audit work and ensuring that the auditor's opinion on the financial statements and the main contents of the Auditors' Report are written clearly and accurately.

- Providing information on non-auditing contracts between the Company and the Accounts Auditors.- Ensuring that the External Accounts Auditor is provided with access to all the information necessary for him/her to do his/her work.

d) In relation to the Company's risk map:

- Identifying and analysing, in conjunction with the internal and external auditors, the main risks to which the Company is exposed, and, in particular, those affecting its financial position.

- Producing a risk assessment report for the Board of Directors.

- Proposing, where appropriate, to the Board of Directors measures required to manage, mitigate or prevent risks detected.

- Overseeing the effectiveness of the risk management systems in place.

- Establishing, if the Committee thinks fit for the purposes of risk of detection, and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

e) In relation to Corporate Governance:

- Assessing compliance with the Internal Code of Conduct on matters relating to the securities markets, the Regulations of the Board of Directors and the Company's governance regulations in general, and making the proposals necessary for their improvement. In fulfilling this duty, the Audit and Compliance Committee shall liaise with the Nominations and Remuneration Committee in considering Company Directors' and managers' compliance with the Code.

- To prepare an Annual Report on the work of the Audit and Compliance Committee as part of the Corporate Governance Report.

- Assisting with drafting the Annual Corporate Governance Report, especially in areas concerning transparency of information and conflicts of interests.

f) In relation to shareholders:

- Providing information on questions within the scope of its competencies at the General Meeting.

- The above functions, with the exception of those attributed directly to the Audit and Compliance Committee by law or the Bylaws, shall be considered delegated functions and may accordingly be reclaimed and exercised directly by the Board of Directors itself. Resolutions adopted by the Committee in the exercise of delegated functions shall not be binding for the Board of Directors. However, the board must provide due justification of any decision it adopts without taking account of the reports or recommendations of the Audit and Compliance Committee on issues within its purview.

Appointments, Remuneration and CSR Committee

The Appointments, Remuneration and Corporate Social Responsibility (CSR) Committee has no specific regulations, as it is sufficiently regulated under article 45 of the Company's Bylaws, amended in the AGM held on 30 March 2012 and previously in the AGM of 30 April 2010, and also under article 25 of the Regulations of the Board of Directors, which was amended by the Board of Directors on 20 February 2012; amendments that the Company reported to the shareholders in the AGM on 30 March 2012.

- The Appointments, Remuneration and Corporate Social Responsibility (CSR) Committee is comprised of six (6) Independent Directors, appointed by the Board of Directors, which is within the limits established in the Company Bylaws and the Regulations of the Board, which set a minimum of three (3) and maximum of six (6) members. It consists of six (6) members, five (5) of whom are Independent Directors – including the Chairman – and one (1) is a Proprietary Director.

- Article 45 of the Bylaws and article 25 of the Regulations of the Board of Directors provide that the Chairman must be an Independent Director. As per these provisions, no Executive Director may sit on this Committee, which must comprise a majority of Independent Directors and its Chairman shall be an Independent Director.

- Equally, the Chairman of the Appointments, Remuneration and Corporate Responsibility Committee, as Coordinating Independent Director since 28 June 2010, has the powers to call board meetings or include new items on the agenda in order to coordinate and convey the concerns of Directors and to lead the board's evaluation of its Chairman.

- Pursuant to article 25 of the Regulations of the Board of Directors, the Appointments and Remunerations Committee must meet at least four times a year. In 2013, the Committee met seven (7) times.

- The duties of the Appointments, Remuneration and Corporate Social Responsibility Committee are detailed in article 45 of the Company's Bylaws and article 25 of the Regulations of the Board of Directors, and are as follows:

- To propose remuneration criteria for the Directors of the Company and of Group companies, in accordance with the stipulations of the Articles of Association and in line with resolutions passed at the General Meeting, and to ensure that remuneration is transparent.

- To propose a general remuneration policy for Enagás management personnel, providing a rationale to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers of the Company and its Group, in order to ensure that the Company has appropriate highly-qualified staff for administering its business at all times.

- To review the structure of the Board of Directors of Enagás and the companies comprising its Group, as well as the criteria for the renewal of Directors required under the Articles of Association, the addition of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that the Committee considers necessary.

- To report on the appointment and dismissal of the Secretary of the Board of Directors.

- To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Code of Conduct regarding the securities market.

- To formulate and revise the criteria to be followed in the composition of the Board of Directors and for the selection of the candidates proposed for the office of Director.

- To provide information, objectively and in the Company's interest, concerning the proposals for appointment, re- election and ratification of Directors, as well as for the appointment of members of Board Committees.

- To formulate proposals to the Board of Directors regarding the Company's organisational structure, including the creation of senior management posts in order to achieve improved and more efficient Company administration.

- To produce reports on intended appointments and dismissals of senior management staff, and, where necessary, approve special terms in their contracts.

- To approve the remuneration of senior management, provided that this does not diverge from criteria established in the general remuneration policy for executives.

- To report to the Board of Directors on any related-party transactions before authorisation thereof. Under no circumstances shall the transaction be authorised if prior to this the report stipulated in article 14a of these Rules and Regulations has not been issued.

- Report to the board on the general Corporate Social Responsibility and Corporate Governance policy, ensuring the adoption and effective application of best practices – both those which are compulsory and those that are in line with generally-accepted recommendations. To do this, the Committee may submit to the board the initiatives and proposals it deems appropriate and shall provide information on proposals submitted to the board and information the Company releases to shareholders annually regarding these issues.

- To report to the Board of Directors on measures to be taken in the event of breach of these Rules and Regulations or the Internal Code of Conduct on matters relating to the securities markets on the part of Directors or other persons subject to those rules. In performing this duty, the Appointments, Remuneration and Corporate Responsibility Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

Explanatory note on section D.2.-

In 2013, Enagás S.A had available a credit facility supplied by Kutxabank in the amount of €25,000 thousand. This credit facility was terminated early on 20 December 2013.

Enagás, S.A. has a €6,000 thousand guarantee line with Kutxabank. At 31 December 2013 the amount drawn on that line stood at €1,017 thousand.

On 3 July 2013 Enagás, S.A. paid to Kutxabank a final dividend for 2012 of €8,174 thousand, as approved by the shareholders in General Meeting. Additionally, on 19 December 2013, a €6,004 thousand interim dividend against 2013 earnings was paid. The total dividend paid therefore stands at €14,184 thousand.

On 3 July 2013, Enagás, S.A. paid Oman Oil Spain, S.L.U. a final dividend for 2012 of €8,174 thousand, as approved by the shareholders in General Meeting. Additionally, on 19 December 2013, a €6,004 thousand interim dividend against 2013 earnings was paid. The total dividend paid therefore stands at €14,178 thousand.

On 3 July 2013 Enagás, S.A. paid to SEPI a final dividend for 2012 of €8,174 thousand, as approved by the shareholders in General Meeting. Additionally, on 19 December 2013, a €6,004 thousand interim dividend against 2013 earnings was paid. The total dividend paid therefore stands at €14,178 thousand.

On 3 July 2013 Enagás, S.A. paid to Fidelity International Limited a final dividend for 2012 of €3,226 thousand, as approved by the shareholders in General Meeting. Additionally, on 19 December 2013, a €2,369 thousand interim dividend against 2013 earnings was paid. The total dividend paid therefore stands at €5,595 thousand.

On 3 July 2013 Enagás, S.A. paid to Retail OEICS Aggregate a final dividend for 2012 of €1,651 thousand, as approved by the shareholders in General Meeting. Additionally, on 19 December 2013, a €1,212 thousand interim dividend against 2013 earnings was paid. The total dividend paid therefore stands at €2,863 thousand.

Enagás, S.A. incurred finance costs owed to significant shareholders of €78,000. This amount, being relatively immaterial, is disclosed only in this explanatory note.

Explanatory note on section D.3.-

Attendance fees paid to the members of the Board of Directors totalled €1,046 thousand at 31 December 2013.

Explanatory note on section D.4.-

The basis on which Enagás, S.A. reports significant transactions between the Company and other group entities is set out below:

1. Any significant transaction with another group entity that is not eliminated in the process of accounting consolidation must be reported.

2. A transaction not eliminated in the accounting consolidation process must be reported unless it simultaneously satisfies the following three conditions:

   a. The amount must not exceed 1% of the Company's annual revenue (article 14a of the Rules and Regulations of the Board).

b. It forms part of the ordinary course of business of the Company, where "ordinary course of business" embraces all activities relating to transport, storage and re-gasification.

c. It is concluded at arm's length (article 14a of the Rules and Regulations of the Board).

Services received generated billings in the amount of €10,644 thousand. Services rendered generated billings in the amount of €11,468 thousand. These figures are not mentioned in section D.4 of this Report because they reflect transactions that form part of the ordinary course of business of Enagás, S.A. and its group companies in terms of their purpose and contractual terms

Explanatory note on section D.5.-

The amount of related-party transactions breaks down as follows:

Ref.	Group entity	Related party	Item	Amount (€ thousand)
D.5.1	Enagás Trasporte S.A.U. /Enagás S.A.	Banco Sabadell	Finance cost	5,538
Total finance cost, other related partiess				**5,538**
D.5.2	Enagás S.A.	Eulen	Services received	1,636
D.5.2	Enagás Trasporte S.A.U.	Eulen	Services received	700
D.5.3	Enagás S.A.	Newcomer 2000	Services received	48
Total services received, other related parties				**2,384**
D.5.4	Enagás S.A.	Barcelona Graduate School of Economics (GSE)	Other operating expenses	24
Total of other costs, other related parties				**24**
D.5.1	Enagás S.A.	Banco Sabadell	Finance revenue	2,069
Total finance revenue, other related parties				**2,069**
D.5.1	Enagás S.A.	Banco Sabadell	Loan	100,000
Finance agreements: Loans and capital contributions				**100,000**
D.5.1	Enagás S.A.	Banco Sabadell	Guarantees	11,080
Guarantees and sureties received, other related parties				**11,080**
Total transactions with other related parties				**121,095**

D.5.1 Transactions with BANCO SABADELL.-

Banco Sabadell and Enagás, S.A. signed an agreement whereby the bank brokers a loan for €100,000 thousand corresponding to tranche C of the €1,000 Mn loan granted by the EIB.

In addition to this loan, Enagás, S.A. has a €50,000 thousand interest rate swap (IRS) agreement with Banco Sabadell, maturing in 2015.

The loan and the hedging agreement were held by Enagás Transporte S.A. U., but were transferred in December 2013 to Enagás, S.A.

In 2013 finance costs payable to Banco Sabadell totalled €5,538 thousand (€5,435 thousand payable by Enagás Transporte S.A. U. and €103 thousand payable by Enagás, S.A.)

Enagás Transporte, S.A.U. has a €12,000 thousand guarantee line with Banco Sabadell. At 31 December 2013 the amount drawn on that line stood at €11,080 thousand.

Enagás, S.A. also had a €6,000 thousand credit line with Banco Sabadell. In December 2013, Enagás S.A. cancelled the abovementioned credit line.

Enagás, Transporte S.A.U had a €150,000 thousand loan with Banco Sabadell, falling due in 2015. In December 2013, Enagás Transporte, S.A.U. cancelled the abovementioned credit line.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with Banco Sabadell are arranged on an arm's length basis.

D.5.2 Transactions with Eulen, S.A.

Receipt of services: Enagas S.A. incurred expenses of €1.636 thousand, as follows:

Services received from Eulen, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Building/installations maintenance	1,636	-	-	-

Provision of services: Enagás Transporte, S.A.U. has received no revenues and incurred expenses of €700,000 in this connection, broken down as follows:

Services received from Eulen, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Building/installations maintenance	373	-	-	-
Security	327	-	-	-

D.5.3 Transactions with Newcomer 2000

Receipt of services: Enagas S.A. incurred expenses of €48,000, as follows:

Services received from Newcomer 2000

Item	Amount	Price policy	Payment terms	Guarantees
Advisory services	48	-	-	-

D.5.4 Transaction with Barcelona Graduate School of Economics (GSE)

In 2013 Enagás, S.A. gave €24,000 to Barcelona Graduate School of Economics (GSE). The entirety of this amount was allocated to two study bursaries for the "Master's Degree in Specialized Economics Analysis".

Report on the Activities of the Enagás, S.A. Audit and Compliance Committee in 2013

Composition of the committee in 2013

Chairman

José Riva Francos, Independent Director.

Members

Martí Parellada Sabata, Independent Director.

Luis Javier Navarro Vigil, "Other External" Director.

Sociedad Estatal de Participaciones Estatales (SEPI), Proprietary Director, represented by its Deputy Chairman, Federico Ferrer Delso.

Isabel Sanchez García, Independent Director.

Secretary

Rafael Piqueras Bautista

As provided in the Company's constitutional documents, the Committee called on a number of persons related to matters under its competence for consultation. Accordingly, committee meetings were regularly attended by Enagás's Chief Executive Officer, Marcelino Oreja Arburúa; Chief Financial Officer, Diego De Reina Lovera; and head of the Internal Audit Unit, José Manuel Castro del Real. External Auditors from Deloitte also attended committee meetings on a number of occasions.

Activities of the committee

The Audit and Compliance Committee met five (5) times in 2013. The main areas on which it focused during 2013 are summarised below.

1.- Committee activities relating to the formulation and approval of the Enagás Financial Statements for 2012.

As in previous years, the Audit Committee was entrusted with the task of discussing and analysing the financial statements prior to their authorisation for issue by the Board of Directors. To this end the members of the Committee met with the Company's External Auditor (Deloitte S.L.) on 18 February 2013, and also with Enagás' Chief Financial Officer and head of the Internal Audit Unit.

Both the External Auditors and the financial officers of the Company offered the Committee their views on the financial statements. Differences in accounting criteria in no case exceeded the materiality threshold above which Deloitte's opinion on the financial statements could be affected. Deloitte informed the Audit Committee that its report would be without reservations or qualifications.

The following conclusions emerged from the Audit Committee's examination of the 2012 financial statements:

- That the financial statements of Enagás and its Consolidated Group, as submitted to the Committee, gave a true and fair view of the Company's equity and results of operations for the year.

- That the financial statements contained sufficient information to be clearly understood, in addition to a sufficient description of the risks faced by the Company.

- That the financial statements followed generally accepted accounting principles and regulations, on the same terms applied in previous years.

- That the principles of parity of treatment for shareholders and transparency of information reported to the markets had been upheld.

Pursuant to the provisions of Additional Provision 19 section 4-6 of Securities Market Act 24/1988 of 24 July, the Committee issued a report prior to issuance by Deloitte S.L. of its audit report on the individual and consolidated financial statements of Enagás, S.A. and its Group for the year ended 31 December 2012, stating as follows:

- There has again been appropriate liaison with the auditors to obtain information on any issues that could compromise their independence for appraisal by the Audit and Compliance Committee or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in technical auditing standards.

- The Audit and Compliance Committee has received from the auditors written confirmation of their independence with regard to Enagás and any entity directly or indirectly related to it, and information on any kind of additional services provided to such entities by the auditors or persons or entities related to the auditors, pursuant to the provisions of the 19/1988 Audit Act of 12 July.

The Committee accordingly resolved to recommend that the Board of Directors of Enagás authorise the financial statements for issue. At a meeting held on 18 February 2013, the Board of Directors adopted the Committee's recommendation and authorised the financial statements for issue in line with the terms indicated by the Committee. The financial statements and management report for 2012 were approved at the General Meeting held on 24 April 2013.

In addition to the above task, as in previous years, the Chairman of the Audit Committee, Mr Parellada, also attended the Ordinary General Meeting held on 24 April 2013, at which he explained the most important elements of the financial statements to the Company's shareholders, thus ensuring they had all the information they needed to be able to vote on the financial statements, which were adopted as proposed by the Board of Directors.

2.- Monitoring relationships between Enagás and its significant shareholders

The Committee continued to supervise relationships between Enagás and its significant shareholders, and no noteworthy incidents emerged.

3.- External auditor. Audit and risk control plan for 2013

Concerning external auditors, the Committee produced a favourable report on the proposal at the General Shareholders' Meeting to renew Deloitte S.L. as the Auditor of Enagás, S.A. and its Consolidated Group for 2013. The proposal was approved at the General Meeting of 24 April 2013.

It is the Company's intention that remuneration paid to the Auditor or the companies in the Auditor's group for services other than auditing should not exceed 10% of the remuneration for audit services. Any new contracts in which this percentage is exceeded must be expressly authorised by the Audit and Compliance Committee. In 2012, backed by the Committee, the Company introduced an internal procedure to award the various audit services to the External Auditor in order to ensure such outsourcing is strictly kept to the necessary minimum.

Pursuant to the Audit Act, Deloitte rotated the engagement partner in charge of the audit of Enagás and its Consolidated Group in 2012.

All meetings of the Audit Committee have included as items of business on the agenda both a general review of progress in the implementation of the audit plan for 2013, and a specific analysis of the main audit processes underway at that particular time.

This area of the Audit Committee's work is therefore considered to be of particular importance. In 2003, with the assistance of external consultants, the Company carried out an exhaustive review of business and related risks, pinpointing the internal processes that might be affected by each of these risks. On the basis of the results obtained, processes that should be given the most urgent attention by the Internal Audit Unit and Audit Committee were identified. However, the Committee deemed it necessary to review the Company's Risk Model and, as a result, with appropriate external assistance, the Company's risk services drew up a new model that was approved by the Committee on 30 January 2009.

The Audit Plan implemented in the course of 2013 focused on monitoring those processes identified as priorities in the new risk model.

Supported by external advisors, the Internal Audit Unit identified several non-essential weaknesses in its review of the aforementioned processes and has issued recommendations it believes will help eliminate or mitigate the impact of the risks associated with certain activities forming part of this process.

The Committee has taken a special interest in overseeing risk prevention, dedicating an entire meeting to this matter in November 2013. New specific sessions on the same theme are planned for 2014. During this meeting the head of Internal Audit presented the Company's Risk Model, indicating that Enagás controls the following risks:

- Operational risk
- Business risk
- Financial risk
- Credit risk
- Criminal liability risk
- Reputational risk

He then described the nature of each risk, a summary of the results of the Company's risk assessments supported by Deloitte as external consultant, and the potential impact thereof on the income statement and the balance sheet. He added that where applicable, the analysis results in proposals for a battery of corrective measures aimed at mitigating risk and for controlling the implementation of these measures. The Committee covered the functioning of the risk management model in detail. The CEO and the head of the Audit Unit answered various questions from committee members. This included providing further information on the appropriateness of the model used to measure risks, which the Committee considers must be influenced as little as possible by subjective evaluations. The Committee considered that it needs to gain a better understanding of how risk assessment processes are performed and therefore called on the external consultant, Deloitte, to attend the next meeting to provide a detailed explanation of the tool used to assess risks. The aforesaid presentation was followed by one on the prevention and control of safety, environmental and occupational risks. The board was informed of the matters covered by the Committee in its November and December meetings and was shown the same two presentations mentioned above.

The Committee also supervised the Internal Control over Financial Reporting system deployed by the Company with appropriate assistance by external consultants. This reporting system is intended to guarantee that the financial information prepared and published by the Company is complete and accurate. Companies listed on US stock exchanges are required to implement this system under the provisions of the Sarbanes Oxley Act and, although such a review of the financial reporting system is not compulsory for companies such as Enagás, it is considered to be a "good practice". The consultants taking part in the review stated that *"in general, Enagás has an appropriate level of control of its internal financial reporting system"*. A review of the level of compliance of this system was performed in 2013.

4.- Quarterly accounting reviews

Throughout 2013 the Committee continued to review the limited quarterly report issued by the auditors, as in previous years.

Specifically it analysed, in conjunction with Deloitte, the reports issued by the latter for the first, second and third quarters, respectively. Performing these reviews enables the Committee to minimise the impact of any accounts issues arising in the course the year and the members of the Committee and Board of Directors to keep abreast of the opinions of the Company's external auditors on annual developments in the balance sheet and income statement.

The Audit Committee considers that both the quarterly reviews carried out by the External Auditor and the Committee's own analysis of these reports are essential to ensuring strict control over the Company's accounting, and also facilitate the issue of an unqualified audit report.

The Committee also reviews and approves financial information disclosed by the Company each quarter, in line with the good corporate governance recommendations it has adopted.

The Committee prepared a specific report on the financial statements for the first half-year which, on its recommendation, were approved by the Board of Directors in July 2013.

5.- Report on the activities of the Business Principles Supervisory Committee (Ethics Channel).

The Committee examined the activities of the Business Principles Supervisory Committee (Ethics Channel), and approved its report for 2013 with no noteworthy incidences emerging.

6.- Activities after year-end

In the opening months of 2014, the Committee continued with its usual activities, in particular assisting the Board of Directors in preparing the financial statements. As in the previous financial year, at its meeting of 17 February 2014 the Audit and Compliance Committee issued a prior favourable report on the 2013 financial statements which will be submitted to the 2014 General Meeting for adoption.

This report was drawn up and approved by the Audit and Compliance Committee at the meeting held on 17 February 2014, and was approved by the Board of Directors at a meeting on the same day.

The Secretary of the Enagás, S.A. Audit and Compliance Committee

Rafael Piqueras Bautista

Consolidated Financial Statements

9. Consolidated Financial Statements

Auditors' Report

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Enagás, S.A.:

1. We have audited the consolidated financial statements of Enagás, S.A. ("the Company") and Subsidiaries ("the Group"), which comprise the consolidated balance sheet at 31 December 2013 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying consolidated financial statements for 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of Enagás, S.A. and Subsidiaries at 31 December 2013, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

3. The accompanying consolidated directors' report for 2013 contains the explanations which the directors of Enagás, S.A. consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2013. 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 Álvarez Alonso
20 February 2014

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª, C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Consolidated Financial Statements

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

(Figures in thousands of euros)

	Note	31.12.2013	31.12.2012
Revenue	22	1,278,603	1,180,059
Revenue from regulated activities		1,235,412	1,140,355
Revenue from deregulated activities		43,191	39,704
Other operating income	22	29,521	18,349
Employee benefits expense	23	(85,518)	(78,987)
Other operating costs	23	(194,519)	(185,114)
Depreciation and amortisation		(342,082)	(315,875)
Impairment losses and gains (losses) on disposal of assets		(17,135)	15
OPERATING PROFIT		**668,870**	**618,447**
Finance revenue	24	24,231	37,970
Finance costs	24	(129,886)	(110,998)
Exchange differences (net)	24	(4,894)	(3,657)
Changes in fair value of financial instruments	24	1,074	-
NET FINANCE COST		**(109,475)**	**(76,685)**
Share of profit of equity-accounted investees	32	5,610	969
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**565,005**	**542,731**
Income tax expense	21	(160,749)	(163,223)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**404,256**	**379,508**
PROFIT FOR THE YEAR		**404,256**	**379,508**
Result attributable to external partners		(1,073)	-
RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**403,183**	**379,508**
Attributable to:			
Equity holders of the parent		**403,183**	**379,508**
BASIC EARNINGS PER SHARE	**13**	**1.69**	**1.59**
DILUTED EARNINGS PER SHARE	**13**	**1.69**	**1.59**

Notes 1 to 34 in the accompanying financial information are an integral part of the consolidated income statement for the year ended 31 December 2013.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013

(Figures in thousands of euros)

	Note	31.12.2013	31.12.2012
Assets			
NON-CURRENT ASSETS		**6,136,747**	**5,977,882**
Intangible assets	5	97,354	74,303
Goodwill		35,851	19,153
Other intangible assets		61,503	55,150
Property, plant and equipment	6	5,784,405	5,679,516
Equity-accounted investments	32	165,846	152,341
Investments in subsidiaries and associates	8	14,650	15,688
Other non-current financial assets	8	2,457	14,071
Deferred tax assets	21	72,035	41,963
CURRENT ASSETS		**1,073,853**	**2,105,561**
Inventories	9	15,182	13,829
Trade and other receivables	10	699,321	607,473
Other current financial assets	8	2,997	2,227
Other current assets		2,995	2,385
Cash and cash equivalents	11	353,358	1,479,647
TOTAL ASSETS		**7,210,600**	**8,083,443**

	Note	31.12.2013	31.12.2012
Equity and liabilities			
EQUITY		**2,139,375**	**2,004,784**
CAPITAL AND RESERVES		**2,118,427**	**2,014,878**
Issued capital	12	358,101	358,101
Reserves	12	1,477,226	1,379,447
Profit for the year		403,183	379,508
Interim dividend	12	(120,083)	(102,178)
NET UNREALISED GAINS (LOSSES) RESERVE	**12**	**7,042**	**(10,094)**
NON-CONTROLLING INTERESTS (EXTERNAL PARTNERS)		**13,906**	**-**
NON-CURRENT LIABILITIES		**4,320,324**	**5,210,229**
Provisions	14	177,321	175,389
Financial liabilities	15	3,649,289	4,538,270
Non-current borrowings from related parties		5	16
Deferred tax liabilities	21	416,422	422,014
Other non-current liabilities	16	77,287	74,540
CURRENT LIABILITIES		**750,901**	**868,430**
Financial liabilities	15	494,305	575,010
Trade and other payables	19	256,596	293,420
TOTAL EQUITY AND LIABILITIES		**7,210,600**	**8,083,443**

Notes 1 to 34 in the accompanying financial information are an integral part of the consolidated balance sheet at 31 December 2013

ENAGÁS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2013

(Figures in thousands of euros)

	31.12.2013	31.12.2012
CONSOLIDATED PROFIT FOR THE YEAR	**404,256**	**379,508**
INCOME AND EXPENSE RECOGNISED IN EQUITY:	**2,084**	**(12,716)**
Remeasurement of financial instruments		
Available-for-sale financial instruments	-	-
Cash flow hedges	11,131	(23,945)
Translation differences	(6,968)	3,585
Tax effect	(2,079)	7,644
INCOME AND EXPENSE RECLASSIFIED TO PROFIT OR LOSS:	**15,052**	**8,403**
Remeasurement of financial instruments		
Available-for-sale financial instruments	-	-
Cash flow hedges	20,406	12,005
Tax effect	(5,354)	(3,602)
TOTAL RECOGNISED INCOME/(EXPENSE)	**421,392**	**375,195**
Attributable to external partners	1,073	-
Attributable to equity holders of the parent	420,319	375,195

Notes 1 to 34 in the accompanying financial information are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2013

ENAGÁS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(Figures in thousands of euros)

	Issued capital	Share premium and reserves	Retained earnings	Profit for the year	Interim dividend	Net unrealised gains (losses)	Non-controlling interest	Total equity
RESTATED BALANCE AT 1 JANUARY 2012	**358,101**	**1,235,591**	**-**	**364,643**	**(90,958)**	**(5,781)**	**-**	**1,861,596**
Total recognised income and expense	**-**	**-**	**-**	**379,508**	**-**	**(4,313)**	**-**	**375,195**
Transactions with shareholders and owners	**-**	**-**	**-**	**(146,060)**	**(102,178)**	**-**	**-**	**(248,238)**
Capital increases / (decreases)	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	(146,060)	(102,178)	-	-	(248,238)
Transactions with treasury shares (net)	-	-	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-	-	-
Other transactions with shareholders and owners	-	-	-	-	-	-	-	-
Other changes in equity	**-**	**143,856**	**-**	**(218,583)**	**90,958**	**-**	**-**	**(16,231)**
Share-based payments	-	-	-	-	-	-	-	-
Transfers between equity accounts	-	-	-	(218,583)	-	-	-	(218,583)
Other changes	-	143,856	-	-	90,958	-	-	234,814
BALANCE AT 31 DECEMBER 2012	**358,101**	**1,379,447**	**-**	**379,508**	**(102,178)**	**(10,094)**	**-**	**2,004,784**
Restatements for changes in accounting policies in 2012	-	-	-	-	-	-	-	
Restatements for prior-period errors	-	-	-	-	-	-	-	
RESTATED BALANCE AT 1 JANUARY 2013	**358,101**	**1,379,447**	**-**	**379,508**	**(102,178)**	**(10,094)**	**-**	**2,004.784**
Total recognised income and expense	**-**	**-**	**-**	**403,183**	**-**	**(17,136)**	**1,073**	**421,392**
Transactions with shareholders and owners	**-**	**-**	**-**	**(163.478)**	**(120.083)**	**-**	**12.833**	**(270.728)**
Capital increases / (decreases)	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	(163,478)	(120,083)	-	-	(283,561)
Transactions with treasury shares (net)	-	-	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-	12,833	12,833
Other transactions with shareholders and owners	-	-	-	-	-	-	-	-
Other changes in equity	**-**	**97,779**	**-**	**(216,030)**	**102,178**	**-**	**-**	**(16,073)**
Share-based payments	-	-	-	-	-	-	-	-
Transfers between equity accounts	-	-	-	(216,030)	-	-	-	(216,030)
Other changes	-	97,779	-	-	102,178	-	-	199,957
BALANCE AT 31 DECEMBER 2013	**358,101**	**1,477,226**	**-**	**403,183**	**(120,083)**	**(7,042)**	**13,906**	**2,139,375**

Notes 1 to 34 in the accompanying financial information are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2013

ENAGÁS, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

(Figures in thousands of euros)

	31.12.2013	31.12.2012
PROFIT BEFORE TAX	**565,005**	**542,731**
Adjustments to profit	**439,577**	**376,516**
Depreciation and amortisation expense	342,082	315,785
Other adjustments to profit	97,495	60,731
Changes in working capital	**(124,637)**	**(135,834)**
Inventories	891	(44)
Trade and other receivables	(96,827)	(62,449)
Other current assets	(979)	(308)
Trade and other payables	(23,392)	(73,033)
Other non current assets and liabilities	(4,330)	-
Other cash flows used in operating activities	**(310,810)**	**(200,240)**
Interest paid	(127,951)	(117,093)
Interest received	18,425	27,793
Income taxes paid	(198,943)	(110,940)
Other cash inflows (outflows)	(2,341)	-
NET CASH FROM OPERATING ACTIVITIES	**569,135**	**583,173**
Payments on investments	**(481,032)**	**(470,604)**
Subsidiaries and associates	(262,002)	(167,059)
Property, plant and equipment and investment property	(218,743)	(302,167)
Other financial assets	(287)	(1,378)
Proceeds from disposals	**11,757**	**5,112**
Subsidiaries and associates	11,757	5,112
Other cash flows used in investing activities	**4,782**	**-**
Other investment activities cash inflows (outflows)	4,782	-
NET CASH USED IN INVESTING ACTIVITIES	**(464,493)**	**(465,492)**
Proceeds from financial liabilities	**(947,370)**	**182,881**
Issues	1,283,846	3,521,336
Repayments and redemptions	(2,231,216)	(3,338,455)
Dividends paid	**(283,561)**	**(248,238)**
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(1,230,931)**	**(65,357)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(1,126,289)**	**52,324**
Cash and cash equivalents at 1 January	1,479,647	1,427,3231
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**353,358**	**1,479,647**

Notes 1 to 34 in the accompanying financial information are an integral part of the consolidated cash flow statement for the year ended 31 December 2013

1. Group activity

Enagás, S.A., the Parent (hereinafter, the Company), is incorporated in Spain in accordance with the Corporate Enterprises Act and 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 infrastructure and facilities, and the performance of ancillary or related activities.

- The design, construction, commissioning, exploitation, operation and maintenance of all manner of gas infrastructure and complementary facilities, including telecommunications and control, including remote control, networks of any kind and electric grids, owned by it or third parties.

- The performance of all the duties related to technical operation 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 leveraging the heat, cooling and energy properties associated with or deriving from its core businesses.

- The provision of a broad range of services, including engineering, construction, advisory, and consultancy services, in connection with the businesses constituting its corporate purpose and participation in natural gas market management activities to the extent compatible with the business activities vested in the Company under the law.

The foregoing activities may be carried out by Enagás, S.A. itself or through investees with an identical or similar corporate purpose, subject to the scope and limits laid down in prevailing applicable oil and gas legislation. Under prevailing legislation, the transport and system management duties that are regulated 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 security deemed opportune.

Its registered office is at Paseo de los Olmos, no. 19, 28005 Madrid. The bylaws and other public information about the Company and its group may be consulted on its official website, *www.enagas.es*, and at its registered office.

Enagás, S.A. is the Parent of a group of companies that includes interests in joint ventures and subsidiaries engaged in the natural gas transport business and which, together with Enagás, S.A., comprise the Enagás Group (hereinafter, the Group). Consequently, Enagás, S.A. is required to prepare, in addition to its own financial statements, the Group's consolidated financial statements, which also include information on its interests in joint ventures and subsidiaries.

The consolidated financial statements of the Group and those of each of the entities comprising the Group for the financial year 2013, which have served as the basis for the preparation of these consolidated financial statements, are pending approval at their respective General Shareholders' Meetings. However, the directors believe these financial statements will be approved as presented.

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. Accounting policies

The consolidated financial statements of the Enagás Group for 2013 were prepared by the directors, at a Board of Directors meeting held on 17 February 2014, in accordance with the International Financial Reporting Standards (hereinafter, IFRS), as adopted by the European Union, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council.

These consolidated financial statements give a true and fair view of the equity and financial position of the Group at 31 December 2013, the results of its operations, and the changes in its equity, cash flows and recognised income and expense during the year then ended.

The Enagás Group's consolidated financial statements for 2013 have been prepared from the accounting records kept by the Parent and by the other entities comprising the Group.

The 2012 consolidated financial statements included for comparative purposes were also prepared in accordance with the IFRS adopted by the European Union and applied on a basis consistent with those applied in 2011 and 2010. The 2012 consolidated financial statements were approved by the shareholders of Enagás, S.A. at its General Shareholders' Meeting held on 24 April 2013 and are deposited at the Madrid Companies Registry.

The financial year end of all the Group companies is 31 December 2013.

Note 3 includes a summary of the most significant accounting principles and measurement bases used in preparing the Parent's consolidated financial statements for 2013.

2.2. Responsibility for the information and estimates made

The information included in the accompanying consolidated financial statements is the responsibility of the Parent's directors.

The Group's 2013 consolidated financial statements include estimates made by senior management of the Group and of consolidated entities – subsequently ratified by their directors – in order to quantify the amounts of certain assets, liabilities, revenues, expenses and commitments recognised therein. These estimates relate basically to the following:

- The useful life of property, plant and equipment and of intangible assets (Notes 3.b and 3.c)
- The measurement of assets to determine impairment losses (Note 3.d)
- Forecasts for invoices pending issue
- Provisions for impairment of replacement parts for property, plant and equipment (Note 3.d)
- The income tax calculation (Note 3.p)
- Provisions for dismantling/abandonment costs (Note 3.c)

Although these estimates were made on the basis of the best information available at 31 December 2013 regarding the facts analysed, it is possible that future events may require these to be changed (upwards or downwards) in coming years. This would be done prospectively in accordance with the provisions of IAS 8, recognising the effects of the changes in accounting estimates in the corresponding consolidated income statement.

2.3. Changes in the scope of consolidation

During 2013 the changes in the scope of consolidation of the Enagás Group were as follows:

- The purchase agreement for the acquisition of 90% of Naturgas Energía Transporte, S.A.U. by Enagás Transporte, S.A.U. from the Naturgas Group for 245 million euros was executed on 15 February 2013. This amount included the subrogation of a loan from the previous shareholder amounting to 130 million euros. Ente Vasco de la Energía (EVE) continues to hold a 10% non-controlling interest in the target (Note 7).

This company changed its corporate name to Enagás Transporte del Norte, S.L. and is fully consolidated in these consolidated financial statements.

- In September 2013, Terminal de Valparaiso S.A. (wholly owned by Enagás Internacional S.L.U.) increased its interest in the Chilean company GNL Quintero S.A. by acquiring the second tranche of 20% held by BG Group, thereby raising its interest to 40%.

In order to perform this operation, Terminal de Valparaíso S.A. increased its share capital which was subscribed by Oman Oil Company. Thereafter, Enagás Internacional S.L.U.'s stake in Terminal Valparaíso S.A. was 51%, with the remaining 49% held by Oman Oil Company. Terminal de Valparaíso S.A. is therefore now consolidated using the equity method (see Note 2.4). Subsequent to the operation, the Enagás Group now holds a 20.4% interest in GNL Quintero S.A.

- In August 2013, the companies Servicios de Compresión SLM and Enagás Internacional S.L.U. jointly incorporated Estación de Compresión Soto La Marina SAPI de CV and Estación de Compresión Soto La Marina EPC SAPI de CV, located in Mexico. Enagás, S.A. directly and indirectly holds a 50% interest in these companies, which were accounted for using the equity method.

2.4. Basis of consolidation

Enagás, S.A.'s direct and indirect investees included in the scope of consolidation are engaged primarily in the transport, storage and regasification of natural gas.

Subsidiaries are the investees which the Parent controls by virtue of holding more than half of the voting rights or, short of this, having the power to govern their financial and operating policies so as to obtain benefits from their activities. These potential voting rights held by the Group or third parties are deemed to be exercisable or convertible at 31 December 2013.

Jointly controlled entities are those constituting joint ventures. Joint ventures are arrangements in which control is shared with venturers under a contractual agreement by virtue of which financial and operational strategic decisions about the relevant activities require the unanimous consent of the parties sharing control (Note 32).

Non-controlling interests in equity and in the results of Enagás Group subsidiaries are recognised as "Non-controlling interests" under "Equity" in the consolidated balance sheet and "Result attributable to external partners" in the consolidated income statement.

The consolidation was carried out as follows:

a. The Company's 100%-owned subsidiaries are fully consolidated: Enagás Transporte, S.A.U., Enagás GTS, S.A.U., Enagás Internacional, S.L.U., Enagás Financiaciones, S.A.U., Enagás Altamira, S.L.U. and the consolidated financial statements of the Chile subgroup whose Parent is Enagás Chile I, Spa. Enagás Transporte del Norte, S.L., an investee 90% owned, was also fully consolidated when taking into account the 10% interest of Ente Vasco de la Energía under "Non-controlling interests".

b. Proportionate consolidation for the jointly controlled entities managed in conjunction with GALP Gas Natural, S.A. in the case of Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A., with Infrastructure Arzak and EVE in the case of Bahia de Bizkaia Gas, S.L. (BBG), and with VOPAK in the case of Terminal de LNG de Altamira, S. de RL. de CV.

c. The investments in Compañía Transportista de Gas de Canarias, S.A. (Gascan), Estación de Compresión Soto La Marina SAPI de CV, Estación de Compresión Soto La Marina EPC SAPI de CV, Morelos EPC, SAPI de CV and Gasoducto Morelos, SAPI de CV were accounted for using the equity method. In addition, within the consolidated subgroup headed up by Enagás Chile I, Spa, the investments in Terminal de Valparaíso, S.A. and, indirectly, GNL Quintero, S.A. are also accounted for using the equity method.

d. Intra-group transactions: All balances, transactions, income and expenses between fully-consolidated companies are eliminated on consolidation. In the case of companies accounted for using the proportionate method of consolidation, balances, transactions and unrealised gains and losses on transactions with other Group companies are eliminated to the extent of the ownership interest consolidated. Unrealised 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.

e. Consistency: For investees which apply different accounting principles and measurement bases to 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.

f. Translation of financial statements denominated in foreign currencies: The companies included in the scope of consolidation keep their accounting records in euros, with the exception of Enagás Internacional, S.L Unipersonal, Enagás-Altamira, S.L.U., Altamira LNG, CV, Gasoductos de Morelos, SAPI de CV, Morelos EPC, Estación de Compresión Soto La Marina SAPI de CV, Estación de Compresión Soto La Marina EPC SAPI de CV, and the Chilean consolidated subgroup, the foreign currency of which is the dollar.

These companies' financial statements were translated into euros in the process of consolidation into the Enagás Group's 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 are translated at the average exchange rates for the year in which the transactions were performed.

- The resulting exchange differences are recognised as a separate component of equity, called "Translation differences" under "Net unrealised gains (losses) reserve".

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 average and closing rates of exchange between the dollar and the euro in 2013 and 2012 are shown below:

Currency	Average exchange rate in 2013	Closing exchange rate at 31 December 2013
Dollar	1.3283	1.3789

Currency	Average exchange rate in 2012	Closing exchange rate at 31 December 2012
Dollar	1.2859	1.3197

g. 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.

Dividends received by Group companies in respect of prior years' profit are eliminated by treating them as reserves of the receiving company and are included under "Reserves".

The most significant aspects of the Group's joint ventures in existence at the end of 2013 are summarised in Note 32.

2.5 Comparison of information

The information relating to 2012 included in these notes to the consolidated financial statements is presented solely for comparison purposes with the information for 2013.

2.6 Accounting standards and principles

a. Standards, amendments and interpretations in effect for the current year

The accounting policies adopted for the preparation of the consolidated financial statements for the year ended 31 December 2013 are the same as those followed for the preparation of the consolidated financial statements for 2012, except for the adoption, from 1 January 2013, of the following standards, amendments and interpretations issued by the IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) and adopted by the European Union for use in Europe:

Approved for use in the European Union

Standards, amendments and interpretations	Content	Mandatorily applicable in annual periods beginning on or after:
IFRS 13 Fair Value measurement (published in May 2011).	Sets out a framework for measuring fair value.	"Annual periods beginning on or after 1 January 2013"
IFRIC Interpretation 20 – Stripping Costs in the Production Phase of a Surface Mine (published in October 2011).	The IFRS Interpretations Committee addresses the accounting treatment of the costs of eliminating waste materials at surface mines.	"Annual periods beginning on or after 1 January 2013"
Modificación de NIC 1 - Presentación del Otro Resultado Integral (publicada en junio de 2011).	Minor amendment related to the presentation of other comprehensive income.	"Annual periods beginning on or after 1 July 2012 (for Enagás Group 1 January 2013 is the annual period beginning that date)"
Amendments to IAS 1 – Presentation of items of other comprehensive income (published in June 2011).	This amendment introduces an exception to the general tenets of IAS 12 affecting deferred taxes relating to investment properties measured at fair value under IAS 40 Investment property.	"Annual periods beginning on or after 1 January 2013"
Amendments to IAS 19 – Employee benefits (published in June 2011).	The amendments primarily affect defined benefit plans as one of the main changes relates to the elimination of the so-called "corridor approach".	"Annual periods beginning on or after 1 January 2013"
Amendments to IFRS 7 - Financial instruments: Disclosures - Offsetting financial assets and financial liabilities (published in December 2011).	Introduction of new disclosure requirements related with offsetting financial asset and financial liabilities under IAS 32.	"Annual periods beginning on or after 1 January 2013"
Improvements to IFRSs, 2009-2011 cycle (published in May 2012) .	Minor modifications to a series of standards.	"Annual periods beginning on or after 1 January 2013"

The main effect of their entry into force in the accompanying consolidated financial statements is as follows:

IFRS 13 Fair value measurement.

The Group applied IFRS 13 for the first time in 2013, which establishes a single source of guidance regarding fair value measurement and disclosures relating to fair value measurement.

In accordance with IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (for example, an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

IFRS 13 must be applied prospectively as of 1 January 2013. Accordingly, and as per the transitory provisions, the Company did not make the disclosures required by IFRS 13 for the 2012 comparative period.

The adoption of IFRS 13 requires that an adjustment be made to the Group's valuation techniques for obtaining the fair value of its derivatives. The Group includes a bilateral credit risk adjustment for the purpose of reflecting its own risk and that of the counterparty in the fair value of the derivatives.

Specifically, credit risk is determined using a technique that employs simulations to calculated the expected total exposure (which includes both current exposure and potential exposure) adjusted by the probability of default over time and by the severity (or potential loss) allocated to the Company and each of the counterparties.

The credit risk adjustment has specifically been calculated using this formula:

EAD * PD * LGD

- EAD (Exposure at Default): Exposure at default for each point in time. EAD is calculated suing simulated scenarios with market price curves (e.g. Monte Carlo).

- PD (Probability of Default): Probability that one of the counterparties defaults on payment at each point in time.

- LGD (Loss Given Default): Severity = 1- (recovery rate): Final percentage loss when one of the counterparties has defaulted.

The expected total exposure of the derivatives is obtained using observable market inputs as well as yield curves, exchange rates and volatilities in accordance with the market conditions at the measurement date.

The inputs applied to determine own and counterparty credit risk (calculation of probability of default) are based mainly on the application of credit spreads of the Group and of comparable companies currently traded on the market (CDS (Credit Default Swap) curves, IRR spreads on debt issues). Where own or comparable company credit spreads were not available, and 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.

Credit enhancements relating to guarantees or collateral were also taken into consideration when determining the severity rate to be applied for each position in order to adjust the fair value to the credit risk. Severity is considered to be consistent over time. A minimum recovery rate of 40% is used where no credit enhancements relating to guarantees or collateral exist.

At 31 December 2013, the Group recognised credit risk when measuring the fair value of liability derivatives in the consolidated financial statements, which gave rise to a financial gain of 1,074 thousand euros (see Note 24).

b. Standards, amendments and interpretations issued but not yet in effect for the current year

At the date of preparation of these consolidated financial statements, the following are the most important standards and interpretations published by the IASB but not yet in effect, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union:

Approved for use in the European Union

Standards, amendments and interpretations	Content	Mandatorily applicable in annual periods beginning on or after:
IFRS 10 Consolidated financial statements (published in May 2011)	Replaces current consolidation requirements under IAS 27.	Annual periods beginning on or after 1 January 2014
IFRS 11 Joint arrangements (published in May 2011)	Replaces the current IAS 31 on joint ventures.	Annual periods beginning on or after 1 January 2014
IFRS 12 Disclosures on interests in other entities (published in May 2011)	Single standard establishing the disclosure requirements related to interests in subsidiaries, associates, joint arrangements and unconsolidated 'structured entities'.	Annual periods beginning on or after 1 January 2014
IAS 27 (Revised) Separate financial statements (published in May 2011)	The standard has been revised as, following issuance of IFRS 10, it will now only cover the separate financial statements of reporting entities.	Annual periods beginning on or after 1 January 2014
IAS 28 (Revised) Investments in associates and joint ventures (published in May 2011)	This revision is parallel to the issuance of IFRS 11 Joint arrangements.	Annual periods beginning on or after 1 January 2014
Amendment to IAS 32 Financial instruments: Presentation- Offsetting financial assets and financial liabilities (published in December 2011)	Additional clarification on the rules for offsetting financial assets and financial liabilities under IAS 32 and the introduction of new disclosure requirements associated with IFRS 7.	Annual periods beginning on or after 1 January 2014
Transition guidance: Amendments to IFRS 10, 11 and 12 (published in June 2012)	Clarification of the transition rules of these standards.	Annual periods beginning on or after 1 January 2014
Investment entities: Amendments to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Exception to consolidation for parents that meet the definition of an investment entity.	Annual periods beginning on or after 1 January 2014

Not approved for use in the European Union yet

Standards, amendments and interpretations	Content	Mandatorily applicable in annual periods beginning on or after:
IFRS 9 Financial instruments: Classification and measurement (published in November 2009 and October 2010) and subsequent amendment of IFRS9 and IFRS 7 regarding the effective date and transition disclosures (published in December 2011) and hedge accounting and other amendments (published in November 2013).	Replaces the requirements for classification and measurement of financial assets and financial liabilities and derecognitions and hedge accounting under IAS 39.	Undefined.
Amendments to IAS 36: Recoverable amount disclosures for non-financial assets (published in May 2013).	Clarifies certain disclosure requirements and requires additional information when the recoverable amount is based on fair value less costs to sell.	"Annual periods beginning on or after 1 January 2014".
Amendments to IAS 39: Novation of derivatives and continuation of hedge accounting (published in June 2013).	The amendments determine in which cases and under what criteria the novation of a derivative does not make the interruption of hedge accounting necessary.	"Annual periods beginning on or after 1 January 2014".
Amendment to IAS 19: Employee contributions to defined benefit plans (published in November 2013).	The amendment is issued in order to allow these contributions to be deducted from the cost of the service in the same period that they were paid, if certain requirements are met.	"Annual periods beginning on or after 1 July 2014".
Improvements to the IFRSs 2010-2012 Cycle and the 2011-2013 Cycle (published in December 2013).	Minor amendments to a series of standards.	"Annual periods beginning on or after 1 July 2014".
IFRS 21 Levies (published in May 2013).	Guidance on when to recognise a liability for levies charged for participation by the entity in an market on a specified date.	"Annual periods beginning on or after 1 January 2014".

The directors have assessed the potential impacts of the future application of these standards and consider that their entry into force will not have a significant effect on the consolidated financial statements, expect in the following cases:

IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements, IFRS 12 Disclosures of interests in other entities, IAS 27 (revised) Separate financial statements and IAS 28 (revised) Investments in associates and joint ventures

IFRS 10 changes the current definition of control. The new definition of control requires three elements:

i. power over the investee;
ii. exposure or rights to variable returns from investment in the investee; and
iii. the ability to use this power to affect the amount of such returns.

The Group is currently analysing how this new definition of control will affect its consolidated entities as a whole, although it can state so far that the quantitative impact will not be material with respect to the accompanying consolidated figures.

IFRS 11 Joint Arrangements will replace the prevailing IAS 31. The greatest change between IFRS 11 and the standard currently in force is the elimination of the proportionate consolidation option for jointly controlled entities which will now have to be accounted for using the equity method.

Application of this standard will not have a material impact on the Group as Bahía de Bizkaia Gas, S.L. and Altamira LNG, CV are currently the only subsidiaries affected. These companies will now be considered joint ventures with the application of IFRS 11 and must be accounted for using the equity method. Based on the foregoing, instead of proportionately consolidating their assets, liabilities and income and expenses in the consolidated balance sheet and consolidated income statement, the fair value of the financial investment will be accounted for using the equity method for both companies and the inclusion of the result will be through results of entities accounted for using the equity method.

The main aggregates of these companies for 2013 are included in Note 32 on joint ventures.

The amendments to IAS 27 and IAS 28 are parallel to the issuance of the abovementioned new IFRS.

Lastly, IFRS 12 is a disclosure standard encompassing the disclosure requirements in respect of interests in other entities, whether subsidiaries, associates, joint arrangements or other unconsolidated structured entities, and introduces new disclosure requirements.

As a result, its entry into force is likely to entail disclosures in addition to those which the Group is currently required to make regarding its investments in other entities and investment vehicles.

All accounting policies and measurement bases with a material effect on the 2013 consolidated financial statements were applied in their preparation.

3. Measurement bases

The main measurement bases used in the preparation of the accompanying 2013 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 gain on a bargain purchase is the difference between the recognised acquisition-date fair values of the assets acquired and liabilities assumed 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 depends on future events or the delivery of certain defined milestones.

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 in 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 at the balance sheet date.

Goodwill is not amortised. It is subsequently measured at cost less any impairments losses. Goodwill impairment losses are not reversed subsequently (see Note 3.d).

In the exceptional case of a gain on a bargain purchase, the gain is recognised in profit or loss.

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. This measurement period may not exceed one year from the acquisition date. 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 it is not remeasured.

b. Intangible assetss

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

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 used for property, plant and equipment (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, clearly quantified, and relate to assets whose technical and commercial feasibility for sale or use have been established.

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 2,150 thousand euros in 2013 (1,641 thousand euros in 2012) (Note 23.2).

Concession arrangements may only be capitalised when a company has acquired the assets for consideration (in the case of concessions that can be transferred) or for the amount of the expenses incurred in obtaining them directly from the state or relevant public body. If the rights to a concession are lost due to failure to comply with the terms and conditions thereof, its value is fully written off in order to cancel its carrying amount. These concessions are amortised on the basis of their useful lives.

The acquisition and development costs incurred in relation to the basic computer systems are recognised with a charge to "Intangible assets" in the consolidated balance sheet. Maintenance costs related to the computer systems are recognised with a charge to the consolidated income statement in the year in which they are incurred. Computer software is measured at the amount paid for ownership or the right to use the computer applications, or 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	1.33%-1.28%	75-78
Port concessions at the Huelva plant	7.60%	13
Other concessions at the Bilbao plant	20.00%	5
Use of the public radioelectric domain	20.00%	5
Computer software	**25%**	**4**

In 2013 the free allocation of greenhouse gas emission allowances to institutions subject to the emission allowance trading scheme for the 2013-2020 period, which includes the facilities of Enagás Transporte S.A. and BBG, was approved by resolution of the Spanish cabinet.

The Group recognises emission allowances as non-amortisable intangible assets in the same way as its other assets; initially at acquisition cost, then making the pertinent write-down if fair value falls below the aforementioned cost. In the second quarter of 2013, the Enagás Group delivered greenhouse gas emission allowances equivalent to the verified emissions in 2012 for all these installations (see Note 27).

Allowances received free of charge in accordance with the National Allocation Plan for 2013-2020 are deemed to have zero cost as the Group presents the assets net of subsidies (Note 27)

c. Property, plant and equipment

Property, plant and equipment are valued initially 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 or loss in the year in which they are incurred.

Capitalised costs include:

1. Borrowing costs associated with the financing of infrastructure projects accrued during the construction period if this is over a year. The average capitalisation rate used to calculate the amount of the borrowing costs to be capitalised was 2.99% in 2013 (2.47% in 2012).

2. Employee benefits expense directly related to work in progress. The Group has a "Functional procedure for allocation of Employee Benefits Expense to Investment Projects" which sets out the hypotheses for making this calculation. This procedure establishes that, to calculate own work capitalised, it is necessary to consider both direct employee benefits expense, i.e., the hours worked and assigned to each project based on cost/hour calculated at the beginning of the year, and indirect costs. The amounts capitalised for these items are recognised in the 2013 consolidated income statement as a decrease in employee benefits expense (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 Bilbao, Altamira, 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 dismantling costs incurred by the Group, with a credit to "Non-current provisions" (Note 14) in the accompanying consolidated balance sheet. In addition, this provision has been adjusted in subsequent periods.

Subsequent to Royal Decree (RD) 1061/2007, of 20 July, which grants Enagás the concession to operate the Yela underground natural gas storage facility, the Group, for the purposes of complying with article 25.3 of Law 34/1998, of 7 October, which establishes a provision of 14.7 million euros for dismantling costs, has recognised the related provision as an increase in the value of the asset. This provision will be discounted to present value each year to reflect the financial impact on the Group of a non-current account receivable from the Spanish energy regulator (hereinafter, the CNE for its acronym in Spanish) (*) given that, once the dismantling is approved, the Group can request payments on account against dismantling costs.

The expenses and pertinent discounting for abandoning the Serrablo underground storage facility are reflected in the provision allocated to comply with the requirements of "Order of 6 September 1995 regarding the concession, to Enagás, S.A., for the storage of natural gas in Jaca, Aurín, and Suprajaca, located in Serrablo", which required that a project for abandoning the Serrablo site be presented and approved prior to engaging in storage activities.

In 2011, in keeping with the provisions of article 25.3 of Law 34/1998, of 7 October 1998, the Group recognised the provision for dismantling costs associated with the Gaviota underground storage facility. With regard to this storage facility, it should be noted that the Enagás Group reached an agreement with its former owners, Repsol Investigaciones Petrollferas, S.A. and Murphy Spain Oil, S.A., for its acquisition in 2010; however, it 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 the Group has accounted for the investment.

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 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.

(*) Following the approval of law 3/2013, the CNE´s functions are included mainly within the CNMC, The National Markets and Competition Commission.

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 "gas talon") are considered non-depreciable assets as this gas is not available and thereby immobilised under prevailing regulations. It is measured at the auction price under Order ITC/3993/2006 and the Resolution dated 18 April 2007 (Note 6).

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, using the following annual rates:

	Depreciation rate	Useful life (years)
Buildings	3%-2%	33.33-50
Plant (transport network)	5%-2.50%	20-40
Tanks	5%	20
Underground storage facilities	5-10%	10-20
Cushion gas	5%	20
Other plant and machinery	12%-5%	8.33-20
Tools and equipment	30%	3.33
Furniture and fixtures	10%	10
Computer equipment	25%	4
Transport equipment	16%	6.25

The directors consider that the carrying amount of property, plant and equipment does not exceed their recoverable value, calculated based on the discounted future cash flows they generate in accordance with the remuneration envisaged in prevailing legislation.

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

Government grants related to property, plant and equipment are capitalised as a decrease in the cost of the assets and released to the consolidated income statements over the expected useful life of the asset as a decrease in depreciation of the related asset.

d. Impairment of property, plant and equipment and intangible assets

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. If any such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In the case of identifiable assets which do not generate cash inflows independently, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use, considered to be the present value of the estimated future cash flows. The Group uses value in use in nearly all cases to calculate the recoverable amount of its property, plant and equipment.

To estimate value in use, the Group prepares pre-tax cash flow projections based on the latest budgets approved by the directors. These budgets include the best available estimates of the revenue and expense of cash-generating units based on industry forecasts, past experience and future expectations.

These projections are prepared for a period of five years, with estimates of future flows based on reasonable growth rates, which in no case scale up beyond year five.

To calculate the present value, the cash flows are discounted at a pre-tax rate that reflects the cost of capital of the business and of the geographical area where business is carried out. The discount rate is based on prevailing interest rates and the risk premiums commonly used by analysts covering the business and the geographical region.

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised for the difference, with a charge to "Impairment losses and gains (losses) on disposal of assets" in the consolidated income statement. 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 their fair value less costs to sell and 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 via a credit in the income statement up to the carrying amount that would have been determined had no impairment loss be recognised. Note however, that goodwill impairment losses cannot be reversed subsequently.

The Group's property, plant and equipment consists almost entirely of gas transportation, regasification and storage assets, and those assets needed to carry out its regulated gas sales business and technical system management activities.

e. Leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When consolidated entities act as lessees, lease payments, including any incentives granted by the lessor, are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

The Group was not party to any finance leases at year-end 2013.

f. 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 IFRS:

- Loans and receivables: These assets are measured at amortised cost, which is basically the cash amount given less repayments of principal plus accrued interest receivable in the case of loans, and the present value of the consideration provided in the case of receivables.

- Held-to-maturity investments: These are assets that the Enagás Group has the positive intent and ability to hold to maturity. They are also recorded at amortised cost.

Initial valuation

Held-to-maturity investments and loans and receivables originated by the companies are measured initially at the fair value of the consideration delivered plus directly attributable transaction costs. They are subsequently measured at amortised cost, with accrued interest recognised in the consolidated income statement in accordance with the effective interest rate.

Subsequent valuation

Loans and receivables are measured at amortised cost.

Investments in Group companies and jointly controlled entities are measured at cost, less, where applicable, the accumulated amount of valuation adjustments. These valuation adjustments are calculated as the difference between the carrying amount and the recoverable amount, understood as the greater of fair value less costs to sell and the present value of future cash flows arising from the investment. In the absence of any better evidence of the recoverable amount, the equity of the investee is taken into account, corrected in view of any tacit capital gains at the date of valuation (including any goodwill).

At each reporting date at least, the Group performs an impairment test on financial assets not measured at fair value through profit or loss. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised on the consolidated income statement.

Specifically, with respect to the valuation adjustments concerning trade receivables, the criterion employed by the Group to calculate any adjustments is to recognise impairment provisions at the difference between the recoverable amount of the receivables and their carrying amount. The recoverable amount of receivables is calculated by discounting estimated future cash flows using the effective interest rate at the outset of the transaction.

The Group derecognises a financial asset when the rights to the asset's cash flows expire or are transferred, and substantially all the risks and rewards inherent to ownership of the asset have been transferred, such as outright sales of assets, transfers of trade loans in factoring operations whereby the Group does not retain any credit or interest rate risk, sales of financial assets with a repurchase agreement at fair value or securitisations of financial assets whereby the transferer does not retain subordinated financing, does not issue any type of guarantee, and does not assume any other kind of risk.

However, the Group does not derecognise financial assets which it sells while retaining substantially all the risks and rewards of ownership, and instead recognises a financial liability equal to the consideration received, such as discounted bills, with-recourse factoring, sales of financial assets with a repurchase agreement at a fixed price or at the selling price plus interest and securitisations of financial assets whereby the transferer retains subordinated financing or other types of guarantees which substantially absorb all the expected losses.

Cash and cash equivalents

This heading in the consolidated balance sheet includes cash on hand, time deposits and other highly liquid current investments that can readily be realised in cash and that are not subject to risk of a change in value.

Trade and other receivables

Receivables are initially measured at fair value in the consolidated balance sheet and subsequently remeasured at amortised cost using the effective interest method.

The Group recognises the appropriate provisions for the difference between the recoverable amount of the receivables and the carrying amount at which they are recognised. The recoverable amount of receivables is calculated by discounting estimated future cash flows using the effective interest rate at the outset of the transaction.

g. 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 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 makes any necessary valuation adjustments, recognising them as an expense in the consolidated income statement when the net realisable value of the inventories falls below their acquisition price (or production cost).

h. Equity and financial liabilities

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

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

These payables are initially recognised at the fair value of the consideration received, adjusted by directly attributable transaction costs. They are subsequently recognised at amortised cost.

Derivative financial instruments are recognised at fair value. The Group derecognises financial liabilities once the obligations generating them have been extinguished.

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

The liability instruments held by Group companies are:

- Bank loans and finance leases, and bonds and other marketable securities: Interest-bearing loans and bonds are recognised at the amount received, net of direct issue costs. Finance costs, including premiums payable upon settlement or repayment and direct issue costs, are taken to the consolidated income statement as accrued using the effective interest method and added to the carrying amount of the instrument if not paid during the period in which they accrue.

- Derivative financial instruments and hedge accounting: Bank borrowings expose the Group to fluctuations in interest rates. To hedge these risks, the Group uses swaps. The Group does not use derivative financial instruments for speculative purposes.

In order for these financial instruments to qualify as hedges, they are designated as such from the outset and the hedge relationship is documented. 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 cash flows from the hedged item (attributable to the hedged risk) are almost entirely offset by the changes in the cash flows 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.

The use of financial derivatives is governed by the Group's risk management policies approved by the Parent, Enagás, S.A. Further details on the use of financial derivatives are disclosed in Note 18.

The Group arranges cash flow and fair value hedges. These hedge arrangements are recognised as follows:

a) Fair value hedges: The hedging instrument and the hedged item are both measured at fair value, and any changes in fair value are recognised in the consolidated income statement as finance cost or revenue.

b) Cash flow hedges: The portion of the gain or loss in fair value of the hedging instrument that is determined to be an effective hedge is recognised, net of the corresponding tax effect, under "Equity – Net unrealised gains (losses) reserve – Cash flow hedges" in the accompanying consolidated balance sheet. The accumulated gain or loss on the hedging instrument is taken to the consolidated income statement as the hedged item affects profit or loss. The portion of the gain or loss deemed to be an ineffective hedge is recognised directly in the consolidated income statement under finance revenue or finance costs, as appropriate.

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

As per IFRS 13, for the purposes of financial information, fair value measurements are classified under level 1, 2 or 3, based on the degree to which the applicable inputs are observable and their importance in the fair value measurement on a whole, as described below:

- Level 1 – The inputs are based on quoted prices (unadjusted) for identical instruments traded in 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 non-active markets, and techniques based on valuation models where all material inputs are observable in the market or may be verified by 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 valuation models is significant in the fair values of the assets and liabilities.

The Company has determined that the majority of the inputs used to calculate the fair value of derivative financial instruments are in Level 2 of the above hierarchy. However, Level 3 inputs are used to calculate credit risk adjustments, as well as credit risk estimates based on credit ratings or those of comparable companies to evaluate the probability of default of the Company or its counterparties. The Company has evaluated the impact of the credit risk adjustments on the total value of derivative financial instruments and concluded that it is not significant.

The Company has therefore decided that the entire portfolio of derivative financial instruments is classified as Level 2.

The Company uses mid-market prices as observable inputs from external information sources of repute in financial markets.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss relating to the hedging instrument deferred in equity at that time remains in equity until the forecast transaction takes place. When a forecast hedged transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss for the year.

i. Classification of payables into current and non-current

Payables in the accompanying consolidated balance sheet are classified by maturity, i.e., those maturing in 12 months or less are classified as current, and those maturing in over 12 months as non-current.

j. 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 called "Enagás Fondo de Pensiones", whose fund manager is Gestion de Prevision y Pensiones, S.A. and custodian is Banco Bilbao Vizcaya Argentaria, S.A., and which covers the Group's obligations with respect to serving employees. The Group recognises certain vested rights for past service and undertakes to make monthly contributions averaging 4.61% of eligible salary (4.77% in 2012). It is a mixed plan covering retirement benefits, disability and death.

The contributions made by the Group each year in this connection are recognised under "Employee benefits expense" in the consolidated income statements (see Note 23.1). At year-end 2013, there are no amounts not yet contributed for this item.

The Group has outsourced its pension obligations vis-a-vis its directors by means of a mixed group insurance policy. In addition to pension commitments, the cover provides benefits in the event of widowhood, death or disability.

k. Termination benefits

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

l. Provisions

In these consolidated financial statements, the directors made a distinction between:

- Provisions: Balances payable covering obligations existing at the balance sheet date arising as a result of past events which could give rise to a loss for the companies which is specific in nature but uncertain as to amount and timing.

- Contingent liabilities: Possible obligations as a result of past events whose occurrence depends on the occurrence or non-occurrence of one or more separate future events not within the control of the consolidated entities.

The consolidated financial statements of the Group include all significant provisions 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 (Note 14).

Provisions, which are estimated based on the best available information as to the consequences of the events giving rise thereto and which are re-estimated at the balance sheet date, are used to meet the specific and probable obligations for which they were initially recognised and are reversed, totally or partially, whenever these risks disappear or diminish.

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

At year-end 2013 and 2012, a number of legal proceedings and claims had been filed against consolidated companies in the ordinary course of their businesses. The Group's legal counsel and its directors believe that the resolution of these proceedings and claims will not have a significant effect on the consolidated financial statements of the years in which they are resolved.

m. Deferred revenue

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

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

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for goods delivered and the services rendered as part of the Group's ordinary course of business, less discounts, VAT, and other sales taxes.

Ordinary revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the result of the transaction can be estimated reliably.

Following the publication of rules which affect the Parent in the Official State Gazette of 15 February 2002 (applicable as of 19 February 2002) and implement the remuneration principles established in Royal Decree 949/2001, revenue recognition criteria under the new regulations are as follows:

On 15 February 2002, three Ministerial Orders were approved by the Ministry of Economy defining the new remuneration system for regulated natural gas activities in Spain, which came into force on 19 February 2002. In addition to specifying remuneration for regulated gas-related activities, these orders fixed natural gas prices and tolls and fees for third-party access to gas facilities, stipulating the total payment receivable in 2002 by all companies carrying out gas purchase and sale activities for the tariff market, regasification, gas storage and transportation, technical management of the system and gas distribution activities, in addition to formulae and criteria for restating and establishing the remuneration of these activities in coming years. Subsequently, on an annual basis, new orders have been published that have replaced those of previous years.

Updates to the remuneration system include those introduced in 2006 through Order ITC/3994/2006 and Order ITC/3995/2006 revising and updating the remuneration for regasification and underground storage, respectively, and Royal Decree 326/2008 revising and updating the remuneration for transport installations brought into service as from 1 January 2008.

In accordance with this legislation, the Group is entitled to remuneration for the following activities:

- Transport
- Regasification, including loading of LNG tanks and the transfer of LNG to tankers
- Storage
- Technical system operation
- Generation of the minimum operating level for LNG tankers, of the cushion gas for underground storage facilities, and of the minimum linepack for gas pipelines (Note 3.c)
- Own consumption of natural gas
- Sales of condensates at the recently-acquired Gaviota storage facility
- Interest applicable to the remuneration received under the settlement system
- Regasification and transport shrinkage incentive
- Overall incentive for availability

On 27 December 2012, the Ministry of Industry, Energy and Tourism passed Order IET/2812/2012, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated activities for 2013.

The most relevant revenue-related aspects of the regulations governing the activity carried out by the Group are described in Note 4 below.

Interest income is recognised using the effective interest method, by reference to the principal outstanding and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

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 the recognition of expenses takes place 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 expense

Income tax expense 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.

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 and payments on account and the use of tax loss carryforwards, plus the change in deferred tax assets and liabilities.

Deferred tax expense or income corresponds to the recognition and derecognition of deferred tax assets and liabilities. These include taxable and deductible temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, and the carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities 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 taxable profits will be available against which the deductible temporary differences can be utilised. 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 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.

At each year end, the Group reassesses the deferred tax assets recognised, and their carrying amount is reduced if there are any doubts over 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.

Likewise, it should be noted that as of 1 January 2013, Enagás, S.A. is the Parent of consolidated tax group 493/12 and files consolidated income tax returns in accordance with Title VIII, Chapter VII of the consolidated Spanish Corporation Tax Law. The subsidiaries included in this tax group are:

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

q. Earnings per share

Basic earnings per share are calculated by dividing net profit or loss attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by the Group companies. Basic earnings per share coincides with diluted earnings per share (Note 13).

r. Consolidated cash flow statements

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

- Cash flows: Inflows and outflows of cash and cash equivalents, which are non-current, 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 non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: Activities that result in changes in the size and composition of equity and liabilities that are not operating activities.

4. Regulation of remuneration

a) Revenue from regasification, storage and transport

The prevailing regulatory framework was established by Hydrocarbon Law 34/1998, of 7 October, and subsequent enacting regulations.

From the remuneration standpoint, Royal Decree 949/2001, of 3 August, stands out. This piece of legislation stipulated, among other things, the remuneration of regulated activities using the following general criteria:

- Asset owners should be able to recoup their investments over the useful lives of their assets.
- Remuneration should provide a reasonable return on the financial resources invested.
- The scheme for remunerating operating costs should be designed to provide an incentive for efficient management and productivity gains, some of which should be passed on to users and consumers.

Notwithstanding the foregoing, the regulations setting forth how the regulated remuneration for gas transport, regasification and storage were to be calculated were not passed until 2002, with the publication of Order ECO/301/2002, of 15 February.

The main general characteristics of the remuneration regime so established were as follows:

- The remuneration system initially applied to all three regulated activities: transportation, regasification and underground storage.
- Remuneration was calculated individually for each facility, and accrual began from the date on which the final commissioning certificate was obtained.
- The investment to be remunerated was the result of multiplying certain standard unit investment costs by the technical details of each facility.
- Remuneration consisted of two components: remuneration of (i) investment costs and (ii) operation and maintenance (O&M) costs.
- Remuneration of investment costs in turn consisted of two items: (i) remuneration of depreciation, arrived at by dividing qualifying investments by the asset's useful life; and (ii) financial remuneration, calculated as the product of investment and a rate of return (the 10-year government bond yield plus150 basis points).

- Operating and maintenance costs consisted of a fixed item, specifically the result of multiplying the standard O&M unit costs by the technical details of each facility; and, in the case of regasification activities, a variable item as a function of the amounts regasified each year.

- Annual remuneration was established on the basis of the prior year's remuneration multiplied by a restatement factor – (1 + fj * IPH), where IPH (Spanish acronym) the arithmetic average of the consumer price index and industrial price index and fj is an efficiency factor of no more than 0.85.

- Once a facility reached the end of its useful life, it ceased to receive any depreciation remuneration and 50% of financial remuneration.

Subsequently, new ministerial orders were published annually updating the unit investment and O&M remuneration values, establishing the remuneration for the year in question.

The most significant regulatory developments occurring since then are as follows:

Ministerial Order ITC/30/2003, of 26 January, updated certain aspects of the financial regime governing regulated activities within the gas sector for 2003.

In 2004, Ministerial Order ECO/31/2004, of 15 January, was published stipulating that in the event of facility modifications or extensions the amount of investment qualifying for remuneration would be the carrying amount of the assets up to the limit implied by applying the standard unit costs, and also updating certain items of the financial regime.

Order ECO/102/2005, of 28 January, updated certain aspects of the financial regime governing regulated activities within the gas sector for 2005.

Order ECO/4099/2005, of 27 December, updated certain aspects of the financial regime governing regulated activities within the gas sector for 2006.

Publication of Orders ITC/3994/2006 and ITC/3995/2006, of 29 December, marked a substantial change in the regime for remunerating regasification and underground storage activities from 2007. The following changes triggered by these ministerial orders are worth highlighting:

- The remuneration regime is no longer the same for all activities.

- The amount of investment qualifying for remuneration in respect of regasification is one half of the sum of the carrying amount and the standard value resulting from application of the unit investment values, up to the limit of the latter.

- The change affects all regasification and storage facilities.

- Depreciation charges and financial remuneration in respect of regasification and underground storage activities are no longer updated annually.

- Financial remuneration is calculated based on the net value of the investment, rather than the gross value, as before.

- The remuneration rate is calculated on the basis of 10-year government bond yields plus 350 basis points.

- At the end of a facility's regulatory useful life, it is awarded useful life extension costs equal to half of the depreciation charge and financial remuneration in the last year of useful life.

Meanwhile, Order ITC/3993/2006, of 29 December, updated certain aspects of the financial regime governing regulated activities within the gas sector for 2007.

Order ITC/3863/2007, of 27 December, updated certain aspects of the financial regime governing regulated activities within the gas sector for 2008.

In 2008, Royal Decree 326/2008, of 29 February, established the remuneration payable for natural gas transportation services applicable to facilities brought into service from 1 January 2008, marking the first time the mechanism for calculating this remuneration was set at Royal Decree level.

Adaptation and standardisation of the remuneration framework was intended to provide stability and eliminate uncertainty, thus paving the way for the major investments anticipated during the new infrastructure planning period (2008 to 2016).

This Royal Decree adapted the transport remuneration system to the model which had begun to be defined in late 2006 for regasification and underground storage activities, further reinforcing convergence with the remuneration system for electricity transmission and with the remuneration schemes in place for analogous regulated activities in neighbouring European nations.

The new remuneration calculation formula was similar to those in place for regasification and underground storage. As in these cases, it was based on net assets, although in the case of transport, investments are updated annually at a rate of 2.5%.

Ministerial Order ITC/3802/2008, of 26 December, updated certain aspects of the financial regime governing regulated activities within the gas sector for 2009.

Ministerial Order ITC/3520/2009, of 28 December, updated certain aspects of the financial regime governing regulated activities within the gas sector for 2010.

Order ITC/3354/2010, of 28 December, established remuneration of regulated gas sector activities as well as the tolls and fees for third-party access to gas installations for 2011.

That same year, Order ITC/3128/2011, of 17 November, regulated certain aspects of third-party access to gas installations and remuneration of regulated activities.

The following provisions established in this piece of legislation stand out:

- Regulatory development of application of the unit position values, transport facility maintenance centres and the procedure for valuing the expansion of regulated transport infrastructure, clarifying certain practical matters.

- Establishment of an incentive for reducing shrinkage in the gas transport grid via application of a formula similar to that already applied to regasification facilities.

- Publication of new benchmark unit values for investment and O&M costs for regasification facilities, based on the regulator's proposals, for application from 2012 on.

- Modification of the scheme for remunerating O&M costs for underground natural gas storage facilities. Broadly speaking, the fixed and variable amounts under the old model were replaced by values based on direct and indirect costs in an attempt to better adapt to how these costs are generated and evolve. Establishment of the definitive remuneration for the Serrablo and Gaviota facilities in this respect for 2007 and 2008 and of their provisional remuneration for 2009, 2010 and 2011.

- Clarification of certain aspects of the unit investment and O&M values for transport facilities, separating the cost of lineal work on transport positions and their application for facility expansion work. Specification that the unit values apply to maintenance centres, determining vital parameters for calculation of their remuneration, such as their useful lives.

- Establishment of a daily balancing system for the day after 'gas day' based on data provided by the distributors. Introduction of a procedure designed to motivate compliance with the information reporting deadlines.

- Maintenance of the obligation to maintain strategic stocks of natural gas equivalent to 20 days' supply and adaptation of the capacity allocation mechanism to this new level.

- Recognition of outstanding remuneration for certain installations associated with the Serrablo underground storage facility.

- Addition of a mandate on "Minimum production requirements for regasification plants" requiring the regulator (CNE) to present the Directorate-General of Energy Policy and Mining with a proposal regarding minimum production requirements for each regasification plant and the minimum operating levels within a period of three months. To this end the CNE is mandated to convene the taskforces it deems fit, involving suppliers, regasification plant owners, transporters and the technical system operator. The proposal must in include an analysis of the investment needed to reduce both the minimum production requirements and minimum operating levels for each plant.

Order IET/3587/2011, of 30 December, established remuneration of regulated gas sector activities for 2012 and the tolls and fees for third-party access to gas installations.

Royal Decree Law 13/2012, of 30 March, transposing EU Directives on internal electricity and gas markets and electronic communication matters into Spanish law, introduced a series of measures that ultimately affected costs qualifying for remuneration in the gas sector.

The following provisions stand out:

- The legislation establishes that remuneration for investment costs will accrue from the year after the facility is commissioned and that, as a general rule, the remuneration corresponding to year 'n' will be paid in year 'n+1' and that remuneration in a given year will not be paid in respect of remuneration accrued in more than one calendar year.

- Notwithstanding the foregoing, a provisional commissioning certificate may be provided for the storage facility as a whole for the purposes of beginning to inject cushion gas, entitling the facility to definitive remuneration from that date on, this remuneration having the consideration of transitory until the definitive commissioning certificate is issued.

- The definitive commissioning certificate will be granted within no more than one month from when the owner accredits that the facility has operated continuously for at least 48 hours in a row exhibiting normal parameters in both injection and extraction mode.

For regasification plants:

- Suspension of processing of all procedures for adjudicating and awarding authorisations for new regasification plants in mainland Spain, including government permits, project execution permits and commissioning certificates.

- Notwithstanding the foregoing, regasification plants in mainland Spain that already had their execution projects approved can continue to build the infrastructure and later apply for the commissioning certificate solely for the purpose of qualifying for transitory remuneration.

- This transitory remuneration will be equal to the financial remuneration in respect of the asset and will be calculated in year 'n', applying the remuneration rate in effect for this type of facility to the carrying amount of the investment.

For gas pipelines and regulation and metering stations:

- Until approval of new infrastructure plans for the natural gas transport network, suspension of permitting of new gas pipelines and regulation and metering stations pending receipt or application of government authorisation and included in the power and gas infrastructure planning document for 2008-2016, as amended by Order ITC/2906/2010, of 8 November, unless they are deemed part of international commitments or are economically profitable for the system due to growth in related demand.

- Notwithstanding the foregoing, as a result of an exceptional Cabinet agreement, these facilities may be individually permitted if it is deemed that not building the facility within a timeframe of three years would pose an imminent risk to supply security or have an adverse economic impact on the gas system or if its construction is considered strategic for the Spanish state as a whole.

- Moreover, the foregoing will not apply to gas pipelines earmarked to supplying an area of influence when the economic viability of the pipelines can be established.

Order IET/849/2012, of 26 April, revised the tolls and fees for third-party access to gas installations, increasing those in effect at the time by 5% in general.

In addition, this order amended the remuneration regime for underground storage facilities established under Order ITC/3995/2006, of 29 December. Specifically, it changed the useful lives of these assets from 10 to 20 years in all instances.

Order IET/2805/2012, of 27 December, completed the overhaul of the underground storage facility remuneration regime, enacting the amendments introduced by Royal Decree Law 13/2012 and Order IET/849/2012; the new regime applies to facilities obtaining definitive or provisional commissioning certificates after 1 April 2012.

The main novelty introduced by this last ministerial order is the decision to update the net investment values at an annual rate of 2.5%, bringing the underground storage facility remuneration regime in line with the prevailing transport regime. This update factor applies to all investments made in underground storage facilities, including cushion gas.

Order IET/2812/2012, of 27 December, established the remuneration for regulated gas-related activities for 2013, whereby it left the methodologies established intact, but introduced the establishment of an efficiency factor (fj) of zero in order to update the remuneration of transport facilities that started up prior to 2008 and distribution facilities.

Order IET/2446/2013, of 27 December, established the tolls and fees for third-party access to gas installations and remuneration of the regulated activities, establishing the fixed assets entitled to remuneration at each company in relation to their transport, regasification, storage and distribution activities, as well as the parameters for calculating the related variable remuneration.

This order includes the update factor for unit investment and O&M values applicable to regasification, transport and storage facilities in 2014. The methodologies established in prior ministerial orders were left intact, so that this piece of legislation simply updated remuneration entitlements for 2014.

This order increases access tolls and fees by 2.3% as a general rule, with the exception of certain tolls, such as the underground storage fee, which was left unchanged year on year.

As in previous years and in keeping with applicable regulations, these orders stipulate that the cost recognised for transport, regasification and underground storage activities comprises fixed and variable components.

a.1) Recognised fixed cost. Recognised fixed cost is calculated on the basis of operating assets and compensates investment and operating costs relating to assets used in the gas system.

a.1.1. Remuneration for investment costs comprises the following:

- **Value of recognised assets.** 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 installations brought into service from 2008 are valued at the average of the standard value and actual cost.

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

- **Remuneration for depreciation of system assets.** The depreciation rate relating to the useful life of the asset is applied to the investment recognised to give the amount of revenue for this item

  For transport assets put into service after 1 January 2008, depreciation is updated annually at a rate of 2.5%.

- **Financial remuneration for the value of the investment.** For transport assets put into service before 2008, this figure is calculated by applying a financial return equal to the annual average yield on 10-year government bonds or a replacement interest rate plus 1.5% to the value of the gross investment value obtained as per the previous section.

For transport assets put into service after 1 January 2008, this figure is calculated by applying a financial return equal to the annual average yield on 10-year government bonds or a replacement interest rate, plus 3.75%, to the value of the net investment value (net of depreciation) obtained as per the previous section, updated annually at a rate of 2.5%.

For regasification and storage assets, this figure is calculated by applying a financial return equal to the annual average yield on 10-year government bonds or a replacement interest rate, based on the date that each facility was put into service, plus 3.5%, to the value of the net investment (net of depreciation) obtained in the previous section. For storage assets brought into service after 1 April 2012, the value of the net investment (net of depreciation) is updated annually at a rate of 2.5%.

The resulting remuneration rate for transport assets commissioned in 2013 was 8.71%.

- **Remuneration of fully depreciated assets.** For transport assets brought into service before 2008, 50% of the financial remuneration is recognised. For regasification, storage, and transport assets brought into service after 1 January 2008, 50% of the depreciation and the financial remuneration of the last year is recognised. With regard to transport assets, remuneration is also updated annually at a rate of 2.5%.

a.1.2. Remuneration of operating costs relating to regasification and transport assets brought into service before the end of 2007 is calculated in accordance with the costs authorised in 2000 for gas system installations for gas transport and regasification, standardised by physical and technical units. For transport assets commissioned after 1 January 2008, the standard values applicable are those established in the unit value review proposal put forward by the CNE.

These standard values are updated annually based on the consumer price index and the industrial price index for capital goods, adjusted by certain efficiency factors.

For underground storage facilities, a specific fixed operating and maintenance cost is defined for each site, calculated on the basis of the corresponding direct and indirect costs.

These costs are updated annually based on the consumer price index and the industrial price index for capital goods, adjusted by certain efficiency factors. The direct costs to be finally recognised correspond to half of the direct costs during the preceding year, updated as described above, plus half of the actual cost for the current year, which must be substantiated by a financial audit.

a.1.3. Revenue relating to recognised fixed costs is taken to the consolidated income statement on a straight-line basis. This method produces a month-on-month correlation between income (remuneration) and expenses (depreciation).

a.2) Recognised variable cost for regasification and transfer of LNG to tankers.

The recognised variable cost is calculated based on the number of kWh actually regasified and the kWh loaded in LNG trucks during each period and the variable unit regasification cost for the period concerned. In 2013 this cost was 0.000165 euros/kWh regasified and 0.000197 euros/kWh loaded in tankers.

For loading LNG onto tankers from regasification plants or the pre-cooling of ships, a cost identical to the variable cost of loading the tanks is recognised. 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 compensate the Enagás Group for its obligations as Technical System Operator, which include coordinating the development, operation and maintenance of the transport network, supervising the security of natural gas supply (storage levels and emergency plans), implementing plans for the future development of gas infrastructures and controlling third-party access to the network.

In 2013, the amount earmarked for TSO 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 in the deposit account kept open by the CNE for these purposes.

The above-mentioned percentage of invoicing is calculated based on the figure obtained by applying maximum tolls and fees to the invoiced amounts, without subtracting possible discounts that could be agreed between the titleholders of the installations and their users.

Notwithstanding the foregoing, the provisional remuneration recognised for acting as Technical System Operator in 2013 was 11,561,060 euros. Any surplus or shortfall between this figure and the amounts received as a result of application of the above calculations will be included by the CNE in the fourteenth settlement of 2013.

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 operation) 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, of 28 October, was published on 1 November 2002, regulating settlement procedures for remuneration of regulated activities and defining company disclosure requirements.

Additional Stipulation Five of Order ITC/3993/2006 amends section I.5 of appendix II of this settlement Order, stipulating that the amounts to be paid to each transporter or distributor will bear the interest arising from application to these amounts of the average values of one-year treasury bills over 60 days.

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

Article 16 of Order IET/3587/2011 stipulates that the minimum linepack for gas pipelines and the minimum inventory level of the regasification plants will be remunerated as a necessary investment for the transportation business, with recognition of a financial return.

Article 17 of this order also provides that the financial remuneration for the minimum linepack of gas transportation pipelines and regasification plants purchased each year will be calculated by application to the acquisition cost of a rate of remuneration corresponding to the monthly average of 10-year government bonds over the twelve months previous to November of the preceding year, plus 350 basis points. The acquisition cost will be the result of applying the auction price to the quantity purchased.

f) Revenue for gas purchases for internal consumption.

From 1 July 2007, gas transporters are responsible for acquiring the amount of gas needed for internal consumption at their facilities. This leads to a reduction in the percentages of shrinkage retained from users.

Gas acquired by transporters is measured at the auction price, with the payments made treated as reimbursable expenses.

g) Developments in the regulatory framework.

The main gas industry regulatory developments approved in 2013 include:

1. Supranational regulations

Commission Regulation (EU) No. 984/2013, of 14 October, establishing a network code on capacity allocation mechanisms in gas transport systems and supplementing Regulation (EC) No. 715/2009 of the European Parliament and of the Council.

Regulation (EU) No. 347/2013 of the European Parliament and of the Council, of 17 April, on guidelines for trans-European energy infrastructure and repealing Decision No. 1364/2006/EC and amending Regulations (EC) No. 713/2009, (EC) No. 714/2009 and (EC) No. 715/2009.

2. Spanish regulations

Remuneration and tolls

Order IET/2812/2012, of 27 December, established remuneration of regulated gas sector activities for 2013, leaving the methodologies established intact.

Order IET/2446/2013, of 27 December, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated gas sector activities.

Judgment of 10 October 2013, of the Judicial Review Chamber of the Supreme Court, , which rendered null and void paragraphs one and two of article 13 of Order IET/3587/2011, of 30 December, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated gas sector activities.

Tariff of last resort

Resolution of the Directorate General for Energy Policy and Mining, of 26 December 2013, publishing the natural gas tariff of last resort.

Resolution of the Directorate General for Energy Policy and Mining, of 30 September 2013, establishing the procedure for conducting the auction for the acquisition of base gas for setting the tariff of last resort for natural gas for the period between 1 January and 30 June 2014.

Resolution of the Directorate General for Energy Policy and Mining, of 13 June 2013, establishing certain parameters for the auction for the acquisition of natural gas for the purpose of setting the tariff of last resort for the period between 1 July 2013 and 30 June 2014.

Resolution of the Directorate General for Energy Policy and Mining, of 16 May 2013, establishing the procedure for conducting the auction for the acquisition of natural gas for setting the tariff of last resort for the period between 1 July 2013 and 30 June 2014.

(*) Resolution of the Directorate General for Energy Policy and Mining, of 18 January 2013 which corrected the errors in the resolution of 28 December 2012, publishing the natural gas tariff of last resort.

System operation rules

Resolution of the Directorate General for Energy Policy and Mining, of 30 April 2013, amending protocol PD-04 "Communication mechanisms" of the technical operation rules of the gas system (NGTS). This resolution also amends NGTS-06 "Allocations", NGTS-07 "Balance" and PD-02 "Procedure for delivery to transport-distribution network points (PCTD)".

Resolution of the Directorate General for Energy Policy and Mining, of 7 February 2013, amending NGTS-06 "Allocations", NGTS-07 "Balance" and protocol PD-02 "Procedure for delivery to transport-distribution network points (PCTD)".

Resolution of the Directorate General for Energy Policy and Mining, of 21 December 2012, amending protocol PD-01 "Gas metering, quality and odorisation" of the technical operation rules of the gas system.

Mandatory planning and winter plan

Resolution of the Directorate-General of Energy Policy and Mining, of 8 October 2013, approving the winter action plan for operation of the gas system.

Underground storage

Order IET/1119/2013, of 27 May, authorising Enagás Transporte, S.A.U. the assignment of the natural gas underground storage operation concessions known as "Gaviota", "Serrablo" and "Yela".

Resolution of the Directorate General for Energy Policy and Mining, of 6 March 2012 establishing certain aspects relating to the auction of basic storage capacity for the period between 1 April 2013 and 31 March 2014.

Resolution of the Directorate General for Energy Policy and Mining, of 22 January 2013, publishing the capacity allocated and available in the basic natural gas storage facilities for the period between 1 April 2013 and 31 March 2014.

Auction for the acquisition of gas for minimum linepack purposes and minimum operating levels

Resolution of the Directorate General for Energy Policy and Mining, of 23 May 2013, approving certain parameters for the auction for the acquisition of gas to fulfil minimum operating requirements for the period between 1 July 2013 and 30 June 2014.

Resolution of Secretary of State for Energy, of 7 May 2013, amending the resolution of 17 April 2012, establishing the procedure for the auction of natural gas earmarked for the minimum linepack of new underground natural gas storage facilities.

Resolution of the Directorate General for Energy Policy and Mining, of 10 May 2013, establishing the rules for conducting the auction for the acquisition of gas to fulfil minimum operating requirements for the period between 1 July 2013 and 30 June 2014.

Resolution of the Directorate General for Energy Policy and Mining, of 8 April 2013, establishing the rules for conducting the auction for the acquisition in 2013 of natural gas for the minimum linepack of the basic underground storage facilities, "Yela" and "Castor".

Capacity allocation procedures

Resolution of the CNE, of 9 May 2013, approving the Information Memorandum and the standard contract for the coordinated allocation of natural gas capacity at the Spain-Portugal interconnection to be made available during the period between October 2013 and September 2014.

Establishment of strategic reserves

Order IET/2459/2013, of 26 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 2014.

Other provisions

Electricity Sector Law 24/2013, of 26 December, establishing control restrictions on the technical system operator.

Resolution of the Secretary of State for Energy, of 27 December 2013, updating the appendix of Order IET/2877/2008, of 9 October, establishing a mechanism to promote the use of biofuels and other renewable fuels for transportation.

Resolution of 13 December 2013 re-establishing the individual transmission, on an exceptional basis, of the primary gas pipeline making up the basic network known as "El Musel-Llanera" and "Desdoblamiento Interconexión Llanera-Otero".

Law 21/2013, of 9 December, on environmental assessments.

Resolution of the National Markets and Competition Commission, of 26 November 2013, on the certification of Enagás Transporte, S.A.U. as an independent operator of the Enagás Transporte del Norte S.L. network.

Resolution of the Directorate General for Energy Policy and Mining, of 20 November 2012, amending the Resolution of 25 July 2006, which regulates allocation conditions and the process of applying interruptible gas supply contracts in the gas system

Resolution of the Spanish cabinet of 15 November, approving the free allocation of greenhouse gas emission allowances to institutions subject to the emission allowance trading scheme for the 2013-2020 period and for each year to each facility.

Resolution of the National Markets and Competition Commission, of 14 November 2013, on the certification of Enagás Transporte, S.A.U. as an independent operator of the SAGGAS network.

Resolution of the Presidency of the CNMC, of 8 November 2013, creating a website for the organisation.

Resolution of the Presidency of the CNMC, of 31 October 2013, approving the delegation of certain competencies.

Law 16/2013, of 29 October, establishing certain environmental tax measures and adopting other tax and financial measures.

Resolution of the Bilbao Port Authorities, of 29 October 2013, publishing the announcement of the administrative concession granted to "Enagás Transporte del Norte, Sociedad Limitada". (Regulating and metering stations in Punta Sollana Zierbana.)

Announcement of 28 October 2013 of the Industry and Energy Department of the Central Government Office in Cantabria whereby all public information is subject to the administrative authorisation request of the project known as "Addendum no. 2 to the Bilbao-Treto Plant gas pipeline" in Cantabria.

Resolution of the Secretariat General of Autonomous Community and Local Coordination, of 21 October 2013, publishing the Bilateral General Administration Cooperation Commission Agreement of the State and the Autonomous Community of Cantabria in relation to Law 1/2013, of 15 April, governing the prohibition in the Autonomous Community of Cantabria of the hydraulic fracturing technique as a research technique and non-conventional gas extraction.

Regional Law 30/2013, of 15 October, which prohibits the use of hydraulic fracturing technique as a research technique and non-conventional gas extraction in Navarra Autonomous Community Government.

Ministry of Industry, Energy and Tourism Order IET/1984/2013, of 15 October, which stipulates the removal and appointment of members of the CORES Executive Board.

CNMC Resolution, of 9 October 2013, publishing the resolution of the Board whereby directors are assigned to the Competition Board and regulatory Supervisory Board.

Ministry of Economy and Competitiveness Order ECC/1796/2013, of 4 October, determining the date on which the CNMC enters into operation.

Directorate-General of Energy Policy and Mining Resolution, of 8 October 2013, authorising Enagás Transporte, S.A.U. to decommission the TK-1200A and TK-1200B tanks and their facilities associated with the Barcelona regasification plant.

Directorate-General of Energy Policy and Mining Resolution, of 17 September, granting Enagás Transporte S.A.U. administrative authorisation, project approval and recognition of public use for the construction of the facilities relating to addendum 2 to the "Zarza de Tajo-Yela" gas pipeline project.

Royal Decrees 673 to 682/2013, of 10 September, of the Ministry of Economy and Competitiveness, appointing the Chairman, Deputy Chairman and Directors of the National Markets and Competition Commission.

Royal Decree 657/2013, of 30 August, of the Ministry of Finance and Public Authorities, approving the Organic Statute of the National Markets and Competition Commission.

Resolution of the Directorate General for Energy Policy and Mining, of 15 July 2013, amending the Resolution of 25 July 2006, which regulates allocation conditions and the process of applying supply interruptible gas contracts in the gas system.

Law 7/2013, of 21 June, of the la Rioja Autonomous Community, which prohibits the use of hydraulic fracturing technique as a research technique and non-conventional gas extraction in la Rioja Autonomous Community.

Order IET/1048/2013, of 10 June, establishing minimum services in the oil and gas sector in light of the general strike called for 12 June 2013 in the districts of Ferrol, Eume and Ortegal, and the Autonomous Community of Galicia.

Law 3/2013, of 4 June, creating the National Markets and Competition Commission.

CNE Resolution, of 30 May 2013, establishing and publishing the list of dominant operators in the energy sectors.

Order IET/938/2013, of 27 May, establishing minimum services in the oil and gas sector in light of the general strike called for 30 May 2013 in Navarra Autonomous Community Government and the Basque Country Autonomous Community.

Resolution of the Directorate General for Energy Policy and Mining, of 9 May 2013, granting Enagás Transporte, S.A.U. administrative authorisation and approval of the operating project "Appendix to the Villalba-Llanera gas pipeline. Extension of the I-008 Position with E.M. G-1000 for the natural gas delivery point", in the Ribadeo municipality.

Resolution of the Directorate General for Energy Policy and Mining, of 6 May 2013, granting Enagás Transporte, S.A.U., administrative authorisation and approval of the operating project "Appendix to the Tivissa-Paterna Duplication gas pipeline, Section 1. Alteration of Position 15-04.D with EM G-250 for the Tortosa Energía delivery point", in the Tortosa municipality.

Law 1/2013, of 15 April, of the Cantabria Autonomous Community, which prohibits the use of hydraulic fracturing technique as a research technique and non-conventional gas extraction in Cantabria Autonomous Community.

Resolution of the Directorate General for Energy Policy and Mining, of 9 April 2013, granting Enagás Transporte, S.A.U. direct authorisation to construct the Euskadour international compression station.

CNE Resolution, of 4 April 2013, on the request to have Regasificadora del Noroeste, S.A. (REGANOSA) certified as technical gas transport system operator.

Resolution of the Directorate General for Energy Policy and Mining, of 26 March 2013, authorising the change in ownership in the authorisations and concessions granted to Enagás, S.A., in favour of Enagás Transporte, S.A.U.

Corrections to errors in the Resolution of the Secretary of State for Energy, of 7 March 2013, publishing the values of the natural gas raw material cost and base cost for the first quarter of 2013 for the purposes of calculating the efficiency top-up and the remuneration values for co-generation and other facilities under Royal Decree 661/2007 of 25 May 2007, regulating electric power output under the CHP/renewables regime.

Resolution of the Directorate General for Energy Policy and Mining, of 8 March 2013, granting Enagás, S.A. administrative authorisation and approval of the operation project for the construction of the facilities relating to addendum 5 to the Almería-Chinchilla gas pipeline project, in the Moratalla municipality.

CNE Resolution, of 7 February 2013, on delegating competencies.

Judgment of 25 January 2013, of the Judicial Review Chamber of the Supreme Court, which rendered null and void point 0.8 referred to in article 13 of Ministry of Industry, Tourism and Trade Order IET/3354/2010, of 28 December, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated gas sector activities.

Resolution of the Gijón Port Authorities, publishing the announcement of the administrative concession granted to Enagás, S.A. for the construction and operation of the "Musel-Llanera" pipeline and ancillary facilities, in the section that runs from the Port of Gijón service area from the regasification plant granted in consignment to Enagás, S.A.

Resolution of the Directorate General for Energy Policy and Mining, of 4 February 2013, granting Enagás, S.A. administrative authorisation and approval of the operation project of the "Algete-Yela gas pipeline. Alteration of Position J-02 with regulation and metering stations (80/16) G-1000 for the delivery point", in the Marchamalo municipality.

Plenary Session. Judgment 8/2013, of 17 January 2013. 2586-2008 Unconstitutionality appeal. Filed by the Canary Island Government regarding article 1.1 of 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.

Order IET/35/2013, of 21 January, creating the Electronic Administration Ministerial Commission in the Ministry of Industry, Energy and Tourism, and governing its composition and functions.

Resolution of the Valencia Port Authorities, of 14 January 2013, extending the purpose of the concession owned by "Planta Regasificadora de Sagunto, S.A." (SAGGAS) in the Port of Sagunto.

Resolution of the Directorate General for Energy Policy and Mining, of 10 January 2013, granting Enagás, S.A. administrative authorisation and approval of the operating project "Appendix to the Granada-Motril gas pipeline, extension of the L-07 Position with regulation and metering stations (80/16) G-1000 for the natural gas delivery point", in the Granada municipality.

Head of State Law 17/2013, of 29 October, on guaranteeing supply and increasing competition in island and non-mainland electricity systems.

The company Compañía Transportista de Gas Canarias, S.A., (Gascán), developer of two regasification plans on Tenerife and Gran Canaria, and holder of the administrative authorisation to construct the former, is

41.94% owned by Enagás Transporte, S.A.U. (see Note 32). The remaining 58.06% interest is held by Unión Eléctrica de Canarias Generación, S.A.U., (Unelco) and Sociedad para el Desarrollo Económico de Canarias, S.A., (Sodecan).

Law 17/2013, of 29 October, on guaranteeing supply and increasing competition in island and non-mainland electricity systems sets forth the transfer of ownership of the regasification plants planned for the Canary Islands to the business group that the technical natural gas system operator forms part of, which is solely owned by Enagás, S.A.

Consequently, there is a legal obligation to transfer ownership of the regasification plants to the Enagás Group, while the aforesaid law stipulates that if an agreement cannot be reached, arbitration would begin to determine the transfer price.

At 31 December 2013, the Enagás Group is negotiating the transfer price with Gascán and its shareholders.

5. Intangible assets

The breakdown of and movement in intangible assets and their amortisation in 2013 and 2012 were as follows:

2013

(Thousands of euros)

	Opening balance	Increases due to changes in the scope of consolidation	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Cost							
Goodwill	19,153	17,521	-	-	-	(823)	35,851
Other intangible assets							
Development costs	5,263	-	-	-	(1)	-	5,262
Concessions	5,935	-	-	-	-	-	5,935
Computer software	113,614	39	28,499	-	-	(22)	142,130
Other intangible assets	9,366	-	192	-	-	(10)	9,548
Total cost	**153,331**	**17,560**	**28,691**	**-**	**(1)**	**(855)**	**198,726**

	Opening balance	Increases due to changes in the scope of consolidation	Provisions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Depreciation							
Other intangible assets							
Development costs	(982)	-	(417)	-	-	-	(1,399)
Concessions	(3,348)	-	(214)	-	-	-	(3,562)
Computer software	(68,285))	(39)	(20,537)	-	-	1	(88,860)
Other intangible assets	(6,413)	-	(1,139)	-	-	1	(7,551)
Total depreciation	**(79,028)**	**(39)**	**(22,307)**	**-**	**-**	**2**	**(101,372)**

	Opening balance	Increases due to changes in the scope of consolidation	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Carrying amount							
Goodwill	19,153	17,521	-	-	-	(823)	35,851
Other intangible assets	55,150	-	6,384	-	(1)	(30)	61,503
Total intangible assets	**74,303**	**17,521**	**6,384**	**-**	**(1)**	**(853)**	**97,354**

2012

(Thousands of euros)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Cost						
Goodwill	-	19,153	-	-	-	19,153
Other intangible assets						
Development costs	5,259	4	-	-	-	5,263
Concessions	5,935	-	-	-	-	5,935
Computer software	93,796	19,799	-	-	19	113,614
Other intangible assets	9,855	(501)	-	-	12	9,366
Total coste	**114,845**	**38,455**	**-**	**-**	**31**	**153,331**

	Opening balance	Provisions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Depreciation						
Other intangible assets						
Development costs	(565)	(417)	-	-	-	(982)
Concessions	(3,134)	(214)	-	-	-	(3,348)
Computer software	(51,221)	(17,051)	-	-	(13)	(68,285)
Other intangible assets	(5,110)	(1,302)	-	-	(1)	(6,413)
Total depreciation	**(60,030)**	**(18,984)**	**-**	**-**	**(14)**	**(79,028)**

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Carrying amount						
Goodwill	-	19,153	-	-	-	19,153
Other intangible assets	54,815	318	-	-	17	55,150
Total intangible assets	**54,815**	**19,471**	**-**	**-**	**17**	**74,303**

a) Goodwill

The increases for changes in the scope of consolidation under "Goodwill" correspond to the goodwill arising from the acquisition of Naturgas Energía Transporte, S.A.U. (formerly, Enagás Transporte del Norte, S.L.) (Note 7), amounting to 15,582 thousand euros, and to the inclusion of the goodwill that the company recognised amounting to 1,939 thousand euros.

In addition, the goodwill of Altamira, LNG C.V. was reduced due to fluctuations in the dollar-euro exchange rate from 31 December 2012 to 31 December 2013, as it was expressed in dollars.

b) Other intangible assets

Key software additions in 2013 include the following:

- SL ATR 2.0, for 11,738 thousand euros
- Commercial system management software, for 1,764 thousand euros
- IT infrastructure software, for 1,868 thousand euros
- Competence centre software, for 1,261 thousand euros
- Green data centre software, for 1,428 thousand euros
- Corporate platform performance software, for 561 thousand euros
- ECOFI support software, for 850 thousand euros
- 2013 operation software, for 753 thousand euros
- 2013 offer planning and prediction software, for 342 thousand euros
- Supplier management software, for 307 thousand euros
- 2012 systems plan, for 462 thousand euros
- Maintenance management software 2.0, for 1,173 thousand euros
- Measurement systems, for 1,029 thousand euros
- Software for enhancing contracting, invoicing and metering systems, for 238 thousand euros
- Transport portal, for 705 thousand euros
- Software for enhancing transport and production systems, for 315 thousand euros

At year-end 2013 and 2012, the Group was still using the following fully-amortised intangible assets:

2013

(Thousands of euros)

Item	Carrying amount (gross)
Development costs	269
Computer software	47,446
Other intangible assets	5,288
Total	**53,003**

2012

(Thousands of euros)

Item	Carrying amount (gross)
Development costs	269
Computer software	36,009
Other intangible assets	2,195
Total	**38,473**

The 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 and accumulated depreciation in 2013 and 2012 were as follows:

2013

(Thousands of euros)

	Opening balance	Increases due to changes in the scope of consolidation	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Cost							
Land and buildings	249,225	441	5,334	2,163	(613)	(483)	256,067
Plant and machinery	8,164,019	320,498	27,547	233,064	(1,953)	(4,352)	8,738,823
Other installations, equipment & furniture	74,280	16	5,591	-	(7)	(64)	79,816
Prepayments and work in progress	676,032	25,049	162,747	(235,227)	(3,939)	(85)	624,577
Government grants	(602,042)	(2,998)	(3,924)	-	-	-	(608,964)
Total cost	**8,561,514**	**343,006**	**197,295**	**-**	**(6,512)**	**(4,984)**	**9,090,319**

	Opening balance	Increases due to changes in the scope of consolidation	Provisions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Depreciation							
Land and buildings	(74,269)	-	(6,228)	-	448	11	(80,038)
Plant and machinery	(3,080,492)	(95,063)	(325,888)	-	946	217	(3,500,280)
Other installations, equipment & furniture	(46,539)	(16)	(6,748)	-	7	17	(53,279)
Government grants	334,276	2,426	19,028	-	-	-	355,730
Total depreciation	**(2,867,024)**	**(92,653)**	**(319,836)**	**-**	**1,401**	**245**	**(3,277.867)**

	Opening balance	Increases due to changes in the scope of consolidation	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Impairment							
Plant and machinery	(14,974)	-	(13,170)	-	97	-	(28,047)
Other installations, equipment & furniture	-	-	-	-	-	-	-
Government grants	-	-	-	-	-	-	-
Total impairment losses	**(14,974)**	**-**	(13,170)	**-**	**97**	**-**	**(28,047)**

	Opening balance	Increases due to changes in the scope of consolidation	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Carrying amount							
Land and buildings	174,956	441	(894)	2,163	(165)	(472)	176,029
Plant and machinery	5,068,553	225,435	(311,511)	233,064	(910)	(4,135)	5,210,496
Other installations, equipment & furniture	27,741	-	(1,157)	-	-	(47)	26,537
Prepayments and work in progress	676,032	25,049	162,747	(235,227)	(3,939)	(85)	624,577
Government grants	(267,766)	(572)	15,104	-	-	-	(253,234)
Total property, plant and equipment	**5,679,516**	**250,353**	**(135,711)**	**-**	**(5,014)**	**(4,739)**	**5,784,405**

2012

(Thousands of euros)

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Cost						
Land and buildings	254,637	2,458	(8,439)	-	569	249,225
Plant and machinery	7,414,397	190,366	554,154	-	5,102	8,164,019
Other installations, equipment & furniture	64,408	9,947	-	(150)	75	74,280
Prepayments and work in progress	1,015,300	206,918	(545,715)	(569)	98	676,032
Government grants	(584,042)	(18,000)	-	-	-	(602,042)
Total cost	**8,164,700**	**391,689**	**-**	**(719)**	**5,844**	**8,561,514**

	Opening balance	Provisions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Depreciation						
Land and buildings	(68,311)	(5,948)	-	-	(10)	(74,269)
Plant and machinery	(2,773,722)	(306,576)	-	-	(194)	(3,080,492)
Other installations, equipment & furniture	(42,534)	(4,099)	-	109	(15)	(46,539)
Government grants	314,911	19,365	-	-	-	334,276
Total depreciation	**(2,569,656)**	**(297,258)**	**-**	**109**	**(219)**	**(2,867,024)**

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Impairment						
Plant and machinery	(14,974)	-	-	-	-	(14,974)
Other installations, equipment & furniture	-	-	-	-	-	-
Government grants	-	-	-	-	-	-
Total impairment losses	**(14,974)**	**-**	**-**	**-**	**-**	**(14,974)**

	Opening balance	Additions	Transfers (additions or decreases)	Disposals, derecognition or write-downs	Translation differences	Closing balance
Carrying amount						
Land and buildings	186,326	(3,490)	(8,439)	-	559	174,956
Plant and machinery	4,625,701	(116,210)	554,154	-	4,908	5,068,553
Other installations, equipment & furniture	21,874	5,848	-	(41)	60	27,741
Prepayments and work in progress	1,015,300	206,918	(545,715)	(569)	98	676,032
Government grants	(269,131)	1,365	-	-	-	(267,766)
Total property, plant and equipment	**5,580,070**	**94,431**	**-**	**(610)**	**5,625**	**5,679,516**

At 31 December 2013, transfers to "Plant and machinery" mainly relate to the start-up of the following:

- New positions and regulating and metering stations in gas pipelines
- Changes in gas pipeline positions
- Cushion gas in the Yela and Castor underground storage facilities
- Bilbao-Treto gas pipeline

It should be noted that the Enagás Group undertakes to acquire half the current ownership interest that ACS Actividades de Construcción y Servicios, S.A. has in ESCAL UGS, S.L. (a company in charge of the Castor natural gas underground storage project), which represents 33.33% of the share capital; and undertakes to acquire 16.67% from the other shareholders of this company, in the event they decide to sell their ownership interest. These commitments are subject to certain conditions precedent which were not met at the date of preparation of these consolidated financial statements.

The increases for changes in the scope of consolidation under "Plant and machinery" include the property, plant and equipment received through the acquisition of Enagás Transporte del Norte, S.L. in 2013, which includes 92,707 thousand euros relating to the assignment of the associated acquisition cost (Note 7).

Similarly, 1,808 thousand euros were recognised that relate to the natural gas acquired for the minimum linepack of the gas pipelines (1,030 thousand euros in 2012). This heading also includes 763 thousand euros for dismantling the Barcelona, Cartagena and Huelva plants (78,787 thousand euros in 2012) (Note 14).

Additions to "Prepayments and work in progress" in 2013 relate basically to the following installations:

- Regasification facilities at the El Musel plant
- LNG storage facilities at the El Musel plant
- Martorell-Figueras gas pipeline
- Maritime civil works at the El Musel plant
- Duplication of the Treto-Llanera gas pipeline
- Musel-Llanera gas pipeline
- Duplication of the Villapresente-Burgos gas pipeline
- Tripling of the Tivissa-Arbos gas pipeline
- Metering unit (measurement systems) at position G-6500 at position D-16 in Llanera
- El Villar de Arnedo-Castelnou gas pipeline
- Third storage tank of the Bilbao plant

The reductions in property, plant and equipment accumulated in 2013 relate basically to the derecognition of the PA-216 submerged combustion vaporizer and the GB-201 A/B air compressors of the Cartagena Plant as a result of their deterioration. Both pieces of equipment were fully depreciated. The minimum operating level of the TK 1200 A/B tanks of the Barcelona Plan was also derecognised. Derecognition of work in progress concerned projects which were eventually not carried out. "Transfers" shows the movements from work in progress to property, plant and equipment as projects were commissioned during the year.

The revaluation of assets in accordance with the provisions of Royal Decree Law 7/1996, of 7 June, resulted in an increase of 14,643 thousand euros in the depreciation charge for property, plant and equipment in 2013 (14,964 thousand euros in 2012).

Capitalised finance costs accrued during construction of infrastructure projects in 2013 amounted to 7,943 thousand euros (20,959 thousand euros in 2012).

Likewise, own work capitalised increased property, plant and equipment by 12,906 thousand euros in 2013 (15,180 thousand euros in 2012) (see Note 23.1).

The impairment recognised under "Plant and machinery" in 2013 is mainly due to the physical deterioration of materials used as spares for said assets, as well as the estimated loss of value of certain assets.

Property, plant and equipment are not mortgaged or subject to any other similar encumbrance.

The Group insures its assets so no significant losses occur, on the basis of best market practice and according to the nature and characteristics of the items of property, plant and equipment.

The Group also has insurance policies against third-party civil liability.

At year-end 2013 and 2012, the Enagás Group was still using the following fully-depreciated items of property, plant and equipment:

2013

(Thousands of euros)

Item	Carrying amount (gross)
Buildings	11,643
Plant and machinery	659,089
Other installations, equipment & furniture	41,715
Total	**712,447**

2012

(Thousands of euros)

Item	Carrying amount (gross)
Buildings	10,143
Plant and machinery	551,717
Other installations, equipment & furniture	39,067
Total	**600,927**

Government grants received at year-end 2013 and 2012 relate to investments in gas infrastructure, as follows:

(Thousands of euros)

	Grants received at 31.12.13	Released to income at 31.12.13	Balance at 31.12.13
Regasification plants	97,141	(81,263)	15,878
Gas transport infrastructure	494,315	(265,154)	229,161
Underground storage facilities	17,508	(9,313)	8,195
Total	**608,964**	**(355,730)**	**253,234**

(Thousands of euros)

	Grants received at 31.12.12	Released to income at 31.12.12	Balance at 31.12.12
Regasification plants	86,225	(70,316)	15,909
Gas transport infrastructure	498,309	(255,677)	242,632
Underground storage facilities	17,508	(8,283)	9,225
Total	**602,042**	**(334,276)**	**267,766**

The grants were received from the following bodies:

(Thousands of euros)

	Grants received at 31.12.13	Released to income at 31.12.13	Balance at 31.12.13
EU structural funds	433,926	(226,323)	207,603
Spanish regional authorities	61,190	(35,412)	25,778
Spanish state	113,848	(93,995)	19,853
Total	**608,964**	**(355,730)**	**253,234**

(Thousands of euros)

	Grants received at 31.12.12	Released to income at 31.12.12	Balance at 31.12.12
EU structural funds	431,074	(216,516)	214,558
Spanish regional authorities	57,120	(26,403)	30,717
Spanish state	113,848	(91,357)	22,491
Total	**602,042**	**(334,276)**	**267,766**

Government grants to be released to the income statement in 2014 amount to approximately 18,915 thousand euros. The schedule for the release of the outstanding balance at 31 December 2013 is as follows:

(Years)

	<1	2 to 5	>5
Spanish state grants	2,288	9,152	8,413
Spanish regional authority grants	1,773	7,090	16,915
FEDER grants	14,854	59,283	133,466
Total grants	**18,915**	**75,525**	**158,794**

7. Business combinations

On 15 February 2013, Enagás Transporte, S.A.U. effectively acquired 90% of Naturgas Energía Transporte, S.A.U. (Note 2.3).

The purchase price amounted to 245 million euros, 115 million euros of which relate to the 90% interest in the share capital of Naturgas Energía Transporte, S.A.U. and the remaining 130 million euros relate to the subrogation by Enagás Transporte, S.A.U. of the intra-company debt of the previous shareholder.

The goodwill that arose at the effective date of the business combinations is detailed as follows:

	Amounts in thousands of euros
Consideration transferred	115,493
Non-controlling interest's shareholding acquired	12,832
Non-controlling interest's shareholding acquired	112,744
Goodwill (see Note 5)	**15,582**

Enagás Transporte, S.A.U.'s assets and liabilities carried at fair value at the acquisition date were as follows:

	Thousands of euros
Current assets::	**12,854**
Inventories	1,023
Trade receivables	9,084
Other current assets	705
Cash and cash equivalents	2,042
Non-current assets:	**252,293**
Intangible assets	1,939
Property, plant and equipment	250,353
Other non-current assets	1
Current liabilities:	**(139,510)**
Borriwings from related parties	(129,654)
Trade payables	(9,655)
Other current liabilities	(201)
Non-current liabilities:	**(12,893)**
Deferred tax liabilities	(5,492)
Other non-current liabilities	(7,401)
Total fair value of identifiable net assets acquired	**112,744**

The fair value of the net assets acquired includes 92,707 thousand euros recognised as an addition to property, plant and equipment (Note 6).

Details of the revenue and profit attributable to the business combination from the date of acquisition at 31 December 2013 are as follows:

	Enagas Transporte del Norte, S.L.
Revenue	26,223
Profit for the year	10,732
Profit attributable to non-controlling interests	1,073
Profit for the year attributable to the parent	**9,659**

Had the aforementioned business combination occurred at the beginning of 2013, the revenue and profit for the year would have been as follows:

	Enagas Transporte del Norte, S.L.
Revenue	31,478
Profit for the year	12,736
Profit attributable to non-controlling interests	1,274
Profit for the year attributable to the parent	**11,462**

Similarly, the shareholders agreement signed between Enagás Transporte, S.A.U. and EVE includes the option to sell the 10% interest owned by EVE, which can be executed in July 2016. In this regard, the put option was initially recognised under "Reserves" in the consolidated balance sheet for the present value of the debt at the payment date of 15,600 thousand euros, along with a financial liability under "Non-current financial liabilities". Subsequently, any change in the present value of the debt is taken to profit and loss. At 31 December 2013, the present value of this option amounted to 16,400 thousand euros, having recognised a finance cost of 800 thousand euros in the 2013 consolidated income statement.

8. Financial assets

8.1 1 Composition and breakdown

AThe Group's financial assets at 31 December 2013 and 31 December 2012, broken down by class and category for measurement purposes, were as follows:

Non-current financial assets

(Thousands of euros)

Category/Class	Equity instruments 2013	Equity instruments 2012	Debt securities 2013	Debt securities 2012	Loans, derivatives and other 2013	Loans, derivatives and other 2012	Total 2013	Total 2012
Held-to-maturity investments	181	189	-	-	789	717	970	906
Loans and receivables	-	-	-	-	15,383	16,407	15,383	16,407
Derivatives	-	-	-	-	754	12,446	754	12,446
Total	**181**	**189**	**-**	**-**	**16,926**	**29,570**	**17,107**	**29,759**

Current financial assets

(Thousands of euros)

Category/Class	Equity instruments 2013	Equity instruments 2012	Debt securities 2013	Debt securities 2012	Loans, derivatives and other 2013	Loans, derivatives and other 2012	Total 2013	Total 2012
Held-to-maturity investments	-	-	-	-	277	-	277	-
Loans and receivables	-	-	-	-	2,436	2,227	2,436	2,227
Derivatives	-	-	-	-	284	-	284	0
Total	**-**	**-**	**-**	**-**	**2,997**	**2,227**	**2,997**	**2,227**

The changes in Group financial assets in 2013 and 2012 were as follows:

2013

(Thousands of euros)

	Opening balance	Additions or provisions	Remeasuremen against equity/profit or loss	Transfers	Disposals, derecognition or write-downs	Closing balance
Equity instruments	189	-	(8)	-	-	181
Debt securities	-	-	-	-	-	-
Loans, derivatives and other	31,797	2,190	(12,432)	-	(1,632)	19,923
Total	**31,986**	**2,190**	**(12,440)**	**-**	**(1,632)**	**20,104**

2012

(Thousands of euros)

	Opening balance	Additions or provisions	Remeasuremen against equity/profit or loss	Transfers	Disposals, derecognition or write-downs	Closing balance
Equity instruments	4,749	158	-	-	(4,718)	189
Debt securities	-	-	-		-	-
Loans, derivatives and other	60,151	16,287	(39,661)	-	(4,980)	31,797
Total	**64,900**	**16,445**	**(39,661)**	**-**	**(9,698)**	**31,986**

The main changes in 2013 relate to the change in value of the Cross Currency Swap fair-value hedge (see Note 18).

Furthermore, in 2013 the loan granted by Enagás Transporte S.A.U. to Gasoducto Al-Andalus, S.A. was repaid along with the interest accrued on the loans granted to the investee Gasoducto de Morelos amounting to 1,105 thousand euros (599 thousand euros were accrued in 2012).

No financial assets were non-performing at 31 December 2013.

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

(Thousands of euros)

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	1,038	-	1,038
Total	**-**	**1,038**	**-**	**1,038**

Level 1 inputs: Quoted prices in active markets for identical assets.

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

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

8.2 Impairment losses

In 2013, there were no changes in provisions for impairment losses on the Group's financial assets.

8.3 Loans and receivables generated by the Group:

Current and non-current loans

The balance of these consolidated balance sheet headings by the nature of the transaction is detailed below:

	Thousands of euros
Non-current loans:	
Other loans	719
Loans to Group companies	15,688
Current loans	
Loans to Group companies	2,227
Balance at 31.12.2012	**18,634**
Non-current loans:	
Other loans	733
Loans to Group companies	14,650
Current loans	
Loans to Group companies	2,436
Balance at 31.12.2013	**17,819**

Current and non-current loans include long-term loans granted by the Parent to finance the construction of transport infrastructure; they are measured at amortised cost using the effective interest method.

The breakdown is as follows:

(Thousands of euros)

	Interest rate	Maturity	31.12.2013	31.12.2012
Non-current loans to Group companies (Note 28)			**14,650**	**15,688**
Gasoductos de Morelos	7.50%	Sep.-2033	14,650	15,688
Current loans to Group companies (Note 28)			**2,436**	**2,227**
Gasod. Al-Andalus, S.A.	1.80%	Dec.-2013	-	1,329
Gascan	5.34%	Jun.-2013	-	299
Gascan	6-month Euribor + Margin	Jun.-2014	296	-
Gascan	6-month Euribor + Margin	Aug.-2014	254	-
Gascan	6-month Euribor + Margin	Mar.-2014	182	-
Gasoducto de Morelos	7.50%	Sep.-2033	1,704	599
Total			**17,086**	**17,915**

9. Inventories

It should be noted that at 31 December 2013, the Enagás Group, as technical system operator, had approximately 859 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.

The Group also has 15,182 thousand euros (13,829 thousand euros in 2012) of inventories unrelated to natural gas that include, inter alia, office materials and consumables.

10. Trade and other receivables

The breakdown of "Trade and other receivables" at the consolidated balance sheet date is as follows:

(Thousands of euros)

	31.12.2013	31.12.2012
Trade receivables	14,790	26,403
Receivable from Group companies (Note 28)	1,738	2,152
Other receivables	647,688	520,951
Current tax assets (Note 21.2)	35,105	57,967
Total	**699,321**	**607,473**

The 1,738 thousand euros under "Receivable from Group companies" corresponds mainly to services provided by Enagás Transporte, S.A.U. to Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A. totalling 660 thousand euros and 684 thousand euros, respectively, as per the percentage interest of Galp Natural Gas, S.A. in these companies.

Under "Other receivables", the Enagás Group includes the unsettled balance relating to remuneration for regulated regasification, transport, and storage activities in 2013 for 318,934 thousand euros, and the outstanding balance on the remuneration for technical system management of 2,050 thousand euros, leaving a total outstanding balance of 320,984 thousand euros at year-end 2013.

"Other receivables" also includes the uncollected amounts from gas suppliers for the freight duty regulated by article 24 of Law 48/2003. This duty is levied on natural gas shipments which agents unload at the Barcelona, Cartagena and Huelva plants. At 31 December 2013, these outstanding balances receivable amounted to 9,669 thousand euros, 8,524 thousand euros of which were more than one year past due. This debt is currently the subject of a lawsuit.

Law 48/2003 modifies the duty on goods unloaded at ports under the concession regime. Title I of this law states that if the concessionaire makes the application within a period of six months, 100% of the duties related to unloading may be passed on to the agent that is titleholder of the merchandise even though payment to the port authority is still the responsibility of the taxpayer, in this case the Enagás Group, as concessionaire under the previous regime. Under the previous regime, only 50% of the duty could be passed on to the titleholder of the merchandise by the titleholder of the concession.

The lawsuit with the suppliers arose from the fact that while Law 43/2003 came into effect on 27 February 2004, Title I of the law related to the pass-through of duties became applicable on 1 January 2004 in accordance with additional provision five of Law 48/2003. Enagás, S.A. submitted the application for the change of regime in July 2004, with the understanding that the six-month period started on 27 February 2004, when the law took effect. However, the suppliers with which the Group is in litigation understand that the application of Title I from 1 January implies that this period ended on 30 June 2004. Therefore, Enagás, S.A.'s application is past the deadline and therefore, for legal purposes, outside the allotted period.

As a result of this situation, the Enagás Group has filed administrative claims seeking legal jurisdiction for its actions covering the full uncollected amounts. It should be noted that the Enagás Group's claims have been expressly ratified by the Huelva Port Authority via a ruling issued on 3 May 2007, which, in line with the Port Authorities of Cartagena and Barcelona, considers without any reservation that Enagás' election to avail itself of the new economic tax regime established by Law 48/2003 was not outside the allotted period. In addition, all the rulings handed down by the regional economic and administrative courts have upheld the claims lodged by Enagás, S.A. in response to the suppliers' refusal to pay the total amounts invoiced for port duties on merchandise and for general services.

The Group's directors recognise the risk that the rest of the suppliers currently paying the full duties passed on by the Enagás Group will seek reimbursement of 50% if the court rules against the Group in the administrative claims in process. The amount paid to the Enagás Group by suppliers with which there is no ongoing litigation at 31 December 2013 totalled 53,001 thousand euros, of which 50% (26,501 thousand euros) would be at risk.

The above notwithstanding, the Group's directors consider that based on the information available to date, the risk of not recovering these amounts is remote, so no provision for this concept has been recognised. However, they will continue to monitor the claims lodged in 2013.

"Income tax receivable" at 31 December 2013 basically includes VAT receivable by the Group, as accrued recoverable VAT is higher than VAT payable, partly because Enagás Transporte, S.A.U. acts as a tax warehouse and as a result of income tax receivable (Note 21).

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

Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets. The balances include amounts which on the whole are within the stipulated maturity periods and are payable by companies of recognised prestige and solvency.

The Group does not have a significant concentration of credit risk as it operates in a regulated environment under planned scenarios. However, it recognises the impairment provisions deemed necessary to cover the risk of non-payment (Note 17).

11. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" at 31 December 2013 and 2012 is as follows:

(Thousands of euros)

	2013	2012
Cash	44,421	85,765
Cash equivalents	308,937	1,393,882
Total	**353,358**	**1,479,647**

The change in cash and cash equivalents is primarily due to the cancellation of temporary financial investments to repay Enagás Group loans totalling 800 thousand euros early during the last quarter of 2013 (see Note 15.1).

Moreover, as indicated in Note 15.1, the Enagás Group has undrawn credit facilities to shore up liquidity. In this regard, the Enagás Group has the following funds available at 31 December 2013:

(Thousands of euros)

Funds available	31.12.2013	31.12.2012
Cash and cash equivalents	353,358	1,479,647
Other funds available (Note 15.1)	1,761,110	752,020
Total funds available	**2,114,468**	**2,231,667**

As a general rule, cash at banks earns interest at a rate that is similar to the market rate for daily deposits. Current deposits mature within less than 12 months and earn interest at market rates for this kind of product. There are no significant restrictions on the availability of cash and bank balances.

12. Equity

12.1 Share capital

The share capital of Enagás, S.A. amounted to 358,101 thousand euros at year-end 2013 and 2012, and was represented by 238,734,260 shares, each with a par value of 1.5 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).

All the shares of the Parent, Enagás, S.A., are listed on the four Spanish stock exchanges and are traded on the electronic trading platform. On 31 December 2013, Enagás, S.A.'s share price closed at 18.995 euros, having marked a high for the year of 20.525 euros per share on 3 May.

No company held more than 5% of Enagás, S.A.'s share capital at either year-end 2013 or 2012.

The most significant shareholdings in Enagás, S.A. at 31 December 2013 are as follows:

Company	Shareholding, %
Oman Oil Company, S.A.O.C.	5.000
Sociedad Estatal de Participaciones Industriales	5.000
Bilbao Bizkaia Kutxa	5.000
Fidelity International Limited	1.973
Retail Oeics Aggregate	1.010

The most significant shareholdings remain unchanged from 2012.

It should be noted that article 92 of Law 62/2003 on tax, administration and social order measures, and published on 31 December 2003, which amends Hydrocarbon Law 34/1998, stipulates that "no individual or company may directly or indirectly hold more than 5% of Enagás, S.A.'s ordinary or voting shares".

Law 12/2007, of 2 July, further limits the exercise of voting rights to 3%, in addition to the ownership cap of 5%. The law also stipulates that individuals or legal entities that operate in the gas industry and those that directly or indirectly hold over 5% of the share capital of these companies may not exercise more than 1% of the voting rights in the technical system operator. These restrictions do not apply to direct or indirect shareholdings held by public-sector enterprises.

The Group has no treasury shares.

12.2 Reserves

Legal reserve

Under the Corporate Enterprises Act, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The Group's Parent has appropriated an amount of 71,620 thousand euros to the legal reserve, included under restricted reserves in the accompanying consolidated balance sheet.

12.3 Proposed distribution of the Parent's net profit

The distribution of net profit for 2013 that Enagás, S.A.'s Board of Directors will propose for approval at the General Shareholders' Meeting is as follows:

	Thousands of euros
Voluntary reserves	77,082
Dividends	302,387
	379,469

At its meeting on 18 November 2013, the Board of Directors of Enagás, S.A. resolved to pay an interim dividend against 2013 profit of 120,083 thousand euros (0.503 euros per share, before tax). The Parent has prepared the necessary liquidity statement, expressed in thousands of euros, in accordance with article 277 of Spain's Corporate Enterprises Act.

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 2013 profit, are set forth below:

(Thousands of euros)

	Provisional financial statement at 31 October 2013
Profit	63,798
10% allocation to legal reserve	-
Interim dividend from Group companies	311,129
Income available for distribution	**374,927**
Forecast interim dividend	**(120,083)**
Forecast cash at banks and in hand between 31 October and 31 December:	
Cash at banks and in hand	685,489
Collections forecast for the period	149,000
Credit facilities and loans granted by financial institutions	690,000
Payments forecast for the period (including the interim dividend)	(347,600)
Forecast cash at banks and in hand	**1,176,889**

The aforementioned interim dividend was paid on 19 December 2013.

The proposed before-tax final dividend (0.764 euros per share) is subject to shareholder approval at the General Shareholders' Meeting and is not recognised as a liability in these financial statements. If approved, this before-tax final dividend would amount to 182,304 thousand euros.

12.4 Net unrealised gains (losses) reserve

The amounts recognised by the Group under this reserve heading at 31 December 2013 and 2012 break down as follows:

(Thousands of euros)

	31.12.2013	31.12.2012
Translation differences	(3,383)	3,585
Cash flow hedges	10,425	(13,679)
Total net unrealised gains (losses)	**7,042**	**(10,094)**

Hedging transactions

This heading refers to derivatives arranged by the Company and designated as cash flow hedges (Note 18).

The changes in these headings in 2013 and 2012 were as follows:

2013

(Thousands of euros)

	01.01.2013	Change in fair value	Recognised in profit or loss	31.12.2013
Cash flow hedges	(20,184)	11,131	20,406	11,353
Taxes recognised in equity	6,505	(2,079)	(5,354)	(928)
Total	**(13,679)**	**9,052**	**15,052**	**10,425**

2012

(Thousands of euros)

	01.01.2012	Change in fair value	Recognised in profit or loss	31.12.2012
Cash flow hedges	(8,244)	(23,945)	12,005	(20,184)
Taxes recognised in equity	2,463	7,644	(3,602)	6,505
Total	**(5,781)**	**(16,301)**	**8,403**	**(13,679)**

12.5 Total dividends paid

In addition to the interim dividend in 2013 (mentioned in Note 12.3 above), Enagás, S.A. distributed the 2012 before-tax final dividend in 2013. This dividend amounted to 163,478 thousand euros (0.685 euros per share) and was settled in July 2013.

12.6 Non-controlling interests

Movement in non-controlling interests under equity in the consolidated balance sheet at 31 December 2013 is as follows:

(Thousands of euros)

	Balance at 01.01.2012	Initial recognition	Contribution of results	Balance at 31.12.2013
Ente Vasco de la Energía	-	12,833	1,073	13,906
Total	**-**	**12,833**	**1,073**	**13,906**

The amount of 13,906 thousand euros recognised as non-controlling interests comprises the 10% interest that EVE holds in Enagás Transporte del Norte, S.L. (see Note 7).

13. Earnings per share

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

Accordingly:

	2013	2012	Change
Net profit for the year (thousands of euros)	403,183	379,508	6.2%
Weighted average number of shares outstanding (thousands of shares)	238,734	238,734	-
Basic earnings per share in euros	**1.6888**	**1.5897**	**6.2%**

Diluted earnings per share is calculated by dividing profit for the period attributable to equity holders of the Parent (adjusted for the effect of dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the period adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the company. As there are no potential ordinary shares at either year-end 2013 or 2012, basic and diluted earnings per share coincide.

14. Provisions and contingent liabilities

14.1 Provisions

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.

The discounting of provisions is recognised with a charge to "Finance costs" in the accompanying consolidated income statement.

The changes in this consolidated balance sheet heading in 2013 were as follows:

(Thousands of euros)

	01.01.2013	Provisions	Discounting	Amounts applied	Reclassification	Translation differences	31.12.2013
Non-current provisions							
Employee benefits	668	-	-	(668)	-	-	-
Other liabilities	7,162	3,295	-	(4,418)	-	-	6,039
Abandonment costs	167,559	763	3,033	-	-	(73)	171,282
Total non-current provisions	**175,389**	**4,058**	**3,033**	**(5,086)**	**-**	**(73)**	**177,321**

Employee benefits

This heading corresponds primarily to the provision to cover any financial consequences that may arise from possible regulatory changes and the redundancies carried out in December 2012. This provision was used in full in 2013.

Other liabilities

The provisions made in 2013 relate to legal obligations primarily deriving from legal claims and lawsuits.

Applications relate mainly to the agreements reached with regard to commercial claims with suppliers.

Abandonment costs

The provision in 2013 amounting to 763 thousand euros relates to the increase in the allowance for provisions for dismantling the Barcelona, Cartagena and Huelva plants.

The effect of discounting the provision for dismantling these plants, the Yela, Gaviota and Serrablo underground storage facilities, owned by Enagás Transporte S.A.U. and the facilities owned by T.L.A. de Altamira CV and BBG have been included under the column headed "Discounting" (Note 3.c).

14.2 Contingencies

The Group had the following contingent liabilities at 31 December 2013:

- The outstanding balances receivable from gas suppliers for the freight duty regulated by article 24 of Law 48/2003 (see Note 10).
- Proceedings for judicial review regarding the urban planning licence and construction work tax levied.
- Court case relating to extra-contractual damages caused by the construction of gas pipelines.

15. Financial liabilities

The breakdown of current and non-current financial liabilities at year-end 2013 and 2012 was as follows:

Non-current financial instruments

(Thousands of euros)

	Bank borrowings and finance leases		Bonds and other marketable securities		Derivatives and other financial liabilities		Total	
Category/Class	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Accounts payable	1,774,342	2,700,438	1,829,824	1,818,427	22,470	11,224	3,626,636	4,530,089
Derivatives	-	-	-	-	22,653	8,181	22,653	8,181
Total	**1,774,342**	**2,700,438**	**1,829,824**	**1,818,427**	**45,123**	**19,405**	**3,649,289**	**4,538,270**

Current financial instruments

(Thousands of euros)

	Bank borrowings and finance leases		Bonds and other marketable securities		Derivatives and other financial liabilities		Total	
Category/Class	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Accounts payable	169,576	286,884	318,448	270,607	866	1,879	488,890	559,370
Derivatives	-	-	-	-	5,415	15,640	5,415	15,640
Total	**169,576**	**286,884**	**318,448**	**270,607**	**6,281**	**17,519**	**494,305**	**575,010**

Below is a breakdown, by maturity, of the accounts payable and the maturity of the derivatives:

2013

(Thousands of euros)

	2014	2015	2016	2017	2018 and beyond	Total
Bonds and other marketable securities	318,448	548,683	399,826	752,289	129,026	2,148,272
Bank borrowings	169,576	119,608	134,712	161,525	1,358,497	1,943,918
Derivatives	5,415	809	-	-	21,844	28,068
Other	866	2,247	17,491	923	1,809	23,336
Total	**494,305**	**671,347**	**552,029**	**914,737**	**1,511,176**	**4,143,594**

2012

(Thousands of euros)

	2013	2014	2015	2016	2017 and beyond	Total
Bonds and other marketable securities	270,607	10,000	498,813	399,800	909,814	2,089,034
Bank borrowings	286,884	580,308	497,212	132,283	1,490,635	2,987,322
Derivatives	15,640	4,074	2,593	252	1,262	23,821
Other	1,879	6,307	1,091	1,091	2,735	13,103
Total	**575,010**	**600,689**	**999,709**	**533,426**	**2,404,446**	**5,113,280**

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

(Thousands of euros)

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	28,068	-	28,068
Total	**-**	**28,068**	**-**	**28,068**

Level 1 inputs: Quoted prices in active markets for identical assets.

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

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

15.1 Non-current financial liabilities

At 31 December 2013, the Group had credit facilities amounting to a maximum of 1,660 million euros (886 million euros in 2012), 1,651 million euros of which is undrawn (642 million euros in 2012). The Group also had undrawn loans amounting to 110 million euros (110 million euros in 2012).

Management believes that these amounts sufficiently cover potential short-term liquidity requirements based on commitments outstanding at the balance sheet date.

The average annual interest rate on Group borrowings was 2.29% in 2013, without considering hedges and transaction fees, and 2.65% factoring in hedges and fees (2.122% and 2.466%, respectively, in 2012).

The directors estimate that the fair value of bank borrowings and other obligations at 31 December 2013 differs little from the carrying amount thereof. The sensitivity of the aforementioned fair value to fluctuations in interest rates is as follows:

Change in interest rates

(Millions of euros)

	2013		2012	
	0.25%	-0.25%	0.25%	-0.25%
Change in fair value of borrowings	32.4	(32.7)	49.3	(49.9)

"Others" also includes:

- The loan from the General Energy Secretariat, which forms part of the aid envisaged in the National Energy Programme granted by the Ministry of Industry, Tourism and Trade within the framework of the National Plan for Scientific Research, and Technical Development and Innovation (2004-2007). This loan is associated with the "Project for the electricity generation system at the Almendralejo compression station" being carried out by Enagás Transporte, S.A.U. The total amount of the loan granted is 3,265 thousand euros, of which 168 thousand euros was repaid in 2010, 467 thousand euros in 2011, 466 thousand euros in 2012, and 466 thousand euros in 2013; 1,231 thousand euros is classified as non-current and 466 thousand euros as current.

- 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 authorities, in order to adjust the size of the loan to the amount actually invested. A further 128 thousand euros was repaid in 2012 and another 128 thousand euros in 2013; at 31 December 2013, 455 thousand euros was classified as non-current and 128 thousand euros as current.

- This heading also includes another loan from the General Energy Secretariat as part of the aid envisaged in the aforementioned plan by the Ministry of Industry, Tourism and Trade. This loan is associated with the "Project for Huelva power generation plant" being carried out by Enagás Transporte, S.A.U. The total initial loan granted was 3,598 thousand euros. The Group repaid 108 thousand euros in 2009, at the request of the General Energy Secretariat, in order to adjust the size of the loan to the amount actually invested. In 2012, it repaid another 13 thousand euros in this same connection. The Group repaid 22 thousand euros in December 2012, and 64 thousand euros at 31 December 2013, whereby 162 thousand euros was classified as non-current and 3,229 thousand euros as current.

These loans are repayable in 10 years, with a three-year grace period and at a cost of 0.25% – the cost of the guarantees provided.

"Others" also includes the financial liability corresponding to EVE's option to sell its interest in Enagás Transporte del Norte, S.L. (see Note 7).

Lastly, "Accounts payable – Derivatives and other financial liabilities" includes 332 thousand euros corresponding to non-current payables to fixed asset suppliers.

Derivatives also include cash-flow hedges arranged by the Group for 2010-2017.

Financing highlights in 2013 include:

- On 26 April 2013, Enagás Financiaciones, S.A.U. renewed the Euro Medium Term Note (EMTN) programme for two billion euros, which was listed on the Luxembourg Stock Exchange in 2012, with. Enagás, S.A. acting as guarantor.

- On 15 January 2013, Enagás Financiaciones S.A.U. launched a two-year issue amounting to 50 million euros, which was paid on 29 January 2013. This issue serves as a guarantee for Enagás S.A. and the funds were allocated to the ordinary operations of Enagás, S.A.

- It should also be mentioned that on 26 April 2013 Enagás, S.A. renewed the Euro Commercial Paper (ECP) programme for up to one billion euros, which was listed on the Irish Stock Exchange in 2011. Banco Santander is the programme arranger and will act as dealer along with another ten designated dealer banks. At 31 December 2013, the Group had drawn down 281.5 million euros under the programme (246 million at 31 December 2012).

- Enagás Financiaciones announced a Consent Solicitation of its bond issue maturing in 2017 and secured by Enagás S.A. and Enagás Transporte S.A.U. to eliminate the guarantee of the latter in order to simplify the Group's financial structure. During this same year, authorisation was requested from the European Investment Bank (EIB) to transfer its debt totalling 1,046 million euros from Enagás Transporte S.A.U. to Enagás, S.A. Following approval of this transfer, an intra-group loan was entered into between both companies.

- On 12 December 2013, Enagás, S.A. entered into a financing agreement for a total of 1.2 billion euros with a term of five years. The transaction, entered into under a Club Deal arrangement, allows the Enagás Group's liquidity and financial structure to be optimised. The financial institutions that participated in this transaction are: BBVA, Banco Santander, Barclays, BNP Paribas, Caixabank, Citibank, Mediobanca, Natixis, Société Générale, Crédit Agricole, Intesa San Paolo, JPMorgan and Mizuho.

- In the last quarter of 2013, the Enagás Group repaid loans totalling 800 million euros early through the cancellation of temporary financial instruments, thereby extending the average life of the debt (see Note 11).

- In order to finance the expansion of the third storage tank at the Bilbao plant (Note 6), BBG drew down on a loan with the EIB, BBVA, Kutxabank and Caixabank amounting to 41 million euros, and cancelled the previous loan with Kutxabank for 7 million euros.

15.2 Current financial liabilities

Derivatives and other financial liabilities classified as "Accounts payable" include:

- Interest on borrowings from related-party banks in the amount of 50 thousand euros in 2013 (78 thousand euros in 2012).
- Current borrowings from the General Energy and Industry Secretariats for a combined 757 thousand euros (660 thousand euros in 2012).

16. Other non-current liabilities

The changes in this consolidated balance sheet heading in 2013 and 2012 were as follows:

(Thousands of euros)

	Gasoducto de Extremadura, S.A. royalty	Gasoducto Al-Andalus, S.A. royalty	Connections to the basic network	Total
Balance at 1 January 2012	**8,552**	**19,399**	**48,038**	**75,989**
Additions	-	-	3,457	3,457
Decreases/recognition in profit or loss	(950)	(2,156)	(1,800)	(4,906)
Balance at 31 December 2012	**7,602**	**17,243**	**49,695**	**74,540**
Increases due to changes in the scope of consolidation	-	-	7,401	7,401
Additions	-	-	1,323	1,323
Decreases/recognition in profit or loss	(950)	(2,156)	(2,871)	(5,977)
Balance at 31 December 2013	**6,652**	**15,087**	**55,548**	**77,287**

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 (Note 3.m).

The accrual of revenue from connections to the basic network was recognised in 2006.

The increases in revenue from connections to the basic network resulting from changes in the scope of consolidation relate to the inclusion of the connections of Enagás Transporte del Norte, S.L, amounting to 7,401 thousand euros.

17. Risk and capital management policy

17.1 Qualitative information

The Enagás Group is exposed to certain risks, which it manages via risk identification, measurement, limits and oversight systems.

The basic principles defined by the Enagás Group in establishing the policy for managing its most significant risks are as follows:

- Comply with the principles of good corporate governance.
- Strict compliance with the Group's in-house rules.
- Each business and corporate area defines:

  a) Its trading markets and products as a function of its know-how and ability to ensure effective risk management.

  b) Criteria for counterparties.

  c) Authorised brokers.

- The businesses and corporate areas establish their risk exposure for each market in which they operate in accordance with the strategy defined.
- The limits are approved by the respective risk committees, or in their absence, by the Enagás Risk Committee.
- All the transactions of the various businesses and corporate areas are carried out within the approved limits for each case.
- The businesses, corporate areas, business lines and companies establish the necessary risk management controls to ensure that market transactions are carried out in accordance with the policies, rules and procedures of Enagás S.A.

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

Credit risk

The Group has no significant credit risk as it operates in a regulated market and the average customer collection period is very short, as explained in Note 10. Cash is also placed or derivatives written 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.

Based on the Enagás Group's estimates and debt structure targets, hedges are put in place using derivatives that mitigate these risks.

Liquidity risk

The Group's liquidity policy consists of taking out credit facilities and short-term investments to cover requirements for a period consistent with debt and capital market conditions and expectations.

17.2 Quantitative information

a) Interest-rate exposure:

	2013	2012
Percentage of borrowings benchmarked to fixed/hedged rates	72%	82%

Based on the above levels of fixed-rate 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 would be approximately:

Change in interest rates

(Millions of euros)

	2013		2012	
	1.00%	-1.00%	1.00%	-1,00%
Change in finance cost	10,60	(10.60)	6.55	(6.55)

In connection with floating-rate debt, it is estimated that the impact on equity of similar changes to market rates as a result of derivatives would not be significant in 2014.

17.3 Capital management

The Enagás Group adopts a corporate capital management approach, the objectives of which are to guarantee financial stability and obtain sufficient funds to make investments; optimising the cost of capital, to unlock the maximum value for shareholders and maintaining its commitment to protecting solvency.

As a result, the Enagás Group has demonstrated its financial robustness, which is endorsed by the various ratings agencies.

At 31 December 2013, Enagás, S.A. maintained its long-term credit rating of BBB (Standard and Poor's), the outlook having changed from negative to stable, and A- (Fitch Ratings), the outlook having changed from negative to stable.

18. Derivative financial instruments

The Enagás Group uses derivative financial instruments to hedge its exposure to business, operating and cash flow risks. Specifically, the Enagás Group arranged certain interest rate swaps under market conditions in the course of 2013 (amounts in thousands of euros):

(Thousands of euros)

Instruments	Date arranged	Notional amount	Type	Start date	Maturity
Interest rate swap	December-2013	475,000	Floating to fixed	January 2014	January 2017
Interest rate swap	April-2013	4,725	Floating to fixed	April-2013	June-2032
Interest rate swap	April-2013	9,451	Floating to fixed	April-2013	June-2032
Interest rate swap	April-2013	9,451	Floating to fixed	April-2013	June-2032
Total		**498.627**			

The Group has fulfilled the requirements set forth in Note 3.h regarding the measurement bases for classifying financial instruments as hedges. Specifically, they have been formally designated as hedges, and they have been tested for effectiveness.

These instruments are offset and settled in cash, and therefore the Enagás Group's real exposure derives from the net position thereof and not the notional amount.

The fair value of these hedges at 31 December 2013 and 2012 is as follows:

2013

(Thousands of euros)

Instrument	Classification	Type	Notional amount	Currency	Maturity	Fair value Assets	Liabilities
Cross currency swap	Fair value hedge	Fixed to floating	147,514	Euros	Sept.-2039		(21,605)
Interest rate swap	Cash flow hedge	Floating to fixed	475,000	Euros	January-2017	877	-
Interest rate swap	Cash flow hedge	Floating to fixed	110,000	Euros	November-2014	-	(1,393)
Interest rate swap	Cash flow hedge	Floating to fixed	170,000	Euros	April-2014	-	(1,033)
Interest rate swap	Cash flow hedge	Floating to fixed	200,000	Euros	June-2015	-	(2,339)
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	Euros	December-2014	-	(1,459)
Interest rate swap	Cash flow hedge	Floating to fixed	4,725	Euros	June-2032	-	(43)
Interest rate swap	Cash flow hedge	Floating to fixed	9,451	Euros	June-2032	-	(68)
Interest rate swap	Cash flow hedge	Floating to fixed	9,451	Euros	June-2032	-	(61)
Interest rate swap	Cash flow hedge	Floating to fixed	79,360	Dollars	Sept. - 2017	-	(67)
Interest rate swap	Cash flow hedge	Floating to fixed	133,240	Dollars	Sept. - 2021	161	-
Total			**1,488,741**			**1,038**	**(28,068)**

2012

(Thousands of euros)

Instrument	Classification	Type	Notional amount	Currency	Maturity	Fair value Assets	Liabilities
Interest rate swap	Cash flow hedge	Floating to fixed	200,000	Euros	June 2015	-	(4,294)
Cross Currency Swap	Fair value hedge	Fixed to floating	147,514	Euros	Sept. 2039	12,446	-
Interest rate swap	Cash flow hedge	Floating to fixed	250,000	Euros	August 2013	-	(755)
Interest rate swap	Cash flow hedge	Floating to fixed	250,000	Euros	August 2013	-	(2,350)
Interest rate swap	Cash flow hedge	Floating to fixed	130,000	Euros	November 2014	-	(3,875)
Interest rate swap	Cash flow hedge	Floating to fixed	190,000	Euros	April 2014	-	(3,492)
Interest rate swap	Cash flow hedge	Floating to fixed	200,000	Euros	January 2014	-	(3,822)
Interest rate swap	Cash flow hedge	Floating to fixed	150,000	Euros	December 2014	-	(3,215)
Interest rate swap	Cash flow hedge	Floating to fixed	79,360	Dollars	Sept. 2017	-	(202)
Interest rate swap	Cash flow hedge	Floating to fixed	133,240	Dollars	Sept. 2021	-	(1,816)
Total						**12,446**	**(23,821)**

At year-end 2013, the Group recognised a loss of 12,356 thousand euros in the consolidated income statement in connection with restating its aforementioned interest rate swaps at fair value.

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

(Thousands of euros)

Notional amount	Currency	Maturity	Total	2014	2015	2016 and beyond
475,000	Euros	January-2017	877	284	-	593
133,240	Dollars	Sept.- 2021	161	-	-	161
110,000	Euros	November-2014	(1,393)	(1,393)	-	-
170,000	Euros	April-2014	(1,033)	(1,033)	-	-
200,000	Euros	June-2015	(2,339)	(1,530)	(809)	-
150,000	Euros	December-2014	(1,459)	(1,459)	-	-
79,360	Dollars	Sept.- 2017	(67)	-	-	(67)
4,725	Euros	June-2032	(43)	-	(72)	29
9,451	Euros	June-2032	(68)	-	(145)	77
9,451	Euros	June-2032	(61)	-	(145)	84
Total 1,341,227			**(5,425)**	**(5,131)**	**(1,171)**	**877**

In respect of fair value hedges, the breakdown of the losses and gains on the hedging instrument and hedged item is as follows (amounts in thousands of euros):

(Thousands of euros)

Loss	Gain	Net
11,354	12,428	1,074

Adoption of IFRS 13 (see Note 2.6) has reduced the value of derivative liabilities by 1,074 thousand euros. The impact on the consolidated income statement during the year ended 31 December 2013 of including the bilateral credit risk adjustment is 1,074 thousand euros.

19. Trade and other payables

The breakdown of "Trade and other payables" is as follows:

(Thousands of euros)	31.12.2013	31.12.2012
Payable to Group companies	1,107	1,053
Payable to suppliers	208,805	243,869
Others payables	4,851	5,334
Current tax liabilities (Note 20.2)	41,833	43,164
Total	**256,596**	**293,420**

"Payable to Group companies" relates to the payables for the gas transport services the subsidiaries Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A. provide to Enagás Transporte, S.A.U., as these are accounted for using proportionate consolidation.

"Payable to suppliers" corresponds to amounts owed for services rendered and the purchase of materials, which are recognised primarily in "Other operating costs" and "Non-current assets", respectively.

As a result of the entry into force of Law 15/2010, laying down measures to combat late payment in commercial transactions, the Enagás Group amended contract conditions in relation to payment terms within their business operations to bring them into line with the new law.

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

Payments made and payments outstanding at year end

(Thousands of euros)

	2013		2012	
	Amount	**%**	**Amount**	**%**
Paid within the legal term	394,620	89%	395,118	52%
Other	48,664	11%	369,598	48%
Total payments for the year	**443,264**	**100%**	**764,716**	**100%**
Weighted average term by which payments were deferred over the legal period estipulated (days)	31.16		12.02	
Late payments which at year end were outstanding by more than the legal limit	8,249		7,570	

The figures shown in the table above regarding supplier payments refer to payments of a commercial nature owed to suppliers of goods and services so that they include data relating to the items comprising "Trade and other payables" within current liabilities on the consolidated balance sheet.

The weighted average term by which payments are overdue was calculated by dividing the sum of the products of each of the payments made to suppliers during the year later than the stipulated legal term and the number of days by which this term was surpassed (numerator) and the total amount of payments made during the year later than the stipulated legal term (denominator).

With regard to "Late payments which at year end were outstanding by more than the legal limit", totalling 8,249 thousand euros (7,570 thousand euros at year-end 2012), it should be noted that a sum of 1,034 thousand euros (1,034 thousand euros at year-end 2012) is due to payments blocked by the Group on the basis that the related supplier had failed to meet one or more of their contractual obligations or relating to performance withholdings not due or sums withheld for legal purposes.

The maximum payment term applicable to the Enagás Group companies in 2013 under Law 3/2004, of 29 December 2004, establishing measures to combat late payments in business transactions, is approximately 60 days. To calculate the sums past due by more than this term, management included all invoices outstanding as per the underlying contractual terms, including those contracts establishing shorter. Payment terms than the legally-stipulated maximum.

20. 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 2,300 thousand euros in 2013 (2,355 thousand euros in 2012), recognised under "Employee benefits expense" in the accompanying consolidated income statement (Note 23.1).

21. Taxation

21.1 Tax return

Enagás, S.A. is the Parent of consolidated tax group 493/12, with this being the first year of filing consolidated income tax returns in Spain (Note 3.p). The other Group companies settle their individual income tax bills in accordance with the tax legislation in force in each country.

21.2 Tax receivables and payables

Tax receivables and tax payables at year-end 2013 and 2012 were as follows:

(Thousands of euros)

	2013	2012
Tax receivables		
Value added tax	27,787	37,393
Income tax	7,318	20,574
Total	**35,105**	**57,967**
Tax Payables		
Income tax	13,977	16,862
Value added tax	1,243	-
Other	26,613	26,302
Total	**41,833**	**43,164**

At year-end 2013, the Group had paid 193,499 thousand euros (110,940 thousand euros in 2012) on account of the final corporate income tax bill. An amount of 13,977 thousand euros was payable for this tax at 31 December 2013.

The balance receivable from the tax authorities relates mainly to VAT receivable, as well as income tax receivable in 2012.

21.3 Reconciliation of profit before tax and taxable income

The reconciliation of profit before tax and taxable income is as follows:

(Thousands of euros)

	2013				2012
	Spanish companies consolidated for tax purposes	Spanish companies not consolidated for tax purposes	Foreign companies	Total	Total
Accounting profit, before tax	**521,379**	**32,821**	**10,805**	**565,005**	**542,731**
Adjustments and consolidation	25,560	1,762	(350)	26,972	-
Permanent differences of individual companies					
Increases	1,334	784	18	2,136	1,138
Decreases	(4,517)	-	(5)	(4,522)	-
Temporary differences of individual companies					
Increases	151,403	2,186	1,866	155,455	66,509
Decreases	(3,793)	(2,110)	(9,916)	(15,819)	(164,084)
Taxable income	**691,366**	**35,443**	**2,418**	**729,227**	**446,294**

21.4 Tax recognised in equity

Aside from the income tax charge recognised in the consolidated income statements, in 2013 and 2012, the Group recognised the following amounts for the following items in consolidated equity:

2013

(Thousands of euros)

	Increases	Decreases	Total
Current tax			
Total current tax	-	-	-
Deferred tax			
Arising in the current year:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	48	(263)	(215)
Discounting of taxes payable	-	-	-
Arising in prior years:			-
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	13,218	(20,436)	(7,218)
Discounting of taxes payable	-	-	-
Total deferred tax	**13,266**	**(20,699)**	**(7,433)**
Total tax recognised directly in equity	**13,266**	**(20,699)**	**(7,433)**

2012

(Thousands of euros)

	Increases	Decreases	Total
Current tax			
Total current tax	-	-	-
Deferred tax			
Arising in the current year:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets	20,061	(17,026)	3,035
Discounting of taxes payable	-	-	-
Arising in prior years:			
Available-for-sale financial assets	-	-	-
Measurement of other financial assets			
Discounting of taxes payable	-	-	-
Total deferred tax	**20,061**	**(17,026)**	**3,035**
Total tax recognised directly in equity	**20,061**	**(17,026)**	**3,035**

21.5 Reconciliation between profit before tax and income tax expense

The reconciliation of profit before tax and income tax expense is as follows:

(Thousands of euros)

	2013				2012
	Spanish companies consolidated for tax purposes	Spanish companies not consolidated for tax purposes	Foreign companies	Total	Total
Accounting profit, before tax	**521,379**	**32,783**	**10,417**	**565,005**	**542,731**
Permanent differences and consolidation adjustemens	22,377	2,546	(337)	**24,586**	**1,138**
Tax rate %	163,127	10,610	3,131	**176,878**	**163,160**
Effect of the tax credits *	(9,015)	(2,756)	-	**(11,771)**	**-**
Effect of tax loss carryforwards not recognised in the year	(19)		-	**(19)**	**-**
Effect of different tax rates	-	(331)	-	**(331)**	**369**
Adjustment of non-recoverable tax assets	-	-	-	**-**	**-**
Adjustments to income tax	(3,821)	(8)	266	**(3,563)**	**(19)**
Other	(445)	-	-	**(445)**	**88,643**
Income tax for the year	**149,827**	**7,515**	**3,407**	**160,749**	**163,223**

* In 2012 double taxation tax relief were included in relation to intra-group dividends, since there was no tax consolidation regime (See Note 3-p).

The following tax rate has been used for the calculation of the income tax: 30% for Spanish companies that pay taxes under state regulation, 28% for companies that pay taxes under foral regulation (Vizcaya), 20% for companies in Chile and 30% for companies in Mexico.

21.6 Breakdown of income tax expense

The breakdown of "Income tax expense" for 2013 and 2012 is as follows:

2013

(Thousands of euros)

	Enagás S.A.	Enagás Transporte S.A.	Enagás GTS S.A.	Enagás Internacional	Enagás Financiaciones S.A.	G-AL-Andalus, S.A.	G. de Extremadura, S.A.	Bahía de Bizkaia Gas S.A.	Enagás Altamira, S.L.	Enagás Transporte del Norte S.L.	Altamira Group	Total
Current tax												
Continuing operations	(4,075)	(196,873)	2,690	310	(19)	(3,996)	(2,270)	(852)	37	(467)	(726)	**(206,241)**
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	**-**
Deferred tax												
Continuing operations	3,000	40,929	353	-	-	445	152	-	-	(535)	(2,415)	**41,929**
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	**-**
Adjustments to income tax												
Continuing operations	2,914	189	-	-	-	-	-	-	718	8	(266)	**3,563**
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	**-**
Total tax expense	**1,839**	**(155,755)**	**3,043**	**310**	**(19)**	**(3,551)**	**(2,118)**	**(852)**	**755**	**(994)**	**(3,407)**	**(160,749)**

2012

(Thousands of euros)

	Enagás S.A.	Enagás Transporte S.A.	Enagás GTS S.A.	Enagás Internacional	Enagás Financiaciones S.A.	G-AL-Andalus, S.A.	G. de Extremadura, S.A.	Bahía de Bizkaia Gas S.A.	Enagás Altamira, S.L.	Altamira Group	Total
Current tax											
Continuing operations	10,564	(135,356)	1,400	62	32	(1,908)	(3,130)	(1,054)	(235)	(4,345)	**(133,970)**
Discontinued operations	-	-	-	-	-	-	-	-	-	-	**-**
Deferred tax											
Continuing operations	(10,542)	(18,901)	171	-	-	-	-	-	-	-	**(29,272)**
Discontinued operations	-	-	-	-	-	-	-	-	-	-	**-**
Adjustments to income tax											
Continuing operations	19	-	-	-	-	-	-	-	-	-	**19**
Discontinued operations	-	-	-	-	-	-	-	-	-	-	**-**
Total tax expense	**41**	**(154,257)**	**1,571**	**62**	**32**	**(1,908)**	**(3,130)**	**(1,054)**	**(235)**	**(4,345)**	**(163,223)**

21.7 Deferred tax

The breakdown of deferred tax assets and liabilities in 2013 and 2012 is as follows:

(Thousands of euros)

	2013	2012
Temporary differences (deferred tax assets)		
Government and other grants	1,652	1,698
Accelerated depreciation R.D.L. 16/2012	26,499	-
Long-service fund	4,340	4,883
Provisions for property, plant and equipment	1,439	4,467
Provisions for litigation	1,402	2,239
Derivatives	9,387	9,979
Other	11,620	4,923
Tax loss carryforwards	**1,820**	**744**
Unused tax credits and other	**13,876**	**13,030**
Total deferred tax assets	**72,035**	**41,963**

(Thousands of euros)

	2013	2012
Deferred tax liabilities		
Accelerated depreciation	427	427
Free depreciation	386,344	403,717
Derivatives	8,452	4,476
Other	21,199	13,394
Total deferred tax liabilities	**416,422**	**422,014**

The 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 utilised.

Article 7 of Law 16/2012, of 27 December, on adopting several fiscal measures designed to consolidate state finances and boost economic activity, introduced restrictions over the depreciation or amortisation that can be deducted for income tax purposes. This restriction stipulates that for the depreciation and amortisation of property, plant and equipment, intangible assets and investment property for tax periods beginning in 2013 and 2014, for those entities that do not comply with the requirements established in sections 1, 2 or 3 of article 108 of the revised Corporate Tax Law, up to 70% of that which would have been tax deductible had the aforementioned percentage not been applied, will be deducted from taxable profit in accordance with sections 1 and 4 of article 11 of this Law. However, amortisation/depreciation for accounting purposes that is not tax deductible may be deducted on a straight-line basis for a period of 10 years or over the useful life of the asset, as from the first tax period that begins in 2015. Based on this legislation, the deferred tax asset created in this connection in 2013 amounted to 26,499 thousand euros equal to an asset base of 88,330 thousand euros.

Within deferred tax assets included under "Unused tax credits and other" in the table above are the credits recognised by Bahía de Bizkaia Gas, S.L. and Enagás Transporte del Norte, S.L. for investment in new fixed assets. In this regard, BBG has approved tax credits for investments in new fixed assets totalling 3,120 thousand euros, which are not recognised as assets on the balance sheet.

The Group does not have any unrecognised deferred tax assets, except where indicated in the previous paragraph.

In 2009 and 2010, Enagás, S.A. availed itself of the free depreciation tax incentive tied to headcount protection, enacted under Law 4/2008, of 23 December. This measure allows unrestricted accelerated depreciation of certain assets put in use by the taxpayer in 2009 and 2010 providing the availing entity's average headcount remains stable during the 24-month period following the start of the tax period in which the assets acquired are started up, in relation to the average workforce during the preceding 12-month period.

Similarly, in 2013 and 2012, the Enagás Group 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 headcount protection obligation.

Royal Decree Law 12/2012, of 30 March, introduced certain amendments to the abovementioned tax breaks. The Enagás Group has factored these amendments into its calculations of the tax credit deriving from accelerated depreciation charges recognised in 2013. As a result of the foregoing, a deferred tax asset arose for the Enagás Group in 2012 amounting to 32,870 thousand euros, equal to an asset base of 109,567 thousand euros in 2012. In 2013, 17,373 thousand euros were recognised in this connection.

21.8 Years open to inspection and tax audits

In accordance with current legislation, tax returns cannot be considered definitive until they have been inspected by the tax authorities or the inspection period of four years has prescribed.

As of year-end 2013, the Enagás Group has open to inspection all applicable tax returns from 2009 to 2013 with the exception of import VAT, the returns of which are open to review from 2010 to 2013, and the common external tariff, which is open to review for 2011, 2012 and 2013.

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.

22. Revenue

The breakdown of Group revenue for 2013 and 2012 is analysed below:

(Thousands of euros)

	31.12.2013	31.12.2012
Revenue	**1,278,603**	**1,180,059**
Revenue from regulated activities	1,235,412	1,140,355
Revenue from deregulated activities	43,191	39,704
Other income	**29,521**	**18,349**
Sales of materials	-	-
Ancillary and other operating income	29,399	18,273
Government grants	122	76
Total	**1,308,124**	**1,198,408**

Revenue primarily comprises the revenue of Enagás Transporte, S.A.U. for regulated activities. The breakdown of this revenue by company is as follows::

(Thousands of euros)

	31.12.2013	31.12.2012
Regulated activities:		
Enagás, S.A.	-	-
Enagás Transporte, S.A.U.	1,178,096	1,106,819
Enagás GTS, S.A.U.	11,561	11,789
Bahía de Bizkaia Gas, S.A.	20,431	21,747
Enagás Transporte del Norte, S.L.	25,324	0
Deregulated activities:		
Enagás, S.A.	3,547	617
Gasod. Al-Andalus, S.A.	8,072	7,508
Gasod. de Extremadura, S.A.	6,286	5,845
Enagás-Altamira, S.L.	-	209
Grupo Altamira C.V.	25,286	25,525
Total	**1,308,124**	**1,198,408**

23. Expenses

An analysis of Group expenses is provided below:

(Thousands of euros)

	31.12.2013	31.12.2012
Employee benefits expense	85,518	78,987
Other operating costs	194,519	185,114
Total	**280,037**	**264,101**

23.1 Employee benefits expense

The breakdown of employee benefits expense is as follows:

(Thousands of euros)

	31.12.2013	31.12.2012
Wages and salaries	65,580	65,157
Termination benefits	6,080	3,166
Social security	14,949	14,098
Other employee benefit expenses	9,515	9,391
Contributions to external pension funds	2,300	2,355
Own work capitalised	(12,906)	(15,180)
Total	**85,518**	**78,987**

At 31 December 2013, the Group had capitalised 12,906 thousand euros for employee benefits expense directly related to ongoing investment projects (15,180 thousand euros at 31 December 2012) (Note 6).

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

Category	2013	2012
Managers	70	68
Technicians	574	568
Administrative staff	128	134
Manual workers	428	424
Total	**1,200**	**1,194**

At 31 December 2013, the Group had 1,211 employees (1,178 in 2012). The breakdown by category and gender is as follows:

	2013		2012	
Category	Men	Women	Men	Women
Managers	60	14	57	11
Technicians	432	150	417	142
Administrative staff	32	97	33	98
Manual workers	412	14	408	12
Total	**936**	**275**	**915**	**263**

"Directors" includes the 11 individuals (10 men and one woman) making up the Group's senior management.

The average number of employees at Group companies with a disability of a severity of 33% or higher in 2013 and 2012 is as follows:

Category	2013	2012
Managers	-	-
Technicians	6	9
Administrative staff	-	-
Manual workers	6	8
Total	**12**	**17**

23.2 Other operating costs

Details of this heading are as follows:

(Thousands of euros)

	31.12.2013	31.12.2012
External services:		
R&D costs	2,150	1,641
Leases and royalties	46,607	43,811
Repairs and maintenance	36,140	35,393
Professional services	22,864	18,688
Transport	10,978	10,291
Insurance premiums	5,390	4,203
Banking and similar services	173	131
Advertising, publicity and PR	2,859	2,966
Supplies	20,882	25,118
Other services	25,788	18,301
External services	**173,831**	**160,543**
Taxes other than income tax	**9,860**	**15,050**
Other external expenses	**9,913**	**9,235**
Change in trade provisions	**915**	**286**
Total other operating costs	**194,519**	**185,114**

23.3 Other disclosures

“Other operating costs” includes the fees paid by consolidated entities for the audit of their financial statements and for other audit and non-audit work. In 2013, these expenses amounted to 1,511 thousand euros (1,572 thousand euros in 2012), as follows:

	2013		2012	
Category	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)	443	39	313	71
Other assurance services (2)	971	-	980	-
Total audit and audit-related services	**1,414**	**39**	**1,293**	**71**
Other services	47	3	208	-
Tax advisory services	-	8	-	-
Total professional services	**47**	**11**	**208**	**-**

(1) **Audit services:** This heading includes the services provided to complete the statutory audit of the Group's financial statements in the amount of 304 thousand euros (272 thousand euros in 2012), which encompassed 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 CNE as well as reviews of acquisitions completed by the Enagás Group in 2013, including preparation of the required documentation.

24. Net finance cost

Details of finance revenue and finance cost recognised in the accompanying consolidated income statement is as follows:

(Thousands of euros)

	31.12.2013	31.12.2012
Finance revenue from Group companies and associates	1,137	703
Finance revenue from third parties	23,094	37,267
Finance revenue	**24,231**	**37,970**
Finance and similar costs	(3,927)	(7,137)
Interest expense	(124,259)	(101,822)
Discounting of provisions	(1,700)	(2,039)
Finance costs	**(129,886)**	**(110,998)**
Profit from hedging instruments	**1,074**	**-**
Exchange differences	**(4,894)**	**(3,657)**
Net finance cost	**(109,475)**	**(76,685)**

The Group had capitalised borrowing costs of 7,943 thousand euros at 31 December 2013 (20,959 thousand euros at 31 December 2012) (Note 6).

25. Business and geographical segments

25.1 Basis of segmentation

Segment information is organised according to the Group's various business units (primary reporting segment). 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.

25.2 Segments by geographical areas

The breakdown of 2013 and 2012 revenue by geographical area is provided in the table below:

(Thousands of euros)

Revenue	31.12.2013	31.12.2012
Europe	1,253,317	1,154,534
South America	25,286	25,525
Total	**1,278,603**	**1,180,059**

25.3 Main business segments

The business areas described below have been established on the basis of the classification included in the Hydrocarbons Law 34/1998, of 7 October, and in accordance with the organisational structure of 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 160ºC below zero in liquid form (LNG) and is unloaded at the regasification plants, where it is stored in cryptogenic tanks. At these facilities, the temperature of the LNG is raised through a physical process, generally using saltwater vaporisers, transforming it into gas. The natural gas is then injected into gas pipelines and transported throughout the Spanish mainland.

- **Storage:** The Enagás Group operates the following underground storage facilities: Serrablo, located between the towns of Jaca and Sabinanigo (Huesca); Gaviota (an off-shore facility) located close to Bermeo (Vizcaya); and Yela (Guadalajara).

b) Technical system management

In 2013, the Enagás Group, as technical system operator, continued to carry out the tasks entrusted to it under Royal Decree Laws 6/2000, of 23 June, and 949/2001, of 3 August, aimed at guaranteeing the continuity and security of gas supply, and the correct coordination of access, storage, transport and distribution points.

c) Deregulated activities

These refer to all deregulated activities and the transactions related to the Group's international investees.

25.4 Bases and methodology for segment reporting

The segment information provided below is based on monthly reports prepared by the corporate Finance Department and 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.

Segments disclosure for these activities is provided below:

(Thousands of euros)

	Infrastructure		Technical system operation		Deregulated activities		Adjustments		Total Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Income statement										
Operating revenue	1,244,904	1,153,839	13,084	12,592	156,351	100,344	(106,215)	(68,367)	1,308,124	1,198,408
Depreciation and amortisation	(314,310)	(290,875)	(4,172)	(2,494)	(21,889)	(20,795)	(1,711)	(1,711)	(342,082)	(315,875)
Operating profit (loss)	660,802	616,739	(10,203)	(5,280)	21,488	21,488	(3,217)	(14,500)	668,870	618,447
Finance revenue	6,616	7,483	458	648	421,438	312,638	(404,281)	(282,799)	24,231	37,970
Finance costs	(112,863)	(87,399)	(388)	(607)	(56,092)	(26,651)	39,457	3,659	(129,886)	(110,998)
Income tax expense (receivable)	(164,203)	(161,055)	3,042	1,572	(516)	(4,446)	928	706	(160,749)	(163,223)
Profit (loss) after tax	391,039	375,542	(7,098)	(3,676)	387,414	289,502	(368,172)	(281,860)	403,183	379,508

(Thousands of euros)

	Infrastructure		Technical system operation		Deregulated activities		Adjustments		Total Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Balance sheet										
Total assets	**6,411,726**	**6,300,920**	**55,236**	**58,977**	**4,744,515**	**3,713,373**	**(4,000,877)**	**(1,989,827)**	**7,210,600**	**8,083,443**
Capital expenditure	195,859	414,167	13,546	5,565	16,581	15,623	-	-	225,986	435,355
Non-current liabilities (**)	635,316	641,427	-	95	35,714	30,421	-	-	671,030	671,943
Deferred tax liabilities	385,464	393,877	-	-	30,958	28,137	-	-	416,422	422,014
Provisions	172,565	173,010	-	95	4,756	2,284	-	-	177,321	175,389
Other non-current liabilities	77,287	74,540	-	-	-	-	-	-	77,287	74,540
Current liabilities (**)	176,958	217,469	37,167	47,146	59,207	94,082	(16,736)	(65,277)	256,596	293,420
Trade and other payables	176,958	217,469	37,167	47,146	59,207	94,082	(16,736)	(65,277)	256,596	293,420

(**) Does not include financial liabilities.

26. Environmental information

The Enagás Group's efforts to protect the environment and its biodiversity, to boost energy efficiency, lower it 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.

This documentation, prepared in accordance with the requirements of the UNE EN ISO 14001 standard, is the basis of the Environmental Management System developed and certified by AENOR 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 Project Management in New Infrastructure Developments.

In 2013, AENOR, the Spanish accreditation agency, issued Environmental Management System audit reports with a positive opinion, concluding that the System has a degree of development and maturity that ensures continuous improvement in this field.

One of the targets set out in the Group's environmental protection strategy for 2013-2015 (PEMAP for its acronym in Spanish) is to obtain EMAS (the EU Eco-Management and Audit Scheme) certification, thereby fostering an improved environmental record across the entire organisation. In 2013, the Barcelona and Huelva plants obtained certification. Similarly, in 2013 the Environmental Management System at the Gaviota underground storage facility was adapted to the Enagás Group's Environmental Management System and for AENOR certification; the Yela underground storage facility was also included in the scope of the UNE EN ISO 14001 certification.

The Enagás Group goes to continual lengths to identify, classify and minimise the environmental fallout from its activities and installations, assessing risks and promoting eco-efficiency, practicing responsible waste and residue management, minimising its carbon footprint and attempting to 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 2013, these environmental activities entailed total capitalised investment of 9,286 thousand euros (22,342 thousand euros in 2012). Environmental expenses incurred by the Group in 2013 totalled 924 thousand euros (922 thousand euros in 2012) 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.

The Group has benefited from tax breaks as a result of the environment-related activities: the Directorate-General of the Environment of Murcia issued a certificate validating the environmental investments for the execution of the project "Updating the boil-off system of the Enagás Group's regasification plant in Cartagena", an investment which relates to 2008. This environmental investment amounted to 25,218 thousand euros, giving rise to a deduction of 1,513 thousand euros in income tax for 2012 (presented in July 2013), which relates to a 6% tax deduction of the total environmental investment made, pursuant to that established in the revised Corporate Income Tax Law.

27. Greenhouse gas emission allowances

Certain Enagás Group installations 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, reformed the trading scheme for the 2013-2020 period. 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.

On 15 November 2013, the free allocation of greenhouse gas emission allowances to institutions subject to the emission allowance trading scheme for the 2013-2020 period, which includes the facilities of Enagás Transporte S.A.U. and BBG, was approved by resolution of the Spanish cabinet. The facilities for which these allocations have been received are:

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

The definitive number emission allowances allocated to Enagás Transporte S.A.U., free of charge, for its facilities amounts to 985,915 for the 2013-2020 period, and 188,674 in 2013. The number of allowances under the previous 2008-2012 National Allocation Plan was 547,704.

Similarly, the number of allowances allocated to BBG was 13,843(*) for the 2013-2020 period, and 2,649(*) in 2013. The number of allowances under the previous 2008-2012 National Allocation Plan was 2,240(*).

The 2013 allowances allocated for 2013 were valued at 6.61 euros/allowance: the spot price on the first business day of 2013 as per RWE Trading GMBH, which implies an addition for the year of 1,247 thousand euros.

The Enagás Group consumed 322,655 greenhouse gas emission allowances in 2013 (123,383 in 2012).

In the first quarter of 2013, the Enagás Group submitted its emission reports, verified by the accredited agency (AENOR), to the pertinent regional governments, which validated said emissions.

In 2013, 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.

(*) For the Enagás Group's 40% ownership interest in this investee. Total emission allowances allocated to BBG totalled 34,608 for the 2013-2020 period, 6,622 of which were for 2013. Similarly, all of the emission allowances in 2012 amounted to 5,601.

28. Related party transactions and balances

28.1 Related party transactions

The Group considers "related parties" any subsidiary, associate, or jointly controlled entity, as well as key personnel in its management team (members of the Board of Directors, management and their close family members), and entities over which key management personnel could exercise significant or total control, as per Order EHA/3050/2004, of 15 September, and CNMV Circular 1/2008, of 30 January.

Inter-group balances not eliminated on consolidation are as follows:

- Receivables of 1,738 thousand euros at 31 December 2013 (2,152 thousand euros at 31 December 2012) (see Note 10).

- Payables of 1,107 thousand euros at 31 December 2013 (1,053 thousand euros at 31 December 2012) (see Note 19).

- Loans to Group companies of 17,086 thousand euros at 31 December 2013 (17,915 thousand euros at 31 December 2012) (see Note 8).

Below is a breakdown of the Group's related party transactions in 2013 and 2012, 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.

2013

(Thousands of euros)

Income and expense	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
	31-12-2013				
Expenses:					
Finance costs	78	-	-	5,538	5,616
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Leases	-	-	-	-	-
Services received	-	-	10,644	2,384	13,028
Purchase of goods (finished or work-in-progress)	-	-	-	-	-
Impairment provisions for bad or doubtful debt	-	-	-	-	-
Losses on derecognition or disposal of assets	-	-	-	-	-
Other expenses	-	1,046	-	24	1,070
Total expenses	**78**	**1,046**	**10,644**	**7,946**	**19,714**
Income:					
Finance revenue	-	-	1,137	2,069	3,206
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Dividends received	-	-		-	-
Leases	-	-	-	-	-
Services rendered	-	-	11,468	-	11,468
TPA services	-	-	-	-	-
Sale of goods (finished or work-in-progress)	-	-	-	-	-
Gains on derecognition or disposal of assets	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenue	**-**	**-**	**12,605**	**2,069**	**14,674**

2012

(Thousands of euros)

Income and expense	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
	31-12-2012				
Expenses:					
Finance costs	702	-	53	8,314	9,069
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Leases	-	-	-	-	-
Services received	-	-	9,966	36,403	46,369
Purchase of goods (finished or work-in-progress)	-	-		14,200	14,200
Impairment provisions for bad or doubtful debt	-	-	-	-	-
Losses on derecognition or disposal of assets	-	-	-	-	-
Other expenses	-	1,003	-	-	1,003
Total expenses	**702**	**1,003**	**10,019**	**58,917**	**70,641**
Income:					
Finance revenue	1,219	-	703	6,216	8,138
Management or collaborative agreements	-	-	-	-	-
Transfers of R+D and license agreements	-	-	-	-	-
Dividends received	-	-		-	-
Leases	-	-	-	-	-
Services rendered	-	-	18,779	-	18,779
TPA services	-	-	-	53,216	53,216
Sale of goods (finished or work-in-progress)	-	-	-	-	-
Gains on derecognition or disposal of assets	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenue	**1,219**	**-**	**19,482**	**59,432**	**80,133**

2013

(Thousands of euros)

Other transactions	Significant shareholders	Directors and senior management	Group persons, companies or entities	Other related parties	Total
	31-12-2013				
Purchase of property, plant and equipment, intangible assets and other	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	-	17,086	-	17,086
Finance lease agreements (lessor)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessor)	-	-	-	-	-
Sale of property, plant and equipment intangible assets and other	-	-	-	-	-
Financing agreements: loans and capital contributions (borrower)	-	-	-	100,000	100,000
Finance lease agreements (lessee)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessee)	-	-	-	-	-
Guarantees and sureties extended	**-**	**-**	**83,997**	**-**	**83,997**
Guarantees and sureties received	**1,017**	**-**	**-**	**11,080**	**12,097**
Commitments assumed	**-**	**-**	**-**	**-**	**-**
Cancelled commitments/guarantees	**-**	**-**	**-**	**-**	**-**
Dividends and other profits paid out	**50,992**	**-**	**-**	**-**	**50,992**
Other transactions	**-**	**-**	**-**	**-**	**-**

2012

(Thousands of euros)	31-12-2012				
Other transactions	**Significant shareholders**	**Directors and senior management**	**Group persons, companies or entities**	**Other related parties**	**Total**
Purchase of property, plant and equipment, intangible assets and other	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	-	169,286	-	169,286
Finance lease agreements (lessor)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessor)	-	-	-	-	-
Sale of property, plant and equipment intangible assets and other	-	-	-	-	-
Financing agreements: loans and capital contributions (borrower)	17	-	16	250,755	250,788
Finance lease agreements (lessee)	-	-	-	-	-
Repayment or cancellation of loans and finance leases (lessee)	-	-	-	-	-
Guarantees and sureties extended	**-**	**-**	**-**	**-**	**-**
Guarantees and sureties received	**1,641**	**-**	**-**	**3,709**	**5,350**
Commitments assumed	**-**	**-**	**-**	**-**	**-**
Cancelled commitments/guarantees	**-**	**-**	**-**	**-**	**-**
Dividends and other profits paid out	**37,236**	**-**	**-**	**-**	**37,236**
Other transactions	**-**	**-**	**-**	**-**	**-**

These transactions include the finance costs arising from hedging contracts with the financial entities related to the Enagás Group.

29. Director and senior management compensation

29.1 Wages and salaries

The remuneration received in 2013 and 2012 by the members of the Board of Directors and senior group management of Enagás, S.A., broken down by item, was as follows:

2013

(Thousands of euros)

	Salaries	Attendance fees	Other	Pension plans	Insurance premiums	Termination benefits
Directors	1,888	1,046	77	10	79	-
Senior management	2,231	-	96	50	79	2,122
Total	4,119	1,046	173	60	158	2,122

2012

(Thousands of euros)

	Salaries	Attendance fees	Other	Pension plans	Insurance premiums
Directors	1,622	1,004	67	10	72
Senior management	1,935	-	83	58	98
Total	3,557	1,004	150	68	170

Senior management are covered by the mixed group insurance policy covering pension obligations. 257 thousand euros of the total premium paid in 2013 was for senior management.

Details of remuneration by board member, excluding insurance premiums and pension plans, are as follows:

(Thousands of euros)

Directors	2013	2012
Antonio Llardén Carratalá (Executive Director) (1)	1,670	1,667
Marcelino Oreja Arburúa (2)	423	103
Sagane Inversiones, S.L. (Proprietary Director)	-	37
Bilbao Bizkaia Kutxa / Kartera 1 (Proprietary Director)	-	56
Sociedad Estatal de Participaciones Industriales (Proprietary Director)	76	76
Sultan Hamed Khamis Al Burtamani	37	45
Peña Rueda, S.L. Unipersonal (Proprietary Director)	-	32
Jesús David Álvarez Mezquíriz (Independent Director)	72	64
Dionisio Martínez Martínez (Independent Director) (3)	113	81
José Riva Francos (Independent Director)	77	81
Ramón Pérez Simarro (Independent Director)	72	76
Martí Parellada Sabata (Independent Director)	76	76
Teresa García-Milà Lloveras (Independent Director)	76	76
Miguel Angel Lasheras Merino (Independent Director)	76	71
Luis Javier Navarro Vigil (External Director)	76	76
Isabel Sanchez García (Independent Director)	72	76
Jesús Máximo Pedrosa Ortega	51	-
Rosa Rodríguez Diaz	44	-
Total	**3,011**	**2,693**

(1) In 2013, the Executive Chairman received fixed pay totalling 960 thousand euros and a bonus of 576 thousand euros, as approved by the Board; he additionally received Board attendance fees of 64 thousand euros and other in-kind compensation totalling 70 thousand euros, making for an overall sum of 1,674 thousand euros. He is also the beneficiary of a life insurance policy for which the premium for the year was 78 thousand euros, while 10 thousand euros were contributed to his pension plan. The Group has outsourced its pension obligations vis-a-vis its directors by means of a mixed group insurance policy. In addition to pension commitments, the cover provides benefits in the event of widowhood, death or 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 197 thousand euros.

(2) In 2013, the CEO received fixed pay totalling 300 thousand euros and a bonus of 52 thousand euros, as approved by the Board; he additionally received Board attendance fees of 64 thousand euros, and other in-kind compensation totalling 7 thousand euros. The CEO is also part of the group of beneficiaries covered by the mixed-benefit pension plan described above and the premium paid during the year in respect of the CEO was 100 thousand euros. The pension plan grace period is currently applicable for the CEO and therefore no plan contributions have been made.

(3) The amount received by Mr. Martínez in 2013 includes 16 thousand euros relating to remuneration for carrying out the duties of Independent Coordinator Director in 2012, in accordance with that agreed upon at the General Shareholder's Meeting held on 30 March 2012, and which was received this past year along with the remuneration in this connection for 2013.

30. Other disclosures concerning the Board of Directors

In keeping with the provisions of article 229 et seq. of the Spanish Corporate Enterprises Act, 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 Hydrocarbon Law 34/1998.

Ownership interests in companies that have an identical, similar or complementary corporate purpose that have been reported to the Group by directors at 31 December 2013 are as follows:

Director	Company	No. of shares	% Shareholding
Luis Javier Navarro Vigil	BP, PLC	712	0.00%
Jesús Máximo Pedrosa Ortega	IBERDROLA	3,382	0.00%
Jesús Máximo Pedrosa Ortega (1)	IBERDROLA	7,472	0.00%

(1) Through Inversiones Asfis as Joint and Several Director with a 60% stake.

Oman Oil Holdings Spain, S.L.U., the Enagás shareholder which proposed appointing Sultan Hamed Khamis Al Burtamani as proprietary director of Enagás, holds 7.5% of the indirect shareholding in SAGGAS-Planta de Regasificacion de Sagunto, S.A. through its direct investment in the company Infraestructura de Gas.

Positions held or duties performed by Parent directors at companies whose corporate purpose is identical, similar or complementary were disclosed to Enagás, S.A. at 31 December 2013 are as follows:

Director	Company	Position
Luis Javier Navarro Vigil	TLA, S. de R.L. de C.V.	Director
Sultan Hamed Khamis al Burtamani	SAGGAS-Planta de Regasificación de Sagunto, S.A.	Director
	Infraestructuras de Gas	Director
	Oman Oil Compay, S.A.O.C.	Director of Business Development
Miguel Angel Lasheras Merino	Sociedad Promotora Bilbao Gas Hub, S.A.	Managing Director of the Iberian Gas Hub Project

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.

Pursuant to CNE Resolution of 26 July 2012 (published in the Official State Gazette on 17 August 2012), Enagás Transporte, S.A.U., a company wholly-owned by law by Enagás, S.A., was certified as "transport system operator" for the purposes of article 63 of Hydrocarbon Law 34/1998, of 7 October, and Directive 2009/73/EC. As a result of this designation, persons engaged in the supply or production of natural gas cannot sit on the governing body of Enagás, S.A. Given the attendant conflicts of interest, several former directors of Enagás, S.A. stepped down, while Luis Javier Navarro Vigil certified that he had resigned from the positions that were incompatible with sitting on the Board of Enagás, S.A.

31. Guarantees

At 31 December 2013, the Group had provided guarantees to third parties arising from its business activities amounting to 57,538 thousand euros (77,462 thousand euros in 2012). It has also extended financial guarantees for a total of 470,000 thousand euros (490,000 thousand euros in 2012) to secure the loans granted by the European Investment Bank.

The Enagás Group guarantees the obligations of Group companies up to a maximum of 83,997 thousand euros (see Note 28.1).

The directors do not expect that any 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.

32. Joint ventures

Information on the joint ventures in which the Enagás Group had interests at 31 December 2013 is set out in the table below:

					Thousands of euros							
						Investee information (1)						
						Assets			Liabilities			
Company	Country	Business	%	% of voting rights controlled by the Enagás Group	Carrying amount	Non-current	Current	Equity	Non-current	Current	Revenue	Profit (loss) for the year
Gasoducto Al-Andalus, S.A.	Spain	Gas transport	66.96	50.00%	23,744	51,061	8,051	55,931	-	3,181	31,088	12,118
Gasoducto de Extremadura, S.A.	Spain	Gas transport	51	50.00%	9,732	22,256	12,169	31,809	-	2,616	21,198	8,804
Bahía de Bizkaia Gas, S.L.	Spain	Storage and regasification	40	33.33%	44,334	258,717	48,802	96,615	187,856	23,048	51,077	8,745
Altamira LNG, C.V. subgroup	Netherlands/ Mexico	Holding/ company/ Regasification	40	50.00%	41,218	300,183	26,704	116,780	147,696	62,411	64,115	14,199
Gasoducto de Morelos, S.A.P.I. de C.V.	Mexico	Gas transport	50	50.00%	10,934	108,979	44,196	23,925	89,932	39,318	-	(1,234)
Morelos EPC, S.A.P.I. de C.V.	Mexico	Engineering and construction	50	50.00%	3	123	23,279	4,345	-	19,056	62,736	4,391
GNL Quintero, S.A.	Chile	Regasification	20.4	20.40%	136,645	121,617	782,365	33,102	823,873	47,006	152,536	37,324
Terminal de Valparaiso, S.A.	Chile	Holding company	51	51.00%	136,386	269,315	9	269,314	-	10	-	7,498
Cia. Transporte Gas Canarias, S.A. (Gascan)	Spain	Storage and regasification	41.94	41.94%	3,535	8,315	9	(1,590)	182	9,732	-	(937)
EC Soto La Marina S.A.P.I. de C.V.	Mexico	Natural gas compression	50	50.00%	2,355	-	19,444	4,615	-	14,829	-	(27)
EC Soto La Marina EPC S.A.P.I. de C.V.	Mexico	Engineering and construction	50	50.00%	2	-	20,791	(154)	-	20,945	17,589	(158)

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

As indicated in Note 4, Head of State Law 17/2013, of 29 October, on guaranteeing the supply and increase of competition in island and non-mainland electricity systems, establishes a commitment for the Enagás Group to acquire all ownership interest in Gascan.

33. Events after the balance sheet date

On 31 January 2014, the Enagás Group reached an agreement to acquire the 22.38% interest that Hunt and Repsol have in the Peruvian company Transportadora de Gas del Perú (TgP). This acquisition is conditional on the remaining shareholders that already have a shareholding not exercising their pre-emption rights. On preparation of these consolidated financial statements, the period during which these shareholders could exercise their rights had net yet elapsed.

With regard to the Consent Solicitation of the Enagás Group company, Financiaciones, S.A.U., indicted in Note 15.1 of these consolidated financial statements, the deed amending the terms and conditions was registered in the Madrid Companies Registry on 29 January 2014.

No events having a material impact on the Group's consolidated financial statements have occurred between 31 December 2013 and the date of authorising these consolidated financial statements for issue.

34. Explanation added for translation to English

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

Appendix I

Subsidiaries of the Enagás Group at 31 December 2013

Company	Country	Business	%	% of voting rights controlled by the Enagás Group	Share capital
Enagás Transporte, S.A.U.	Spain	Regasification, storage and transport	100	100.00%	300,000,000 euros
Enagás GTS, S.A.U.	Spain	Technical system operation	100	100.00%	7,282,864 euros

Enagás Internacional, S.L.U.	Spain	Holding company	100	100.00%	3,937 dollars
Enagás Financiaciones, S.A.U.	Spain	Financial management	100	100.00%	60,000 euros
Enagás Altamira, S.L.U.	Spain	Holding company	100	100.00%	8,888,273 dollars
Enagás Transporte del Norte S.L.	Spain	Gas transport	90	90.00%	38,501,045 euros
Enagás Chile I, S.P.A.	Chile	Holding company	100	100.00%	23,243,152 dollars
Enagás Chile II, Limitada	Chile	Holding company	100	100.00%	184,974,292 dollars

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

Management report of the Enagás Group

I. Group performance in 2013

Net profit rose 6.2% in 2013 to 403,183 thousand euros.

Revenue totalled 1,278,603 thousand euros.

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 2013.

In respect of its operations in Spain, throughout 2013 the Group maintained the basic natural gas regasification and storage network and expanded the basic natural gas transport network with the acquisition of Enagás Transporte del Norte, S.L., servicing demand at all times.

Demand for natural gas declined by 8% with regard to 2012. This decrease was driven by a year-on-year drop in the consumption of gas at electric power generation stations of 33%, while deliveries of gas to the manufacturing and residential segments dropped by 0.5% to 277 TWh.

In 2013, the volume of gas transported by the gas system (including transport to Portugal, gas exports in the form of loads and exports) rose 23% to 66 TWh.

As in prior years, diversification was high, with the Group importing gas from eleven different source markets, and for the first time in thirteen years the composition of its supplies was reverted in Spain with 54% of imports compri-sing natural gas and 46% LNG via the regasification plants.

Over the coming years the Spanish gas system will face the challenge of adapting and harmonising its operations in Europe with the new contracting models (CAM-CMP), and of implementing the processes necessary for the integration of the daily gas markets (Gas Target Model). In addition, progress should be made regarding the regional cooperation indicated in Regulation (EU) No. 994/2010, concerning measures to safeguard security of gas supply.

Investments made in 2013 regarding property, plant and equipment and intangible assets totalled 531.4 million euros, while assets entering operation amounted to 546 million euros.

On 27 December 2012, the Ministry of Industry, Energy and Tourism approved Ministerial Order IET/2812/2012 establishing the tolls and fees for third-party access to gas installations and remuneration of regulated gas sector activities for 2013. In this regard, the tolls and fees for third-party access to gas installations and remuneration of regulated activities for 2014 were approved in Order IET/2446/2013, of 27 December.

In 2013, Enagás reduced CO2 emissions generated from self-consumption of natural gas, electricity demand and flaring at its own facilities by 9%.

The capital and reserves of the Enagás Group stood at 2,118,427 thousand euros at year end, while equity amounted to 2,139,375 thousand euros.

Share capital is represented by 238,734,260 fully paid ordinary bearer shares each with a par value of 1.50 euros.

72% of net debt at 31 December was fixed-rate, while the average time to maturity of net debt at 31 December 2013 was 5.7 years.

In 2013, 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 main actions carried out were:

- Zarza de Tajo-Yela gas pipeline.
- Martorell-Figueras gas pipeline.
- Musel-Llanera gas pipeline.
- Bilbao Treto gas pipeline.
- Regasification facilities and facilities for LNG load methane tankers in El Musel plant.
- Third storage tank in the Bilbao plant.

In 2013, the company also acquired 90% of Naturgás Energía Transporte, S.A., thereby adding 450 km of high-pressure gas pipelines and the international connection with Irún to its facilities. Naturgás Energía Transporte, S.A. then changed its corporate name to Enagás Transporte del Norte, S.L.

Overall, at the end of December 2013, the Enagás Group's gas infrastructure comprising the basic natural gas network consisted of the following:

- Over 10,000 kilometres of gas pipelines throughout Spain.

- Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara) and Gaviota (Vizcaya).

- Three regasification plants in Cartagena, Huelva and Barcelona. Construction of the Gijón plant was also completed in 2013.

- The Group additionally owns 40% of the BBG regasification plant (Bilbao), 40% of the Altamira regasification plant (Mexico) and 20.4% of the Bahía de Quintero regasification plant (Chile).

II.-Main business risks

The Enagás Group is exposed to various risks inherent to the sector, the market in which it operates and the activities it performs, which could prevent it from achieving its objectives and executing its strategies successfully.

The main risks associated with the Enagás Group's business activities are classified as follows:

1. Business risk

Business risk relates to losses caused by external factors such as regulation, economic growth patterns, competition levels, demand trends, structural industry factors, etc., as well as to potential losses resulting from incorrect decision-making in relation to the company's business plans and strategies.

Within business risk, regulatory risk, which relates to the regulatory framework governing the Group's business activities is particularly prominent.

The Enagás Group has implemented measures to control and manage its business risk within acceptable risk levels. To this end, it continually monitors risks relating to regulation, the market, the competition, business plans, strategic decisions, etc.

2. Counterparty risk

Counterparty risk relates to the possibility of losses deriving from a counterparty's failure to comply with its obligations and to uncertainty as to a counterparty's ability to honour its obligations.

In the assessments performed in 2013, the Enagás Group qualified its credit and counterparty risk as acceptable as it only does business with solvent companies, as corroborated by these companies' external credit ratings.

Information concerning counterparty risk management is disclosed in Note 10 to the consolidated financial statements.

3. Financial risk

Financial risk is an assessment of the uncertainty of earnings as a result of adverse fluctuations in financial variables such as interest rates, exchange rates and liquidity.

The financial risk management policy is detailed in Note 17 to the consolidated financial statements.

4. Operational risk

The Enagás Group's operations may give rise to losses of value or losses on account of inadequate internal processes, human error, equipment failure, computer system failure or as a result of external events.

The Enagás Group has identified the following significant operational risks: incidents affecting its infrastructures, equipment and systems; poor quality or interruption of service; suppliers, outsourcing and other agents; business practices and regulatory breaches; workplace health and safety risks; and damage to the environment and to third parties.

Each year, the Enagás Group identifies the control activities that allow it to adequately and appropriately respond to these risks. The most notable control activities are: the application of certain internal policies and procedures, the establishment of limits and authorisations, periodic analysis, definition of quality indicators, and quality, risk prevention and environment certificates, etc.

5. Criminal liability risk

Article 31 bis of Organic Law 5/2010, of 22 June, which reforms Spain's Criminal Code, introduces criminal liability on the part of legal entities.

In this regard, the Enagás Group could be held liable in Spain for crimes committed by its officers and staff in the course of their work and in their own interests if the Group is found to have failed to have exercised sufficient control.

To prevent this risk from materialising, the Enagás Group has approved a Criminal Liability Risk Model and has implemented the measures needed to prevent corporate crime.

6. Reputational risk

Reputational risk refers to any action, event or circumstance that could have either a harmful or beneficial effect on the company's reputation among its stakeholders.

The Enagás Group has implemented a reputational risk self-assessment procedure which uses qualitative measurement techniques.

This process contemplates the potential reputational impact that materialisation of any of the risks listed in the model (operational, business, financial and counterparty risk) could have as a result of failing to meet stakeholder expectations and as a result of strictly reputational events arising from the action, interest or opinion of a third party.

The Enagás Group has identified as relevant any reputational risk arising in the aftermath of the materialisation of certain risks: operational (bad business practice, filtration of confidential information, external fraud and regulatory and legal breaches), and business (obsolescence of infrastructures, equipment and systems).

In the process of measuring reputational risk, the domino effect that the materialisation of any criminal liability risk would have on reputational risk is considered relevant.

The management of certain risks strictly defined as reputational stemming from third-party action is also considered to be a key factor.

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 the Group's Strategic Plan.

In compliance with this policy, the Group entered into a series of interest rate hedges in the course of 2013. As a result, 72% of total gross debt was hedged against interest rate increases at 31 December 2013.

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 is expected to increase by 2.4% with regard to 2013, taking into account that results are affected by the amendment to the accounting standards (IFRS 10 and 11), whereby BBG and Altamira are accounted for using the equity method and only contribute to profit after tax.

The Enagás Group is considering making investments in 2014 of 625 million euros (in enterprise value terms), 65% of which is intended to go towards new international acquisitions and 35% towards regulated assets in Spain.

V.-Research and development

The technological innovation initiatives carried out by the Group in 2013 comprised assessing, developing and testing new gas technologies with the aim of increasing and improving the competitiveness of natural gas in various applications, focusing particularly on projects of strategic value for the Group.

The most significant activities carried out by area in 2013 were:

a) Production (LNG): Further work was carried out on rolling out the "MOLAS" application, aimed at learning about how LNG ages and how its properties change during shipping. In this area, the Group is developing a new technique in order to improve its LNG sampling system to more accurately gauge the quality of the LNG when loading the tanks. It is drawing up engineering plans for a facility to generate electricity by leveraging the spikes in gas emission pressure at the Barcelona plant. The Group has continued the study to investigate new technologies in the small-scale LNG distribution field.

b)Transport: Work has continued on a study regarding the impact on operations of transporting natural gas and moderate amounts of hydrogen through gas pipelines, as well as the possible conversion of surplus hydrogen into methane. A European project was launched to improve the quantitative evaluation of gas leaks in gas transport systems. Studies were also begun to assess the impact of in-network gas flaring. Studies and simulation models were updated to calculate the safety distances between parallel gas pipelines.

c) Operation: The logistics planning and optimisation application (SPOL), which allows all network facilities to be managed by enhancing system performance in general, was substantially modified in order to take into account recent extraordinary operating conditions. Actual operational data proved that the quality of the gas transported through the gas pipeline network can be determined by means of simulation.

d) Safety: Work proceeded on various projects and studies related to the analysis of the risks involving gas pipelines, LNG plants and underground storage facilities.

e) Metering: A number of initiatives are under way to enhance the chromatographic and metering techniques of various parts of the natural gas system. Work continued on a number of initiatives for the measurement and determination of dew points and hydrocarbon levels in natural gas in the laboratory as well as in the field. Studies are under way on how to improve the level of uncertainty in laboratories measuring gas flow. Tests are also being carried out to assess the application of measurement systems in regulating and metering stations. Computational flow dynamics (CFD) simulation techniques are being applied in order to enhance the precision of metering stations.

f) General interest projects: The tri-generation facility was assembled at the Zaragoza Technology Centre to enable the supply of heat, cooling and electricity to the various areas of the new data processing centre, control centre, laboratories and offices.

g) Other matters: The Group is carrying out a campaign to contact other energy companies and associations with the aim of spearheading the joint development of R&D activities in order to share know-how.

VI.-Transactions with treasury share

The Group did not carry out any transactions involving treasury shares in 2013.

VII.-Additional information

This additional disclosure is included to comply with article 116 bis of Spain's Securities Market Law 24/1988 of 28 July.

a) The 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:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
03-05-02	358,101,390.00	238,734,260	238,734,260

All the shares are of the same class.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c) Significant direct and indirect shareholdings

Significant shareholdings (excluding directors):

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
OMAN OIL COMPANY, S.A.O.C.(*)	0	11,936,702	5.000
KUTXABANK, S.A.(*)	0	11,936,713	5.000
FIDELITY INTERNATIONAL LIMITED	0	4,710,880	1.973
RETAIL OEICS AGGREGATE	0	2,410,274	1.010

(*) Through:

Name or company name of the shareholder	Number of direct voting rights	% of total voting rights
OMAN OIL HOLDINGS ESPAÑA, S.L.U.	11,936,702	5
KARTERA 1, S.L.	11,936,713	5
Total	**23,873,415**	**10**

Significant shareholdings of directors holding voting rights attached to the Company's shares

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
ANTONIO LLARDÉN CARRATALÁ	56,396	0	0.024
MARCELINO OREJA ARBURÚA	1,260	0	0
TERESA GARCÍA MILÁ LLOVERAS	1,500	0	0.001
SULTAN HAMED KHAMIS AL BURTAMANI	1	0	0
DIONISIO MARTÍNEZ MARTÍNEZ	2,010	0	0.001
LUIS JAVIER NAVARRO VIGIL	1,405	7,075	0.004
MARTÍ PARELLADA SABATA	910	0	0
RAMÓN PÉREZ SIMARRO	100	0	0
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	11,936,713	0	5
Total	**12,000,295**	**7,075**	**5.030**

(*) Through:

Name or company name of the shareholder	Number of direct voting rights	% of total voting rights
NEWCOMER 2000, S.L.U.	7,075	0.003
Total	**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 into 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, S.A. shall undertake the duties, rights and obligations of technical system operator. (...)

No individual or body corporate may hold a direct or indirect interest in the shareholder structure of the company responsible for technical system management of more than 5% of the share capital or exercise more than 3% of its voting rights. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those individuals or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights of over 1%. These restrictions will not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share capital be syndicated.

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

For the purposes of calculating 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, the company Enagás, S.A. shall adapt its bylaws to that envisaged in Additional Provision Twenty of Law 34/1998, of 7 October, adding Transitional Provision Two of Law 12/2007, of 2 July:

"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 ENAGAS, 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 6 bis ("Restrictions on shareholdings and the 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 interest in the shareholder structure of the company responsible for technical system management of more than 5% of the share capital, 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 individuals or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights of over 1% These restrictions will not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share capital be syndicated.

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

For the purposes of calculating the interest in the Company's shareholding structure, the Additional Provision Twenty of Hydrocarbon 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 as a collegiate body, 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 the absence of a Deputy Chairman, the most senior director in age shall act as 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 the absence of both, the most senior director in age shall act as 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, notwithstanding the powers of proposal enjoyed by shareholders, the Board of Directors shall propose to the General Shareholders' Meeting the number of directors that at each stage it deems appropriate in the interest of the company. The General Shareholders' Meeting shall decide on the final number.

2.- The Board of Directors shall be composed of directors that belong to the categories stated below:

a) Internal or executive directors: directors who perform senior management functions or are employed by the company or its Group. If a director performs senior management functions and, at the same time, is or represents a significant shareholder or one that is represented on the Board of Directors, he/she shall be considered internal or executive for purposes of these Regulations.

No more than 20% of the total number of members of the Board of Directors may belong to this category.

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

b1) Propietory directors: directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than said amount, as well as those who represent said shareholders.

b2) Independent directors: directors of acknowledged professional prestige are able to contribute their experience and knowledge to corporate governance and, since they do not belong to either of the two preceding categories, meet the conditions set forth under article 9 of these 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 Shareholders' Meeting to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, independent directors represent a broad majority over executive directors and that among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the Company's capital.

ARTICLE 8.- APPOINTMENT OF DIRECTORS.

1.- Directors shall be appointed at the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions contained in the Spanish Corporate Enterprises Act and the Company's bylaws.

2.- Those appointed to directorship must be people who, in addition to meeting the legal and bylaw-stipulated requirements, have acknowledged prestige and the appropriate professional knowledge and experience to perform their tasks efficiently.

Proposals for the appointment of directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a report from the Appointments and Remuneration Committee. When the Board of Directors does not agree with the Committee's recommendations, it must explain its reasons and duly record them in the minutes.

3.- The process of filling board vacancies shall have no implicit bias against women candidates. The Company shall make an effort to include women with the target profile among the candidates for Board positions.

ARTICLE 9.- APPOINTMENT OF INDEPENDENT DIRECTORS

Independent directors are defined as directors appointed for their personal and professional qualities who are in a position to perform their duties without being influenced by any connection with the company, its significant shareholders or its management. As such, the following shall in no circumstances qualify as independent directors:

a) Past employees or executive directors of Group companies, unless three or five years have elapsed, respectively, from the end of the employment relationship.

b) Those who have received some payment or other form of compensation from the Company or its Group on top of their directors' fees, unless the amount involved is not significant. Payment shall not include for the purposes of the provisions of this article, dividends or pension top-ups paid to the director in connection with his or her former professional or employment relationship, so long as their settlement is unconditional in nature and the Company paying them cannot arbitrarily choose to suspend, modify or revoke their payment, unless the director is in breach of his or her obligations.

c) Partners, now or in the past three years, in the external auditor or the firm responsible for the audit report, during this period, of Enagás, S.A. or any other within its Group.

d) Executive directors or senior officers of another company where an executive director or senior officer of Enagás, S.A. is an external director.

e) Those having material business dealings with Enagás, S.A. or some other in its Group or who have had such dealings in the preceding year, either on their own account or as the significant shareholder, director or senior officer of a company that has or has had such dealings. Business dealings are considered those with suppliers of goods or services, including financial advisory and consultancy services.

f) Significant shareholders, executive directors or senior officers of an entity that receives significant donations from Enagás, S.A. or its Group, or has done so in the past three years. Mere sponsors of a foundation receiving donations are not included here.

g) Spouses, or partners maintaining an analogous affective relationship, or close relatives of one of the company's executive directors or senior officers.

h) Any person not proposed for appointment or renewal by the Appointments and Remuneration Committee.

i) Those standing in some of the situations listed in a), e), f) or g) above in relation to a significant shareholder or a shareholder with board representation. In the case of the family relations set out in letter g), the limitation shall apply not only in connection with the shareholder but also with his or her proprietary directors in the investee company. Proprietary directors disqualified as such and obliged to resign due to the disposal of shares by the shareholder they represent may only be re-elected as independents once the said shareholder has sold all remaining shares in the company.

A director with shares in the company may qualify as independent, provided he or she meets all the conditions stated in this article and the holding in question is not significant.

ARTICLE 10.- TENURE AND CO-OPTION

Directors may hold their post for a period of four years, and may be re-elected. Board members designated by co-optation will discharge their positions until the next General Shareholders' Meeting is held.

ARTICLE 11.- RE-APPOINTMENT OF DIRECTORS

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

As a general rule, appropriate rotation of independent directors should be endeavoured. For this reason, when one is proposed for re-election, the circumstances making his/her continuity in the post advisable must be justified. Independent directors should not stay on as such for a continuous period of more than 12 years.

ARTICLE 12.- REMOVAL OF DIRECTORS.

1.- Directors shall leave their post after the first General Shareholders' Meeting following the end of their tenure and in all other cases in accordance with law, the company's bylaws and these 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 shareholders represented by proprietary directors dispose of their ownership interests. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced proportionately.

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

3.- The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a report from the Appointments and Remuneration Committee.

4.- After a director has been removed from his/her post, he/she may not work for a competitor company for a period of two years, unless the Board of Directors exempts him/her from this obligation or shortens its duration.

Bylaw provisions affecting the amendment of the bylaws:

ARTICLE 26. – SPECIAL QUORUM.

In 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 only members of the Board of Directors who have the power to represent the Company are its Chairman, Antonio Llarden Carratala, who the Board of Directors granted the powers that appear in the public deed executed on 9 February 2007 before Notary of Madrid Pedro de la Herran Matorras under number 324 of his protocol and as recorded in the Madrid Companies Registry, Volume 20,090; Book 0; Folio 172, Section 8; Page M-6113; Record 668. Although said powers encompass broad powers of representation, they do not include the ability to issue or buy back shares of the Company.

Regardless of the foregoing, the tenth resolution adopted 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 Company'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 disapply 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 and seven 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.- Events after the balance sheet date

On 31 January 2014, the Enagás Group reached an agreement to acquire the 22.38% interest that Hunt and Repsol have in the Peruvian company Transportadora de Gas del Perú (TgP). This acquisition is conditional on the remaining shareholders that already have a shareholding no exercising their pre-emption rights. On preparation of these consolidated financial statements, the period during which these shareholders could exercise their rights had net yet elapsed.

With regard to the Consent Solicitation of the Enagás Group company, Financiaciones, S.A.U., indicted in Note 15.1 of these consolidated financial statements, the deed amending the terms and conditions was registered in the Madrid Companies Registry on 29 January 2014.

No events having a material impact on the Group's consolidated financial statements have occurred between 31 December 2013 and the date of authorising these consolidated financial statements for issue.

Enagas Group

On 17 February 2014, the Board of Directors of Enagás, S.A. authorised the financial statements and management report for the year ended 31 December 2013, 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 financial statements, prepared in accordance with applicable accounting principles, provide a fair value of the Company's equity, financial position and results and that the management report includes a fair analysis of the performance and results of the businesses and the situation of the Company, 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 financial statements or management report.

Chairman

- Antonio Llardén Carratalá

Chief Executive Officer

- Marcelino Oreja Arburúa

Directors

- Sultan Al Burtamani
- Jesús David Álvarez Mezquíriz
- Sociedad Estatal de Participaciones Industriales-SEPI (Representada por D. Federico Ferrer Delso)
- Teresa García-Milà Lloveras
- Miguel Ángel Lasheras Merino
- Dionisio Martínez Martínez
- Luis Javier Navarro Vigil
- Martí Parellada Sabata
- Ramón Pérez Simarro
- José Riva Francos
- Isabel Sánchez García
- Rosa Rodríguez Díaz
- Jesús Máximo Pedrosa Ortega

Secretary to the Board

- Rafael Piqueras Bautista

Appendices

10. Appendices

-10.1, 10.2, 10.3, 10.4, 10.5, 10.6,10.7-

10.1. Our position in sustainability indexes

Indexes, certifications and assessment agencies -2.10-

Enagás has been a member of the *United Nations Global Compact* since 2003. Since 2011 the Progress Report has met all the criteria for the *GC Advanced level*. It was also included in the Global Compact 100 index in 2013.

Enagás has been a member of the *Dow Jones Sustainability World Index* (DJSI) since 2008. The Company is also ranked Silver in the Sustainability Yearbook 2014 published by ROBECOSAM.

Enagás has been a member of the *FTSE4Good* index since 2006.

Enagás has been a member of the *Ethibel Pioneer & Excellence* index since 2009.

Enagás has been a member of the *STOXX ESG Leaders* index since 2011.

Enagás has been the only Spanish company on the Vigeo World 120 index since 2012.

Oekom upheld its B Prime rating of Enagás, granted in 2010.

Enagás has been involved in the Carbon Disclosure Project's assessment of the risks and opportunities arising from climate change since 2009. In 2013, Enagás was awarded Level B for Performance and 83 points for Transparency.

In 2012, Enagás' management model was awarded the EFQM 500+ European Seal of Excellence.

The 2012 Annual Report and this 2013 Report were drawn up in accordance with the integrated reporting principles laid down by the International Integrated Reporting Council (IIRC).

As a standard-bearer in corporate social reporting, in 2011 Enagás joined the initiative of the International Integrated Reporting Council (IIRC) for integrated reporting, sharing knowledge and best practices in this regard.

Enagás' 2013 Annual Report was verified for the fifth year under the AA1000APS standard, and for the sixth year in accordance with the Global Reporting Initiative (GRI), with an A+ level of application.

In 2013, Enagás renewed its certification as a Family-Responsible Company, first granted to it in 2007. Enagás maintains its "B – Proactive" rating.

In 2012, Enagás renewed its "Equality at Work Seal" from the Spanish Ministry of Health, Social Policy and Equality, first issued in 2010.

Furthermore, in 2014 the Company also signed a cooperation agreement with the Ministry for Health, Social Policy and Equality aimed at increasing the number of women in executive positions.

In 2012/2013, Enagás was certified for the third year running as one of the Top Employers in Spain, and was also identified as one of the best companies to work for.

Enagás holds ISO 9001:2008 certification for its technical system (TSM) and third party network access (TPA) management processes, as well as its information systems management and infrastructure development systems.

Since 2011, Enagás has held SSAE 16 certification for its "System capacity management and viability analysis" and "System security of supply/technical management of underground storage" procedures.

10.2. Self-assessment of adoption of integrated reporting principles and elements

Enagás collaborated with the International Integrated Reporting Council (IIRC) in preparing the framework for integrated reporting (International Framework) which was published at the end of 2013. This defines the guiding elements and principles for integrated reporting.

Enagás is committed to integrated reporting as a way of clearly and concisely presenting the Company's capacity to create and maintain value in the present and future.

The 2012 Annual Report was a significant step for the Company in this regard. The 2013 Annual Report places particular emphasis on describing the Company's activity, the outlook for the sector, our strategy and how we can create value through sustainable management.

Below we detail the key changes made in the 2013 Annual Report to integrate financial and non-financial information, following the principles and elements included in the integrated reporting framework:

Strategic focus and future orientation

In this report we have placed more emphasis on our strategy and future prospects by including specific information on the outlook for the natural gas sector in Spain and worldwide as well as the opportunities and risks facing the company and their origin.

In this report we have also identified the key initiatives we shall be undertaking over the coming years. This is particularly apparent in the chapter concerning creating value in the present and future where we have listed the key initiatives undertaken in 2013, the performance indicators for 2013 and the undertakings for 2014.

Connectivity of information

This report allows readers to discover the Company's activity, the risks and opportunities we face, our strategy in this regard and our management model which is designed to create value in the present and the future.

We are able to create value based on our sustainable management model and the three objectives of our CSR Strategy (Vision 2020), where we explain how our company manages all available resources to achieve results which are sustainable over time.

Materiality, Responsiveness and stakeholder inclusiveness – 3.5 -

A multidisciplinary team representing the Company's various departments took part in writing the 2013 Annual Report. They have prepared the texts to be included using information from both internal and external sources which has enabled us to identify those issues which are most relevant to our stakeholders (for more information on the sources used, please see chapter "2. About our 2013 Annual Report).

As in previous years, this year's annual report has been drafted applying the principles of standard AA1000: inclusivity, materiality and responsiveness.

Conciseness - 3.5 -

Every year we endeavour to be as concise as possible in our report. More detailed information on the issues covered can be found in other sources such as our corporate website.

Reliability - 3.5 -

Financial information is audited by Deloitte, which also audits our financial statements and examines information relating to ICFR system, expressing an opinion on its effectiveness.

Non-financial information is verified by KPMG, with a limited level of assurance. In 2012, some indicators were verified with a reasonable level of assurance. This number was increased in 2013. Therefore, the following indicators have been verified with a reasonable level of assurance:

- Training (LA10).
- Health and safety (LA7).
- Employees / Workforce (LA1, LA2, LA13)
- Employees covered by collective agreements (LA4).

Enagás is continuing to review its indicators so as to achieve higher levels of assurance in future.

Comparability and consistency

The 2013 Annual Report takes account of the content and indicators recommended in the third version of the Global Reporting Initiative (GRI) guidelines, particularly with regard to the Oil & Gas sector supplement. Therefore, it provides an internal and external benchmark for comparison based on internationally recognised principles and content.

Furthermore, the indicators included in the 2013 Annual Report are defined so as to facilitate comparison with reports for prior years and other companies in the sector, using studies, CSR indexes and benchmarking projects as references. For example, in the area of occupational health and safety we have included accident rates for employees and contractor staff.

Integrated reporting framework content

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Integrated reporting framework content

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Reporting and presentation basis	Process for analysing materiality	2. About our 2013 Annual Report: We report on the key aspects	11
	Scope of the information supplied	2. About our 2013 Annual Report: Scope of the financial and non-financial information	10
General reporting principles	Material issues	7. Creating value in the present and for the future 7.1. A safe, reliable company 7.2. Sustainable businesses 7.3. Outstanding skills	47-49 50-51 72-73 106-107
	Key quantitative indicators	3. 3 Key financial and non-financial figures	15-16
	Information on share capital	7. Creating value in the present and for the future	48-49
	Reporting period and aggregation level of the information	2. About our 2013 Annual Report: Scope of the financial and non-financial information	10

10.3 Self-declaration of GRI application level G3.1 - 3.9 -

Since 2008, Enagás has prepared its Annual Report following the recommendations of the Global Reporting Initiative (GRI), with an A+ level of application.

The 2013 Annual Report is based on the GRI G3.1 guide and its Oil & Gas sector supplement, with application level A. The content of the 2013 Annual Report has been verified by KPMG.

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Enagás Group** has presented its report "2013 Annual Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 28 February 2014

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+
GRI REPORT
GRI CHECKED

The "+" has been added to this Application Level because **Enagás Group** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 18 February 2014. GRI explicitly excludes the statement being applied to any later changes to such material.*

10.4. GRI content index

Global Reporting Initiative content index - 3.12 -

The pages of this report corresponding to each standard GRI disclosure item and indicator are listed below.

I. Profile

GRI	Description	Reported	Pages/direct response
1. Strategy and analysis			
1.1	Statement from the most senior decision-maker of the organisation, strategy	Fully	5
1.2	Description of key impacts, risks and opportunities	Fully	37
2. Organisational profile			
2.1	Name of the organisation	Fully	9, 414
2.2	Primary brands, products and/or services	Fully	19
2.3	Operational structure of the organisation	Fully	52
2.4	Location of organisation's headquarters	Fully	414
2.5	Number of countries where the organisation operates, and names of countries where the organisation has significant operations	Fully	19
2.6	Nature of ownership and legal form	Fully	9
2.7	Markets served	Fully	19
2.8	Scale of the organisation (net sales, total capitalisation, etc.)	Fully	14
2.9	Significant changes during the reporting period regarding size, structure or ownership	Fully	66
2.10	Awards received	Fully	384
3. Report parameters			
Report profile			
3.1	Reporting period for information provided	Fully	9
3.2	Date of most recent previous report (if any)	Fully	9
3.3	Reporting cycle (such as annual, biennial)	Fully	9
3.4	Contact point	Fully	414
Report scope and boundary			
3.5	Process for defining report content (including determining materiality, prioritising topics within the report and identifying stakeholders)	Fully	9, 11, 98, 100 Relevant issues are those identified by responsible of Enagas Directions and then, are contrasted with those identified by shakeholders.

GRI	Description	Reported	Pages/direct response
3.6	Boundary of the report	Fully	9
3.7	Specific limitations on the scope or boundary of the report	Fully	9
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	Fully	9
3.9	Data measurement techniques, bases for calculations, assumptions and estimates applied. Reasons for not applying GRI Indicator Protocols.	Fully	388
3.10	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Fully	9
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	Fully	9
GRI content index			
3.12	Table identifying the location of the standard disclosures in the report	Fully	389
Assurance			
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	410
4. Governance, commitments and engagement			
Governance			
4.1	Governance structure of the organisation	Fully	52
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Fully	52
4.3	For organisations that have a unitary board structure, state the number of board members of the highest governance body that are independent and/or non-executive members	Fully	52
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Fully	59
4.5	Linkage between compensation for members of the highest governance body and the organisation's performance	Fully	44, 55, 57, 122
4.6	Process in place for the highest governance body to ensure conflicts of interest are avoided	Fully	59
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	59
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	Fully	22, 48, 59
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	37
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	Fully	37, 44, 55, 57, 112
Commitments to external initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Fully	37
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Fully	108

GRI	Description	Reported	Pages/direct response
4.13	Memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: - Holds a position on the governance body - Participates in projects or committees - Provides substantive funding beyond routine membership dues; or - Views membership as strategic	Fully	102
Stakeholder engagement			
4.14	List of stakeholder groups engaged by the organisation	Fully	98, 100
4.15	Basis for identification and selection of stakeholders with whom to engage	Fully	98, 100
4.16	Approach to stakeholder engagement (including frequency)	Fully	98, 100
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Fully	98

II. Management approaches

Aspects	Reported	Pages/direct response
Economic dimension		
Economic performance	Fully	14, 60-67
Market presence	Fully	23-27
Indirect economic impacts	Fully	14-17, 74, 75
Reserves	Not reported	As shown in the "Enagás and the gas value chain" diagram (page 20), Enagás' activity commences with the unloading of ships at its regasification plants or at international connections in the gas pipeline network. The natural gas transmitted, regasified and stored by Enagás belongs to the shippers, not to Enagás. Therefore, Enagás has no natural gas reserves.
Dimensión ambiental		
Materials	Fully	85-87
Energy	Fully	89-94
Water	Fully	84-85
Ecosystem services, including biodiversity	Fully	81-83
Emissions, effluents and waste	Fully	76-81, 87-89
Products and services	Fully	23-26
Compliance	Fully	Enagás treats any fine or sanction as material if it exceeds 25% of the materiality limit set by the external auditors each year
Transmission	Fully	76-77
Overall	Fully	74-75

Aspects	Reported	Pages/direct response
Disclosure on LA management approach		
Employment	Fully	108-112
Labour/Management relations	Fully	113-115
Occupational Health and Safety	Fully	119-122
Training and education	Fully	116-118
Diversity and equal opportunity	Fully	113-115
Equal remuneration for women and men	Fully	113
Disclosure on HR management approach		
Investment and procurement practices	Fully	27, 68-71
Non-discrimination	Fully	113-115
Freedom of association and collective bargaining	Fully	112
Child labour	Fully	The Enagás collective bargaining agreement prohibits the Company from employing minors of under 16 years of age (Article 28) and its Business Principles establish a procedure for managing incidents of this type.
Forced and compulsory labour	Fully	The Enagás collective bargaining agreement establishes business hours for the year and the possibility of flexible working hours (Article 38), there is an occupational risk prevention policy, and the Company's Business Principles establish a procedure for reporting and managing incidents of this type
Security practices	Fully	Enagás subcontracts security personnel. Enagás only has armed security personnel at its regasification plants, the Gaviota and Serrablo underground stores and the company headquarters. In addition, the requirements of the Company's supplier accreditation process include respect for the principles of the United Nations Global Compact and the Universal Declaration of Human Rights. A corporate responsibility clause has been included in all commercial contracts and the Company's General Contracting Conditions since November 2008
Indigenous rights	Fully	Enagás' activities are generally performed in Spain. No violations of indigenous peoples' rights have been reported
Assessment	Fully	Enagás chiefly carries on its business in Spain, and no significant operations have been identified that could constitute violations of human rights

Aspects	Reported	Pages/direct response
Remediation	Fully	122-123
Disclosure of SO management approach		
Local communities	Fully	95-97
Corruption	Fully	122-123
Public policy	Fully	102-103
Anti-competitive behaviour	Fully	There is no pending litigation resulting from anti-competitive behaviour, anti-trust and monopoly practices
Compliance	Fully	Enagás treats any fine or sanction as material if it exceeds 25% of the materiality limit set by the external auditors each year
Emergency preparation	Fully	http://www.enagas.es/cs/Satellite?cid=1142492557936&language=es&pageid=1146030397277&pagename=ENAGAS%2FENAG_Generico_FA%2FENAG_pintarGenerico
Involuntary resettlement	Fully	There have been no involuntary resettlements. There have only been compulsory purchases in accordance with current legislation.
Asset integrity and process security	Fully	There were no Tier 1 or Tier 2 security events in 2013
Disclosure of PR management approach		
Customer health and safety	Fully	120-122
Product and service labelling	Fully	Enagás identifies the route of its pipelines and facilities using signalling in accordance with this standard and which makes these easy to operate and maintain, thereby preventing accidents
Marketing communications	Fully	We are committed to improving the transparency, accuracy and rigour of all our communications. Our aim is to keep our stakeholders and society at large regularly informed, and also to help the press and media do their job
Customer privacy	Fully	There have been no substantiated complaints regarding breaches of customer privacy and loss or theft of customer data.
Compliance	Fully	There have been no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services
Fossil-fuel substitutes	Fully	Enagás does not produce or purchase biofuels

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Economic dimension							
Economic performance							
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	Partial	17	Operating countries that are candidates for, or comply with, the EITI	Not applicable	Enagás does not operate in EITI countries	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Fully	74-77				
EC3	Coverage of the organisation's defined-benefit plan obligations	Fully	113-114				
EC4	Significant financial assistance received from government	Partial	Capital grants contributed by the state, the autonomous communities and the ERDF in 2013 totalled approximately EUR 3.9 million, corresponding essentially to the EU structural funds assigned to the Gas Infrastructure Operational Programme (EUR 2.3 million) and the installation of a cogeneration plant at the Huelva facility funded by the Andalusia Energy Agency (EUR 1.6 million).	Aggregate financial value on an accruals basis for tax relief/credits, subsidies, awards, royalty holidays, financial assistance from Export Credit Agencies, financial incentives and other financial benefits received or receivable from any government for any operation	Not applicable	Enagás only receives significant assistance in the form of capital funds.	
Market presence							
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Fully	In 2013, the standard entry level wage of an Enagás employee was twice the minimum cross-profession wage in Spain. There has been no significant change in this ratio in the past three years.				
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Fully	68				
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Fully	Enagás carries on most of its business in Spain, and therefore almost all its personnel is contracted locally.				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Direct and indirect impacts							
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Fully	Enagás' infrastructures enable gas to be used as a fuel in electricity generation, allowing diversification of energy supply. Natural gas provides a backup for renewable energy and therefore contributes to their development. Local communities are not dependent on Enagás activities, as the Company does not employ a significant proportion of the local workforce				
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Fully	92				
OG1	Volume and type of estimated proved reserves and production	Not reported			Not applicable	As shown in the "Enagás and the gas value chain" diagram (page 20), Enagás' activity commences with the unloading of ships at its regasification plants or at international connections in the gas pipeline network. The natural gas transmitted, regasified and stored by Enagás belongs to the shippers, not to Enagás. Therefore, Enagás has no natural gas reserves.	
Environmental dimension							
Materials							
EN1	Materials used by weight or volume	Fully	85, 89, 92				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
EN2	Percentage of materials used that are recycled input materials.	Fully	81% of the paper used by Enagás in its offices is FSC (Forest Stewardship Council) certified. This guarantees sustainable forestry practices. 5% is recycled paper.				
Energy							
EN3	Direct energy consumption by primary energy source	Partial	90	Energy consumption in gas production	Not applicable	As shown in the "Enagás and the gas value chain" diagram (page 20), Enagás' activity commences with the unloading of ships at its regasification plants or at international connections in the gas pipeline network. Therefore, as Enagás is not involved in production activities, the indicated energy intensity ratios are not applicable.	
EN4	Indirect energy consumption by primary energy source	Fully	90 (145.31 GWh = 523,224 GJ) The percentage of power consumed which comes from renewable sources is the same as that in the national energy mix.				
EN5	Energy saved due to conservation and efficiency improvements	Fully	93-94				
OG2	Total amount invested in renewable energy	Fully	92				
OG3	Total amount of renewable energy generated by source	Fully	92				
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Fully	93, 94				
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Fully	93, 94				
EN8	Total water withdrawal by source	Partial	84, 85	Intensive water operations	Not applicable	Enagás operations do not consume water intensively	

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
EN9	Water sources significantly affected by withdrawal of water	Partial	84, 85				
EN10	Percentage and total volume of water recycled or reused	Fully	Enagás does not reuse water in its processes				
Biodiversity							
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. Indicate the location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Fully	82, 83				
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and in areas of high biodiversity value outside protected areas	Fully	75, 78, 80, 81, 84, 87				
EN13	Habitats protected or restored	Fully	82 Monitoring and verification is carried out on an internal basis				
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Fully	81				
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Fully	81				
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Fully	81				
Emissions, effluents and waste							
EN16	Total direct and indirect greenhouse gas emissions by weight	Fully	76, 78				
EN17	Other relevant indirect greenhouse gas emissions by weight	Fully	76, 78				
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Fully	76, 78, 93				
EN19	Emissions of ozone-depleting substances by weight	Fully	76, 78, 93				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
EN20	NOx, SOx and other significant air emissions by type and weight	Partial	80	Weight of significant atmospheric emissions of POP, VOC, PM	Not available	PM emissions from Enagás facilities that generate such emissions are being calculated. The environmental regulations applicable to Enagás do not provide for measurement of the other pollutants, as natural gas does not contain any substances that can give rise to them	2014
EN21	Total water discharge by quality and destination	Fully	84				
EN22	Total weight of waste by type and disposal method	Fully	87-88 Practically all waste derives from routine activities				
OG5	Volume and disposal of formation or produced water	Not reported			Not applicable	Not applicable to Enagás activity, as it does not have production water	
EN23	Total number and volume of significant spills	Fully	There were no reports of any significant spills in 2013				
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	Fully	Waste generated by Enagás is not shipped internationally				
OG6	Volume of flared and vented hydrocarbons	Partial	90	Volume of hydrocarbons continuously vented	Not applicable	Enagás does not continuously vent hydrocarbons	
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal.	Not reported			Not applicable	As shown in the “Enagás and the gas value chain” diagram (page 20), Enagás' activity commences with the unloading of ships at its regasification plants or at international connections in the gas pipeline network. Therefore, as it is not involved in extraction activities, Enagás does not generate drill mud.	

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	Partial	Enagás does not discharge any waste-water into water courses located in protected nature reserves or which are considered to be of particular ecological value.				
Products and services							
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Partial	89, 101	Improvement measures for products that result in improved energy efficiency for end consumers	Not applicable	Enagás does not provide products to the end consumer	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported			Not applicable	Enagás does not generate materials or products in its processes	
OG8	Benzene, lead and sulphur content in fuels	Not reported			Not applicable	As shown in the "Enagás and the gas value chain" diagram (page 20), Enagás' activity relates exclusively to natural gas. Enagás is not involved in production activities for liquid fuels	
Compliance							
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	Enagás has not been fined for any non-compliance with environmental laws				
Transmission							
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Fully	81,76-77				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Global							
EN30	Total environmental protection expenditures and investments by type	Fully	74				
1. Labour practices and decent work							
Employment							
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	53, 108, 109, 111, 113				
LA2	Total number and rate of employee hires and employee turnover by age group, gender and region.	Fully	108-110				
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.	Fully	113, 114				
LA15	Return to work and retention rates after parental leave, by gender.	Fully	113, 114				
Labour/management relations							
LA4	Percentage of employees covered by collective bargaining agreements	Fully	111,112 60.92% of Enagás employees are covered by the collective bargaining agreement. Managerial staff are not covered whereas 33.3% of technicians, 100% of operators and 95.1% of administrative staff are.				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective bargaining agreements	Fully	Information is provided to trade union representatives and the Inter-centre Committee, as higher-level regional bodies than workplace representatives or Company-employee committees. There is no minimum notice period of organisational changes for employee representatives. Enagás' collective bargaining agreement establishes a number of bodies for employee representation through their representatives (commissions, management-worker committees, working groups, etc.) Employees can also submit their suggestions using the Intranet.				
Occupational health and safety							
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	119				
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender.	Partial	121-122	Calculation of the frequency and seriousness index, by gender	Not applicable	Most of the accidents resulting in sick leave in 2013 were among operators, the majority of whom are male (97%).	
LA8	Education, training, counselling, prevention and risk control programmes in place to assist workforce members, their families or community members regarding serious diseases	Fully	121-122				
LA9	Health and safety topics covered in formal agreements with trade unions	Fully	119-122				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Training and education							
LA10	Average hours of training per year per employee by gender, and by employee category.	Fully	116-117				
LA11	Programmes for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings	Fully	116-117				
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	55, 112				
Diversity and equal opportunity							
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Fully	52, 108, 109, 113 With respect to integration of the disabled, Enagás has an agreement with the Juan XXIII Foundation to help disabled people into employment and complies with the 2% statutory target for employment of people with disabilities through sponsorship programmes.				
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Fully	113				
2 Human Rights							
Investment and procurement practices							
HR1	Percentage and total number of significant investment agreements that include clauses incorporating human rights concerns, or that have undergone human rights screening	Fully	27, 68				
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	Fully	71				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Fully	122				
Non-discrimination							
HR4	Total number of incidents of discrimination and corrective actions taken	Fully	No incidents of discrimination were reported in 2013.				
Freedom of association and collective bargaining							
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Fully	Enagás' employees are free to exercise their right of affiliation to a trade union to promote and protect their financial and social interests (Article 1 of the Organic Law on Trade Union Freedom). Furthermore, as stipulated in Article 64 of the 15th Enagás collective agreement, membership of trade unions and participation in their activities must not be the basis for discrimination in employment or working conditions, and any agreement or decision by the Company contrary to this principle is deemed null and void. (article 64)				
Child labour							
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	Fully	None of the activities in which Enagás is engaged have been identified as carrying a risk of child exploitation. Additionally, the Enagás collective agreement prohibits the Company from employing minors of less than 16 years of age (Article 28) and its Business Principles establish a procedure for reporting and managing incidents of this type.				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Forced and compulsory labour							
HR7	Operations and significant suppliers identified as having significant risk of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	Fully	None of Enagás' operations have been identified as being subject to a significant risk of forced or compulsory labour. Additionally, the Enagás collective agreement establishes business hours for the year and the possibility of flexible working hours (article 38), there is an occupational risk prevention policy, and the Company's Business Principles establish a procedure for reporting and managing incidents of this type.				
Security practices							
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Fully	Enagás subcontracts security personnel. Enagás only has armed security personnel at its regasification plants, the Gaviota and Serrablo underground stores and the Company headquarters. In addition, the requirements of the Company's supplier accreditation process include respect for the principles of the United Nations Global Compact and the Universal Declaration of Human Rights. Since November 2008, a corporate responsibility clause has been included in the Company's General Contracting Conditions				
Indigenous rights							
HR9	Total number of incidents of violations involving rights of indigenous people and action taken.	Fully	Enagás' activities are generally performed in Spain. No violations of indigenous peoples' rights have been reported				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Assessment							
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not reported			Not material	Enagás chiefly carries on its business in Spain, and no significant operations have been identified that could constitute violations of human rights.	
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	Not reported			Not applicable	Not applicable as Enagás has no operations or activities in the vicinity of indigenous populations	
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	Fully	122				
3 Society							
Local communities							
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Fully	95, 96				
SO9	Operations with significant potential or actual negative impacts on local communities.	Fully	82				
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Fully	82				
OG10	Number and description of significant disputes with local communities and indigenous peoples	Fully	82				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	Fully	The process of dismantling two LNG storage tanks at the Barcelona plant commenced in 2013. The Company holds all pertinent authorisation.				
Corruption							
SO2	Percentage and total number of business units analysed for risks related to corruption	Fully	The risk of corruption is included in risk of fraud and unauthorised activities. Every business unit has been analysed for corruption risks				
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Fully	122				
SO4	Actions taken in response to incidents of corruption	Fully	36-37,122-123				
Public policy							
SO5	Public policy positions and participation in public policy development and lobbying	Fully	102				
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Fully	No contributions to political parties of any kind have been made. Enagás' Business Principles also contain guidelines on this matter				
Anti-competitive behaviour							
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Fully	There is no pending litigation resulting from anti-competitive behaviour, anti-trust and monopoly practices				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Compliance							
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully	No sanctions, significant fines or non-monetary sanctions have been imposed for non-compliance with laws or regulations				
Involuntary resettlement							
OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process	Fully	Compulsory purchases related to Enagás' activity do not involve involuntary resettlement of communities				
Asset integrity and process security							
OG13	Number of process safety events, by business activity	Fully	There were no process safety events pursuant to standard API RP 754				
3 Product Responsibility							
Customer health and safety							
PR1	Life cycle stages in which the health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Fully	The new European Parliament and Council regulations concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) exempts natural gas from the obligation to register.				
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	A warning and a fine due to OHS breaches have been received. There is no significant non-compliance with voluntary codes of practice.				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
Product and service labelling							
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Fully	Enagás has specific procedures for providing information on all its activities. Product information provided for the customer: - The source of the components of the product or service. - Content, particularly in terms of substances that may have an environmental or social impact - Safe use of the product or service - Disposal of the product and social/ environmental impact				
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcome.	Fully	No non-compliances have been registered concerning information on infrastructure				
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Fully	98, 100				
Marketing communications							
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	Enagás does not carry out advertising or promotional marketing campaigns. In addition, Enagás is a member of the Spanish Association of Directors of Communication (DIRCOM), which, inter alia, promotes ethical communications practices				

III. Performance indicators

GRI	Description	Reported	Pages/ Response	Non-reported part	Reason for omission	Explanation	Report date
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	Not reported			Not applicable	Enagás does not carry out advertising or promotional marketing campaigns. In addition, Enagás is a member of the Spanish Association of Directors of Communication (DIRCOM), which, inter alia, promotes ethical communications practices	
Customer privacy							
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Fully	There have been no substantiated complaints regarding breaches of customer privacy and loss or theft of social/ environmental data.				
Compliance							
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Fully	There have been no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services				
Biofuels							
OG14	Volume of biofuels produced and purchased meeting sustainability criteria	Not reported			Not applicable	Enagás does not produce or purchase biofuels	

10.5. External verification report - 3.13 -

KPMG Asesores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Independent Assurance Report to the Management of Enagás, S.A.

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

According to our engagement letter, we have reviewed the non-financial information contained in the Annual Report 2013 of Enagás Group (hereinafter Enagás) for the year ended 31 December 2013 (hereinafter "the Report"). The information reviewed corresponds to the economic, environmental and social indicators referred in the chapter entitled Annex 10.4 "GRI table of contents".

Enagás management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 3.1 (G3.1) and the Oil and Gas Sector Supplement of the Global Reporting Initiative as described in the section entitled Annex 10.3 "Self-declaration of GRI G3.1 application level". This section details the self-declared application level, which has been confirmed by Global Reporting Initiative. Management is also responsible for the information and assertions contained within the Report; for the implementation of processes and procedures which adhere to the principles set out in the AA1000 AccountAbility Principles Standard 2008 (AA1000APS); for determining its objectives in respect of the selection and presentation of sustainable development performance; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility is to carry out a review to provide reasonable assurance on GRI indicators LA1, LA2, LA4, LA7, LA10 and LA13, limited assurance on the rest of the indicators included in the engagement scope and express a conclusion based on the work done. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement. It concerns a review performed according to KPMG assurance engagement independence rules, as well as the requirements from the International Ethics Standards Board for Accountants Code of Ethics on integrity, objectivity, confidentiality, professional behaviours and qualifications. We have also conducted our engagement in accordance with AA1000 Accountability Assurance Standard 2008 (AA1000 AS) (Type 2), which covers not only the nature and extent of the organisation's adherence to the AA1000 APS, but also evaluates the reliability of performance information as indicated in the scope.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore also the level of assurance provided. This report should by no means be considered as an audit report.

Our limited assurance engagement work has consisted of making inquiries to Management, primarily to the persons responsible for the preparation of information presented in the Report, and applying the following analytical and other evidence gathering procedures. Such procedures depend on professional judgment, including the risk assessment of material inaccuracies due to fraud or error:

- Inquiries of management to gain an understanding of Enagás processes for determining the material issues for their key stakeholder groups.

KPMG Asesores S.L., a limited liability Spanish company, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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- Interviews with relevant Enagás staff concerning the application of sustainability strategy and policies.
- Interviews with relevant Enagás staff responsible for providing the information contained in the Report.
- Visit to Serrablo underground storage facility and Alcázar de San Juan compression station, selected based on a risk analysis considering quantitative and qualitative criteria.
- Analysing the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Enagás.
- Analysis of the level of coherence between the information given in the section Annex 10.2 "Self-assessment of adoption of integrated reporting principles and elements" regarding the progress made in the preparation of the Report using an integrated report approach. This being based on the principles and elements of the International Integrated Reporting Council's prototype of the working framework, and the information included in the Annual Report.
- Verifying that the financial information reflected in the Report was taken from the annual accounts of Enagás, which were audited by independent third parties.

Furthermore, the revision of the GRI indicators LA1, LA2, LA4, LA7, LA10 and LA13 carried out with a reasonable level of assurance, has consisted in the application of additional procedures to those described earlier. The objective of these procedures was to obtain information on the processes and controls used by the company to prepare the Report. On performing the risk assessments, we considered internal controls relevant to the preparation and fair presentation by the entity of the information to be reviewed, in order to design the review procedures appropriate in the circumstances.

Our multidisciplinary team included specialists in AA1000 APS, stakeholder dialogue, social, environmental and economic business performance.

We believe that the evidence that we have obtained, provides a sufficient and appropriate basis for our conclusion.

Based on the procedures performed on the Annual Report 2013 of Enagás Group for the year ended, 31 December 2013, we conclude that:

- GRI Indicators LA1, LA2, LA4, LA7, LA10 and LA13, reviewed with a reasonable level of assurance, can be considered reliable and comply, in all significant aspects with the Sustainability Reporting Guidelines version 3.1 (G3.1) and the Oil and Gas Sector Supplement of the Global Reporting Initiative as described in the section entitled Annex 10.3 "Self-declaration of GRI G3.1 application level";
- regarding the indicators and information reviewed with a limited level of assurance, nothing has come to our attention that causes us to believe that the data have not been reliably obtained, that the information has not been fairly presented, or that significant discrepancies or omissions exist, nor that the Report is not prepared, in all material issues with the Sustainability Reporting Guidelines version 3.1 (G3.1) and the Oil and Gas Sector Supplement of the Global Reporting Initiative as described in the section entitled Annex 10.3 "Self-declaration of GRI G3.1 application level";

3

- regarding Enagás' application of the Accountability AA1000 APS 2008 Principles Standard, nothing has come to our attention that indicates that Enagás has not applied the principles of inclusivity, materiality and responsiveness as described in the Report section "Management of stakeholders".

Under separate cover, we will provide Enagás management with an internal report outlining our complete findings and areas for improvement. Without prejudice to our conclusions presented above, we present some of the key observations and areas for improvement below:

In relation to the INCLUSIVITY principle

During 2013, Enagás created an internal working group, *Culture of innovation and shared value*, in order to revise the model for the management of the company's stakeholders. To do this, the directors of the areas that have a direct relationship with stakeholders identified those groups that are considered as priorities, both for their influence over Enagás ability to achieve its strategic objectives, and because they could be affected by the achievement of these. In this regard it is recommended that Enagás progresses in the definition and development of their new model for relations and participation with stakeholders for the management and control of risks and the creation of shared value, as well in the formalization of this model.

In relation to the MATERIALITY principle

As a result of the internal working group, *Culture of innovation and shared value*, a first approximation of the relevant issues for each of the stakeholders identified was obtained. In order to intensify and progress in the identification and prioritization of material issues, Enagás is recommended to consider, in its model for relations and participation with stakeholders, intended to be developed in 2014, the inclusion of external opinions expressed in this participation process, as an input in the process for the identification and prioritization of relevant issues for Enagás.

In relation to the RESPONSIVENESS principle

For the design of the answers to stakeholders' needs and expectations, during 2013 Enagás conducted a series of surveys of the gas system traders and operators, where the degree of satisfaction with services provided was assessed. In order to progress and further apply the principle of responsiveness, Enagás is recommended to formalize and incorporate into its model for relations and participation with stakeholders, the prioritization of those actions that respond to the expectations derived from the consultations with stakeholders, based on the relevance of the issues covered. Moreover, these initiatives should remain to form part of Enagás' Master Plan for Quality, Excellence and Sustainability, as a central element in the preparation of responses, as it has been done so far.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

AA1000 Licensed Assurance Provider

6 March 2014

10.6. Contents of the Global Compact

The Global Compact is an ethical commitment initiative that encourages companies worldwide to incorporate into their strategy and operations ten universal principles concerning human rights, labour standards, the environment and the fight against corruption.

Enagás has been a member of the United Nations Global Compact since 2003 and regularly renews its commitment, maintaining a public and transparent record of the progress it has made in this field in an annual report published on the Global Compact website at (*www.unglobalcompact.org*).

The links between the ten principles of the Global Compact and the GRI indicators considered in this report are listed in the table below, in accordance with the guidelines for using GRI sustainability reporting in the preparation of a United Nations Global Compact Communication on Progress, published by the United Nations Global Compact Office in May 2007.

To make it easier to identify the activities most directly related to the principles of the Global Compact, Enagás has singled out the GRI indicators that have a direct bearing on these principles. The table below indicates the pages of this report in which this information is contained.

GC	Human rights	Directly-related GRI indicators	Page
1	Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.	HR1 - 11	Pages 27, 68, 71, 122 Appendix 4. GRI table
2	Businesses should make sure that they are not complicit in human rights abuses.	HR1 – 2, HR8	Pages 27, 68, 71 Appendix 4. GRI table
	Labour		
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LA4 – 5, HR5	Pages 111, 112 Appendix 4. GRI table
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR7	Appendix 4. GRI table
5	Businesses should uphold the effective abolition of child labour.	HR6	Appendix 4. GRI table
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	LA2, LA13 – 14, HR4	Pages 52, 96, 108, 109, 110, 113, Appendix 4. GRI table
	The environment		
7	Businesses should support a precautionary approach to environmental challenges.	EN18, EN26	Pages 76, 77, 89,101
8	Businesses should undertake initiatives to promote greater environmental responsibility.	EN2, EN 5 – 7, EN 10, EN13 – 14, EN18, EN 21 -22, EN26 – 27, EN30	Pages 74, 76, 77, 81, 82, 84, 88, 89, 93, 94, 101 Appendix 4. GRI table
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN2, EN5 - 7, EN10, EN18, EN26 - 27, EN30	Pages 74, 76, 77, 89, 93, 94, 101, Appendix 4. GRI table
	Anti-corruption		
10	Businesses should work against corruption in all its forms, including extortion and bribery.	SO2 - 4	Pages 36, 37, 122, 123

10.7. Contact – 2.1, 2.4, 3.4 -

Please address any comments, requests for clarification or suggestions in connection with this report to:

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