

ANNUAL REPORT 2015



INDEX

PRESENTATION

Interview with the Executive Chairman_ **4**

About our Report_ **8**

Enagás in 2015_ **10**

Enagás in the world_ **12**

1

ABOUT US

Our business model_ **15**
Mission, vision, values_ **16**

2

BUSINESS OUTLOOK AND STRATEGY

Operating context_ **19**
Managing opportunities in the natural gas sector_ **21**
Enagás' strategy_ **23**
Risk management_ **26**

3

SUSTAINABLE MANAGEMENT

Sustainable Management Model_ **31**
Materiality analysis_ **32**
Collaboration and creation of value with our stakeholders_ **36**

4

CREATING ECONOMIC, SOCIAL AND ENVIRONMENTAL VALUE

Good Governance_ **42**
Financial and operational excellence_ **50**
Ethical compliance and human rights_ **56**
Human capital management_ **64**
Health and Safety_ **74**
Community outreach_ **80**
Environmental management_ **84**
Climate change and energy efficiency_ **90**
Supply chain_ **98**



Annual Report 2015, available on the corporate website

The complete Enagás Annual Report 2014 is available on the corporate website in an online version for computer, tablet and mobile telephone (browsable, downloadable, interactive PDF files) www.enagas.es



04



08



10



12

5

KEY INDICATORS

Economic_ **105**
 Social_ **107**
 Environmental_ **109**

6

APPENDICES

Self-assessment of adoption of integrated reporting principles and elements_ **111**
 GRI content index_ **114**
 External verification report_ **125**
 Contents of the Global Compact_ **128**
 Our contribution to the Sustainable Development Goals_ **129**
 Contact_ **131**

7

CORPORATE GOVERNANCE REPORT 2015_ **132**

8

CONSOLIDATED FINANCIAL STATEMENTS 2015_ **234**

CODES FOR NAVIGATING AROUND THIS DOCUMENT



Back to previous page Go to next page Go to index Consult glossary Print Search document

More information

If you would like to access any more information that may interest you, you can click on this symbol.







ANTONIO LLARDÉN, EXECUTIVE CHAIRMAN OF ENAGÁS

“OUR COMMITMENT TO INCREASE THE DIVIDEND BY 5% EACH YEAR IS BEING EXTENDED TO 2020”

The Enagás chief executive explains the highlights of 2015, the first full year under the new sector regulations and marked by the company's international development and its sustainable and sustained growth. [G4-1, G4-48]

What aspects of the results obtained by Enagás in 2015 would you highlight?

For the ninth consecutive year, we met all our commitments. Enagás reported net profit of €412.7Mn and 1.5% growth compared to 2014, which is higher than the 0.5% increase that we had forecast at the beginning of the year. This growth, while modest, is frankly meritorious, given that 2015 was the first full year under the new regulations, which has brought a significant reduction in regulated revenues. A decrease in financial expenses and increased earnings from our international business have been the main factors behind this solid performance.

What can you tell us on the investment front?

Enagás invested a total of €530Mn in 2015, of which €324Mn were invested in international markets. One of the year's key investments was the acquisition of 50% of Swedish gas grid operator Swedegas, along with the Belgian TSO Fluxys, who acquired the other 50%. We also purchased an additional 4.34% of TGP, in Peru, meaning we now own 24.34% of the company. Furthermore, we continued investing in the development of two major greenfield projects: Trans Adriatic Pipeline (TAP), in Europe, and Gasoducto del Sur Peruano (GSP), in Peru.

In Spain, we invested €206Mn. I would give special mention to the acquisition of 30% of the SAGGAS regasification plant, in Sagunto, and an additional 10% of BBG, in Bilbao, an infrastructure in which we now hold a 50% stake.

2015 was a year of ups and downs for the stock market. How did the Enagás share price perform?

We ended the year with virtually no variance, against a backdrop of the 7% fall in the IBEX35. The first half of the year was excellent, wherein our share price reached a new all-time high of €28.25. Over the second half of the year, and especially after the summer, share prices began a downward trend as a result of problems related to the Chinese economy, oil prices, and so forth. These factors were completely beyond Enagás' control and affected the entire market. In any event, our efforts are focused on creating long-term value, so we know that we should not pay too much attention to short-term swings in the market.

In 2015, Standard&Poor's upgraded Enagás' credit rating on two occasions, from BBB to BBB+ and from BBB+ to A-, which represented a major milestone. Fitch Ratings maintained its credit rating at A-.

Enagás' forecasts through to 2020 have just been revised. What are the key aspects of this revision?

One key aspect is the decision to extend our shareholder remuneration policy to 2020, which includes a commitment to increase the dividend by 5% each year.

Secondly, we expect 2% average growth in net profit for the 2016-2020 period. As we have explained on other occasions, lower revenues due to the new regulations in Spain will be offset by the growth in our international business.

The cash-flow that we generate over the period will allow us to pay the dividend as well as uphold the level of domestic and international investment, averaging some €400Mn per annum, thereby maintaining a solid financial structure with estimated debt in 2020 similar to the end of 2015.

As regards Enagás' international development, what type of assets and which countries is your strategy focused on?

Our international strategy is focused on three main axes: markets requiring gas infrastructure, the global LNG market, and consolidation of infrastructure in Europe. We invest in both brownfield assets and the development of greenfield assets. Our strategy always requires attractive returns, low business risks (thanks to regulation or long-term contracts), in stable countries, and with partners who make contributions and participate in decision-making. In all cases, it means investments in which Enagás can bring to bear its experience to increase the efficiency and profitability of assets, that is, acting as an industrial partner as opposed to a purely financial one.

In Europe, we are taking part in two key Supply Security projects that have been categorised by the European Commission as PCI (Project of Common Interest): TAP (Trans Adriatic Pipeline) and the third interconnection with France via Catalonia (Midcat).

Leadership in Spanish regasification plants and their direct connections to North Africa have enabled mainland Spain to become a potential reception point for gas from anywhere in the world. If interconnections with France are upgraded, we could transport that gas to the rest of Europe, thereby turning Spain into a gas hub for the entire continent.

How would you sum up the first full year of the new regulatory framework, and what is the current situation of Spain's Gas System?

The overall picture is positive. System costs have been reduced and revenues have risen, thanks also to the increased demand for gas. And all without changing the tolls, that is, without affecting the cost to consumers. In 2015, Spain's Gas System figures were virtually balanced and, for the coming years, we can expect surpluses that will eliminate the small deficit accumulated up to 2014.

“Over 60% of our investments over the year were in international markets. One of the year's key investments was the acquisition of 50% of Swedish gas grid operator Swedegas”

How do you expect the demand for gas in Spain to evolve over the next few years?

2015 saw the start of a recovery: domestic demand for natural gas rose by 4.5%, the highest rise since 2008. This was due to higher consumption by the electricity sector, greater industrial demand resulting from the economic upturn and, lastly, growth in the household-commercial segment motivated by higher penetration of gas and an improved economic backdrop. The ongoing effect of such factors leads us to expect that, for the 2016-2020 period, the demand for natural gas in Spain will rise by an average of 3.5% per year.

Enagás was included in the Global 100 index as the sixth most sustainable company in the world. How important is sustainability to Enagás?

Sustainability is one of our four strategic drivers. Enagás' Sustainable Management Plan seeks to generate positive impacts both on our own business and on the communities in which we operate. The main lines of action in the Plan included adopting the best practices in Corporate Governance, the introduction of energy efficiency measures, which allowed us to cut our Carbon Footprint by 40%, and the Strategic Resources Plan, which provided the company with the resources required for international development. All of these actions were carried out while upholding our commitment to the professional development of our employees as well as our classification as a Family-Friendly Company.

All of this effort has once again helped us become a world leader in sustainability, as well as to achieve the highest ranking ever obtained by a Spanish company in the Global 100 index. What is more, we have retained our inclusion in the Dow Jones Sustainability Index for the eighth consecutive year and renewed our commitment to the ten principles of the Global Compact.

What new developments can Enagás report in terms of corporate governance?

In corporate governance, we continue to adopt and reinforce the best international practices. In this regard, we maintain ongoing, fluent dialogue with our shareholders, as well as proxy advisors and other stakeholders, in order to continue enhancing this area year upon year.

2015 also saw the approval of the company's new Code of Ethics, and we revised our Risk Control Policy.

We also laid the foundations for a Long-Term Incentives Plan, aligning the interests of both shareholders and Enagás senior management, in accordance with the recommendations of investors and proxy advisors, the CNMV (Spanish National Securities Market Commission) Good Governance Code, and best practices. This plan will be subject to approval at the 2016 General Shareholders' Meeting.



Moreover, we on the Enagás Board continue to promote a greater presence of women, both on our board and in senior management.

Lastly, what would you highlight as a conclusion?

Without doubt, my main message is inspired by Enagás' mission: we will continue to develop and manage gas infrastructures efficiently and safely in order to create value for our stakeholders, always in a sustainable manner.

I would like to end by stressing that this integrated Annual Report, which we have prepared for the fourth year in a row, includes the company's performance and most relevant economic, social and environmental impacts.

Furthermore, we are one of the few companies able to say that, throughout this long global crisis, not only have we managed to maintain our workforce, but we have actually increased it by 42%, from 944 employees at the end of 2006 to 1337 by the end of

“We have achieved the highest ranking ever obtained by a Spanish company in the Global 100 sustainability index, published at the latest Davos World Economic Forum”

2015. I truly appreciate the outstanding efforts made by Enagás employees. Their technical and human qualities represent the company's main asset and the foundations of our sustained future growth.

And, of course, I would like to thank all of our shareholders, on my behalf and on behalf of the Board of Directors, for your trust and support. In 2016 and beyond, we will continue working in the same direction and with the same enthusiasm.

ABOUT OUR ANNUAL REPORT

[G4-3, G4-7, G4-28]

Scope of the financial and non-financial information

The scope of this report includes the information on FY 2015 and 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. The chapters on Human Capital

Management and Environmental Management include indicators whose scope encompasses information on investee companies due to the impact of the issues discussed. This applies to biodiversity indicators (the impacts of infrastructure construction in Mexico is included) and workforce indicators of Enagás employees in each of the countries where the company operates (México, Perú, Bélgica, Switzerland and Sweden) are included. [G4-17, G4-20, G4-21, G4-22, G4-23]

+ More information: For further details on the scope of the financial information, refer to the Financial Statements, section 2.5 'Basis of consolidation'.





Standards and principles used in its preparation

The following standards and principles were used in preparing this 2015 Annual Report:

The Sustainability Reporting Guidelines of the GRI (Global Reporting Initiative), version G4, Oil & Gas Sector Supplement, defining the principles and content for compiling sustainability reports, undergoing GRI's Context Index Service. The content of the report has been verified by KPMG.

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. Enagás is a member of the Integrated Reporting Business Network. Review of the 2014 Enagás Annual Report carried out by the IIRC and a panel of investors.

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

The Sustainable Development Goals approved by the United Nations General Assembly, which Enagás integrates in its strategy and are set out in the Appendix. Our contribution to the Sustainable Development Goals

The 10 principles of the UN Global Compact, as set out in the Appendix. Global Compact content index. [G4-15]



+ **More information:** For more information, see Self-Assessment of Integrated Reporting, Letter of Verification, GRI Content Table and Global Compact content index in the Appendices chapter of this report.

The main reporting standards and principles were used in preparing the 2015 Enagás Annual Report

ENAGÁS IN 2015

FINANCIAL RESULTS



Net profit
+1.5%
(€412.7Mn)



Operating
Cash Flow
+14.3%
(€673.8Mn)



Investments
€530.2Mn

RATING



S&P **A-**
(stable outlook)

FITCH **A-**
(stable outlook)



SHARE PRICE PERFORMANCE



DIVIDEND PER SHARE **+1.5%**

SHARE **€ 26**
(AS OF 31/12/15)

DEBT STATUS

FFO (last 12 months)
/Net Debt
16.4%

Net Debt
€4.237Bn

Net cost of debt
2.7%

FREE FLOAT

95%

INTERNATIONAL INDICES

DJSI SCORE **85**



CDP SCORE **99/B**

+ **More information:** See the data in the chapter on 'Key indicators'



WORKFORCE

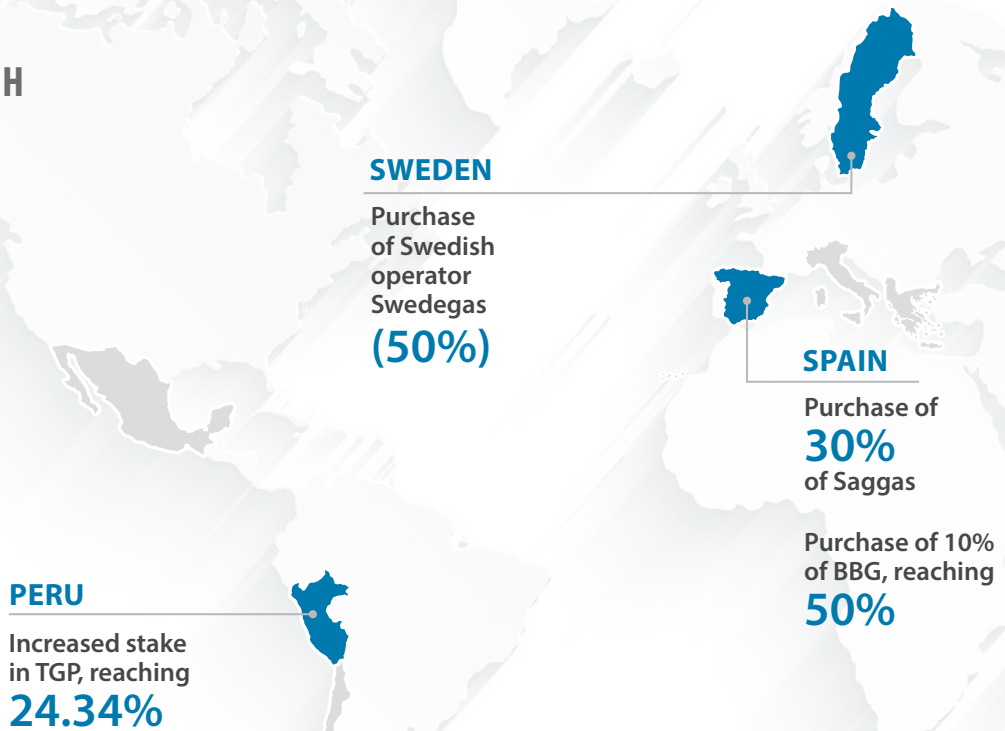


GAS DEMAND



BUSINESS GROWTH

[G4-13]



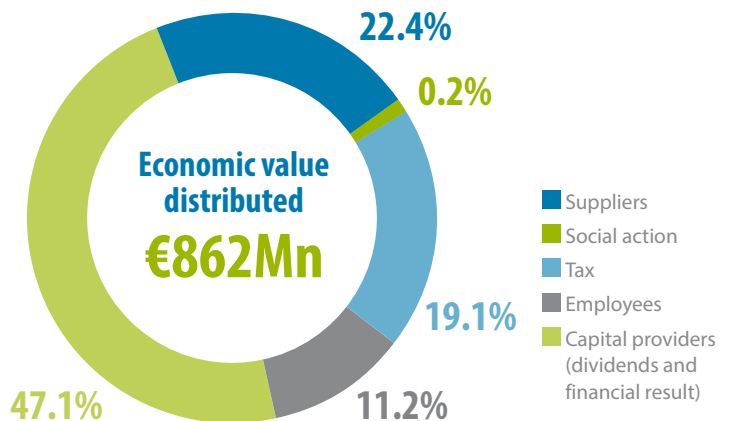
HELPING SOCIETY [G4-EC1]

ENVIRONMENT



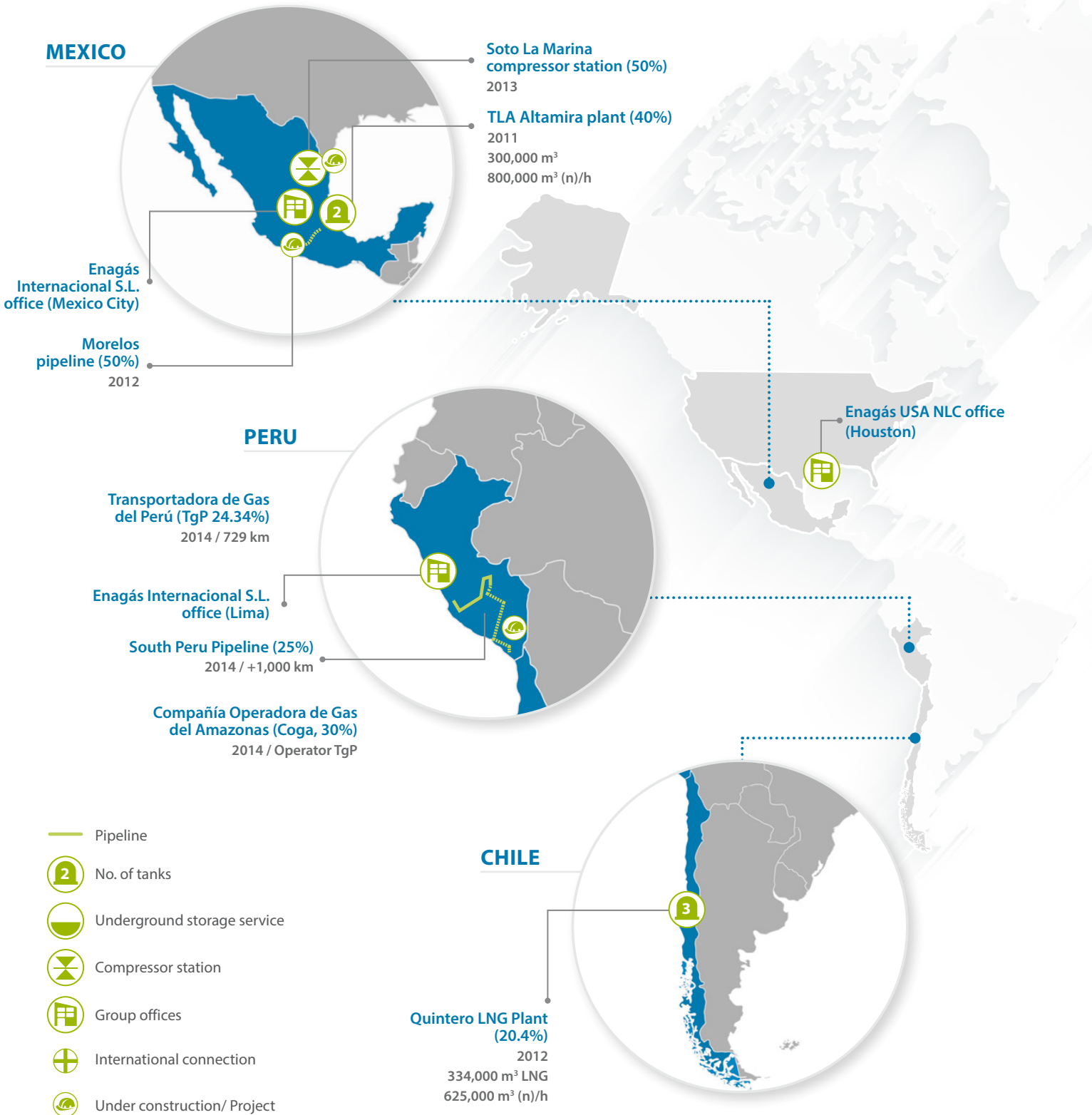
42,453 t CO₂
avoided through energy efficiency measures

CO₂ emission reductions
47%



ENAGÁS IN THE WORLD

[G4-5, G4-6, G4-8]





SWEDEN

Operator
Swedegas
(50%)

LNG Terminal
(Gothenburg)
2015

600 km of
pipeline

Skallen storage
facility (Halmstad)

GREECE, ALBANIA AND ITALY

Trans Adriatic Pipeline (TAP,
16%)
2014 / 871 km

SPAIN

10,314 km of pipeline

18 compressor stations

6 international connections

El Musel plant
300,000 m³ LNG
800,000 m³ (n)/h

Head office
(Madrid)
[G4-5]

Huelva plant
610,000 m³ LNG
1,350,000 m³ (n)/h

Canary Islands plants
300,000 m³ LNG
[G4-6, G4-8]

BBG plant (50%)
450,000 m³ LNG
800,000 m³ (n)/h

Gaviota storage facility
Total gas: 2.5 bcm

Serrablo storage facility
Total gas: 1.1 bcm

Barcelona plant
760,000 m³ LNG
1,950,000 m³ (n)/h

Saggas plant (30%)
600,000 m³ LNG
1,000,000 m³ (n)/h

Cartagena plant
587,000 m³ LNG
1,350,000 m³ (n)/h

Yela storage facility
Total gas: 1.95 bcm*

* Quantity upon reaching its nominal capacity

1

ABOUT US



Our business model_ **15**
Mission, vision, values_ **16**



Our business model

Enagás, a midstream company with 45 years' experience and independent European TSO (Transmission System Operator), is an international standard bearer in the development and maintenance of gas infrastructures and in the operation and management of gas networks.

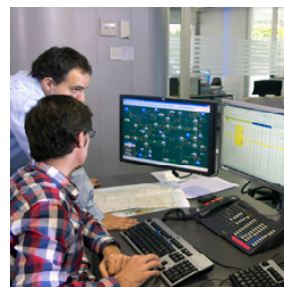
It holds stakes in gas infrastructures in Mexico, Chile, Peru, and Sweden and is also involved in the TAP project, a key pipeline in Europe that will link Greece, Albania and Italy. In Spain it has developed the key infrastructures for the Gas System, transforming it into a benchmark for security and diversification of supply, and has been the Technical System Manager since 2000. [G4-4]



LNG



STORAGE SERVICE

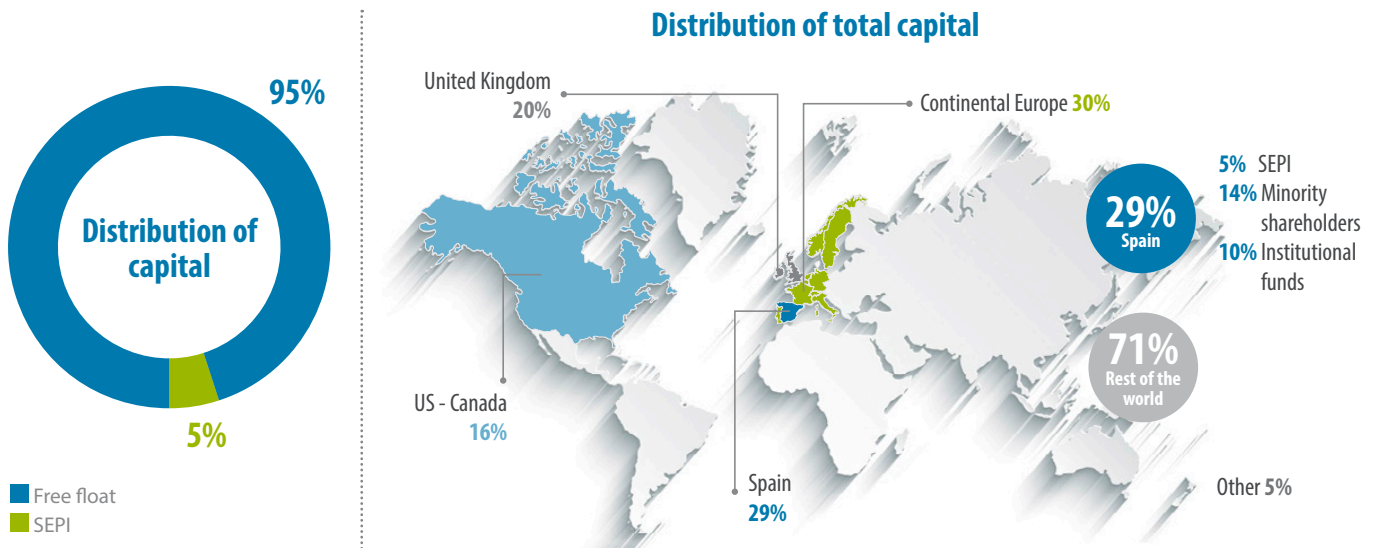


NETWORK OPERATION



TRANSMISSION

Enagás has a free float of 95%, one of the highest on the Spanish continuous market. Approximately 70% of our share ownership is international, with the following estimated distribution by countries: [G4-13]



Source: Prepared by the authors based on the best estimate available at the time of publishing this report.

At Enagás, an Ownership Unbundling model is applied, which sets the maximum ownership limit for any shareholder at 5%, with a restriction on voting rights of 1% for agents from the gas sector and 3% for all other

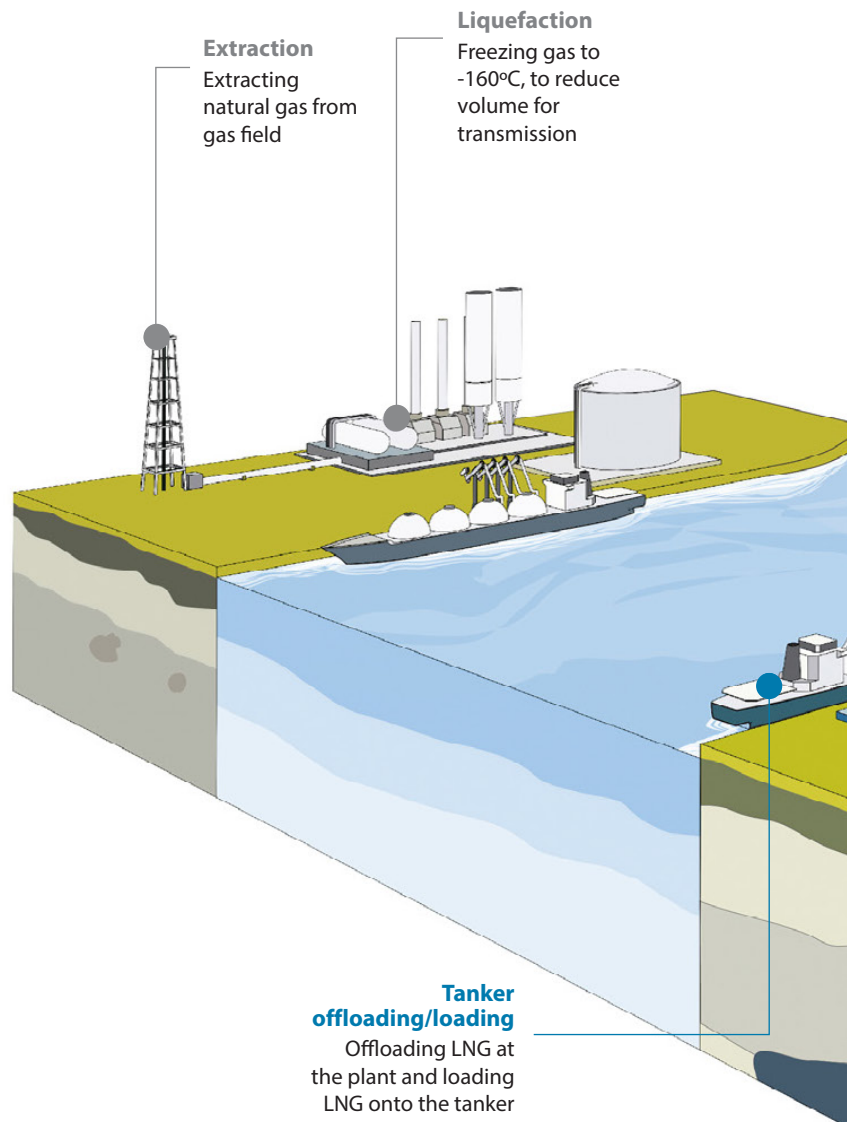
shareholders. These restrictions do not apply to direct or indirect shareholdings held by public-sector enterprises.

Enagás is also involved with the governing bodies of a number of Spanish associations and organisations such as Sedigas, Enerclub and Instituto Elcano, and international bodies such as IGU, ENTSOG, GIE, EASEE Gas, GIIGNL and UNECE. It also cooperates with regulators, both directly and through industry associations, to propose regulatory improvements, whether directly or as part of consultations by the regulators⁽¹⁾. [G4-16]

95% of Enagás' revenues come from regulated business. Regulation includes the development of remuneration and the conditions for accessing basic gas infrastructures to ensure competition in commercialisation.

(1). Enagás is registered in the EU Transparency Register. In 2015, the amount earmarked for lobbying was around €150,000, distributed as follows: personnel expenses (46%), office and administrative expenses (1%), representation, communication and public relations expenses (2%), internal expenses (14%), network and infrastructure membership expenses (37%).

More information:
See the 'Spanish Gas System Report'.



Mission, vision, values

The company's mission, vision and values, as well as its policies and strategy, are reviewed and approved by the Board of Directors. [G4-42]

MISSION

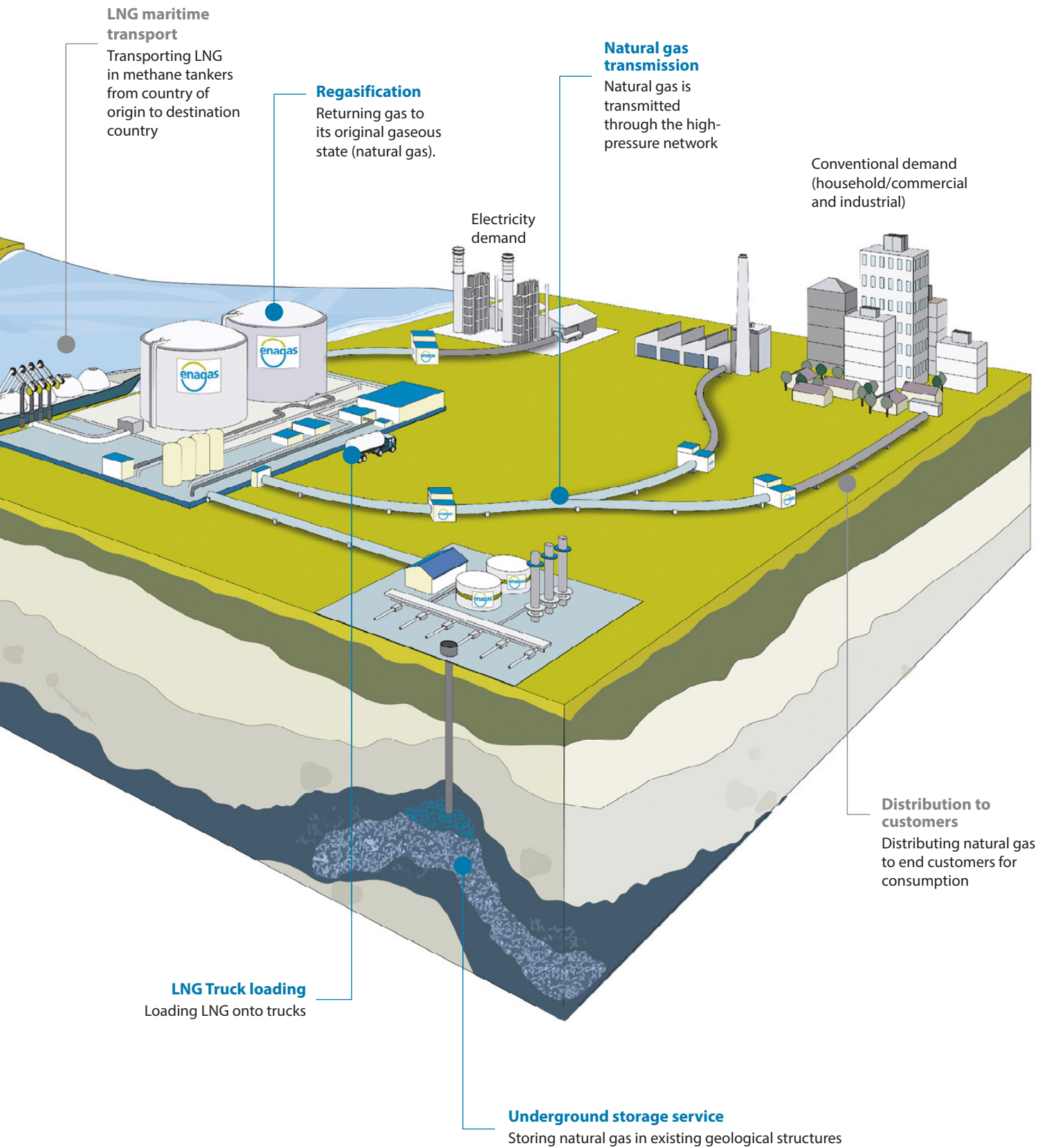
To develop and manage gas infrastructure in a secure, efficient and sustainable manner; complying responsibly with prevailing legislation and helping guarantee supply, particularly in our role as the Technical System Manager in Spain; offering our experience, knowledge and best practices to create value 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
- Team work



2

BUSINESS OUTLOOK AND STRATEGY



Operating context_	19
Managing opportunities in the natural gas sector_	21
Enagás' strategy_	23
Risk management_	26



Operating context

Global trends

At a macroeconomic level, global growth prospects were tempered with respect to previous years; the latest growth figures published by the IMF for 2015 point to +3.1%, that is, 0.3 points lower than for 2014.

The current macroeconomic environment can be summarised into three main lines:

Disparity in the performance of the different regions	Uncertainty surrounding the evolution of China	Widespread fall in commodity prices
<p>While advanced economies recorded slight upturns in their growth rates, emerging markets experienced a slowdown for the fifth year in a row.</p>	<p>Major structural change is expected in China towards a production model focused on domestic consumption, thereby boosting the services sector and high-value-added manufacturing.</p> <p>This transformation is expected to be accompanied by more moderate growth rates, leaving behind the double-digit levels of the past. However, the country will continue to grow at rates that could be double those forecast for advanced economies.</p>	<p>Oil prices dropped to \$30 a barrel, which represents a fall of around 45% compared to the price in early 2015. This is due to an abundance of supply and to the reappearance of Iran; a country with a high potential for crude oil production that will foreseeably increase the volume of exports. Fluctuations in certain currencies also had an impact, such as the appreciation of the US dollar and the depreciation of the yuan).</p> <p>Metals also traded at low prices, largely affected by a fall in demand in China (the main importer, with 50% of the worldwide share).</p>

To this macroeconomic context, we can add the huge challenge of climate change.

As a result of the historic agreement to combat climate change that was reached at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21), the energy sectors have taken on a leading role in the national plans announced by the different countries (the so-called Intended Nationally Determined Contributions).

Enagás supports firm, coordinated action to deal with a global problem that requires a global solution. Gas must be a major part of that solution.

In this regard, Enagás' strategy incorporates sustainability as one of the core business drivers. [G4-EC2]



+ **More information:** See the 'Climate Change and Energy Efficiency' section.

Natural gas market

In 2015, a low price environment for natural gas was consolidated. Market trends point to an abundant supply being maintained in the short and medium term, in a context of moderate growth in demand which, combined with the falling price of crude oil and its knock-on effect on the price of indexed gas contracts, further adds to the downwards pressure on prices.

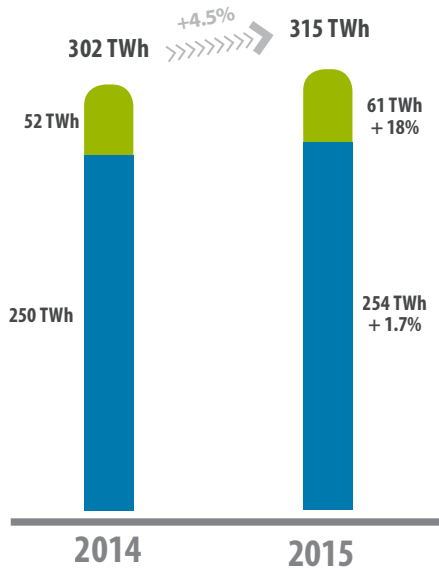
Such a setting increases the relative competitiveness of natural gas while introducing greater liquidity and optionality in the market, thereby improving its efficiency.

In Spain, the demand for natural gas increased in 2015 by 4.5% over the previous year, the largest rise since 2008. It is worth highlighting the strong growth in the use of gas within the electricity sector (+18%), following several consecutive years of falling demand in this segment.

In addition, sustained growth in future demand of around 3.5% is expected, mainly due to an improved macro context in Spain, a recovery of the gas-based power generation segment and greater penetration of gas among end users.

Last year, the Iberian gas market, MIBGAS, was launched. This market, combined with the major supply capacity, both pipeline and LNG, the availability of a robust, developed network of gas infrastructures and the boost from interconnections with Portugal and France, will facilitate the creation of a price reference for the Iberian Peninsula.

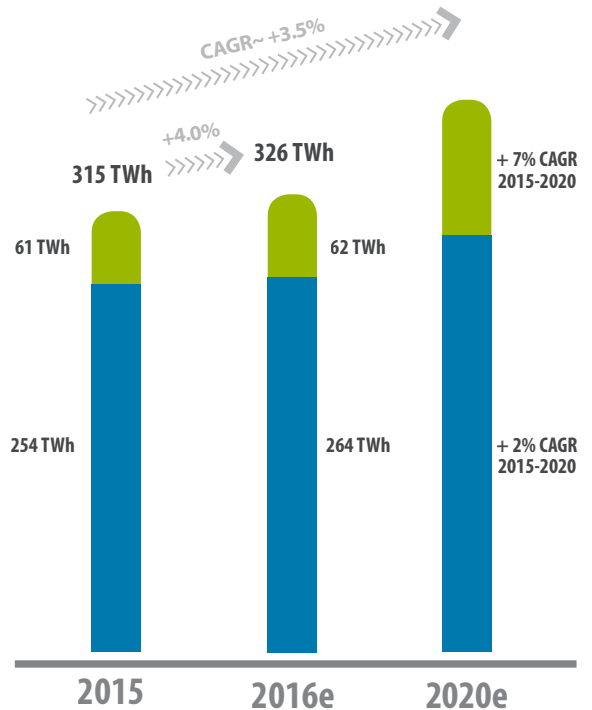
Demand for natural gas in Spain



Source: Enagás GTS

- Conventional demand
- Demand from power industry

Forecasts on gas demand in Spain 2015-2020e (TWh)



Source: Enagás GTS

CAGR: Compound Annual Growth Rate

- Conventional demand
- Demand from power industry



Managing opportunities in the natural gas sector

[G4-2]

European market

In 2015, the demand for gas in the EU rose by approximately 7% following a five-year slump. Domestic production continued to fall, thus increasing reliance on imports.

The European Union therefore made market integration (development of interconnections) and greater diversification of supply sources a top priority.

Enagás is heavily involved in this, driving the development of strategic EU projects such as MIDCAT, which will enable us to export to Europe the benefits of our Gas System's huge capacity to import LNG, and TAP, which will create a new supply route between Europe and the gas fields in Azerbaijan.

Growth markets

Enagás is now present in some of the most robust markets in Latin America, such as Peru, Mexico and Chile. Despite the economic slowdown seen in Latin America as a whole, these countries maintain good macroeconomic growth prospects and they are expected to increase their use of natural gas, leading to the development of new gas infrastructures. This will mean new short-term growth and consolidation opportunities for Enagás.

Peru

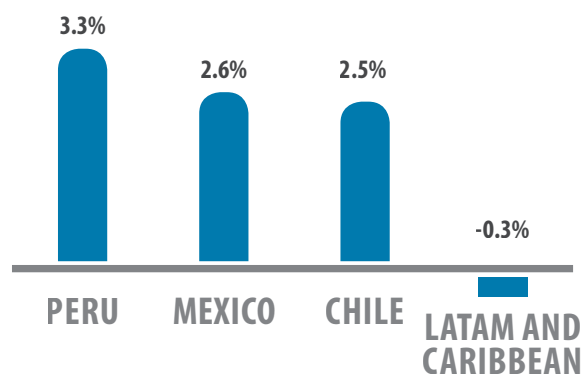
In the case of Peru, the 2025 National Energy Plan envisages a 35% contribution by gas to the final energy mix (currently 13%).

Enagás has positioned itself as the leading gas infrastructure operator in the country, being involved in the two main gas transmission infrastructures: Transportadora de Gas del Perú (TGP), which carries gas and liquids from the Camisea production fields to the country's main consumption centres, as well as to Peru's LNG export plant; and Gasoducto Sur Peruano (GSP), an infrastructure under construction that will carry natural gas to the south of the country and which is, in terms of investment volume, one of the largest infrastructures currently being developed in Latin America.

Mexico

Mexico has launched its new five-year plan (2015 – 2019) which includes an estimated \$10bn investment into gas transmission infrastructures. Enagás is already present in the country through its shares in the Altamira (TLA) regasification plant, the Morelos pipeline and the Soto la Marina compressor station (now operational).

Expected GDP growth rate in 2016 (%)



Source: IMF-Mexico and LATAM and the Caribbean: *World Economic Outlook Update January 2016* Chile and Peru: *World Economic Outlook Update October 2015*

Chile

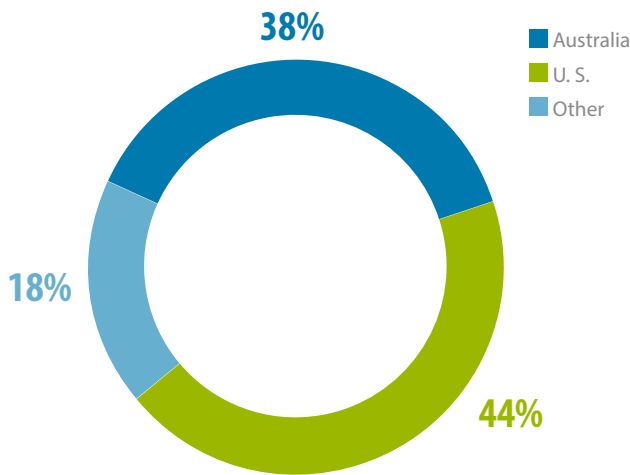
In Chile, the new Energy Agenda was passed in mid-2014. It establishes promoting the use of LNG in power generation as a top priority, along with industrial and residential use. Actions to be promoted include maximising the use of the capacity of existing terminals and expanding the capacity of the Quintero LNG regasification terminal, where Enagás is present.

Liquefied natural gas [G4-DMA]

Over the coming years, the global LNG market will see a heavy increase in capacity thanks to the arrival of new liquefaction projects that will increase the availability of this fuel at competitive prices in all catchment areas.

This market reveals emerging trends whereby business

Liquefaction capacity under construction (2015-2023)



Source: Prepared by the authors based on BG, IGU, IHS data and public information on promoters

models evolve towards approaches based on greater flexibility, relying on the availability of smaller scale, modular solutions such as floating technologies or small scale terminals.

At the same time, growing environmental demands in sea transport segment give LNG a huge potential for development in this segment.

In this context, the role of midstream infrastructure developers and operators is key to facilitate the entry of LNG in economies that need to import natural gas.

Enagás, as an operator with over 45 years' experience, is a world leader in the field of LNG and is well positioned to leverage this market's opportunities for growth.





Enagás' strategy [G4-DMA]

In February 2015, Enagás presented an update of its Strategic Plan 2015-2017, which continues the approach that the company has been using.

Last year, we continued developing our activity in line with the established drivers and strategic criteria, focusing on the three identified pillars of growth.

Once again we have achieved our targets: investments (both in Spain and worldwide), increased profits and shareholder remuneration, and debt:

PILLARS OF GROWTH

Participate in the integration of the European natural gas market



MATURE, COMPETITIVE MARKET - EU

Enagás seeks to become a key European player with increasing importance in the Internal Energy Market

Develop natural gas infrastructures in growth markets



GROWTH MARKET

Lay the foundations for rolling out Enagás' business model as an independent TSO in countries with high growth potential

Strengthen Enagás' position as global LNG expert



GLOBAL MARKET - LNG

Leverage opportunities to interconnect markets worldwide, with Enagás maintaining its position as leader in LNG

[G4-DMA]

'STRATEGIC DRIVERS'



Efforts in operating efficiency



Realistic/profitable investment plan



Focus on international growth



Sustainability as a framework for developing Enagás' business

STRATEGIC CRITERIA



Transmission and storage of natural gas, Liquefied Natural Gas infrastructures, logistical solutions and related activities



Long-term contracts and reputable *offtakers*



Role as industrial partner with veto powers, Enagás managers in key positions and participation in working groups



Partnerships with local companies/companies with complementary capabilities. Reputable partners



Stable and predictable flows



SUSTAINABILITY AS A STRATEGIC DRIVER

Enagás upholds the COP21 Global Agreement to keep temperature rises below 2 °C and proactively helps to achieve this by offering sustainable energy solutions. Gas infrastructures ensure a cleaner and more affordable energy supply to fuel the growing economy and promote social wellbeing, while facilitating the introduction of renewable energy and biogas.

One of Enagás' strategic priorities is to replace carbon-intensive fossil fuels with natural gas:

- Developing infrastructures that allow a highly efficient use of natural gas in the power generation, industrial, commercial and residential markets, thus replacing highly polluting fuels.
- Contributing towards reduced emissions in the transport sector and reducing local contamination by fostering the use of LNG regasification terminals for *bunkering* (sea transport) as well as developing small-scale LNG solutions (road transport).
- Enabling the penetration of biogas in our transmission infrastructures.

This strategic commitment is reflected in our Climate Change Management Model with specific results: **Enagás has been acknowledged as a leading company in sustainability.**



Such strategy fulfilment is linked annually to employees' variable remuneration by setting the four strategic drivers as company targets. Variable remuneration of the Chairman and CEO depends on these targets. Therefore, remuneration is linked to economic, environmental and social targets. [G4-51]

Capex
€430Mn
(~50% international investment)

Growth in net profit
+1.5%

DIVIDEND PER SHARE € 1.32

NET DEBT €4.237Bn

COST OF DEBT ~2.7%

+ **More information:** See the 'Financial and Operational Excellence' section.

Strategic drivers	Company objectives	Indicator	Level of attainment
Operational efficiency	Improve the company's financial results	Net profit growth (+0.5% over 2014).	100%
Investment plan	Consolidate regulated revenues	<ul style="list-style-type: none"> ■ Undertake regulatory and remuneration actions that ensure company revenue (GTS remuneration, etc.). ■ Ensure proper introduction of efficiency measures to consolidate the remuneration framework. ■ Develop the logistics-sales plan, to help increase revenue for the system and for Enagás. 	97.33%
International growth	Launch of the company's Strategic Plan	<ul style="list-style-type: none"> ■ Develop the company's Business Expansion Plan in accordance with the established strategic and profitability criteria. ■ Implement the actions identified in the 2015 Strategic Resources Plan, which guarantee the resources and cultural change required in the organisation to undertake the new strategic lines. 	100%
Sustainability	Help the development of the company through sustainability and good governance	<ul style="list-style-type: none"> ■ Implement the new risk management model in order to provide senior management with key information for making business decisions. ■ Bolster Enagás' positioning vis-à-vis institutional investors and socially-responsible investors (SRIs). ■ Improve energy efficiency and reduce CO₂ emissions. 	100%

Risk management [G4-2, G4-14]

The Risk Control And Management Model implemented at the company ensures coordination of a series of strategic, operational activities that enable the company to ensure that objectives will be met with a certain degree of certainty.

For the Enagás Group, risk management represents a competitive edge in business development. It has therefore carried out a project to review and redesign the risk function in order to turn the risk function into a business tool that creates value, and set up a risk information system that is extendible to and useful for decision-making.

Throughout 2015, the corporate governance framework in Spain was strengthened (Corporate Enterprise Act and Good Governance Code of Listed Companies), which had major implications for risk function. Specifically, the minimum content of the 'Risk Control and Management Policy' was established, as well as specific responsibilities in the corporate risk management unit for its ordinary and strategic activities.

Throughout 2015, there was a downwards trend in the company's risk profile, partly arising from the implementation of corporate risk control and management systems. This allowed certain risks to be eliminated from the company's inventory, without their having any negative impact. They included:

- > Regulatory developments that allowed certain issues pending regulatory reform to be finally concluded.
- > Increased demand for gas transmission, regasification and storage infrastructures, in line with provisions, with no negative effects on the corresponding remuneration.
- > In the ambit of international business: i) administrative authorisations were obtained, thereby avoiding cost-overruns due to project delays, ii) disciplinary files with penalties were favourably resolved and iii) construction projects were completed.

Throughout 2015, there was a downwards trend in the company's risk profile

RESPONSIBILITIES IN RISK IDENTIFICATION AND MANAGEMENT

Risk identification and measurement	Reporting the company's risk level (Risk Map)	Determination of risk appetite (risk limits)	Risk management and control
Heads of each Division (owners of the risks)			Heads of each Division (owners of the risks)
Corporate risk management	Corporate risk management	Corporate risk management	Corporate risk management
	Risk Committee	Risk Committee	Risk Committee
	Management Committee		
	Audit and Compliance Committee		Audit and Compliance Committee
			Board of Directors

[G4-45, G4-46, G4-47]



Likewise, the level of certain inventory risks was reduced, including:

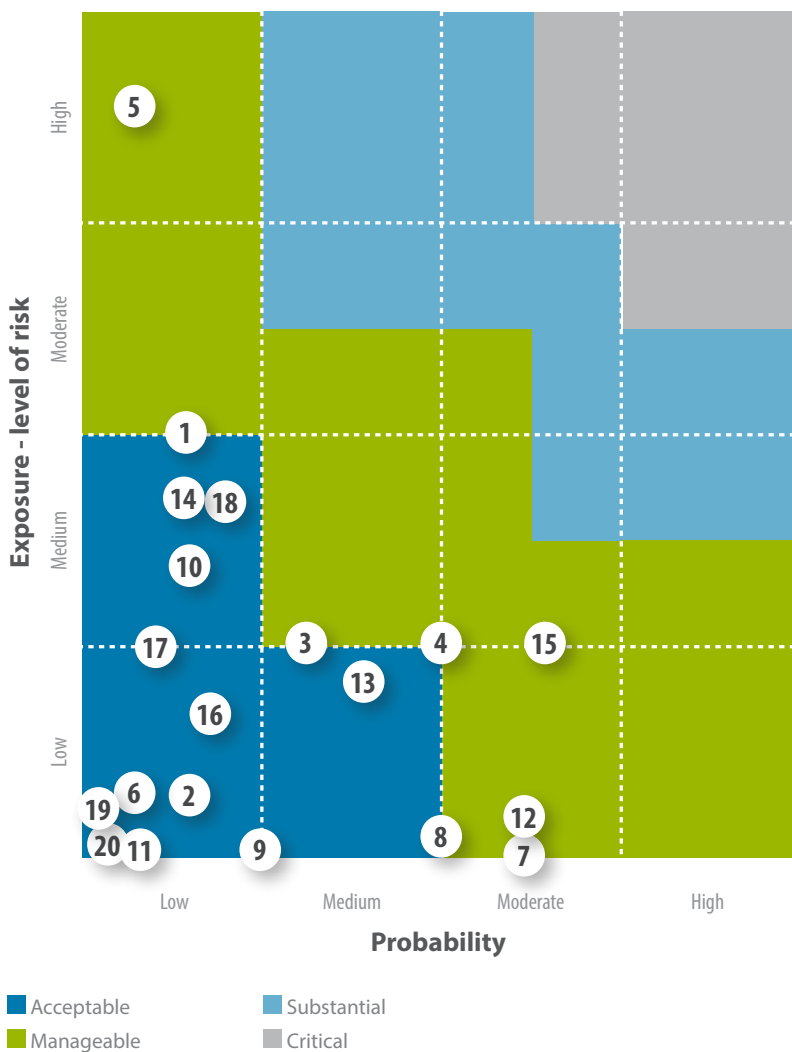
- > Favourable rulings in legal disputes arising from varying interpretations of port taxes.
- > Reduced own consumption by regasification plants through the implementation of energy efficiency measures that cut operating cost-overruns. [G4-EC2]

The update of the company's risk map includes the following impacts arising from both the socio-economic context and our own actions, as shown in the 2015 Enagás Group Risk Map.

For the Enagás Group, risk management represents a competitive edge in business development

MAIN RISKS FOR THE ENAGÁS GROUP

[G4-14, G4-2]



1. Changes to the remuneration model for transmission, regasification and underground storage in Spain
2. Lower demand than expected, affecting remuneration in Spain
3. Acknowledgement of remuneration for investments made over previous years with regulatory discrepancies
4. Delays in obtaining administrative authorisations to develop new projects
5. Long-term non-utilisation of dormant assets. Indefinite extension of non-utilisation of assets (Spain).
6. Loss of legal disputes in Spain
7. Cost of repairs to transmission infrastructures
8. Cost-overruns when purchasing emission rights deficit
9. Performance in shrinkage that was greater than acknowledged
10. Assets under construction in planned investment projects in Spain
11. Performance in efficiency factors regarding provision of information
12. Commercial risk arising from variations in demand and negotiating industrial customers' tariffs (international).
13. Cost-overruns due to construction delays (international)
14. Cost-overruns due to delays in administrative processes (international)
15. Delays in project financing (international)
16. Incidents, unavailability and interruption in infrastructures
17. Fraud or unauthorised activities and cybersecurity
18. Reputational risks
19. Credit and counterparty risks
20. Financial (liquidity, interest rate and exchange rate) and tax risks

Note: Risks were classified by nature in a single map with different scales

THE ENAGÁS GROUP'S MAIN RISKS [G4-14, G4-2]

Risks	Type of risk	Mitigating controls and actions defined
1. Changes to the remuneration model for transmission, regasification and underground storage in Spain.	Strategic and business	<ul style="list-style-type: none"> ■ Ongoing working relationship with domestic and European regulatory bodies and government bodies. ■ Regulatory development proposals made in relation to changes in the remuneration system. ■ Active participation in gas sector agent associations. ■ Internal procedures related to these events.
2. Lower demand than expected, affecting remuneration in Spain.	Strategic and business	<ul style="list-style-type: none"> ■ Participation in both national and European projects to promote natural gas as a fuel. ■ Dialogue with other companies in the sector to promote the use of natural gas. ■ Internal procedures encompassing the criteria and process for studying the evolution of demand, gas system capacity, sensitivity analysis, etc.
3. Acknowledgement of remuneration for investments made over previous years with regulatory discrepancies.	Strategic and business	<ul style="list-style-type: none"> ■ Ongoing working relationship with regulatory bodies and government bodies. ■ Regular monitoring of the status of ongoing judicial procedures. ■ Internal procedures related to these events.
4. Delays in obtaining administrative authorisations to develop new projects.	Strategic and business	<ul style="list-style-type: none"> ■ Ongoing working relationship with regulatory bodies and government bodies. ■ Regular monitoring of the status of the authorisation handling process. ■ Internal procedures for handling administrative authorisations.
5. Long-term non-utilisation of dormant assets. Indefinite extension of non-utilisation of assets (Spain).	Strategic and business	<ul style="list-style-type: none"> ■ Negotiations with government bodies and regulatory bodies. ■ Seeking alternative uses. ■ Internal procedures for the accounting treatment of asset impairment.
6. Loss of legal disputes in Spain.	Strategic and business	<ul style="list-style-type: none"> ■ Management and regular monitoring of the status of ongoing disputes. ■ Monitoring of existing situation with corresponding administrative authorities. ■ Negotiations with shippers to reach out-of-court settlements.
7. Cost of repairs to transmission infrastructures.	Strategic and business	<ul style="list-style-type: none"> ■ Negotiations with counterparty to consider the incident as their responsibility. ■ Contracts limiting Enagás' extent of liability and harmonisation of insurance programmes.
8. Cost-overruns when purchasing emission rights deficit. <small>[G4-EC2]</small>	Strategic and business	<ul style="list-style-type: none"> ■ Energy efficiency initiatives adopted at regasification plants. ■ Strategy for covering deficit through the purchase of CERs and EUAs, based on expectations of price developments.
9. Performance in shrinkage that was greater than acknowledged.	Strategic and business	<ul style="list-style-type: none"> ■ Actions on measuring equipment for calibration thereof. ■ Regulatory treatment of standard acknowledged shrinkage.
10. Assets under construction in planned investment projects in Spain.	Strategic and business	<ul style="list-style-type: none"> ■ Periodic review of the status of material in storage and projects in order to post potential losses. ■ Allocation of material to other projects. ■ Specific regulatory treatment for delayed projects (annual extensions or communications for specific projects).
11. Performance in efficiency factors regarding provision of information.	Strategic and business	<ul style="list-style-type: none"> ■ Implementation of adjustments that will be required in the SLM system. ■ Analysis of possible effects and consequent actions.
12. Commercial risk arising from variations in demand and negotiating industrial customers' tariffs (international).	Strategic and business	<ul style="list-style-type: none"> ■ Negotiation of more flexible tariffs to meet customers' needs. ■ Development of a business plan with a customer overview within a regulatory framework. ■ Development of new projects to increase the demand for gas.



[G4-2, G4-14]

Risks	Type of risk	Mitigating controls and actions defined
13. Cost-overruns due to construction delays (international).	Strategic and business	<ul style="list-style-type: none"> ■ Setting up of a local working group in order to resolve disputes between stakeholders, as well as improving those related to administration. ■ Adjustment of construction plans to reflect potential delays.
14. Cost-overruns due to delays in administrative processes (international).	Strategic and business	<ul style="list-style-type: none"> ■ Holding top-level meetings to address the issue. ■ Ensure legal and technical resources tasked with preparation of the defence. ■ Legal interventions to defend the validation of administrative processes. ■ Promotion plan with local authorities. ■ Defence plan with key international players.
15. Delays in project financing (international).	Strategic and business	<ul style="list-style-type: none"> ■ Incorporation of a new strategic partner. ■ Ongoing relationship and negotiations with financial institutions.
16. Incidents, unavailability and interruption in infrastructures.	Operational and technological	<ul style="list-style-type: none"> ■ Staff training and qualifications. ■ Application of policies and procedures. ■ Implementation of maintenance plans and constant improvement thereof, and definition and monitoring of quality indicators. ■ Control systems and alarms to guarantee continuity and quality of service. ■ Control of physical access to facilities, buildings and plants. ■ Quality, prevention and environmental certifications (ISO 9001, OHSAS 18001, ISO 14001 and ISO 9001:2008). ■ Analysis of the desirability of making gas measuring and quality equipment redundant. ■ Verification of the design, selection and execution of works or facilities and technical specifications for services, equipment and systems. ■ Existence of emergency plans.
17. Fraud or unauthorised activities and 'cybersecurity'.	Operational and technological	<ul style="list-style-type: none"> ■ Code of Ethics, Ethics Channel and reporting to the Ethical Compliance Committee. ■ Enagás Group's Crime Prevention Model. ■ System for Internal Control over Financial Reporting and Monitoring of Compliance with Laws and Regulations (Personal Data Protection Act). ■ Centralisation of the Security Function of Information Systems. ■ Conducting of internal audits (AI, ICFR, Forensic, Personal Data Protection Act, etc.). ■ Control of access to systems and data (user access and profiles). ■ Establishment of limits and authorisations.
18. Reputational risks.	Reputational	<ul style="list-style-type: none"> ■ General Regulations for Communication in Crisis Situations (GRCCS), defining the communication flows and those responsible for them. Delivery of training in the application of the GRCCS. Likewise, publication of the GRCCS on the Enagás Intranet. ■ Monthly tracking of information that is damaging and/or potentially damaging to the company (press <i>clipping</i> and <i>online</i> reputation on social media, blogs, etc.). ■ Cross-referencing of negative news items and reputational risks that are most critical to the company as a whole. ■ Issuing of press releases. ■ Fluent, direct communication with stakeholders.
19. Credit and counterparty risks.	Credit and counterparty	<ul style="list-style-type: none"> ■ Diversification policy among high rating entities, maintaining a balance between credit and debt positions. ■ 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.
20. Financial (liquidity, interest rate and exchange rate) and tax risks.	Financial and tax-related	<ul style="list-style-type: none"> ■ Liquidity policy reviewed regularly by the Board of Directors. ■ Periodic sensitivity and <i>what-if</i> analysis of interest rate movements on the company's financing costs and their impact on the interest cover ratios. ■ Analysis of the company's optimum financing structure and arrangement of appropriate hedges. ■ Engagement of tax advisors. ■ Internal financial and tax procedures.

3

SUSTAINABLE MANAGEMENT



Sustainable Management Model_ **31**

Materiality analysis_ **32**

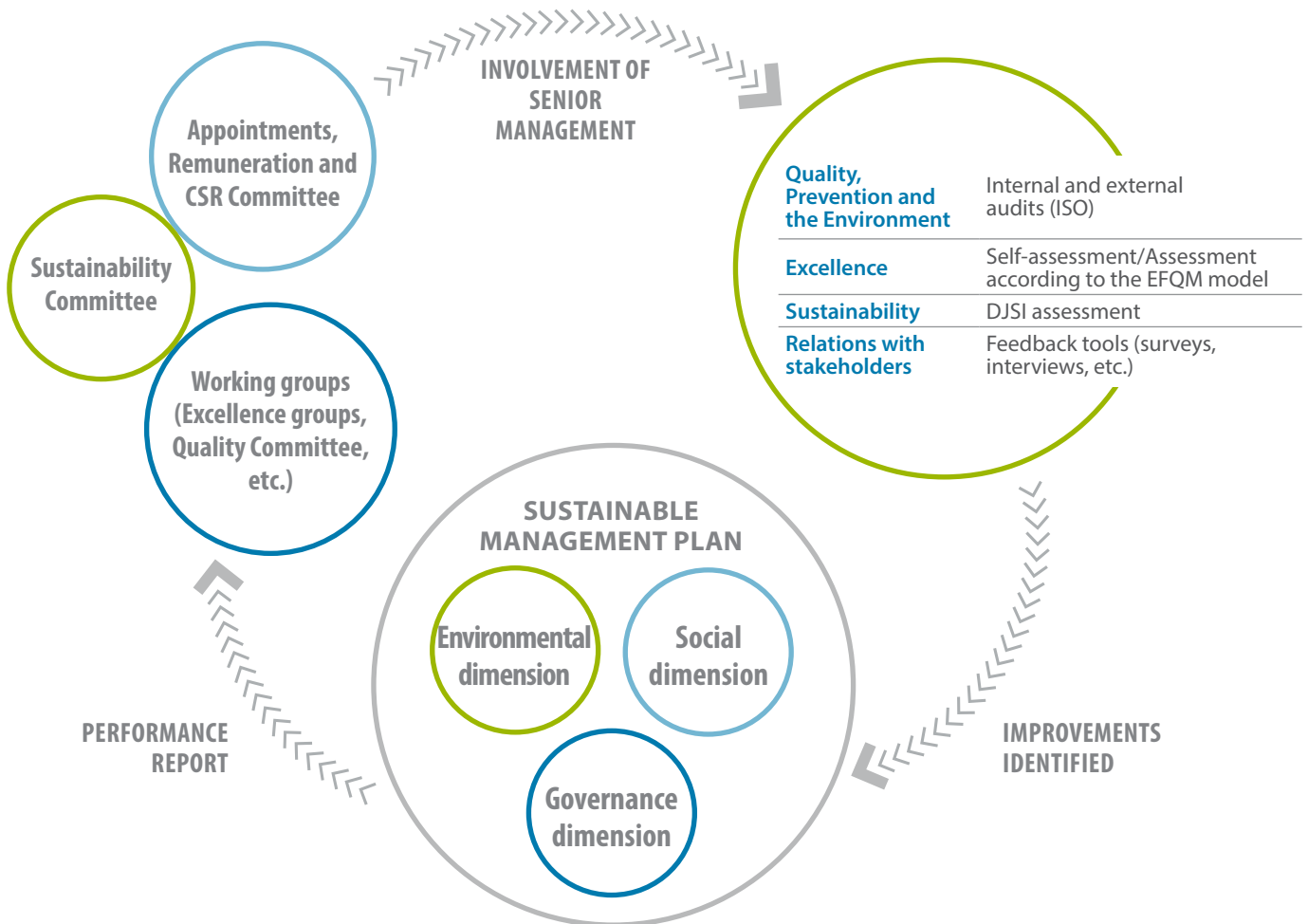
Collaboration and creation of
value with our stakeholders_ **36**



Sustainable Management Model

Enagás' Sustainable Management Model establishes the company's responsibilities as regards sustainability and defines the assessment methodologies for identifying lines of action that are set out in the Sustainable Management


Plan. This plan incorporates the company's innovation and ongoing improvement initiatives to achieve sustainable results in three spheres: environmental, social and governance. [G4-DMA]



The Appointments, Remuneration and CSR Committee (ARCSRC) is the highest body with responsibility for sustainability (economic, environmental and social impacts). The Sustainability Committee, which is defined at General Management level, reports to the the ARCSRC and is responsible for approving initiatives in this connection (by delegation from the ARCSRC). [G4-45, G4-47]

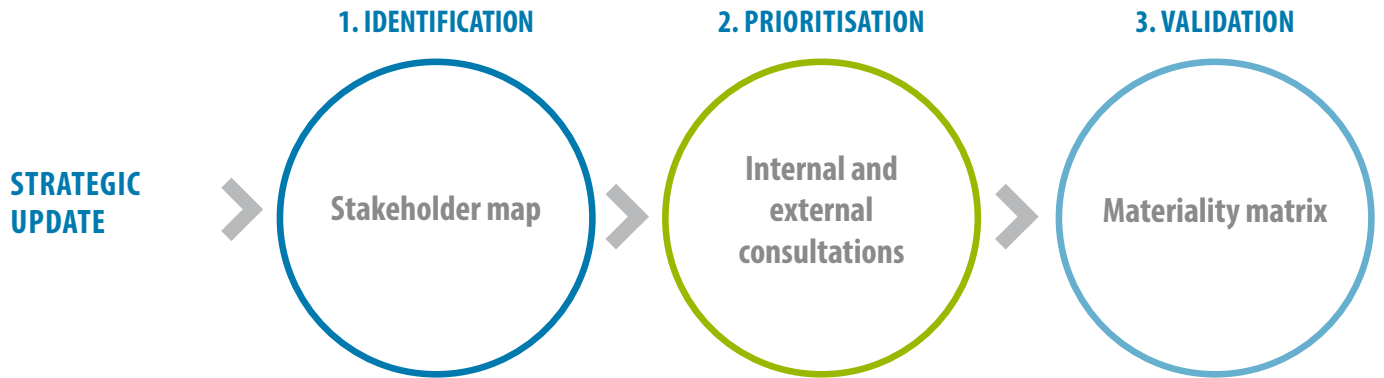
Department is responsible for economic affairs and the Resources Department for environmental and social matters, including the external assurance for the Annual Report. [G4-33, G4-34, G4-35, G4-36]

At executive level, 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. Reporting to the CEO and in general, the Finance

More information: See the 'Sustainable Management Plan' on the corporate website. 

Materiality analysis

The map of Enagás stakeholders and the Materiality Analysis process are both updated whenever there is a strategic update. [G4-26, G4-18]





The first step after the company's strategic update is to identify stakeholders by sphere of relationship, prioritising them according to their level of importance and impact. [G4-25, G4-26]

1. IDENTIFICATION

Identification of stakeholders and relevant issues in the economic/governance, environmental and social spheres by means of the following criteria:

- The company's profile and activity
- The Enagás value chain
- The Enagás Strategic Update 2015-2017
- Enagás' CSR, 2020 Vision strategy
- The risks and opportunities of the gas sector
- The regulatory framework, regulations, international agreements, relevant voluntary standards
- Investor demand (financial and non-financial issues)

ENAGÁS STAKEHOLDER MAP [G4- 24]

■ Sector regulation

- MINETUR
- CNMC
- ENTSOG
- International regulatory bodies
- European institutions

■ Share listing/stock market

- Investors
- Rating agencies
- Analysts
- CNMV

■ International development

- Business partners
- Suppliers (development)

■ Financing

- Financial institutions

■ Business operation

- Employees
- Investors
- Spanish gas system operators
- Spanish public administration
- Suppliers (operation)

■ Reputation

- Media

The second step is to prioritise both the stakeholders and the importance of each of the material issues in the economic, social and environmental spheres, for which the aspects reflected in the GRI G4 guide (specific indicators) as a starting point. [G4-25, G4-26]

2. PRIORITISATION

Appraisal of the following aspects:

- Level of influence and importance to the company of each stakeholder
- Impact derived from good or bad management of each issue in:
 - The expectations of each stakeholder
 - Business growth capacity
 - Costs and revenues
 - Reputation
 - Legal compliance
 - Operation

The appraisal is both internal and external, based on knowledge and *feedback* from stakeholders (surveys, meetings, specific sessions, etc.).

Results [G4-27]

As a result of the latest appraisal, as far as performance is concerned the stakeholders gave accessibility, transparency, dynamism and proactivity a score of 3.54 out of 4, highlighting scope for improvement in the latter two compared to other companies. Furthermore, areas prone to collaboration projects were identified, such as energy efficiency or the development of new services related to gas natural - spheres in which Enagás is working with its stakeholders. Lastly, prioritisation of the material issues was obtained.

These results are submitted to the Sustainability Committee, which is defined at General Management level and reports to the Appointments, Remuneration and CSR Committee (the highest governance body on sustainability). [G4-37]





Once the identification and prioritisation have been completed, the third and final step is validation.

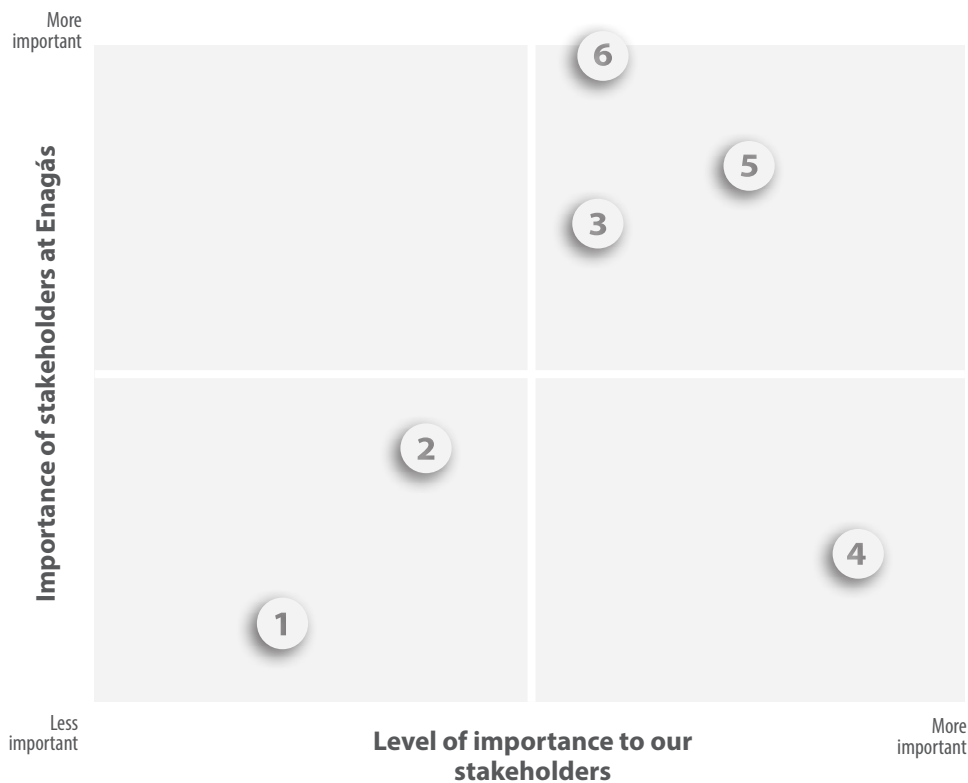
3. VALIDATION

Graphical representation of the material issues based on the level of importance to Enagás and the level of importance to stakeholders.

Internal validation of the issues is submitted to the Sustainability Committee for approval. Relevant issues serve as *input* for preparing the Sustainable Management Plan and the company's annual report.

After this internal validation, the following material issues are obtained.

MATERIALITY MATRIX [G4-19, G4-20, G4-24, G4-27, G4-DMA]



- 1 Impact on local communities
- 2 Environmental management and combating climate change
- 3 Human capital management
- 4 Ethical compliance and respect for human rights
- 5 Economic performance and cost efficiency
- 6 Occupational health and safety

Collaboration and creation of value with our stakeholders [G4-25, G4-26]

Engaging stakeholders is crucial for efficient management of key issues and, therefore, for generating and creating value.

Through the various relationship channels at Enagás, we detect and respond to the expectations of our stakeholders, reducing potential risks and identifying opportunities to generate shared value.

One such relationship channel is the customer satisfaction surveys that Enagás conducts each year in order to define lines of action and improvement of the service rendered. In 2015, the results were as shown in the following table:

CUSTOMER SATISFACTION SURVEY 2015 [G4-24, G4-27]

			Response rate (number of responses)	Assessment of services rendered	Services
Business operation	Enagás as transmission company	Shippers	84% (43)	4.96/6	Capacity management and viability analysis, infrastructure operation and programming, etc.
		System operators (transmission and distribution companies)	86% (6)	5.35/6	
	Enagás as Technical Manager of the System	Shippers	35% (26)	4.7/6	Programming, operations, distribution and balances, etc.
		System operators	54% (7)	5/6	

The aim of the model is to achieve certain levels of dialogue and collaboration with stakeholders. By way of illustration, different collaboration and creation of value initiatives carried out in 2015 with our stakeholders are shown below.

Minority shareholder loyalty programme

Enagás' minority shareholders represent 13% of the company's share capital, with a total of 31 million shares and 14% with regard to *free float*.

The aim of the minority shareholder loyalty programme is to maintain a close, ongoing relationship with our minority shareholders as a reflection of the continual

improvements in good governance, corporate responsibility and institutional reputation.

In addition to the communication channels that Enagás places at the disposal of its shareholders (phone line, email, forum and Shareholder Office), the company holds yearly meetings with minority shareholders, enabling the company's *Top management* to reach out to these investors and providing them with an overview of our key operating facilities.

At the 2015 meeting, minority shareholders were welcomed by the Chairman of Enagás and, together, they analysed the current situation of the company. They were also given a guided tour of the Yela Underground Storage Facility.



Open Innovation and Corporate Entrepreneurship Programme

Following its announcement at the General Shareholders' Meeting in March, the Open Innovation and Corporate Entrepreneurship Programme is now underway with three medium-term goals: Development of the Culture of Entrepreneurship and Innovation, Undertaking of Corporate Entrepreneurship Projects, and Support/Promotion of new uses for natural gas.

The Open Innovation and Corporate Entrepreneurship Programme contemplates the creation of an internal and external entrepreneurship system, made up of agents from different economic spheres such as Enagás' industry or market, knowledge and R+D, smart capital and entrepreneurial talent or venture capital. To develop this system, a methodology has been defined for managing the incubation and acceleration of projects through personal interviews with technology entrepreneurs and in-house staff, all with the knowledge and support of a team of external experts from the academic world, the ecosystem of

entrepreneurship, investment in innovative projects, and the public sector.

Also in 2015, the company addressed the transformation of the Ingenia Programme, which identifies internal ideas, into Ingenia Business, making it the primary tool for intra/entrepreneurship within the company. This programme has been supported by leading figures from the academic world, innovation and R+D in the context of gas, and investment specialists from entrepreneurship and oratory projects.

Lastly, another cornerstone of the Entrepreneurship Programme is the Development of Enagás Lab, a future space for entrepreneurship and innovation, hosting the Enagás incubator and diverse entrepreneurial training

More information:

Please refer to the 'Stakeholder management' section of the corporate website.



and culture activities. Its incubation methodology and the activities carried out there have been through interviews with potential users, both internal and external entrepreneurs, and the knowledge and support of a team of external experts from the academic world, the industry of entrepreneurship, investment in projects, large enterprise and the public sector.

Spanish gas sector: TPA Logistics System and Adaptation to the Balancing Circular

New TPA Logistics System

Enagás has launched the new Logistics System for Third Parties Network Access, TPA Logistics System 2.0, which will allow us to achieve greater efficiency in business processes, bolster the exploitation of information, improve integration with other systems and standardise communications with the Spanish gas industry.

In this technology modernisation project, Enagás has involved over one hundred agents from the sector by way of informative sessions, a technical accreditation process and individualised monitoring of each agent for resolving any uncertainties or system performance tests.

Such involvement has continued following entry into production with the drafting of the Six-monthly Plan of the Impact of Improvements on the TPA Logistics System 2.0, through:

- > Monthly meetings with major shippers to discuss needs, prioritisation and monitoring of improvements already implemented.
- > Information on the evolution of the plan (defined, prioritised and implemented improvements) in the NGTS working group and the Gas System Monitoring Committee, in which the entire sector is present, as well as the Industry, Energy and Tourism Ministry and the CNMC).

Adaptation to the Balancing Circular

The Balancing Circular 2/2015 of the CNMC (National Markets and Competition Commission), a regulation that will be fully implemented in 2016, began with two initial milestones carried out in late 2015:

- > As from mid-December 2015, Enagás started to provide shippers with information on an intra-daily, as opposed to a daily, basis concerning gas input and output in the Gas System, thereby simplifying their decision-making and compliance with European regulations that are far more time consuming. This required significant coordination between Distributors, Shippers, Transmission companies and the Technical Manager of the Spanish Gas System.
- > Enagás has submitted two proposals for public consultation, namely the 'Framework Agreement' and 'Procedure for enabling, suspending and cancelling users with balancing portfolio in the Virtual Balance

The new Logistics System for Third Parties Network Access, TPA Logistics System 2.0, affords greater efficiency in business processes





Point (VBP)' proposal. Spanish Gas System agents were able to consult the documents and submit their comments to the Technical Manager for subsequent submission to the CNMC. In line with its commitment to transparency, Enagás informed all TPA Logistics System users about this process, which encompass some 600 agents including official bodies (National Markets and Competition Commission, Industry, Energy and Tourism Ministry).

Maps of stakeholders associated with crisis management

Enagás is working on the definition of a methodology for compiling maps of stakeholders associated with crisis management at its facilities. The work is focused on identifying and managing actors and opinion leaders related to risk management. All integrated with the company's risk control and management system and business continuity plans.

The aim is to conduct a pilot trial (stakeholder map) at the Barcelona Plant and the Banyeres Compressor Station in 2016.

Spanish Energy Club in Brussels

Since 2011, Enagás has been promoting and coordinating the Spanish Energy Club in Brussels (CEEB - Círculo Energético Español en Bruselas) in which professionals from the Spanish energy sector

working in Europe, more specifically Brussels, come together to discuss regulatory and energy issues.

The CEEB has almost fifty members, who render their services in such organisations as REPER, the European Parliament, the European Commission, CEER, CNMC, Enagás, REE, Gas Natural Fenosa, Iberdrola, Endesa, Repsol, Acciona, ENTSOG, ENTSOE, Geode, CEOE, EDSO for Smart Grids, etc.

Participants, who meet up on a regular basis, can benefit from the exchange of documentation and information through a web-based platform, an extensive network of professional contacts, and the planning and coordinating of joint strategic actions aimed at defending and advancing common national and sectorial interests.

The Spanish Energy Club in Brussels (CEEB), promoted and coordinated by Enagás since 2011, is an important energy sector discussion forum

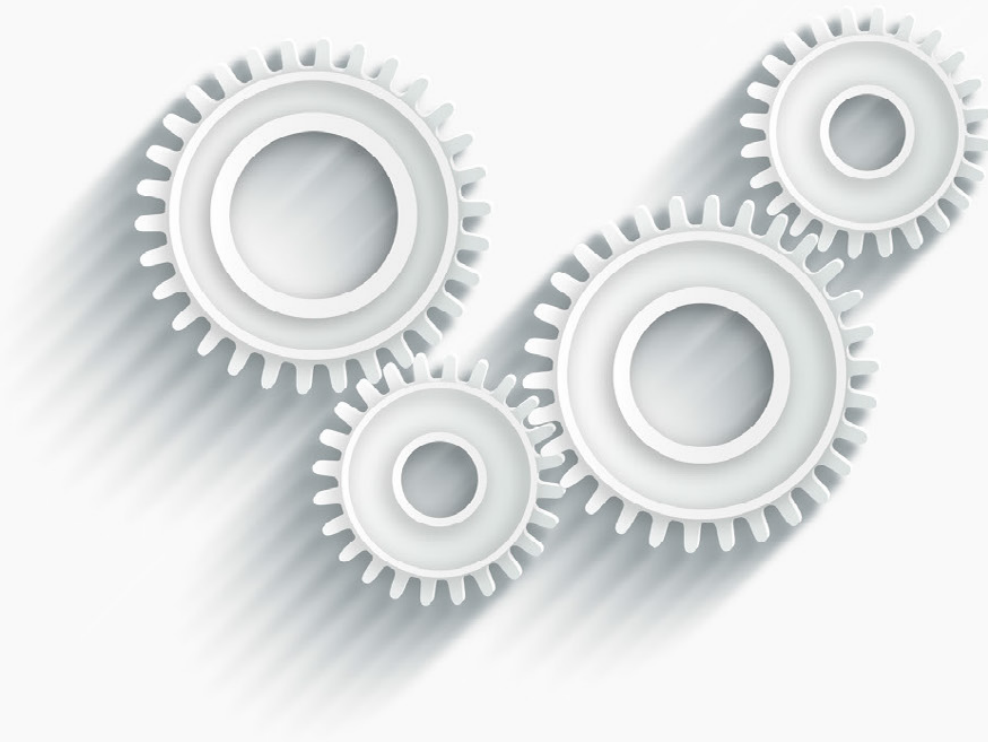
More information:

Please refer to the documentation available in the 'Public consultation' section of the corporate website.



4

CREATING ECONOMIC, SOCIAL AND ENVIRONMENTAL VALUE





In the following chapters, we show how we are generating value for our stakeholders through our performance in each material issue: [G4-1, G4-19, G4-48]



Good Governance_ **42**



Financial and operational
excellence_ **50**



Ethical compliance and
human rights_ **56**



Human capital
management_ **64**



Health and Safety_ **74**



Community
outreach_ **80**



Environmental
management_ **84**



Climate change and
energy efficiency_ **90**



Supply
chain_ **98**



GOOD GOVERNANCE

2015 milestones

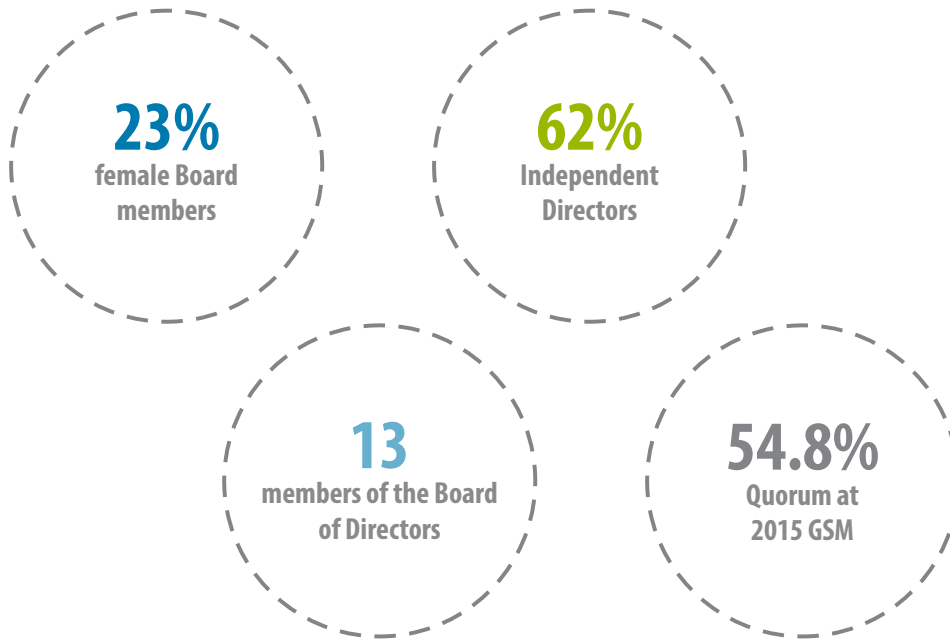
- Maintaining the ratio of Independent Directors on the Board at 62%.
- Board Committees chaired by an Independent Director, there being a majority of Independent Directors and excluding Executive Directors from said committees.
- Development of a long-term incentives plan, pending approval at the 2016 GSM, in accordance with the CNMV's Code of Good Governance.
- Appraisal of the Board, including advice from an independent external expert.
- Approval of policies in the spheres of risk control and management, anti-corruption, fraud, sustainability, good governance, human capital management, health & safety, environment, quality, communication and contact with shareholders, institutional investors and proxy advisors, and cybersecurity.
- Amendments to the Internal Code of Conduct, Board Regulations and Audit and Compliance Committee Regulations in accordance with the recommendations for good governance.
- Establish in the Board Regulations that at least half of its members must be Independent Directors and that there is a majority of

Independent Directors on the Committees.

- Establish in the Board Regulations an annual appraisal of the functioning of the Board and its Committees, as well as an external appraisal every three years.

Lines of progress 2016

- Approve a Director selection policy that promotes the analysis of key skills and encourages diversity in gender, knowledge and experience, promoting a situation whereby the ratio of female Board members rises to over 30% in 2020.
- Establish in the Board Regulations a minimum percentage of Board meeting attendance on the part of Directors.
- Undertaking of a Board training session on financial and non-financial matters that are key to company management.
- Publication of company objectives (metrics, weights and achievement) in the Remuneration Report.

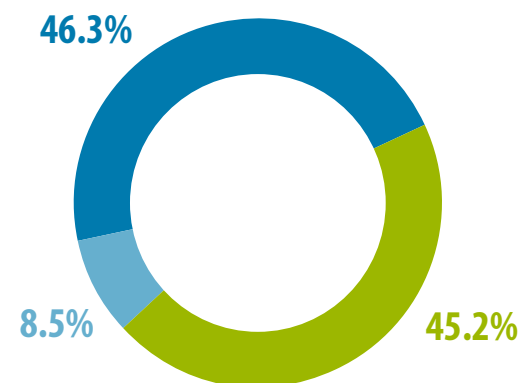


Governing bodies

General Shareholders' Meeting

The General Shareholders' Meeting is the highest body representing shareholders.

QUORUM IN 2015



- Represented by proxy
- No quorum
- Present

54.8%
Quorum

Share capital	€ 358,101,390.00
Number of shares	238,734,260
Number of voting rights	238,734,260

Board of Directors and Governance Committees

[G4-34, G4-38, G4-39, G4-LA12]

The Enagás Board of Directors maintains a 62% ratio of Independent Directors compared to the 49% of the Spanish market (Ibex 35 average).

Enagás has been reducing the number of Board members, which now stands at 13. What is more, Enagás' commitment to promote gender diversity on

the Board is reflected in the significant increase in the ratio of female members, rising from 6% in 2007 to 23% in 2015.

The composition of the Board of Directors and the Governance Committees is set out below.

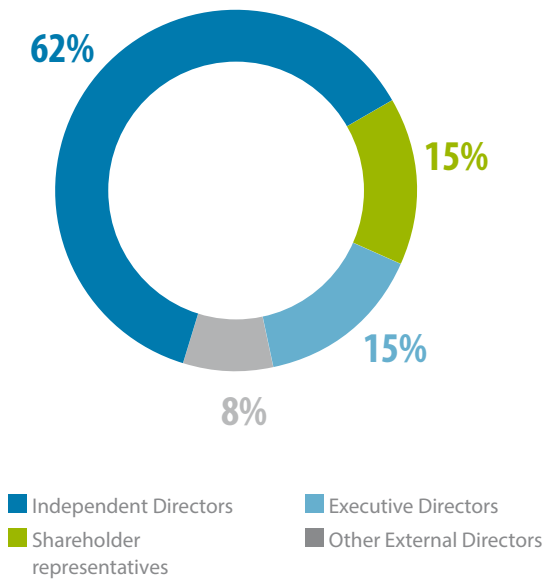
Name of the director	Position on the Board of Directors	Type of director	Position on the Audit and Compliance Committee	Position on the Appointments, Remuneration and CSR Committee
Antonio Llardén Carratalá	Chairman	■	-	-
Marcelino Oreja Arburúa	Chief Executive Officer	■	-	-
Jesús David Álvarez Mezquíriz ⁽¹⁾	Director	■	-	Member
Sultan Hamed Khamis Al Burtamani (proposed by Oman Oil Holdings Spain S.L.) ⁽¹⁾	Director	■	-	-
Antonio Hernández Mancha	Director	■	-	Member
Luis Javier Navarro Vigil	Director	■	-	Member
Ana Palacio Vallelersundi	Lead Independent Director	■	-	-
Martí Parellada Sabata	Director	■	Chairman	-
Jesús Máximo Pedrosa Ortega (proposed by SEPI - Sociedad Estatal de Participaciones Industriales)	Director	■	-	Member
Ramón Pérez Simarro	Director	■	-	Member
Isabel Tocino Biscarolasaga	Director	■	-	Chair
Rosa Rodríguez Díaz	Director	■	Member	-
Gonzalo Solana González	Director	■	Member	-
SEPI - Sociedad Estatal de Participaciones Industriales (represented by Federico Ferrer Delso)	Director	■	Member	-
Luis Valero Artola	Director	■	Member	-

(1): Both Directors resigned in 2015

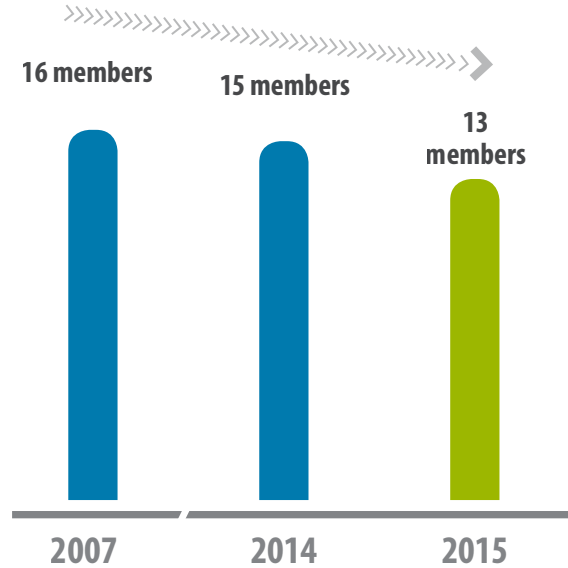
■ External ■ Independent ■ Proprietary ■ Executive



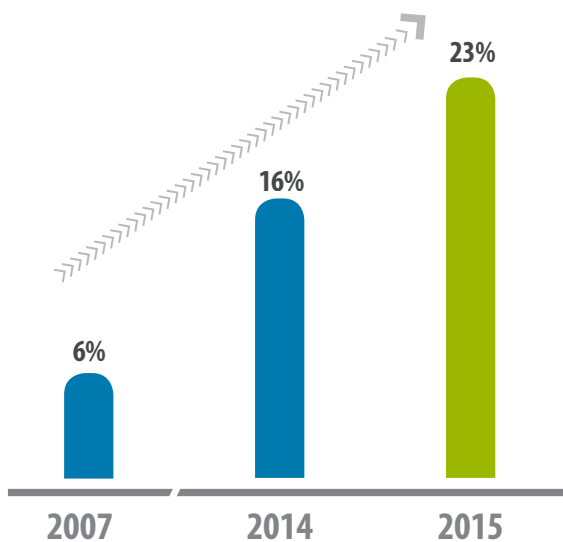
BOARD OF DIRECTORS



SIZE OF THE BOARD OF DIRECTORS



PERCENTAGE OF FEMALE MEMBERS ON THE BOARD OF DIRECTORS



Ana Palacio Vallelersundi

Lead Independent Director

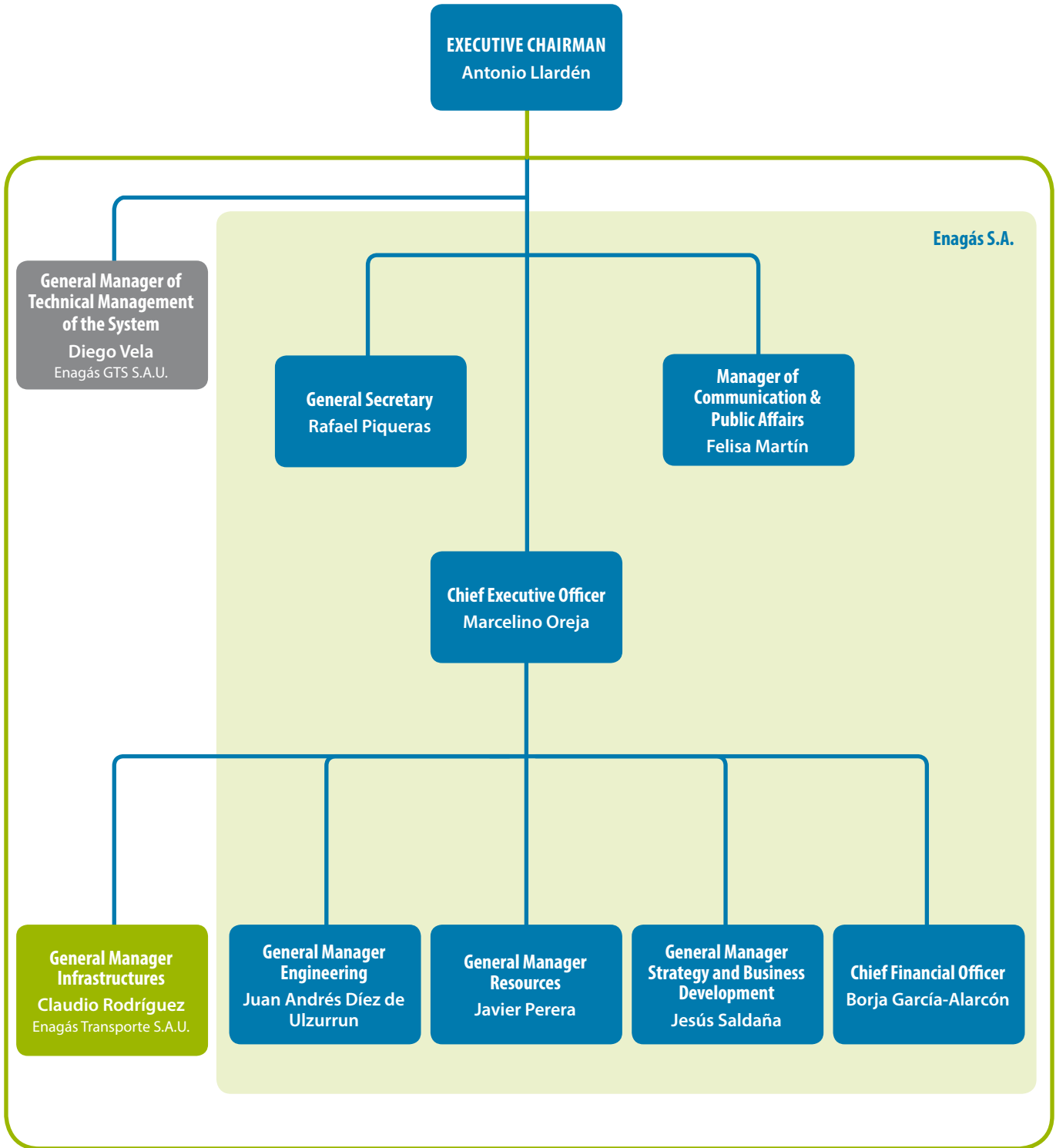
Isabel Tocino Biscarolasaga

Chair of the Appointments, Remuneration and CSR Committee

Rosa Rodríguez Díaz

Member of the Audit and Compliance Committee

MANAGEMENT COMMITTEE





Remuneration of the Board of Directors

The Enagás Board of Directors is empowered to adopt resolutions on Director remuneration. The Appointments, Remuneration and CSR Committee proposes the remuneration criteria, within the limits set forth in the Articles of Association and pursuant to the decisions taken at the General Shareholders' Meeting.

The Committee also monitors the transparency of remuneration.

Thus, in 2015 a new remuneration plan was defined, which will be put to the vote at the 2016 GSM, defined under the following criteria:

INDEPENDENCE

The Regulations of the Organisation and Functioning of the Enagás Board of Directors state that the Appointments, Remuneration and CSR Committee shall comprise a majority of Independent Directors. No Executive Director may sit on the Committee, unless expressly agreed upon by its members.

STAKEHOLDER INVOLVEMENT

The Annual Directors' Remuneration Report has been submitted to an advisory vote as a separate item on the agenda of the Ordinary General Meeting since 2012.

INTERNAL AND EXTERNAL ADVISORY SERVICES

Pursuant to the Regulations of the Organisation and Functioning of the Board of Directors, the Appointments, Remuneration and CSR Committee may seek advice internally or externally and request the attendance of senior management personnel of the Company and its Group, as deemed necessary in the execution of its duties.

EXECUTIVE COMPENSATION PLAN

[G4-51, G4-52, G4-53]

Executive Compensation plan

- Review and update of salary levels against market positioning (last review performed in 2009).
- Variable compensation is always linked to the company's performance and the level of achievement of the company's economic, environmental and social objectives. [G4-51]
- The Board of Directors has developed a Long-Term Remuneration Incentive Plan (ILP), pending approval at the 2016 GSM, characterised by an in-house best market practices scheme linked to share performance and other indicators (business, economic and sustainability-related) connected to fulfilment of the company's strategic plan, thereby complying with the provisions of the CNMV's Code of Good Governance.
- All compensation is subject to adequate control systems that define the performance of the Executives.

REMUNERATION OF THE BOARD OF DIRECTORS IN 2015

[G4-51]

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

(1) The difference in the Executive Chairman's remuneration in 2015 with respect to 2014 was exclusively due to the increase in withholding taxes for payments in kind, which were the same in both years.

In 2015, the Executive Chairman received €960 thousand of fixed remuneration and €576 thousand of variable remuneration, with both components approved by the Board. In addition, the Executive Chairman was paid €64 thousand in attendance fees (fixed remuneration plus fee for attending board meetings) and €150 thousand in remuneration in kind, for a combined total of €1,749 thousand. In addition, he was provided with a life insurance policy, with total premiums in the year of €33 thousand, and €7 thousand was contributed to his pension scheme. The Group has outsourced its pension obligations with its directors by means of a mixed group insurance policy. In addition to pension obligations, the cover provides benefits in the cases of life expectancy, death or disability. The Executive Chairman is part of the group covered by this policy: of the total premium paid for this during the year, €177 thousand corresponded to the Executive Chairman.

(2) The difference in the Chief Executive Officer's remuneration in 2015 is exclusively due to the differences in valuation of payments in kind, which were the same in both years.

In 2015, the Chief Executive Officer was paid fixed remuneration of €300 thousand and variable remuneration of €180 thousand, with both components approved by the Board. In addition, the CEO was paid €64 thousand in Board attendance fees (fixed compensation plus attendance fee per meeting) and €17 thousand in remuneration in kind, for a combined €561 thousand. In addition, he was provided with a life insurance policy, with total premiums in the year of €0.5 thousand, and €5 thousand was contributed to his pension scheme. The CEO is also covered by the mixed group insurance policy for pension commitments, and the amount of €93 thousand of this premium corresponds to him.

(3) Both Directors resigned in 2015.

(4) Directors appointed at the 2014 General Shareholders' Meeting held in March (2014 remuneration corresponding to the period March-December 2014).



Performance of the Governing Bodies [G4-44]

Among its commitments, the Enagás Sustainability and Good Governance policy establishes compliance with national and international recommendations and best practices in the area of good governance, in such aspects as the training and assessment of directors, among others.

Every year, a self-assessment of the Board is performed with participation from an independent external expert. This self-assessment is performed objectively and from a best-practice viewpoint by means of questionnaires completed by all members of the Board. The aim of the self-assessment is to sustain and bolster the performance of the Board through:

- > The consolidation and optimisation of its strengths
- > The confronting of any vulnerabilities detected through appropriate actions
- > Strengthening the role of Board members and their responsibilities to the company

In the most recent self-assessments, identified strengths included the professional experience and skills represented on the Board, ensuring the efficiency of the decision-making process, and the Board and Committees' approach to resolving conflicts of interest supported by suitable levels of transparency.

Recommendations worth highlighting include those related to diversity on the Board, for which Enagás is taking significant steps forward, such as the incorporation of diversity criteria in the Director selection process, or recommendations concerning risk management.

In this latter sphere, the company's new risk management model provides Senior Management / the Audit and Compliance Committee with key information for business decision-making. In the context of this model, in 2015, the creation of the Risk Committee was approved and associated rules and procedures were developed and reviewed.

Key issues addressed by the Board of Directors in 2015

[G4-37, G4-43, G4-49, G4-50]

Some of the key issues addressed by the Board of Directors in 2015 within the economic, corporate governance, social and environmental spheres are summarised below. When addressing such matters, the Managing Directors of the Company are invited to attend Board meetings to present issues within their area of responsibility.

Issue	Type	Resolution
Strategic Plan follow-up and reflection on the new market context	Economic	Unanimously approved
Carbon footprint and positioning of the company in the area of climate change. COP21 results	Environmental	Unanimously approved
Approval of the new crime prevention model and creation of a Regulatory Compliance Unit	Corporate governance	Unanimously approved
Approval of the policies on risk control and management, anti-corruption and fraud, sustainability and good governance, human capital management and health & safety, environment and quality	Corporate governance	Unanimously approved
Action plan for Director training	Corporate governance	Unanimously approved
Monitoring of the Company's contributions to social action and corporate volunteering	Social	Unanimously approved



FINANCIAL AND OPERATIONAL EXCELLENCE

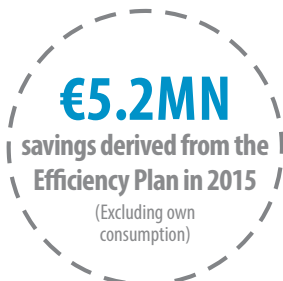
2015 milestones

- Approval of the 2015-2017 Efficiency Plan.
- Financial targets met for the ninth consecutive year.
- Two bond issues of €1Bn (€600Mn (annual coupon of 1.25%), €400Mn (annual coupon of 1%).
- Average cost of debt: 2.7%.
- Rollover of a Club Deal loan through to 2020.
- At 31/12/2015, the average maturity of debt was 6.6 years and there is no significant maturity until 2022.
- Standard & Poor's upgraded Enagás' rating in 2015 from BBB to A-.

- Enagás share price (-0.7%) outperformed than the Ibex 35 (-7.15%) compared to the previous year.

Lines of progress 2016

- Growth in net profit +0.5%.
- Dividends from investees around €65Mn⁽¹⁾.
- Dividend of €1.39/share (+5%).
- Investments of around €465Mn (in line with the €1.29Bn investment plan announced in the 2015-2017 Strategic Plan).
- Cost of debt around 2.7%.



⁽¹⁾ €1.11 / US\$1.0



Analysis of results in 2015

[G4-DMA]

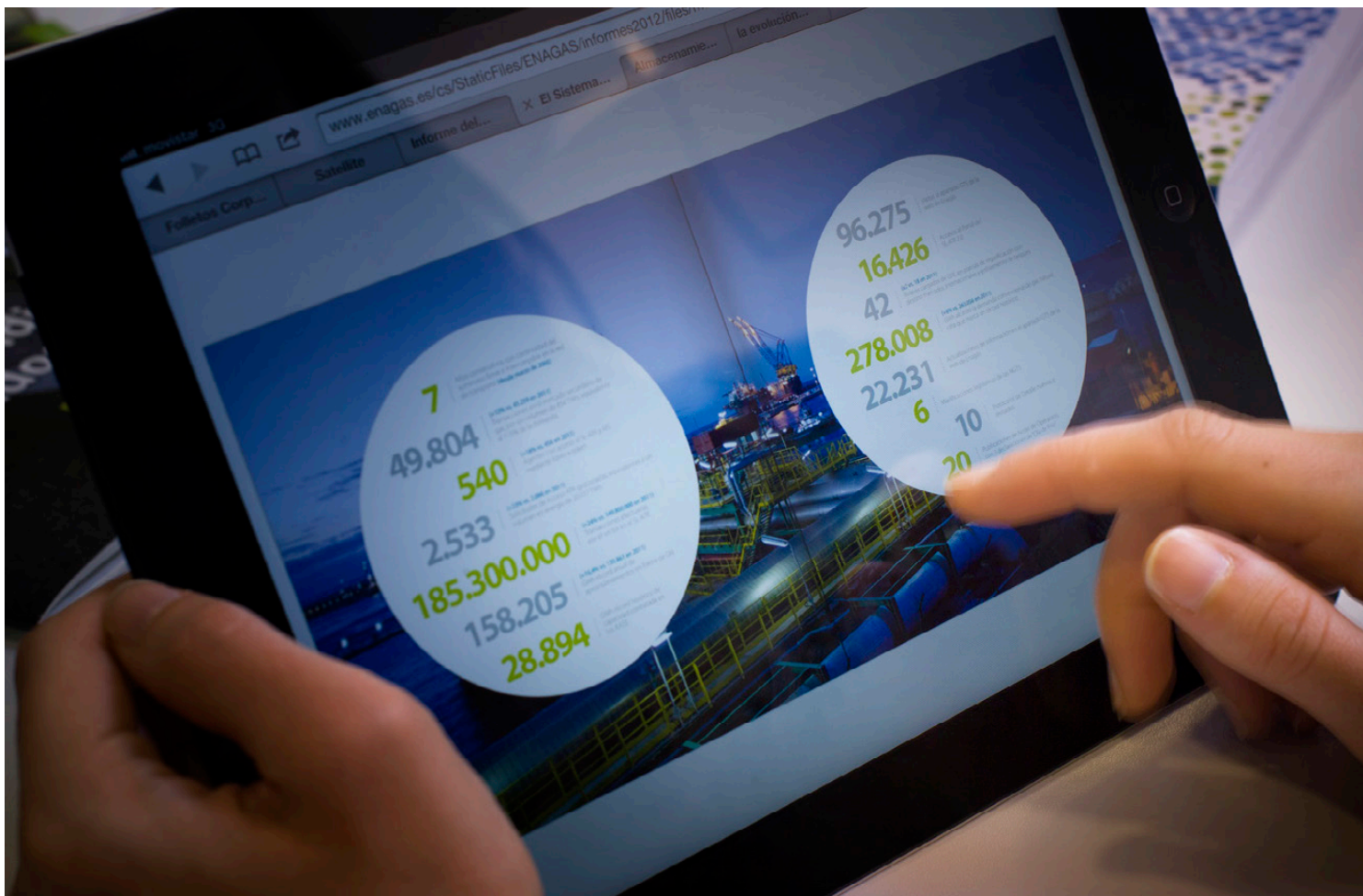
Net profit rose to €412.7Mn, 1.5% higher than the €406.5Mn obtained up to 31 December 2014. This increase was mainly possible thanks to improved financial results and, above all, a greater contribution from our investees, which increased the results from subsidiaries consolidated using the equity method from €11.2Mn to €46.2Mn.

At year-end 2015, EBITDA had reached €900.5Mn, 4.2% lower than reported in 2014, mainly due to the effects of an entire year of regulatory reforms. This impact was partially offset by lower depreciation and amortisation, whereby EBIT at 31 December amounted to €602Mn, which represents an increase of +2.1%.

FINANCIAL RESULTS

€Mn	2014	2015	% Variation
Total revenue	1,223.8	1,221.6	-0.2%
EBITDA	939.8	900.5	-4.2%
EBIT	589.6	602.0	2.1%
Net Profit	406.5	412.7	1.5%

More information: See the 'Financial Information' section on the corporate website.



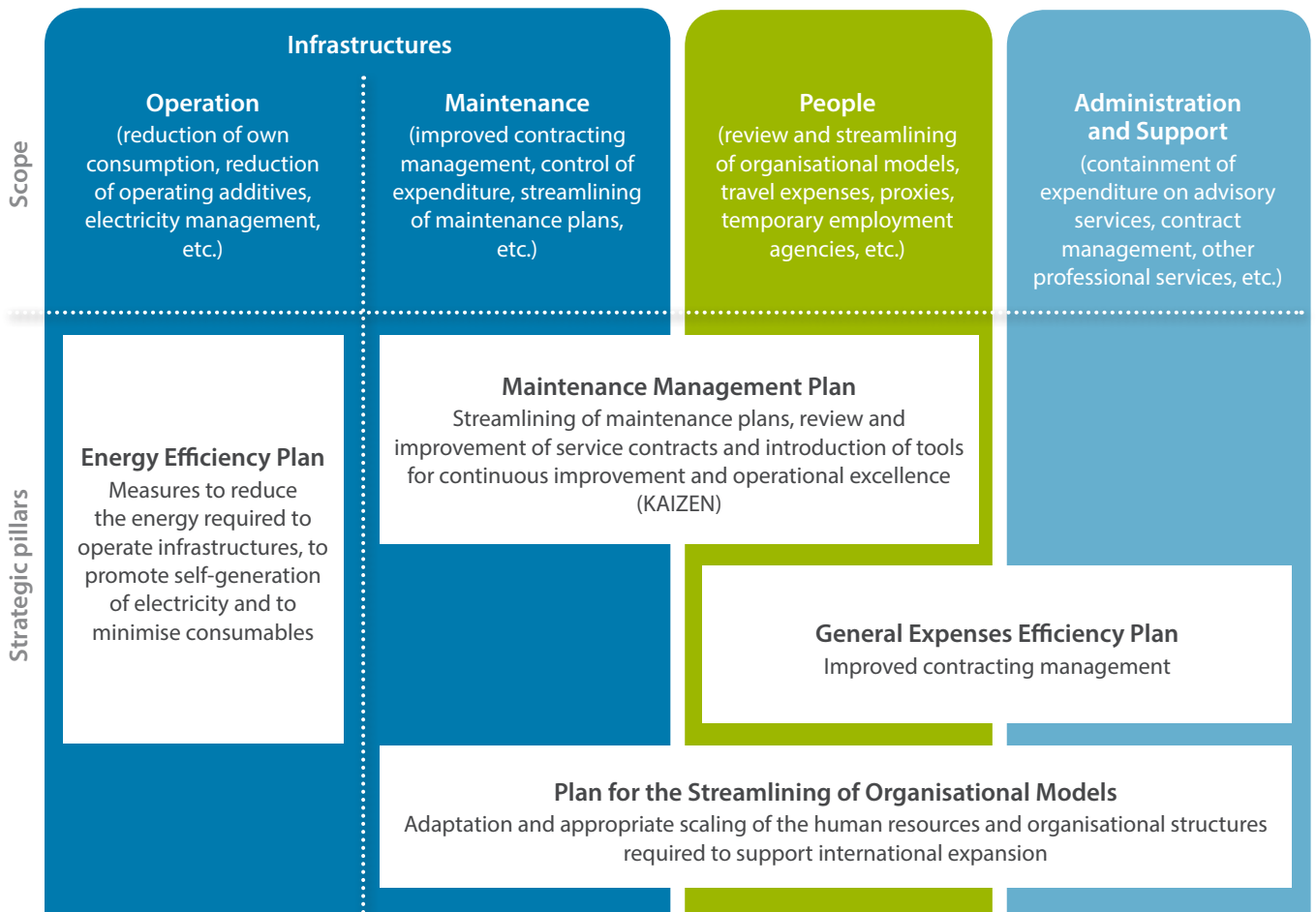
Efficiency Plan

[G4-DMA]

The scope of Enagás' Efficiency Plan includes expenses associated with infrastructures (66% of expenses including energy costs, maintenance costs and personnel expenses) and the company's

general expenses (33% of expenses), encompassing approximately 100% of its operating expenses.

The Plan is based on four defined, strategic pillars in the spheres of operation, maintenance, people and administration and support:



In the previous Efficiency Plan (2011-2014), an annual saving of some €4M was achieved. There was also a reduction in asset base maintenance and operating expenses of approximately -2%/year.

In the current Efficiency Plan (2015-2017), the average annual saving associated with the implementation thereof is expected to be €3.1Mn (including the reduction in own consumption), thanks to the introduction of measures including:

- > Reduction of own consumption through the installation of compressors, with the resulting reduction of associated CO₂ emissions.

- > Boosting the self-generation of electricity. The company is expected to self-generate around 35% of the energy that it consumes in 2020.
- > Maintenance based on criticality matrices, adapting the frequency of maintenance schedules according to the criticality of the equipment and its failure probability.
- > Improvement in the management of electrical contracting.

+ More information on energy efficiency initiatives and savings: See the 'Climate Change and Energy Efficiency' section.

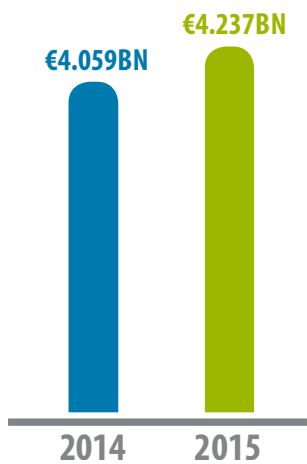


Financing strategy

[G4-DMA]

Enagás adapted to the new context arising from the crisis by reducing external bank borrowings and replacing this with another type of funding, such as bonds. This enabled it to achieve a more diversified structure.

NET DEBT

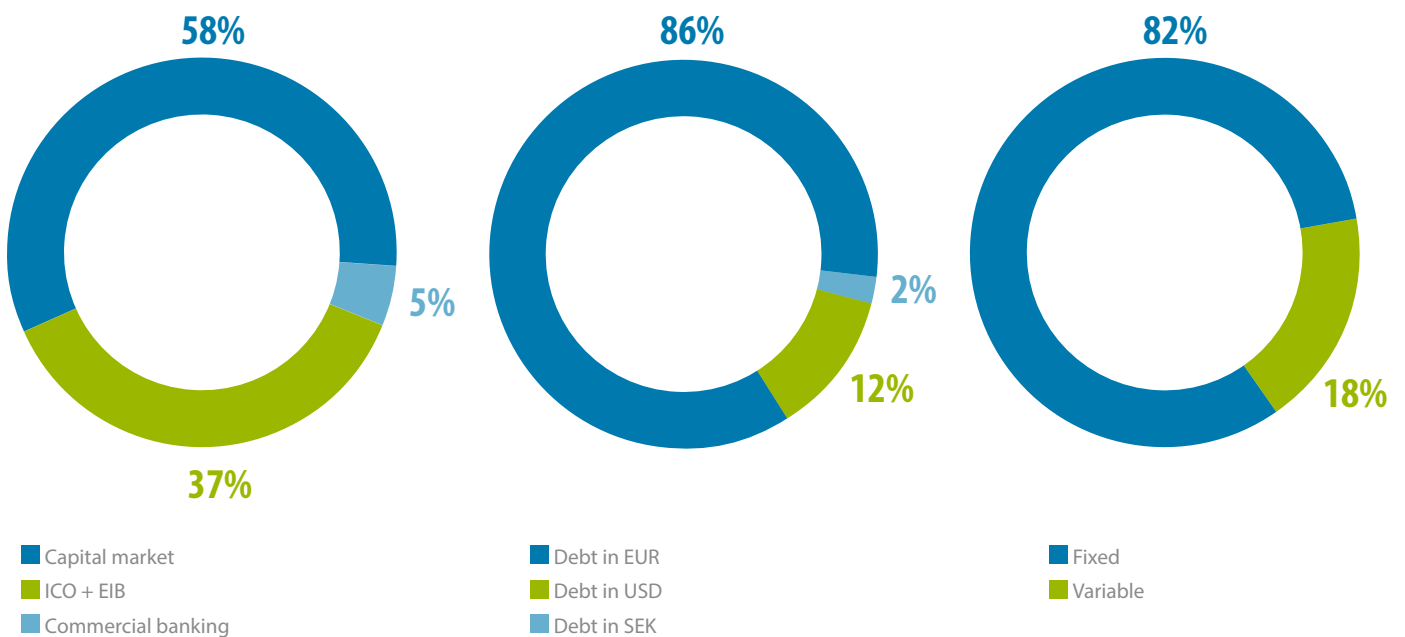


LEVERAGE AND LIQUIDITY

	2014	2015
Net debt/EBITDA (adjusted) ⁽¹⁾	4.2x	4.5x
FFO/Net Debt	16.5%	16.4%
Cost of debt	3.2%	2.7%
Liquidity	€2.443Bn	€2.268Bn

(1) Net Debt/EBITDA adjusted for subsidiaries' dividends.

DEBT STRUCTURE



Enagás share price performance in 2015

[G4-DMA]

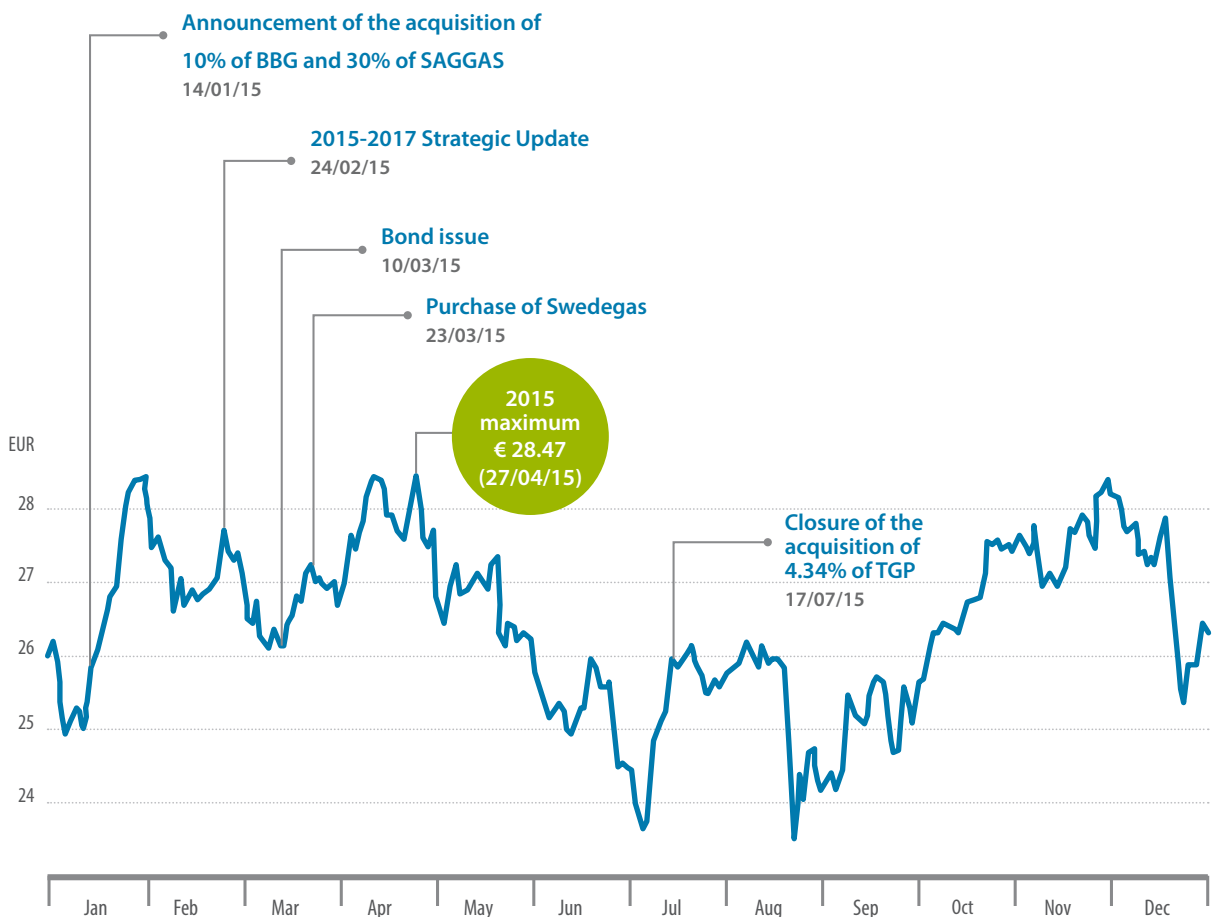
2015 was marked by various crises and geopolitical tensions, leading to a year of volatility and uncertainty in the markets. In such a challenging environment, Enagás shares proved a safe haven for many investors. This was evidenced by the fact that shares reached a record high since the IPO on 27 April 2015, closing at €28.475 per share.

Enagás ended 2015 at €26 per share, virtually unchanged from year-end 2014 (-0.7%), thereby

outperforming the IBEX35, which closed the year down 7.15%.

Our share price performance reflected such key factors as: the stability of the regulatory framework through to 2020, the robustness of the financial structure, the prudent international expansion undertaken and, especially, a policy of sustainable and attractive dividend (compound annual growth rate of +5% for 2015-2017).

STOCK MARKET PERFORMANCE



SHAREHOLDER SUPPORT COMMUNICATION CHANNELS



Free shareholder helpline:
900.100.399



Email: accionistas@enagas.es



Corporate website:
www.enagas.es





ETHICAL COMPLIANCE AND HUMAN RIGHTS

2015 milestones

- Board of Directors' approval of the Risk Control and Management Policy.
- Board of Directors' approval of the Anti-Fraud, Corruption and Bribery Policy.
- Continuous training in and dissemination of the Crime Prevention Model and Code of Ethics in all companies of the Group.
- Development of internal rules and procedures in the control and management of risks and taxation.
- Approval of the Enagás Group's Crime Prevention Model and adaptation to the Federal District Criminal Code (Mexico) and to US *anti-bribery* regulations.

Lines of progress 2016

- Review and implementation of the Ethics And Compliance Model in companies of the Group and investees.
- Continuous training in and dissemination of the Criminal Liability Programme and Code of Ethics.
- Implementation of the Crime Prevention Model in Mexico and the US.
- Adherence to the Code of Good Tax Practices.
- Training in Human Rights at global level (guiding principles applied to the company).



⁽¹⁾ Training in at least one of the following types of courses: Equality and Anti-corruption, Human Rights (general) and Prevent and the Environment



Ethics and Compliance model

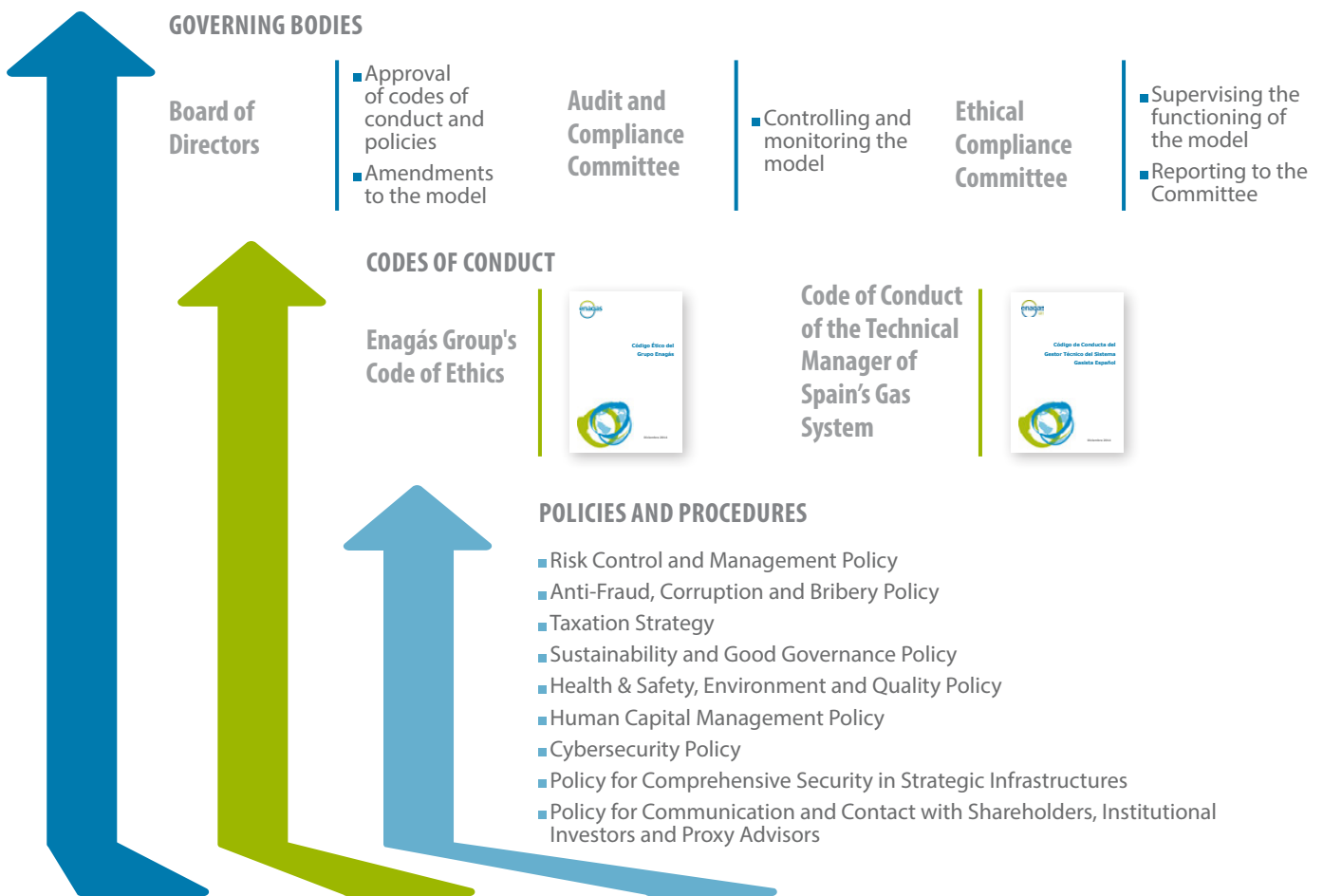
[G4-56, G4-DMA]

The Enagás Ethics and Compliance model is the primary tool for ensuring that our activities are carried out ethically and with integrity. It comprises the following elements:

More information on the Code of Ethics and Policies: See the 'Ethics and Compliance' section on the corporate website.



ETHICS AND COMPLIANCE MODEL



Awareness and training

[G4-SO4, G4-DMA]

The Code of Ethics course encompasses such key issues as the fight against fraud, corruption and bribery, fiscal responsibility and respect for human rights, among others.

It is a tool for preventing irregularities, including those that could constitute crimes, in those spheres. The course is arranged as follows:

- > Practical cases for each guideline on conduct in the Code of Ethics.
- > Procedures for reporting and querying cases of non-compliance.
- > Responsibility for the management of reports (Ethical Compliance Committee).

The Code of Ethics course is a tool for preventing irregularities encompassing such issues as the fight against fraud

Enagás' Ethics Channel is a platform for querying and reporting any irregularities concerning the Code of Ethics

91% of employees took the Code of Ethics course, revealing the level of familiarity with the principles and guidelines on conduct expected by Enagás.

Next year, training in and dissemination of the Code of Ethics will continue, with particular emphasis on conduct constituting a crime (Criminal Liability Programme).

Ethics Channel [G4-DMA]

Enagás' Ethics Channel is a platform for querying and reporting irregularities or breaches of the Code of Ethics. The channel adheres to the following principles: [G4-57, G4-58]

- > Only reports that involve irregularities for which the company may be liable are processed.
- > Access to the Ethics Channel and the processing of reports is procedurally regulated by and restricted to members of the Ethical Compliance Committee.
- > Information concerning dismissed reports is deleted.
- > Confidentiality prevails over anonymity.

- > Reports received anonymously and/or via the channel are only processed if well-founded.
- > The procedure for managing reports and consultations about irregularities or breaches of the Code of Ethics complies with the Personal Data Protection Act as regards the preserving, cancelling and blocking of data.



Electronic mailbox:
canal.ético@enagas.es



Post addressed to any member of the Ethical Compliance Committee



Form available on the corporate Intranet

In 2015, four communications were received via the Ethics Channel. Three were consultations unrelated to breaches of the Code of Ethics. The fourth was a report concerning the 'Generate a culture of innovation' conduct guideline in the Code of Ethics, specifically with regard to collaboration and team work, whereupon an investigation was launched. [G4-HR12, G4-SO5]





INVESTEE COMPANIES

Adaptation of the Enagás Group's Crime Prevention Model to the Federal District Criminal Code (Mexico)

In 2015, Enagás approved the adaptation of the Enagás Group's Crime Prevention Model to the Federal District Criminal Code (Mexico). This Code introduces the criminal liability of legal persons when crimes are committed by workers for the benefit of the legal person, without "proper control". Within this context, an Enagás Group Crime Prevention Model has been developed in Mexico. The aim of the model is to define rules of action and conduct in criminal matters that regulate the Enagás Group's activity in Mexico, as well as defining control systems to prevent crime for which the legal person may be held liable, typified in Mexican criminal law.

Adaptation of the Enagás Group's Crime Prevention Model to US anti-bribery regulations

The Enagás Group's Crime Prevention Model encompasses the provisions of the U.S. Foreign Corrupt Practices Act (FCPA) as regards applicable criminal conduct, liability regime and penalty system.

Action Plan resulting from the audit of TGP partners

Enagás coordinated the audit of partners of the company Transportadora de Gas del Perú in 2013 and 2014, in which the company has a 24.34% stake. The audit, conducted by a team of auditors from Enagás, CPPIB and Sonatrach, was tasked with verifying that the operations were carried out in accordance with the partnership agreement and the existence and fulfilment of current internal control procedures. As a result, an action plan was agreed upon that consisted of approving the Code of Ethics and the process for declaring conflicts of interest, and presenting proposals for an action procedure in the event of fraud.

Respect for Human Rights

[G4-DMA]

In its Code of Ethics and the corporate policies which it comprises, Enagás sets out its commitment to ensuring compliance with human rights, in line with, among others: [G4-15]

- > The International Bill of Human Rights.
- > Fundamental Principles and Rights of the International Labour Organisation (ILO).
- > OECD Guidelines for Multinational Enterprises.

More information:

See the Enagás Code of Ethics on the corporate website.



In its Code of Ethics, the company sets out its firm commitment to ensuring fulfilment with Human Rights

HOW DO WE GUARANTEE COMPLIANCE WITH HUMAN RIGHTS AT ENAGÁS?

[G4-DMA]

<p>Right to decent work</p>	<p>As well as guaranteeing decent work for our employees, we ensure that our suppliers provide all workers at their facilities with legal employment status: we request the necessary documentation and conduct audits.</p>
<p>Right to rest and leisure</p>	<p>Enagás improves and extends the periods and conditions of rest and leisure established in current legislation (flexibility in start times and lunch break, shorter workday during the summer and every Friday throughout the year, division of annual leave into a maximum of 3 periods, etc.).</p>
<p>Abolition of child labour</p>	<p>The Enagás Collective Bargaining Agreement prohibits the Company from employing minors of under 16 years of age (Article 28).</p>
<p>Right to family life</p>	<p>Enagás improves and extends paid leave beyond the provisions of current labour regulations (birth of a child, marriage or death of a close relative, special circumstances, etc.). [G4-LA3]</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>17 30</p> <p>Maternity/paternity leave</p> </div> <div style="text-align: center;">  <p>94% 100%</p> <p>Return to work rate of employees who took leave prior to 31/12/14</p> </div> <div style="text-align: center;">  <p>76% 100%</p> <p>Retention rate of employees in the company 12 months after returning</p> </div> </div>
<p>Right to freedom of opinion, expression and information</p>	<p>Enagás has various clear and transparent internal communication channels that allow workers to communicate with senior management.</p>
<p>Right to a safe working environment</p>	<p>Enagás' occupational risk prevention management system, certified under OHSAS 18001, provides mechanisms for identifying and preventing incidents.</p>
<p>Freedom of association</p>	<p>Enagás employees can freely exercise their right to belong to trade unions in order to promote and defend their economic and social interests without this being the basis for discrimination, and any agreement or decision by the company contrary to this principle is deemed null and void. (Article 64)</p>
<p>Right to collective bargaining</p>	<p>Enagás has a collective bargaining agreement and also enters into collective negotiations and carries out regular consultations with authorised representatives of the employees regarding working conditions, remuneration, dispute resolution, internal relations and issues of mutual concern.</p> <p>57% of employees are covered by the collective bargaining agreement (100% of operational staff, 94% of administrative staff and 35% of technicians). [G4-11]</p>



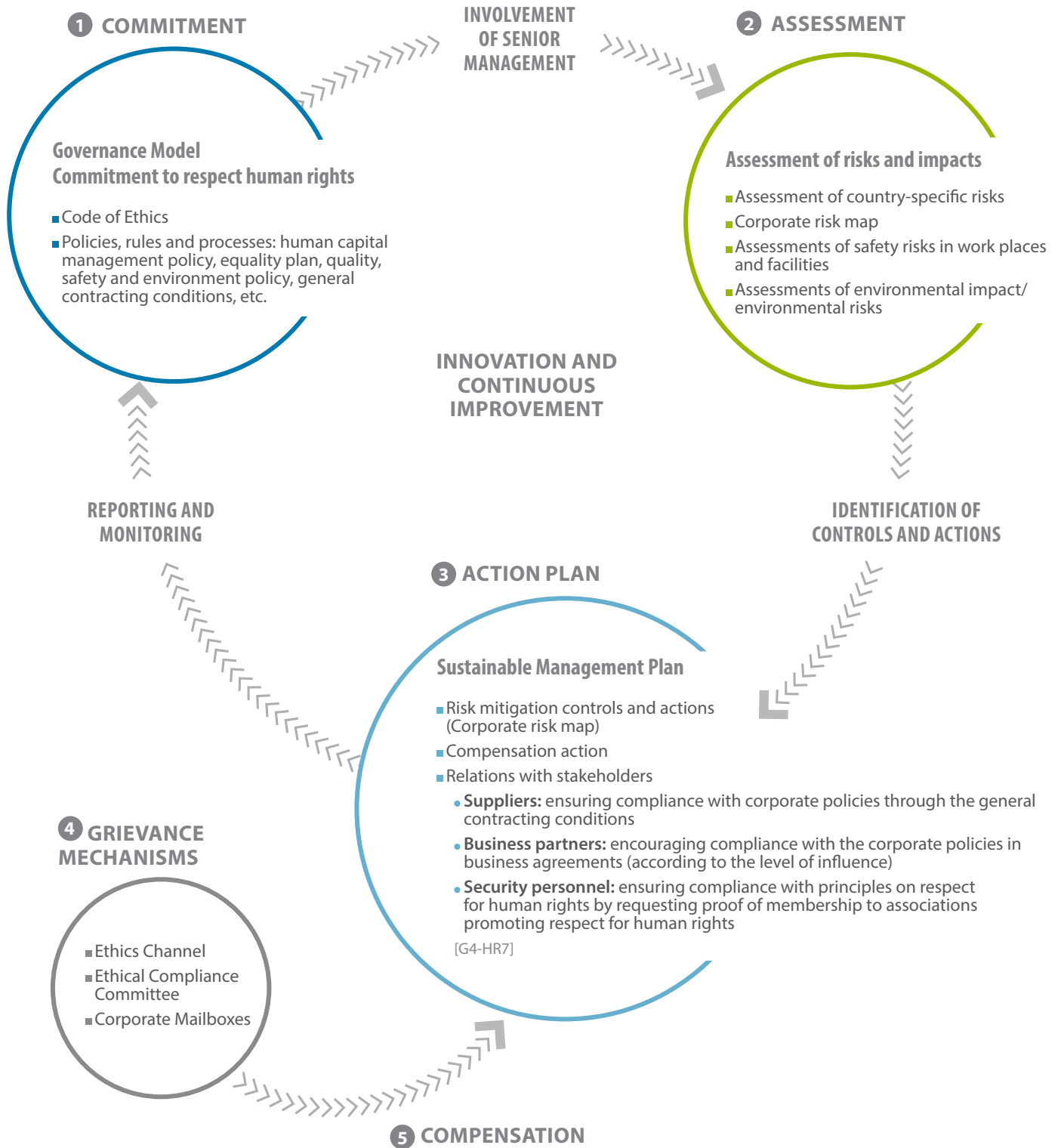
[G4-DMA]

<p>Right to workplace non-discrimination and diversity</p>	<p>The company has a Diversity Plan and a Prevention and Action Protocol at the disposal of its employees for any situation of workplace harassment. This protocol provides a confidential channel for reporting workplace harassment (canal.ético@enagas.es).</p>															
<p>Equal pay</p>	<p>The Enagás remuneration model factors in considerations of equality and non-discrimination, establishing differences due solely to the worker's position in the organisation and professional experience. Furthermore, the Enagás Collective Bargaining Agreement sets out different salary levels based exclusively upon objective work criteria.</p> <p>Ratio of basic salary/average wage of women to men by employee category [G4-LA13]</p> <table border="1"> <thead> <tr> <th>Employee Category</th> <th>Remuneration of women/remuneration of men</th> <th>Basic salary of women/basic salary of men</th> </tr> </thead> <tbody> <tr> <td>MANAGEMENT</td> <td>0.69</td> <td>0.75</td> </tr> <tr> <td>TECHNICIANS</td> <td>0.89</td> <td>0.96</td> </tr> <tr> <td>ADMINISTRATIVE STAFF</td> <td>0.92</td> <td>0.95</td> </tr> <tr> <td>OPERATIONAL STAFF</td> <td>0.81</td> <td>0.86</td> </tr> </tbody> </table>	Employee Category	Remuneration of women/remuneration of men	Basic salary of women/basic salary of men	MANAGEMENT	0.69	0.75	TECHNICIANS	0.89	0.96	ADMINISTRATIVE STAFF	0.92	0.95	OPERATIONAL STAFF	0.81	0.86
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OPERATIONAL STAFF	0.81	0.86														
<p>Right to fair and favourable remuneration</p>	<p>Part-time employees receive salaries and benefits proportional to those of full-time employees, as well as overtime pay. What is more, the minimum salary for an Enagás employee is more than double the minimum inter-professional salary in Spain.</p>															
<p>Right to life, liberty and security of person</p>	<p>The company exercises due diligence when rendering its services in order to avoid defects that could harm the life, health or security of consumers or others that could be affected by the defective product, and complies with national laws and relevant international guidelines.</p>															
<p>Right of minorities</p>	<p>Enagás ensures that owners and users of property affected by the company's acquisitions and activities receive appropriate compensation.</p>															

In 2016, an *online* training programme will be launched for all Enagás employees so they can learn the company's methods for ensuring compliance with human rights.

Human rights are addressed using a continuous improvement approach aligned with our Sustainable Management Model.

HUMAN RIGHTS MANAGEMENT MODEL [G4-DMA]







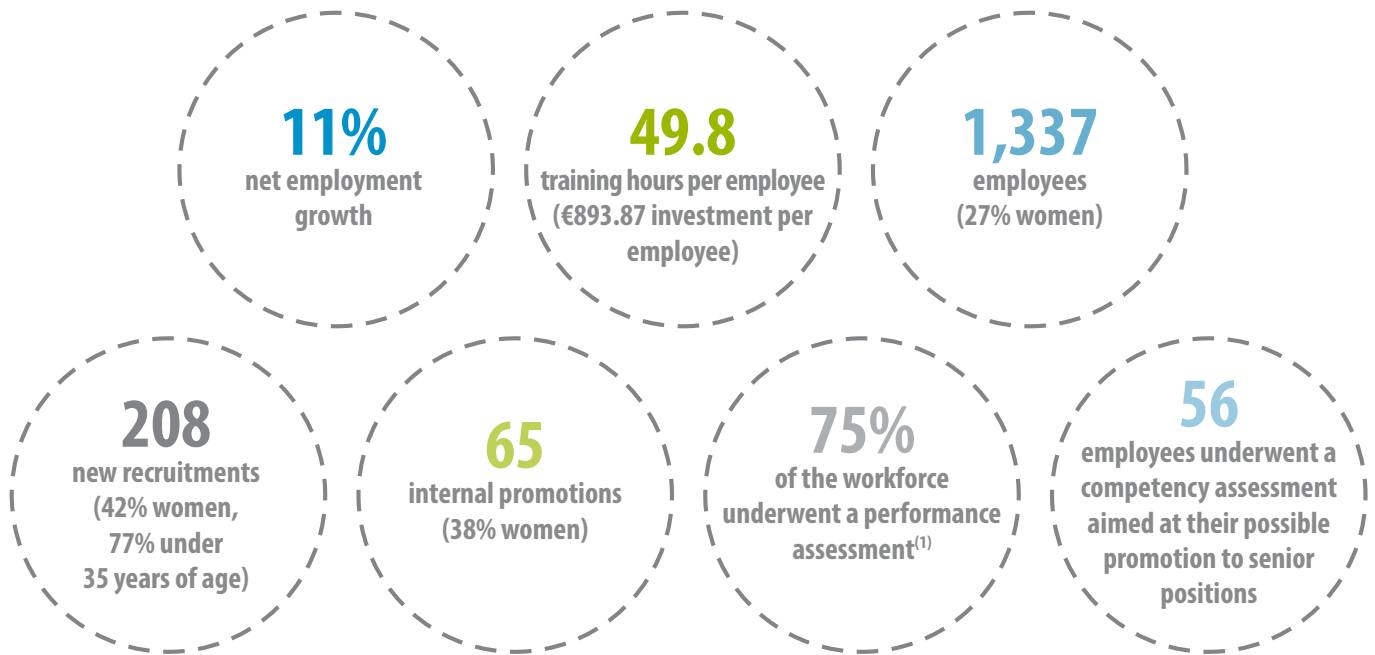
HUMAN CAPITAL MANAGEMENT

2015 milestones

- Approval of the Strategic Resources Plan to address the challenges in implementing the 2015-2017 Strategic Plan.
- Approval of the Human Capital Management Policy, which includes commitments aimed at attracting, developing and retaining talent, giving the company the necessary resources to roll out its strategy.
- Implementation of a competency assessment process (management *assessment*) in order to identify internal talent and assess people who could occupy senior positions.
- Launch of the Ingenia Business initiative, aimed at identifying ideas for developing new business models, as a launch pad for the Open Innovation and Corporate Entrepreneurship Programme.
- Top Employer certification for the fifth consecutive year.
- Preparation of the Comprehensive Diversity Plan.

Lines of progress 2016

- Development of corporate directives regarding diversity.
- Implementation of the competency model focused on human resources development programmes (*skills, assessment, etc.*).
- Training collaboration agreements with European business schools: Energy Delta Institute and top business schools in Spain.
- Implementation of the internal *mentoring* and *coaching* plan.
- Preparation of the talent matrix and individualised career plans.
- Definition of the succession procedure.
- Second edition of the Women with Talent Programme.
- Plan for management to visit company facilities in order to get closer to employees and improve cross-company communication.



⁽¹⁾ Performance appraisal linked to their career development and the increase in their fixed remuneration [G4-LA11, G4-LA9]

Strategic Resources Plan [G4-DMA]

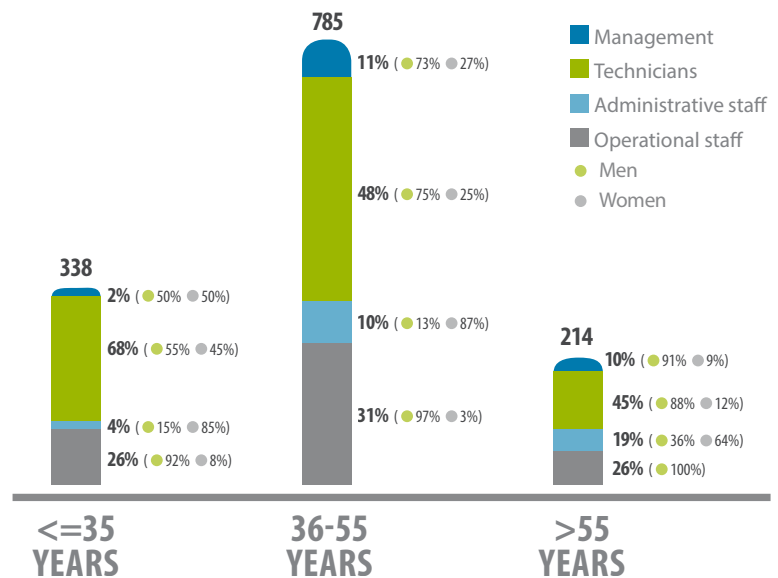
The Human Capital Management Policy, approved by the Board of Directors in 2015, sets out the commitment to guaranteeing the necessary human resources to achieve the company's strategic objectives through appropriate scaling, incorporation, organisation and management processes, taking into account international expansion and regulated business requirements.

In this regard, the Strategic Resources Plan allows us to address the challenges in implementing the 2015-2017 Strategic Plan. The Plan comprises two major pillars of transformation:

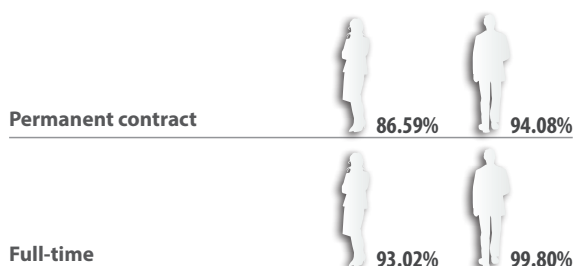
- > Organisation and Resources, a pillar based on the adaptation of scaling and of an operating model that allows for international expansion while maintaining operational efficiency in traditional markets.
- > Cultural Change within the company, requiring the definition and implementation of a Transformation Plan that reinforces employees' critical values within Enagás' strategic environment.

In this context, the plan included an 11% growth in the workforce compared to the previous year, maintaining both the stability and the quality of employment.

Distribution of the 1,337 employees by age group, employee category and gender [G4-10, G4-LA1, G4-LA12]



Type of contract and working hours by gender

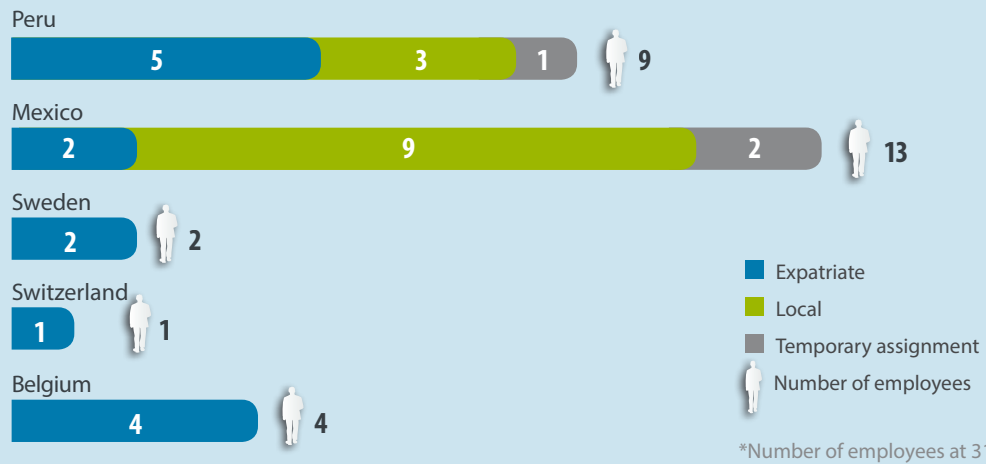


[G4-10, G4-LA1]



INVESTEES COMPANIES

The Enagás employees in each country where the company operates are shown below, including their type (local or expatriate employees).



Talent management [G4-DMA]

In 2015 Enagás developed a competency model based on the company's values:

VALUES

- Efficiency
- Transparency
- Innovation
- Integrity
- Sustainability
- Safety
- Team work

COMPETENCY MODEL

- Team work
- Communication
- Results-orientated
- Innovation
- People management
- Business management

The model is integrated into the following talent management processes:

- > Attracting external talent: through selection processes, in which work is underway to include new tools and methodologies per category and position incorporated in the competency model.
- > Identifying and retaining internal talent: through the Comprehensive Talent Management Model, which seeks to drive the achievement of the company's strategic objectives and plans by way of four principles:
 - Attract top talent to Enagás, ensuring the incorporation of highly-qualified people who share

Enagás' principles and values.

- Have a good understanding of our in-house talent in order to steer their training and professional development in an effective manner.
- Train our employees continuously, thereby ensuring that they are fully prepared to achieve optimal job performance.
- Develop Enagás' in-house talent by fostering professional career opportunities and mobility within the company.

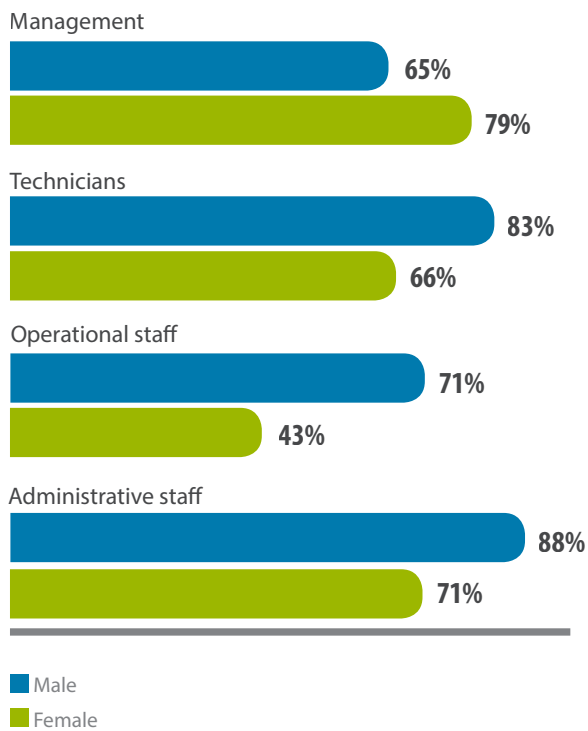


Performance assessment [G4-LA10, G4-LA11]

Performance assessment is a key part of the Comprehensive Talent Management Model. Every year, employees' competencies and skills are assessed and the results are linked to their professional development and increases to their fixed salaries. The assessor and the assessee are briefed beforehand (methodology, objectives, competencies gauged).

Other types of assessments are also performed, such as 180° assessment, carried out on 103 people in 2015, in which the Management Committee assesses all Directors and Managers.

Employees receiving performance appraisal by category and gender



Every year, employees' competencies and skills are assessed and the results are linked to their professional development and increases to their fixed salaries



Training [G4-LA10]

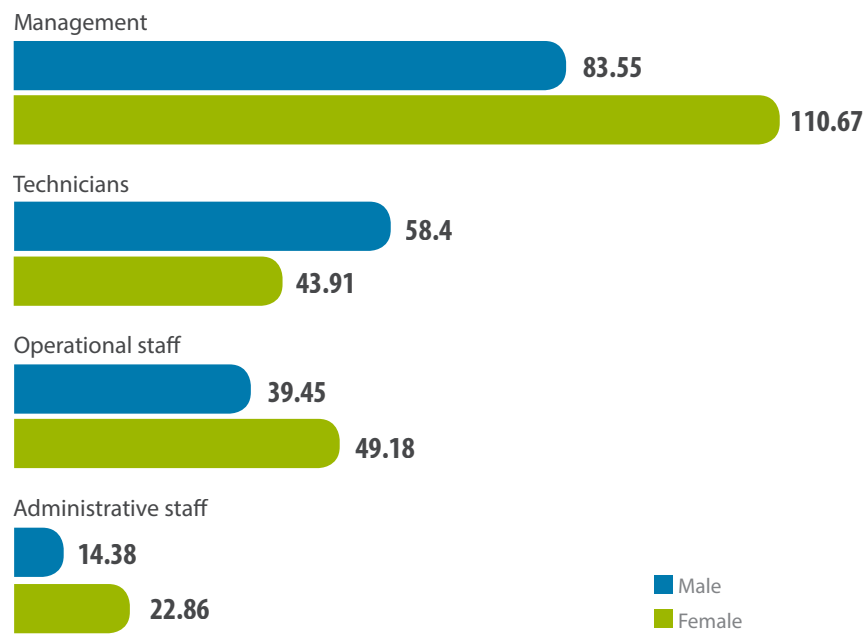
Enagás is keen to train its employees through the Enagás Training School, in which over 10% of the workforce take part as trainers in different programmes. Face-to-face training is complemented by *e-learning*, mobile training, communities of practice, etc.

In 2015, management development programmes were undertaken at business schools, in which the main European TSOs took part. Moreover, as a new feature in 2015, employees were offered certifications in specific disciplines and a team management programme was developed for area managers, which included both training actions and *coaching* sessions.

One of the key tasks assigned to the Enagás Training School was to prepare employees to address the company's strategic challenges. In this regard, in 2015 training began in the area of liquefaction (one of the business development opportunities targeted in our strategy), thus reinforcing employees' understanding of this subject.

Another area in which we are working is complementing leadership training actions with the development of a model for in-house *mentoring* and *coaching* processes.

Training hours per employee [G4-LA9]



797 training courses given

5 employees took part in coaching programmes



Termination [G4-LA10]

Enagás is working to develop transition assistance programmes, aimed at facilitating the employability of employees and the management of career endings resulting from retirement or the termination of employment.

Equal opportunities and diversity [G4-DMA]

Enagás guarantees equal opportunities and diversity, doing away with any discrimination in connection with gender, disabilities, age, nationality/culture, etc. through various actions.

Gender equality

In line with Enagás' commitments regarding equal opportunities reflected in the Diversity Plan and in the Human Capital Management Policy, the company has a process for identifying female talent that includes a series of measures aimed at boosting or increasing the ratio of women in positions of responsibility.

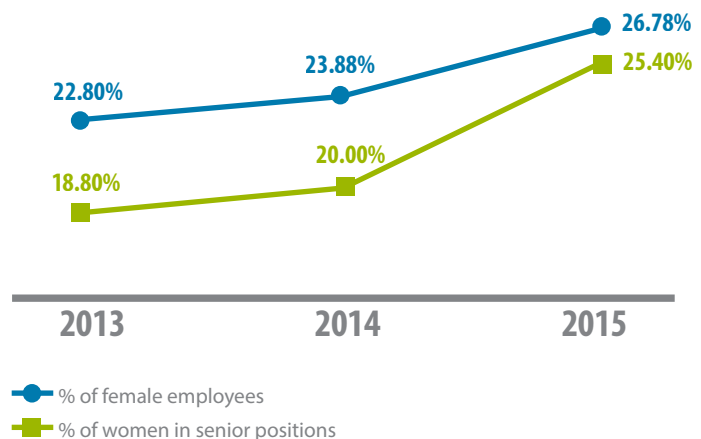
In this regard, the more notable measures set in motion by the company include:

- > The "¿Hasta dónde quieres llegar?" (How far do you want to go?) programme in which female employees at Enagás have been taking part since 2012. This programme is aimed at promoting the professional development of women through training and advisory actions.
- > The Talented Women Development Programme and the Talented Women Virtual Community, launched in 2014. This programme for developing and supporting change is aimed at, among other things, sharing concerns, opinions and ideas.
- > Participation in the Promociona project, which seeks to improve women's access to Senior Management positions and the Board of Directors through training, *mentoring* and advisory actions as well as by strengthening professional contact networks.

- > Dissemination of an "inclusive language decalogue", which contains helpful guidelines for turning language into an inclusion tool in order to encourage communication that favours equality.
- > A *mentoring* initiative promoted by the Chairman of the company to foster the sharing, development and integration of experiences that showcase the role of women in decision-making positions in different spheres of life.

As a result of these measures, the percentage of women in senior positions has increased from 16% in 2012 to over 25% in 2015.

Evolution of female employees in senior positions [G4-10]





AGREEMENT WITH THE MINISTRY FOR HEALTH, SOCIAL SERVICES AND EQUALITY

Enagás has a cooperation agreement with the Spanish Ministry for Health, Social Services and Equality aimed at increasing the number of women in companies holding positions of responsibility. With this agreement, the Company undertakes to adopt measures to increase the number of women in senior positions and on management committees.



"Equality at Work" accolade since 2010



Adherence to the Diversity Charter (plurality in enterprise)

Disabilities [G4-DMA]

In 2015, within the framework of the 2015-2017 Social Action Strategy, the company promoted different actions linked to the social and occupational inclusion of people with disabilities. Through activities connected to the "En nuestras manos" (In our hands) corporate volunteer scheme or social action initiatives, Enagás has signed collaboration agreements with different entities such as the Juan XXIII and Capacis foundations, as well as the ATADES, Nuevo Horizonte and Special Olympics associations. This has also brought company employees closer to the reality of specific sectors of functional diversity.

The sustainable development of such initiatives earned Enagás the Bequal seal in February 2015. This certificate determines the high level of commitment to Corporate Social Responsibility in essential areas of the company, such as the strategy on inclusion and management of disabilities and the incorporation of diversity into the Code of Conduct.

As regards the integration of persons with intellectual disabilities, Enagás has had an agreement with the Juan XXIII Foundation since 2013, whereby students with intellectual disabilities are offered work placements in the company. The main goal is for students to develop skills and obtain the knowledge they need to join the job market, as well as to progress and develop therein. Since the agreement was signed, four students have carried out placements at Enagás, cooperating in areas such as the collection of toys in the Christmas

campaign, handling and distributing materials and digitising documents. This collaboration agreement provides backup/relief programmes for all company employees who look after family members with disabilities. Such programmes favour the creation of positive conditions and attitudes in the social and family environment.

To raise awareness among Enagás employees, the company launched on the Avanza portal an online training scheme offering guidelines on how to communicate effectively with people with functional diversity.

+ **More information:** See the 'Community outreach' section.

Generational diversity [G4-DMA]

In 2015, Enagás joined an enterprise network called "Generación y Talento" (Generation and Talent) in order to identify synergies that encourage the implementation of active policies on generational diversity management.



Bequal seal for the company's commitment to the inclusion of people with disabilities



Other spheres of diversity (minorities and generational)

Enagás helps raise awareness against gender-based violence through initiatives such as joining the “Por una sociedad libre de violencia de género” (For a society free of gender-based violence) programme, through an agreement with the Ministry for Health, Social Services and Equality, and participation in the “Hay salida” (There is a way out) annual run organised

by the Government Delegation Against Gender-Based Violence, which comes under the Ministry for Health, Social Services and Equality. In 2015, the company launched a communication and awareness campaign on the International Day for the Elimination of Violence against Women, transmitting a message of commitment both internally and externally through social media.

Work-life Balance [G4-EC3, G4-LA2, G4-DMA]

For Enagás, work-life balance means reconciling employees' needs and interests with those of the company. As a Family-Responsible Company, Enagás fosters this two-way commitment by placing over 70 reconciliation measures at the disposal of its employees, thereby favouring their professional and personal development as well as helping to balance the different dimensions of each person's life and to meet their social and health care needs, along with those of their immediate family. In 2015, the company placed a series of measures at the disposal of its employees, such as free installation of Office 365 for their home PC, as well as a microsite providing access to the Alares Family Support Programme that facilitates and streamlines all information/procedures regarding the new measures adapted to the current context of Enagás employees.

Some of the measures for work-life balance available to our employees are described below.

HEALTH AND WELFARE

- > Annual medical check-up and flu vaccine campaigns.
- > 90% subsidy on the cost of private medical healthcare insurance for employees and 100% for their children. Medical cover on international trips.
- > 100% meal subsidies (canteens, financial aid, restaurant vouchers).
- > Access to a programme of discounts and exclusive prices on a wide range of online products, services and leisure.
- > Pension plans for employees with two years' effective or recognised service.
- > Healthy eating corner at head office.
- > Help towards sports activities.

FAMILY

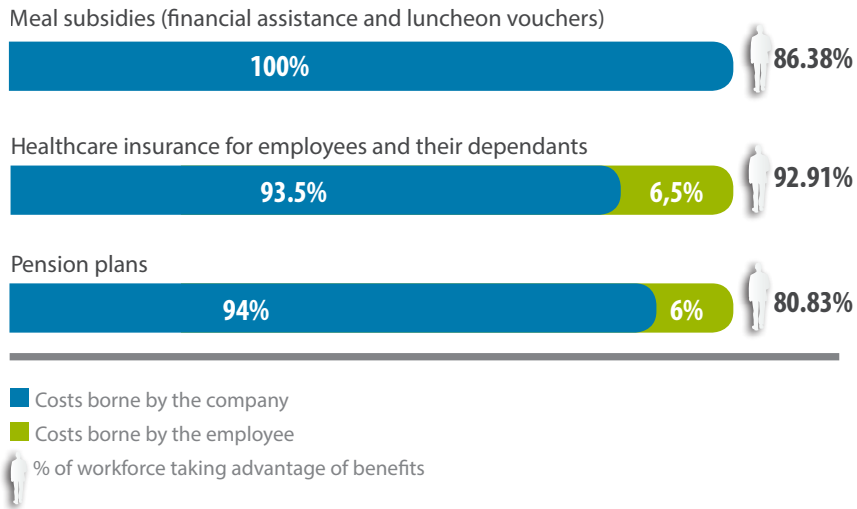
- > Study support for employees' children.
- > 80% subsidy on special schooling expenses for employees who have children with disabilities.
- > "Día sin Cole" (No School Day) programme and subsidised urban summer camps for employees' children on workdays throughout the school year.
- > Alares Family Support Programme:
 - "miAsistente" (myAssistant) personal manager, which takes care of all necessary day-to-day procedures and information.
 - Free handling of diverse procedures in connection to vehicles, maternity and paternity, licences, certificates, reports, etc.
 - Free service for selecting domestic helpers and healthcare personnel.
 - Service for online wills, expert legal advice, notary public and registrations.
 - Specialised treatment and home help service in the event of convalescence, illness or accident.

WORK FLEXIBILITY

- > Flexibility in start times and lunch break.
- > Shorter workday during the summer and every Friday throughout the year.
- > Division of annual leave into a maximum of 3 periods.

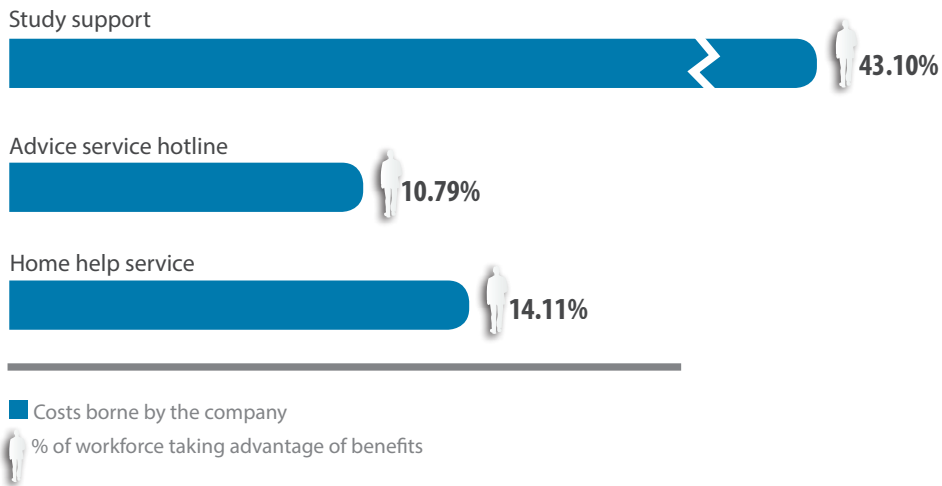
Social benefits related to employees' health and welfare

[G4-LA2, G4-EC3]



Family-related social benefits most used by employees

[G4-LA2, G4-EC3]



In 2015, Enagás launched a microsite aimed at providing full information on the Alares Family Support Programme and speeding up related procedures.



Results and impact on our team

The commitments undertaken by Enagás in its Human Capital Management Policy, and the measures and actions implemented, translate into high levels of satisfaction and motivation, as reflected by the low turnover rate, the results of the survey on workplace climate and the awards received by the company in this area.

The bi-annual workplace climate survey, with 68% participation, revealed that 73% of respondents in 2014 viewed the measures and actions to encourage a good workplace environment positively.



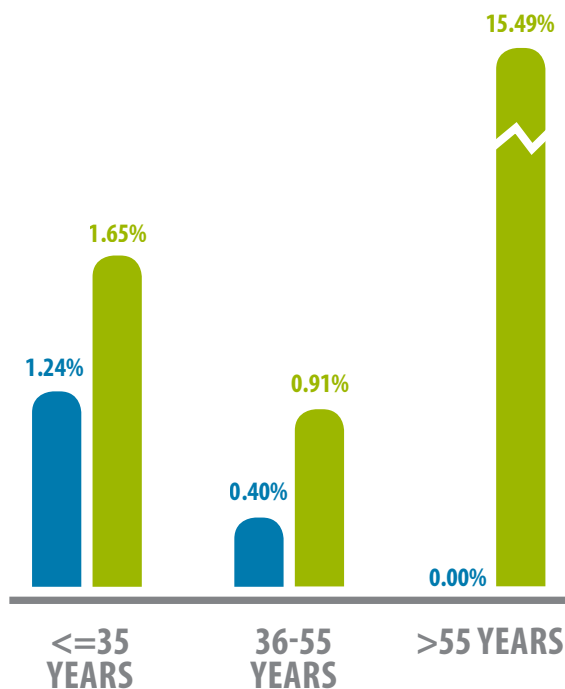
TOP EMPLOYER CERTIFICATION FOR THE FIFTH CONSECUTIVE YEAR

In 2015, Enagás received the Top Employer certification for the fifth consecutive year. The company stands out for its strategy on talent, which it regards as a key factor for achieving its corporate objectives, as well as for its commitment to work-life balance and equal opportunities.



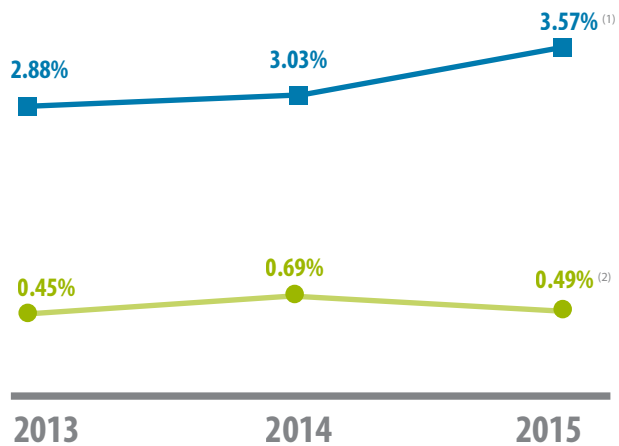
Rate of employee turnover by age group

[G4-LA1]



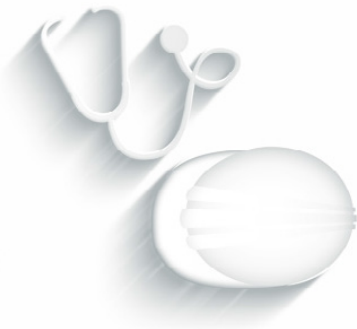
- Total permanent contract voluntary redundancies/total workforce (%)
- Total permanent contracts terminated/total workforce

Evolution of turnover rates [G4-LA1]



- Absolute turnover rate
- Voluntary turnover rate

(1) 2.58% women and 3.91% men
 (2) 0.6% women and 0.4% men



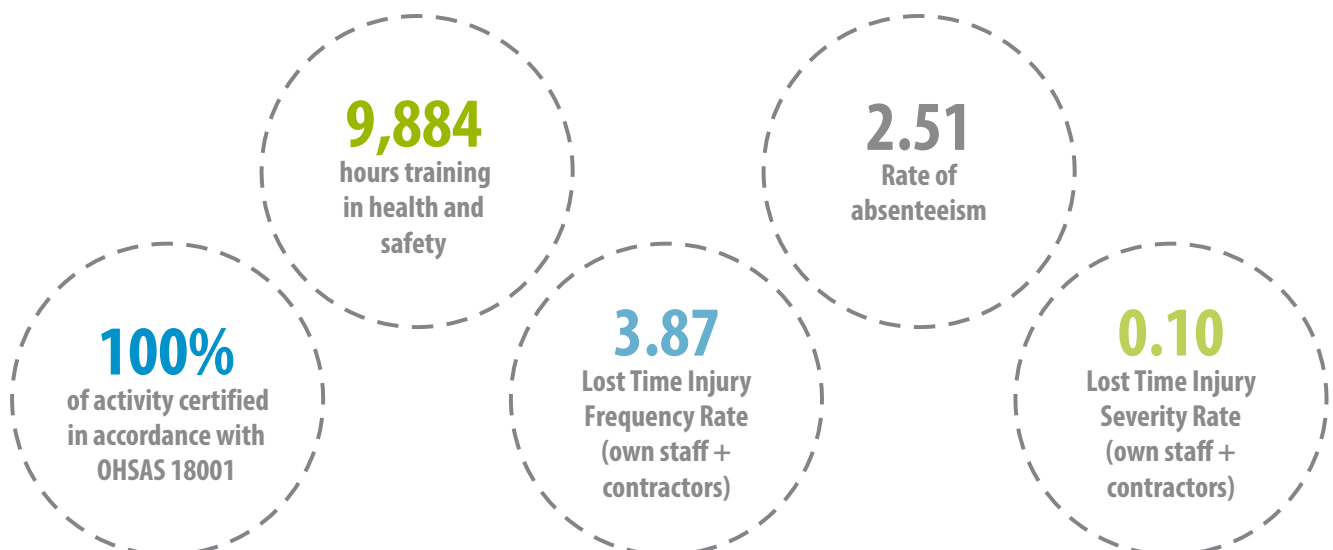
HEALTH AND SAFETY

2015 milestones

- Approval of the Health & Safety, Environment and Quality Policy.
- Healthy Workplace certification for the Enagás Group.
- Diagnosis of ISO 22320 (Emergency Management) integration in the Management System.
- Organising of awareness and training workshops for management aimed at boosting leadership in safety.
- Definition of a methodology for compiling maps of stakeholders associated with crisis management at its facilities.
- Implementation of the Enagás Contractor Access System (SACE).

Lines of progress 2016

- Workshops on culture and leadership in health and safety.
- Pilot trial for the map of stakeholders associated with crisis management in Catalonia.
- Collaboration with external entities supporting crisis management.
- Analysis of new risks and safety measures associated with socio-cultural change (age, technology, telework, etc.).
- Training in emergency skills and crisis management.
- Actions and campaigns to promote health-related issues (Fundación del Corazón) as well as healthy habits and behaviour (physical exercise and nutrition).
- ISO 39001 'Road Traffic Safety Management' certification.





Health and safety for people, at facilities and in the environment

[G4-DMA]

The company's actions and lines of activity in the area of health and safety are focused on the following spheres:



Leadership in health and safety

Awareness

Excellence in integrated management

Position in health and safety

Crisis management

Human health and safety

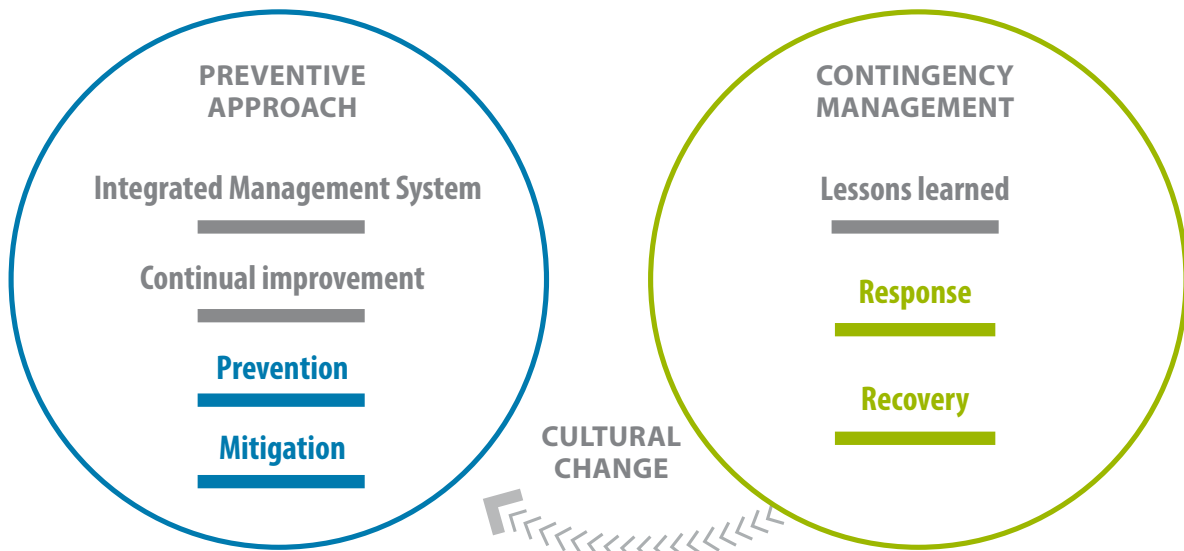
[G4-DMA]

Leadership in health and safety

The health and safety culture is integrated into the company through the involvement of leaders and the development of a health and safety conduct model.

Safety management has a preventive focus and its *input* comes from actions derived from contingency management by analysing lessons learned.

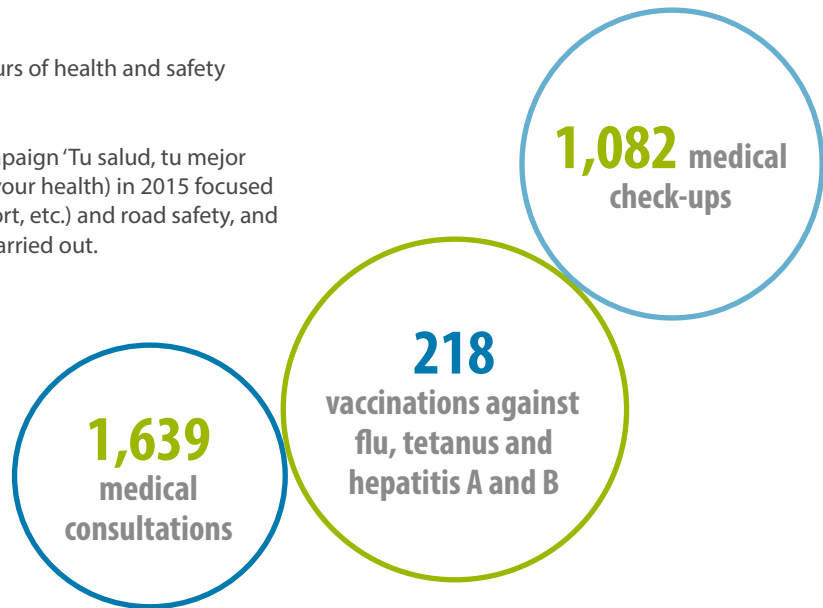
In health matters, Enagás has received the Healthy Workplace certification. The Integrated Healthy Management System encompasses aspects and information regarding the physical working environment, psycho-social environment, personal health resources and community participation.



Awareness [G4-LA6]

In 2015, a total of 9,884 hours of health and safety training were given.

The preventive culture campaign 'Tu salud, tu mejor trabajo' (Your best work is your health) in 2015 focused on health (good habits, sport, etc.) and road safety, and a total of 24 actions were carried out.



The Enagás medical service handled over 1,600 consultations in 2015. There were also vaccination campaigns against flu, tetanus and hepatitis A and B, as well as prevention campaigns: hypertension, cardiovascular risk or prostate risk.

Health check-ups are offered to all the company's employees. These are voluntary and in all cases guarantee the employee's informed consent before the examinations, tests and analyses are carried out, as well as the confidentiality of the personal medical data obtained. A total of 1,082 medical check-ups were performed in 2015.

Health and safety at facilities

[G4-DMA]

Excellence in integrated management

The Enagás Group's Occupational Risk Prevention Management System, certified in accordance with OHSAS 18001, contains procedures and rules for identifying and assessing risks, and for reporting accidents. [G4-PR1]

Enagás promotes safety certification for its supply chain and requires, in its approval process, certification in occupational risks for suppliers of certain families of products or services. In 2015, the Enagás Contractor Access System (SACE) was implemented for safety management with suppliers.

Furthermore, due to the geographical dispersion of its facilities, road safety is one of the company's key areas of risk. For that reason, various awareness campaigns have been carried out in recent years and we are working towards road safety certification in 2016.

In its approval process, the company requires certification in occupational risks from suppliers of certain products or services

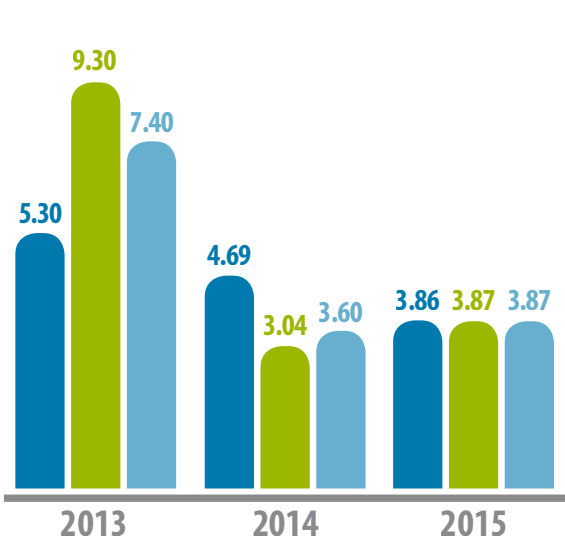
+ More information: See the 'Supply chain' section.



Health and safety indicators [G4-LA6]

Lost time injury frequency rate

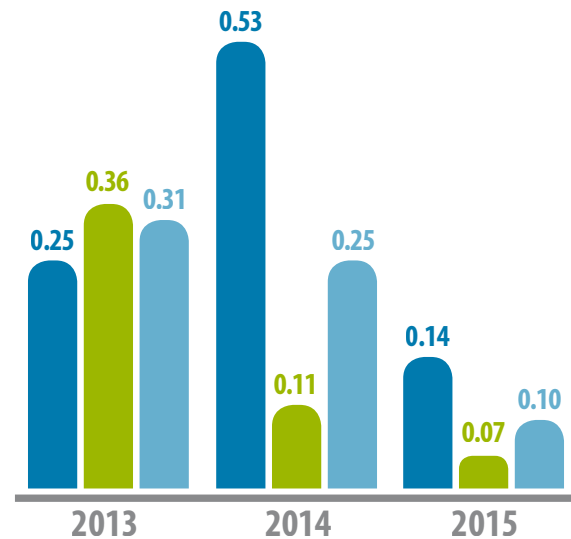
Number of accidents causing injuries and sick leave per million hours worked. (Number of accidents leading to sick leave x 10⁶ / number of hours worked).



- Lost Time Injury Frequency Rate (own staff)
- Lost Time Injury Frequency Rate (contractor staff)
- Lost Time Injury Frequency Rate (own staff + contractor staff)

Lost time injury severity rate

Number of days lost due to accidents per thousand hours worked. (Number of working days lost x 10³ / number of hours worked).

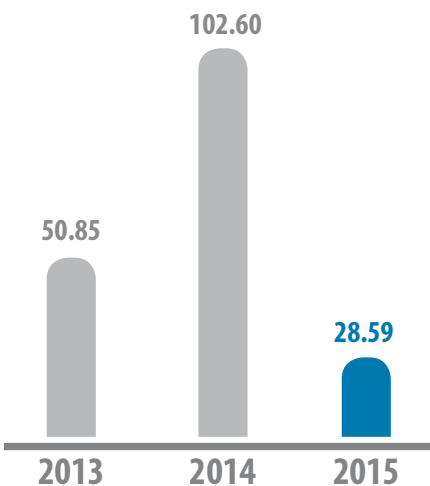


- Lost Time Injury Severity Rate (own staff)
- Lost Time Injury Severity Rate (contractor staff)
- Lost Time Injury Severity Rate (own staff + contractor staff)

In 2015, the total number of accidents involving men came to 24 (6 with sick leave, 2 *in itinere* and 16 without sick leave). In contrast, only 4 accidents occurred involving women (2 with sick leave, 1 *in itinere* and 1 without sick leave). [G4-LA6]

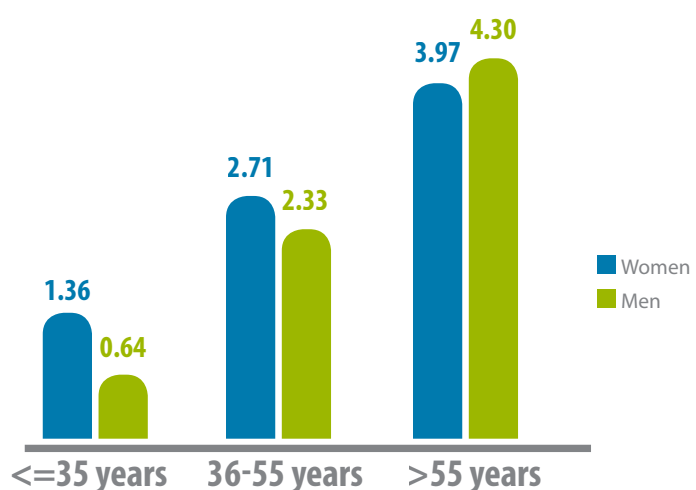
Lost day rate

Total cases with lost days / total hours worked x 200,000.



Absenteeism rate by gender and age

Hours of absenteeism x 100 / theoretical hours (average workforce x 1,682 hours).



Most incidents that occurred in 2015 involved the risk of fire or explosion, both mechanical and physical. The most frequent causes of such incidents include tools and safety equipment and devices.

Enagás has various social representation bodies where employees exercise their participation and consultation rights: [G4-LA5, G4-LA8]

	Health and Safety Committees ⁽¹⁾	The Group's Inter-Centre Health and Safety Committee	The Inter-Centre Health and Safety Committee of Enagás Transporte SAU
Joint structure:	Prevention Delegates and Management Representatives	Prevention Delegates and Management Representatives	Prevention Delegates and Management Representatives
Frequency of meetings	Quarterly	Yearly	Two-monthly

(1) At centres with fewer than fifty employees at which there is Prevention Delegate, health and safety meetings are held on a regular basis.

On the Intranet there is also a suggestion box available to all Enagás employees.



ENAGÁS' PARTICIPATION IN A SIMULATION AT A PETROCHEMICAL PLANT

In 2015, Enagás took part in an exercise in the province of Ciudad Real called 'Gamma Daimiel 2015'. It involved simulating a crisis situation at a petrochemical plant in which an explosion created a toxic cloud several kilometres in radius that affected nearby facilities and had a domino effect.

The main target of this initiative was the coordination and action of external participants in a crisis situation, implementing their respective operations as set out in Self-Protection Plans and in the General Regulations for Communication in Crisis Situations.

Enagás intervened by activating the Protocol for Communications with the regional government of Castilla-La Mancha. Based on this scenario, a series of incidents were introduced, unknown to all participants, requiring action on the part of the Emergency Operational Management, assigned to the General Chief of Staff of the Military Emergency Unit (UME), as well as specialised emergency services and participating companies. In the second phase, Enagás' employees and the UME intervened at the Alcázar de San Juan Compressor Station, simulated in Daimiel, where the facilities had been affected as the toxic cloud prevented access thereto. The Main Control Centre (MCC) of Madrid monitored the entire crisis coordination and control process until the affected facility was secure.



Health and safety in the environment

[G4-DMA]

Position

Internationally, the Enagás Group participates on the *Marcogaz Sustainability Standing Committee*. Therein, it also participates in the *Health and Safety Working Group*, which deals with issues related to occupational health and safety of employees in the gas industry. In Spain, Enagás takes part in the Safety and Sustainable Development Committee and in its SEDIGAS working group, where common action criteria are established in relation to prevention and safety in the Spanish gas system.

The company also takes part in the Spanish Occupational Hazard Prevention Services Association (AESPLA). This is a forum for sharing knowledge on new lines of action to create a global prevention strategy in the various business sectors.

Crisis management

In 2015, training was carried out in different aspects related to crisis management and the resilience of organisations aimed at raising awareness about the relevance thereof and providing essential tools for coping with crises in the company. This training included development of a simulation and the launch of a resilience survey.

Furthermore, work began on preparing a *stakeholder map* for managing crises in different infrastructures of the company so that, in a hypothetical crisis situation, all key people as well as the channels and issues can be identified.





COMMUNITY OUTREACH

2015 milestones

- Development of volunteering initiatives focusing on assistance, employability and team cohesion, in line with the company's values.
- Collaboration with the *Cáritas Española* charity organisation for the fourth consecutive year, by way of a €100,000 donation.
- Participation of Enagás employees for the second consecutive year in the *Educating in Solidarity* programme.
- Participation in *Give and Gain*, one of the most important corporate volunteering initiatives in Spain.

Lines of progress 2016

- Preparation of a local Stakeholder Map: plant, underground storage facilities and transmission area.
- Preparation of a nationwide Stakeholder Map: Mexico and Peru.
- Preparation of the annual Community Outreach Plan (cooperation issues/initiatives, outreach channels and responsible parties).
- Review of the Volunteering and Social Action Strategy in accordance with the Stakeholder Management Model and the corporate volunteer approach





Impacts derived from our activities

[G4-DMA]

Enagás, through its activities to develop, operate and maintain gas infrastructure, reinforces and guarantees the security of the energy supply, and fosters the use of natural gas instead of other, more polluting fossil fuels, such as oil or coal.

What is more, natural gas is of great importance for improving competitiveness as it allows efficient industrial technologies to be introduced that improve both the intensity of energy use and the industry's competitiveness, thereby creating direct and indirect jobs.

In both pipeline construction and pipeline routing surveys, Enagás takes great care over measures to minimise the impact on local flora and fauna. As far as possible, the company also avoids laying

pipelines through private land, though in the case of Spain, where there is a large number of private properties per kilometre of pipeline (15 on average), it is essential to apply the regulated procedure that affords transparency in the undertaking of infrastructures and equality before the law for all Spanish citizens.

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 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.

[G4-SO2, G4-OG10, G4-DMA]



Reduction of the dependence on more polluting fossil fuels



Industrialisation/ Greater industrial competitiveness



Generation of direct and indirect employment



Strengthening of supply security

Social investment

The objective of Enagás's social investment is to contribute to the social and economic development of local communities, giving priority to those regions in which we operate, through sustainable social action models.

Through dialogue and collaboration with stakeholders, we maximised the positive social impact of our initiatives, whether through volunteering, sponsorships, patronage or donations. [G4-DMA]

Each year the company prepares the Social Action Plan, which includes details of all the planned initiatives, containing sufficient information to enable the impact of the project to be monitored and subsequently assessed. The procedure for managing sponsorships, patronage and donations establishes the criteria for the reception, approval and follow up of collaboration requests (financial contributions). [G4-SO1]



Enagás Corporate Volunteering Programme “En nuestras manos” (In our hands) [G4-DMA]

Enagás employees participate in the company's corporate volunteering programme “En nuestras manos” (In our hands), giving up their time and bringing their skills and talent.

The company also has a Volunteer Portal - a platform that strengthens and extends the existing programme. It encompasses special days organised by the company as well as over 1,200 national and international collaboration opportunities, both face-to-face and virtual, put forward by NGOs.

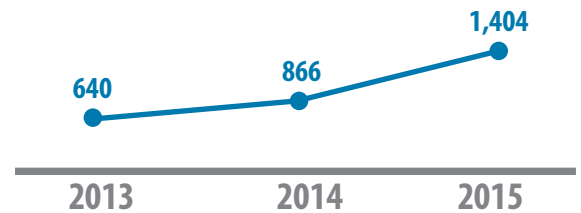
In 2015, the corporate volunteering programme also included specific initiatives aimed at enhancing the employability of people at risk of social exclusion, along with others aimed at boosting team cohesion at Enagás. Furthermore, we addressed issues relating to environmental protection, health, social welfare, economic development, education and youth, all of which attracted a high level of involvement on the part of our employees.

In 2015, we carried out 16 initiatives, in which 202 employees dedicated a total of 1,404 working hours.

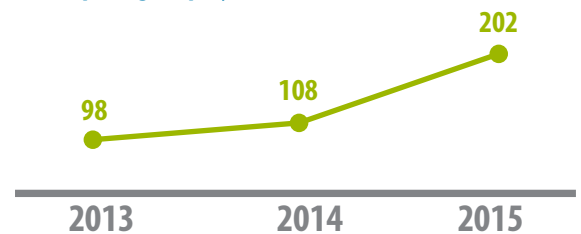
This required an investment of €105,642 by the company to cover programme management costs.

In 2015, more than 200 employees took part in 16 corporate volunteering initiatives

Hours spent



Participating employees



More information: See the Social Action Strategy published on the corporate website.



BOOSTING EMPLOYMENT AND INCLUSIVE ENTREPRENEURSHIP THROUGH CORPORATE VOLUNTEERING

Enagás took part in a corporate volunteering activity within the framework of ‘Vives Proyecto’, a programme launched by Acción Contra el Hambre (Action Against Hunger) aimed at boosting employment and inclusive entrepreneurship.

Our involvement helped provide job-seeking guidance for people at risk of social exclusion by giving them advice on how to prepare their CVs and assessing different entrepreneurship ideas.

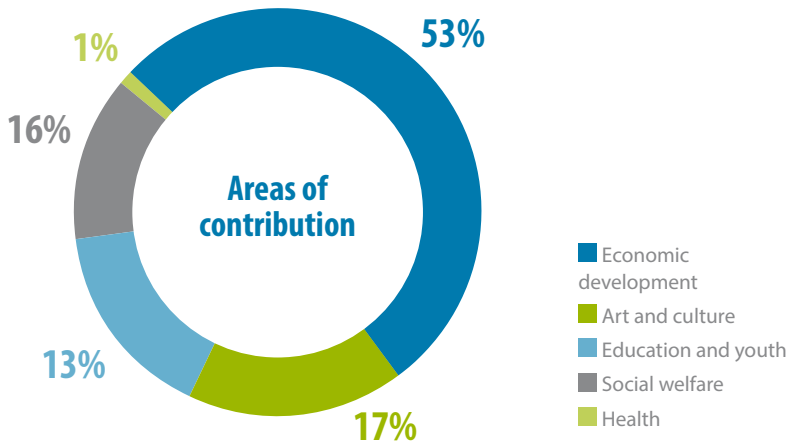
Professional success and entrepreneurship were the focus of a one-day event aimed at the exchange of experiences and learning, not only through the project itself, but also through the ideas, questions and comments of others. Volunteers and attendees talked about how to perfect the businesses that had been presented and how to leverage entrepreneurship initiatives to gain a foothold in the job market.



Sponsorship, patronage and donations [G4-DMA]

Enagás collaborates in social projects through sponsorships (institutional, academic, sporting and sponsorship activities), patronage (social and cultural activities and initiatives) and donations. [G4-SO1]

In 2015, economic contributions were:



Enagás carries out sponsorship, patronage and donation activities of a social nature

Furthermore, we made in-kind donations of all IT equipment, mobile phones and discontinued promotional material.



COLLABORATION WITH CÁRITAS ESPAÑOLA

For the fourth year running, Enagás donated €100,000 euros to the Cáritas charity organisation to help meet the basic needs of the most disadvantaged groups. This sum, which the company had previously earmarked for Christmas gifts, will go to a Cáritas programme aimed at providing help for vulnerable or marginalised families, focused on improving their quality of life in Spain and helping to reduce the social divide that has been exacerbated by the crisis.

This partnership will enable Cáritas to provide healthcare and food for families at their shelters, social canteens and day centres. More specifically, Enagás' donation will be used to distribute food, clothes, shoes, child hygiene products, medicines, help with housing costs and support for schooling, as well as other initiatives that provide accommodation for families in need who turn to Cáritas for help.

This donation is in line with the social action policy of Enagás, which is committed to supporting projects that enhance the well-being of individuals, and in particular that of members of the most disadvantaged groups in society.



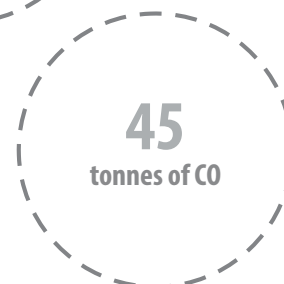
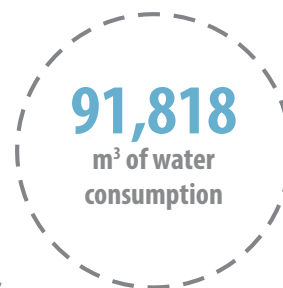
ENVIRONMENTAL MANAGEMENT

2015 milestones

- Approval of the Health & Safety, Environment and Quality Policy.
- Renewal of the Environmental Management System certificate in accordance with ISO14001.
- Renewal of the Barcelona and Huelva plants' EMAS certificate.
- Creation of a Paperless Programme Office that drives and coordinates the company's transformation towards a more efficient and sustainable model.

Lines of progress 2016

- Development of corporate directives regarding biodiversity.
- Extension of the ISO14001 certification to head office (Enagás, S.A. and Enagás GTS) as well as the EMAS certification.
- Reduction of BOD and COD levels in the sanitary water discharged by the Yela Storage Facility or installation of a sealed reservoir.
- Implementation of noise reduction measures for Regulation and Metering Stations, the Gaviota Storage Facility and the Cartagena Plant.
- Reduction in the use of municipal water at the Barcelona Plant and reduced use of water at the Seville and Paterna compressor stations to match the average levels of consumption at all other stations.





Environmental Management [G4-DMA]

Enagás undertakes its environmental commitments (as reflected in the Health & Safety, Environment and Quality Policy) through the Environmental Management System. 97% of Enagás' activity is certified in accordance with ISO 14001. In addition, the Huelva and Barcelona regasification plants have the EMAS certification. In 2016 we will continue to extend the scope of both

certifications. Specifically, the company's head office will be included in the ISO 14001 certification.



PAPERLESS PROGRAMME OFFICE

Enagás is invested in implementing new ways of working that are more efficient and sustainable. Along these lines, the Paperless project is aimed at optimizing work flows and reducing the use of paper. In 2015, the Paperless Programme Office was set up to raise awareness among employees and promote specific measures that allow document digitisation, process automation or replacement of physical formats by electronic formats.

The office is tasked with:

- Disseminating a *paperless* culture throughout the organisation.
- Prioritising initiatives to be included in the Transformation Programme.
- Promoting initiatives while ensuring the fulfilment of targets and acting upon undesired deviations.
- Regularly reporting on the goals and milestones achieved.

Impact studies and assessment of environmental issues [G4-EN11]

Enagás studies the environmental impact of all its construction, operation and maintenance activities by means of environmental assessments. What is more, for infrastructure construction projects, and based on their type and on applicable regulations, environmental impact studies are carried out which include both the impacts themselves and the measures taken to mitigate

them, while also establishing stakeholder consultation procedures.

Environmental monitoring is carried out through environmental audits of works, environmental surveillance, assessments of legal compliance in all installations and monitoring of environmental indicators and improvement plans.

CHANNELS FOR DIALOGUE WITH STAKEHOLDERS



Environmental mailbox



Corporate website



Informative Sessions



Consultation processes



On-site environmental audits carried out on

3 km of pipelines in Spain and on
160 km in Mexico

Environmental monitoring carried out on

586 km of pipelines

Biodiversity protection [G4-DMA]

During the development of infrastructures, Enagás carries out activities aimed at protecting and preserving flora and fauna, thereby mitigating any impact on biodiversity. Such activities start with on-site reconnaissance before any work commences in order to check for the presence/absence of species along the route.

Impacts on biodiversity are greater in areas where Enagás is developing and participating in infrastructure construction projects, as is the case in Mexico. We have therefore extended the scope of the information provided in this chapter.

The biodiversity protection measures carried out in 2015 construction projects are set out below: [G4-EN13]

Biodiversity protection measures	Morelos pipeline	Soto La Marina Compressor Station (50% stake owned by Enagás)	Euskadour Compression Point	Granada by-pass	Coria del Río by-pass	Impacts on biodiversity
Replanting by sowing grasses and planting trees and shrubs compatible with the affected land	X	Not applicable	5,786 m ² (€34,273 investment)	Not applicable	32 m ² (€985 investment) ⁽¹⁾	Reduction of the impact on vegetation of opening up pipeline routes
Use of narrower work tracks	X	Not applicable	X	Not applicable	Not applicable	
Transfer of specimens to similar habitats nearby	X	X	Not applicable	Not applicable	Not applicable	
Use of corridors belonging to other existing infrastructure and existing access routes to work sites	X	X	X	X	X	Reduction of the impact on soil due to earth movement and water due to crossing waterways
Targeted drilling	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Recovery of waterway banks and soil by means of soil loosening, topsoil replacement and reconstruction of boundaries	X	Not applicable	12,988 m ² (€34,273 investment)	Not applicable	32 m ²	
Use of modified routes	X	Not applicable	X	Not applicable	Not applicable	Reduction of the impact on fauna
Adjustment of the work schedule to the nesting and breeding season of certain species	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	

[G4-EN12, G4-EN13, G4-OG4, G4-DMA]

(1) Includes the recovery of waterway banks and soil by means of soil loosening, topsoil replacement and reconstruction of boundaries.



LANDSCAPE RECOVERY AT THE EUSKADOUR COMPRESSOR STATION IN IRÚN

Before commencing construction of the compressor station, Enagás carried out on-site reconnaissance to survey the flora and fauna. The purpose is to detect the presence of any endangered species. The impact of the works on the local flora and fauna was deemed 'Non-Significant'.

The environmental aspects deemed most significant in the project's Environmental Impact Study and Environmental Impact Statement included the creation of screens of trees around the facilities.

A total of 0.37 hectares were replanted through two main types of actions which were applied jointly:

- 0.32 hectares of slopes in clearing or embankment were seeded or hydroseeded to encourage revegetation and reduce the risk of erosion.
- 0.20 hectares were repopulated with bushes and trees, whether as a vegetation shield around the compression point or as riverside thickets.

Revegetation of the course of the underground power line was carried out without planting tall trees and bushes along the 4-metre strip on the easement of the power line.

A total of 927 species were planted, with 369 protectors and 891 supports. Seeding and hydroseeding provided the terrain with 81 kg of grass seeds.

This restoration also aims to improve the stability of the civil works (embankments and clearing) and reduce the maintenance costs thereof.



INVESTEE COMPANIES

Actions to protect biodiversity carried out during construction of the Morelos pipeline

Flora and fauna rescue programmes for the Morelos pipeline enabled 1,671 species of flora to be rescued through continuous transplantation, as well as 198 species of fauna through capture and release. The species of fauna that were rescued included 35 endangered species (pigmy rattlesnake, neotropical whip snake and horned lizard). The flora that was rescued did not include any protected species. Investment in both programmes amounted to €41,764.

Other biodiversity protection measures were also carried out, such as the use of narrower work tracks, corridors belonging to other existing infrastructure and existing access routes to work sites, recovery of the banks of water courses and soil through soil loosening, replacing topsoil, reconstructing boundary areas and the use of modified routes.

Lastly, in order to monitor environmental protection in the area as well as the workers' health, a series of environmental awareness campaigns were carried out. These campaigns consisted in presenting the main species of flora and fauna to be protected and training to distinguish venomous snakes that probably inhabit the work area by giving the workers information leaflets.

Water management [G4-DMA]

At Enagás, we withdraw seawater for use in floodwater and seawater 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. [G4-EN9, G4-EN22]

At Enagás, we do not consume water in our production processes. We do, however, use water for sanitation, irrigation and firefighting.

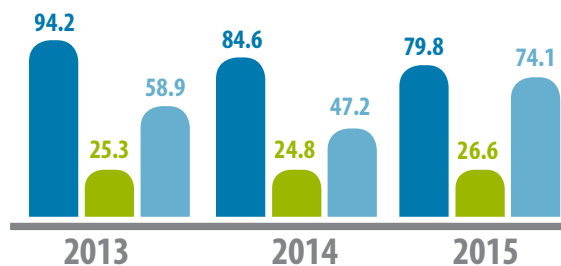
The wastewater discharged by Enagás is comparable to urban waste. In 2015, we discharged 5,878 m³ of water into the public mains and 8,255 m³ of water into septic tanks or the sea. [G4-EN22]

Seawater withdrawn and returned to its source (hm³) [G4-EN9]

Barcelona Plant limit: 490.05 hm³

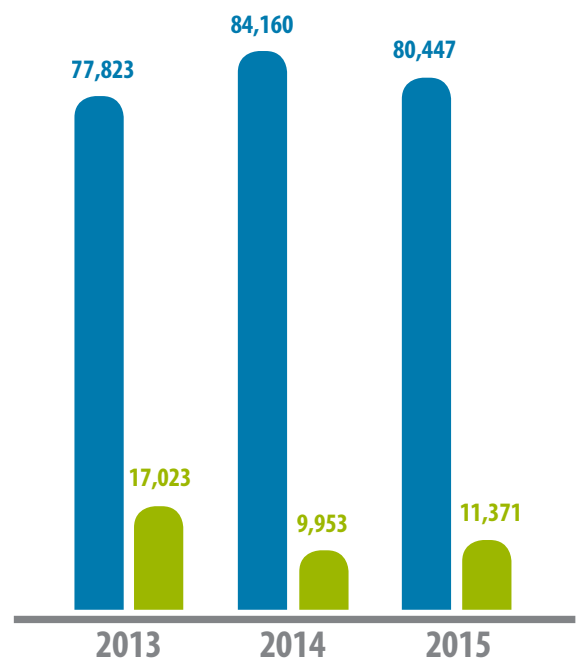
Cartagena Plant limit: 297.8 hm³

Huelva Plant limit: 170.0 hm³



■ Barcelona Plant
■ Cartagena Plant
■ Huelva Plant

Water consumption by source (m³) [G4-EN8]



■ Water from municipal network (m³)
■ Water from other underground or above-ground sources (m³)

In 2015, Enagás reported on its performance, risks and opportunities in the area of water through its public response to the CDP Water questionnaire

Spillage and waste control [G4-DMA]

With regard to spillage, the company carries out preventive measures such as dual-wall underground tanks, which are inspected regularly to ensure that they are watertight, and the placement of containment troughs and trays.

Accidental spillage in 2015 was: [G4-EN24]

- 122 litres of gasoil
- 397 litres of oils
- 17.7 litres of THT
- 100 litres of water with oil
- 300 litres of water with salt
- 100 litres of water with methanol

Corrective actions include damage assessment, land decontamination and replenishment, removal and treatment by the waste manager and preparation of the incident report.



Atmospheric emission control

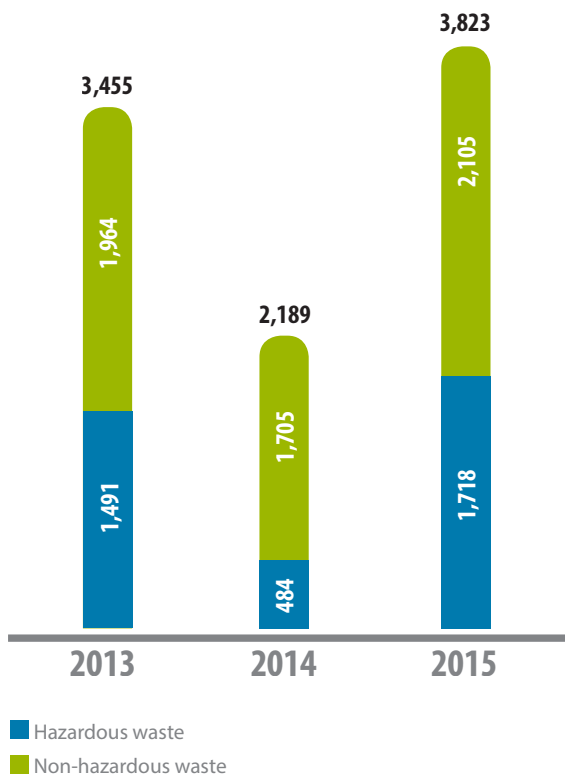
[G4-DMA, G4-EN21]

Enagás mainly generates waste through facility and equipment maintenance. The company's objective is to recycle and recover this waste wherever possible.

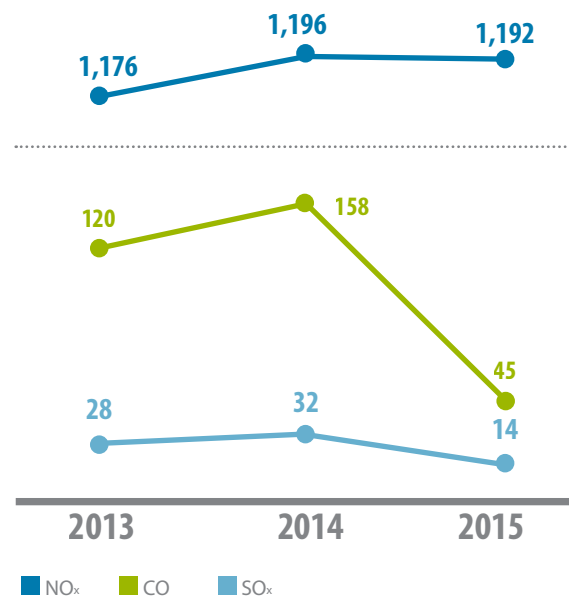
[G4-EN23]

The main non-GHG emissions at our facilities are CO, SO_x and NO_x. There are also emissions of less significant gases.

Waste generated (t) [G4-EN23]



Non-GHG emissions (t) [G4-EN21]




Enagás carries out regulatory and voluntary checks (self-checking) at all its combustion sites.

Noise control

Enagás conducts annual noise measurement campaigns at its facilities in order to minimise noise pollution. In 2015, we conducted 55 measurements and checked compliance with the legal limits applicable in all but four facilities. Since 2009, the company has installed silencers and acoustic panels in some of its facilities.

In 2016, we will be working to reduce ambient noise levels at the Gaviota Storage Facility and the Cartagena Plant. We will also be implementing noise reduction measures for the Regulation and Metering Stations identified and studied in 2015.

More information:
See the 'Environmental management' section on the corporate website.





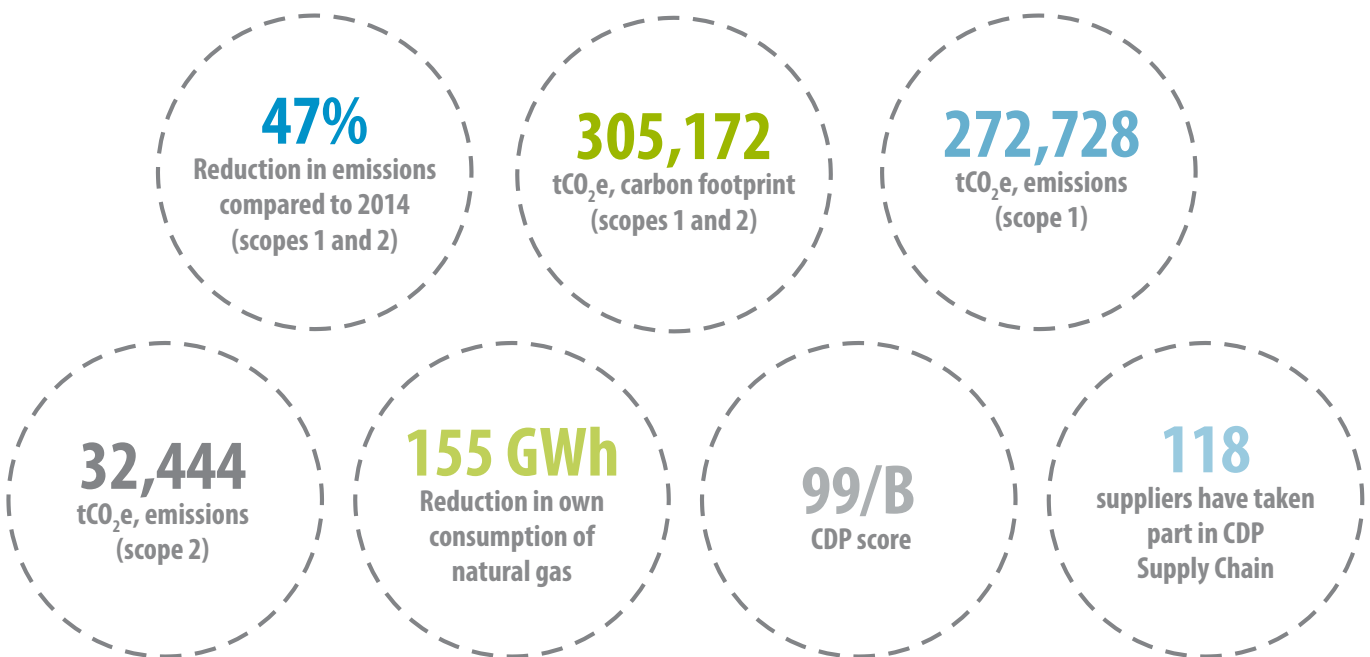
CLIMATE CHANGE AND ENERGY EFFICIENCY

2015 milestones

- Support for the We Mean Business initiative against climate change.
- Support for Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth).
- Setting an internal carbon price.
- Implementation of the 2015-2016 Energy Efficiency Plan, comprising various measures which, throughout 2015, enabled us to reduce own consumption of natural gas by 155 GWh, avoid power consumption of 0.05 GWh and generate 3 GWh of electricity from clean sources, thereby preventing over 42,000 t CO₂e emissions.

Lines of progress 2016

- Development of corporate directives regarding climate change and energy efficiency.
- Energy Efficiency Programme 2016.
- Undertaking of studies and pilot projects within the framework of the CORE LNGas Hive project for the development of infrastructures in Spain and Portugal that support the use of Liquefied Natural Gas (LNG) as an alternative fuel in sea transport (bunkering) coordinated by Enagás.
- Voluntary carbon offsetting.





Climate change management model

[G4-DMA]

Our approach to climate change management is based on public commitment, emission reduction measures and the reporting of our performance and results, as

well as the extending of our commitment to our supply chain:



COMMITMENT
Company objective to reduce emissions linked to variable remuneration



REPORTING
Carbon footprint certified in accordance with ISO 14064 included in the company's key reports



RESULTS

More than **42,000 tCO₂e** prevented through **energy efficiency** measures in 2015




MANAGEMENT
2015-2017 Energy Efficiency Plan. Programme to reduce emissions arising from network losses



SUPPLY CHAIN
Participation in CDP Supply Chain to achieve sustainable management of the supply chain

Enagás is invested in the use of gas as the least polluting fossil fuel and, therefore, key to the power generation mix for meeting emission reduction targets and allowing the development of more efficient

renewable energies; as well as replacing other fossil fuels as we move towards more sustainable mobility in sea, rail and road transport.

Commitment to combating climate change

[G4-DMA, G4-EN15, G4-EN16, G4-EN2]

The company has set the target of reducing emissions by 30% over the 2016-2018 period compared to 2013-2015

Every year, Enagás reports on its performance, risks and opportunities in the area of climate change through its public response to the CDP questionnaire, obtaining a score of 99B in 2015,

Through a working group, each month the company monitors its direct emissions as well as the emission reduction targets at each of its facilities. Furthermore, each year the company verifies its carbon footprint in accordance with the ISO 14064 standard, with a reasonable level of assurance.

For the last 5 years, Enagás has set annual energy intensity targets at each of its facilities, which it also links to employees' variable remuneration.

In addition, the company has set long-term goals, such as cutting emissions by 30% over the 2016-2018 period compared to 2013-2015, which has been included in the long-term variable remuneration proposal, or own generation of 35% of electrical power consumed from clean sources in 2020.

At the same time, we have taken on a public commitment by joining the "WE MEAN BUSINESS" initiative to leverage the opportunities for economic growth, employment and prosperity offered by the transition towards a low-carbon economy.

Our commitments include:

- > Reporting information on climate change through our carbon footprint verified in accordance with the ISO 14064 standard, the Annual Report and the response to CDP. What is more, we incorporate specific information on climate change in our communications to investors.
- > Setting a carbon price for the 2015-2020 period, in order to fully incorporate environmental externalities into our business and investment decisions.
- > The promotion of policies towards a low-carbon economy by taking part in different platforms, associations or forums such as the International Gas Union, Marcogaz, the Iberian Association For Gas-Powered Mobility (GASNAM), the Spanish CO₂ Platform or the Spanish Group for Green Growth (GECV), in order to promote policies that favour the

replacing of highly polluting fossil fuels by natural gas for the transformation towards a low-carbon economy. Enagás also takes part in international forums such as the International Energy Forum, Atlantic Energy Forum, FUNSEAM (Foundation for Energy and Environmental Sustainability), Oxford Institute for Energy Studies, etc., and is a founding member of GIE (Gas Infrastructure Europe) and ENTSO-G (European Network of TSOs - Gas) within the framework of the European Union, in order to strengthen this position.

Our approach to climate change management is based on public commitment, emission reduction measures and the reporting of our performance and results, as well as the extending of our commitment to our supply chain:

Enagás is invested in the use of gas as the least polluting fossil fuel and, therefore, key to the power generation mix for meeting emission reduction targets and allowing the development of more efficient renewable energies; as well as replacing other fossil fuels as we move towards more sustainable mobility in sea, rail and road transport.

CO₂ emission reductions: Energy efficiency [G4-DMA]

In 2015, we cut our carbon footprint by over 47% (scopes 1 and 2) compared to the previous year.

This significant reduction is mainly due to the reduction in own consumption of natural gas at the regasification plants:

- > Various measures have been set in motion to decrease the number of days on which the plants operate below the technical minimum (18% less) as well as the amount of gas flared during those days (94% improvement in own consumption of gas compared to days at technical minimum).
- > We have reduced our activity in relation to methane tanker loading at regasification plants (78% less) and set in motion various measures to minimise the shrinkage associated therewith (95% improvement in shrinkage with respect to the volume of gas loaded onto tankers).



[G4-DMA]

Thus, in 2015, there was a 94% reduction in emissions from flaring (technical minimum and tanker loading).

Furthermore, thanks to a heightened awareness among infrastructure personnel as regards the greater global warming potential of CH₄ compared to CO₂, the amount of vented gas has been reduced, leading to a 40% drop in such emissions. In particular, emissions from venting in special operations on the pipeline network have been reduced by 87% compared to 2014.

Lastly, compressor stations, which represent 46% of all carbon footprint emissions, have reduced their emissions by 15% compared to 2014, thanks to the use of flexibility mechanisms available to the Technical System Manager. Such mechanisms, relative to operational gas reserve management, have led to greater input/output balance of the various physical areas and, therefore, less reliance on gas compression.

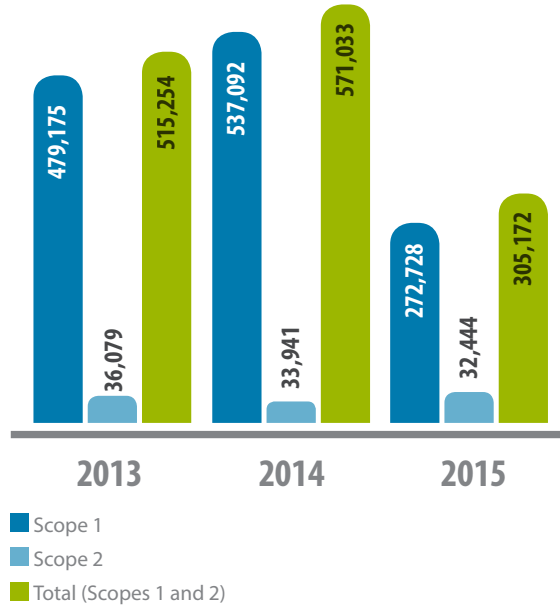
In this regard, by once again applying the most efficient alternatives for combined compressor station operation, an optimised use of pipeline control valves and node alignment, we managed to reduce own consumption in turbocompressors, which in turn reduced the corresponding emissions by 21%.

At Enagás, energy efficiency has a key role in emissions reduction and, in this regard, we have made considerable efforts.

The Energy Efficiency measures implemented in 2015 within the framework of the Enagás Energy Efficiency Plan were mainly focused on reducing own consumption of natural gas at regasification plants through technical and operational upgrades that have enabled us to minimise the energy impact of operations below the technical minimum. We also took measures that allowed us to reduce mains electricity consumption. We thus prevented emissions totalling 42,000 tCO₂e and saved 155 GWh of natural gas.

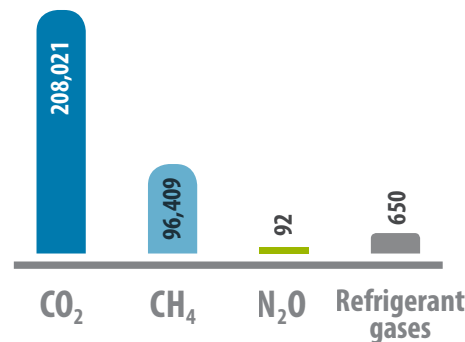
Scope 1 and 2 emissions

[G4-EN15, G4-EN16]



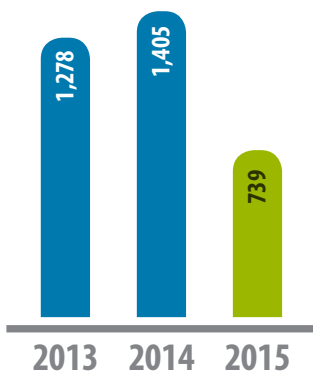
Emissions by type of greenhouse gas (tCO₂e/year)

[G4-EN20]



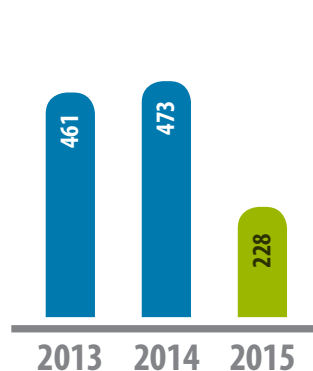
Intensity of emissions by net turnover (tCO₂e/€Mn.year)

[G4-EN18]



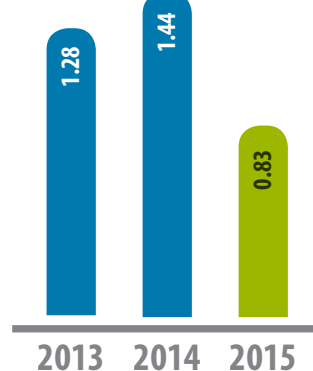
Intensity of emissions per employee (tCO₂e/employee.year)

[G4-EN18]



Intensity of emissions by total gas output (tCO₂e/GWh.year)

[G4-EN18]



Energy efficiency initiatives implemented in 2015 [G4-DMA, G4-EN6, G4-EN7, G4-EN19]

The 2015-2017 Energy Efficiency Plan sets out three main spheres of action: the reduction of own gas consumption at the company's facilities, the reduction of electricity consumption, and the generation of electricity from clean sources, such as using residual energy from our activities.

Within the 2015 Programme, we carried out various energy efficiency measures at an investment of €8.7Mn. [G4-EC2]

The energy efficiency measures implemented in 2015, along with the corresponding savings, are set out below:

Actions aimed at reducing GHG emissions (Energy Efficiency Measures)	Energy savings achieved in 2015	Emission reductions achieved in 2015
Use of nitrogen instead of natural gas in the flare molecular seal at the Cartagena Plant.	1.58 GWh	319 tCO ₂ e
Installation of a heat exchanger using seawater to cool boil-off gas before it enters the reliquifier at the Cartagena Plant, thereby increasing gas recovery capacity, which in turn avoids flaring unrecovered gas.	58.13 GWh	11,730 tCO ₂ e
Redirecting of a methane tanker from the Barcelona to the Cartagena regasification plant, thus ensuring a minimum activity at the plant, otherwise losses of natural gas would occur (via flaring) due to operating below the established technical minimum. (EOC in March)	69 GWh	13,831 tCO ₂ e
Redirecting of a methane tanker from the Barcelona to the Cartagena regasification plant, thus ensuring a minimum activity at the plant, otherwise losses of natural gas would occur (via flaring) due to operating below the established technical minimum. (EOC in September)	19.71 GWh	3,977 tCO ₂ e
Reduction of fugitive emissions by repairing components in which leaks had been detected at various Enagás facilities including plants, underground storage facilities, compressor stations, RMSs, and positions on the pipeline network.	7.01 GWh	11,858 tCO ₂ e
Recovery of the boil-off gas generated at the Cartagena Plant by using it as fuel in the submerged combustion evaporators (SCE), thereby avoiding the use of seawater evaporators, which consume electricity due to the need to use a seawater intake pump and a return pump.	0.05 GWh	13 tCO ₂ e
Installation of a power generator (turboexpander) at the Barcelona Plant that makes use of the potential energy from expanding natural gas and reduces the consumption of mains electricity by using our own source of clean electrical power.	3.02 GWh	725 tCO ₂ e
Total		42,453 tCO₂e

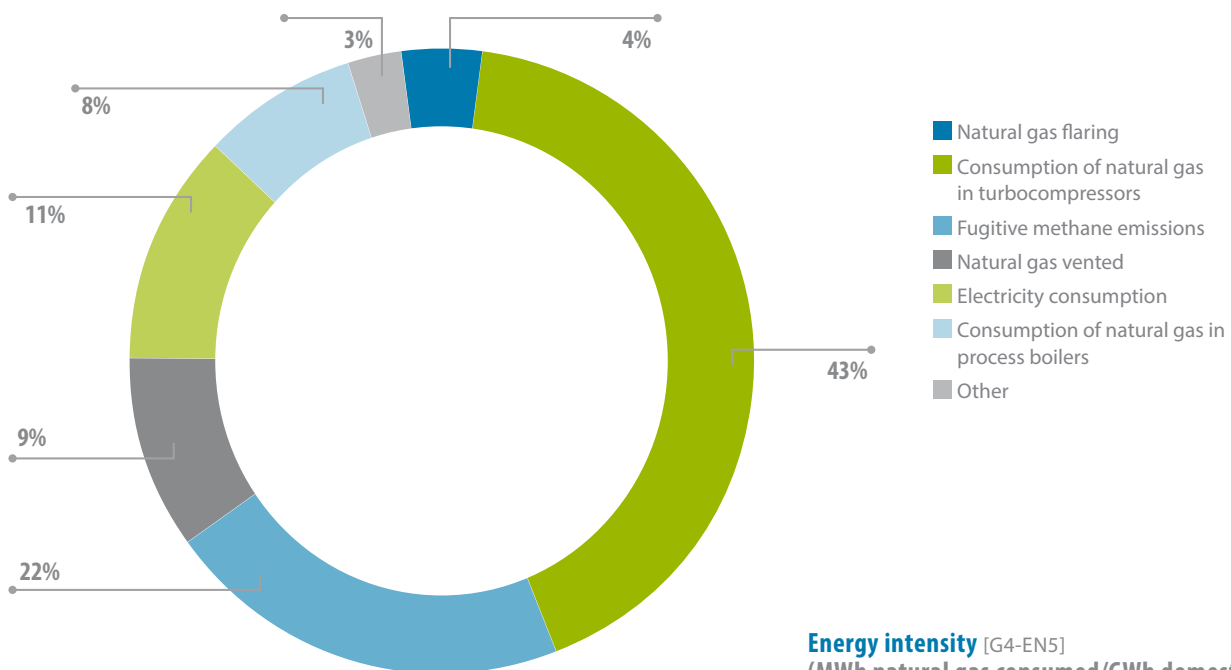


Energy consumption and intensity

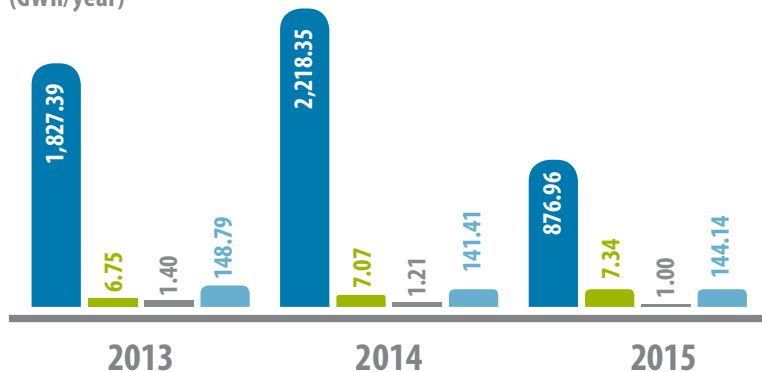
[G4-DMA, G4-EN15, G4-EN16, G4-OG2]

Most of Enagás' greenhouse gas emissions originate from natural gas consumption.

EMISSIONS BY SOURCE TYPE 2015 (tCO₂e) (SCOPES 1 AND 2)



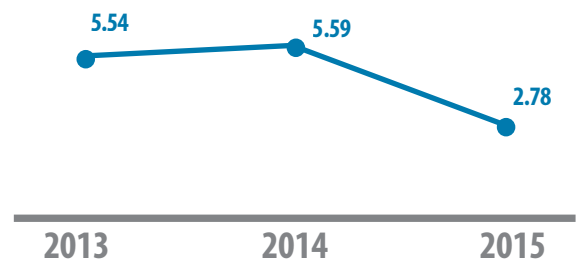
Energy consumption [G4-EN3] (GWh/year)



- Natural Gas (GWh/year)
- Gasoil (GWh/year)
- Petrol (GWh/year)
- Electricity consumed from grid (GWh/year)

Energy intensity [G4-EN5]

(MWh natural gas consumed/GWh domestic demand)



In 2015, Enagás produced 11.9 GWh of electricity through the generation equipment installed at the Almendralejo CS and the Huelva Plant, the Stirling micro-cogeneration system in Bergara, the two wind turbines, the solar panels, and the turboexpander commissioned in September at the Barcelona Plant. Investment in own generation in 2015 amounted to €4.4Mn.

[G4-EN3, G4-OG3]

Scope 3 emissions [G4-EN17]

In 2015, and for the second year running, we took part in the CDP Supply Chain initiative, inviting 118 suppliers to report on their climate change targets and performance. These suppliers corresponded to products/services with a greater impact on emissions and represented 28% of turnover in 2015. [G4-EN33]

As in the previous year, the information obtained was included in our inventory of scope 3 emissions. In 2015, we made advances in reporting the emissions of our investee companies in this inventory, thereby complying with the Investments category corresponding to the *GHG Protocol*.

Scope 3		
Acquisition of goods and services	Emissions derived from the extraction, fabrication and transport of acquired goods and services. ⁽¹⁾	1,526 tCO ₂ e
	Emissions arising from the use of paper.	29 tCO ₂ e
Capital Goods	Emissions derived from the extraction, fabrication and transport of equipment acquired for production.	860 tCO ₂ e
Activities related to energy production (not included in scopes 1 or 2)	Emissions due to the extraction, production and transport of fuel consumed directly Enagás: natural gas, petrol and gasoil, and fuels used to generate electricity consumed by Enagás	16 tCO ₂ e
Upstream transmission and distribution	Emissions generated by the consumption of fuels derived from helicopter and ship transport services (from the plant to the platform of the Gaviota underground storage facility).	1,335 tCO ₂ e
Waste generated during operation	Emissions derived from the transport, management and treatment of waste generated at Enagás facilities.	555 tCO ₂ e
Work-related journeys	Emissions derived from work-related journeys by Enagás employees.	2,956 tCO ₂ e
Journeys to and from work by employees	Emissions derived from journeys to and from work by Enagás employees.	12,177 tCO ₂ e
Investments	Emissions, excluded scopes 1 & 2, from those joint ventures not fully controlled by Enagás, with not a financial control. In this case, the scope only includes emissions verified under EU ETS of Spanish joint ventures ((Bahía de Bizkaia Gas, S.L (50%) and Sagunto, S.A. Regasification Plant (Saggas) (30%)).	1,893 tCO ₂ e
Scope 3 total		21,347 tCO₂e

(1) Information from the CDP Supply Chain questionnaire



EMISSION RIGHTS TRADING STRATEGY

47% of emissions included in carbon footprint scopes 1 and 2 are included in the EU emissions trading system (EU ETS). Enagás' new emission rights trading strategy, approved by the Board of Directors, was prepared while taking into account the following:

- In early 2015, Enagás had a reserve of over 700,000 emission rights which will cover the emissions generated through to approximately 2018.
- We have identified the need to buy approximately 420,000 rights up to 2020.



Reduction of fugitive methane emissions

Fugitive emissions represent 22% of Enagás' carbon footprint emissions (scopes 1 and 2).

The fugitive emissions reduction programme that seeks to detect and repair losses of natural gas enabled us to identify 739 leaks in components in 2015, decreasing to 527 following parallel repairs, thereby preventing 85.4 tonnes of yearly methane emissions.

Enagás will continue working to reduce methane emissions by analysing and evaluating various initiatives, such as the inclusion thereof in maintenance schedules.



DETECTION OF FUGITIVE EMISSIONS: WINNING INITIATIVE AT INGENIA BUSINESS 2015

Within the framework of the Enagás Open Innovation and Corporate Entrepreneurship Programme (see the chapter on 'Collaboration and creation of value with our stakeholders'), the winning initiative at Ingenia Business (generation of business ideas by Enagás employees) was related to the reduction of methane emissions.

Specifically, the project developed a technology for detecting fire and flames, that is, a hot spot, and detecting gas with the same degree of precision, that is, early detection of natural gas into the atmosphere and cold spots (LNG), known as a "multi-detection system".

Promoting the use of natural gas

Enagás is invested in the use of gas as the least polluting fossil fuel and, therefore, key to the power generation mix for meeting emission reduction targets and allowing the development of more efficient renewable energies; as well as replacing other fossil fuels as we move towards more sustainable mobility in sea, rail and road transport.

Among the more notable initiatives, Enagás is coordinating the CORE LNGas Hive project for the development of infrastructures in Spain and Portugal that support the use of Liquefied Natural Gas (LNG) as an alternative fuel in sea (bunkering), rail and road transport. This initiative enjoyed collaboration from universities, port authorities, energy companies, etc. and is aligned with the implementation of Directive 2014/94 on the development of alternative fuels and Directive 2012/33 on reducing the sulphur content of fuel for maritime use.

In addition, the company is promoting the use of liquefied natural gas as an alternative to petroleum for heavy vehicles.

Enagás is also promoting the use of biogas both in Spain and beyond. This fuel is complementary to natural gas in certain applications, such as industrial usage and the transport sector. Connecting biogas supply points to the gas network is both environmentally and economically beneficial.

Enagás, through its stake in the Swedish TSO Swedegas, promotes the development of biogas in Sweden, which is a world leader in biogas production. Through Swedegas, Enagás is working with various biogas producers to connect their facilities to the gas transmission network, thereby providing them with an environmentally optimal way to transmit the product to the end user.

Enagás promotes the use of biogas both in Spain and beyond as a fuel that is complementary to natural gas in certain applications.



SUPPLY CHAIN

2015 milestones

- Increased number of orders upon which reliability analysis is performed, including projects in Mexico (Soto La Marina).
- Requesting of Quality, Safety and Environment certifications for new families identified as critical.
- Redefining of the "Supplier Circle", extending the scope to non-approved companies, and linking the initiative to the Enagás Corporate Entrepreneurship Programme.
- Introduction of a requirement for orders and contracts to be signed with a digital certificate, thus eliminating the paper format.
- Inclusion of global legislation compliance criteria, applicable to third parties with whom

the company deals, in the analysis of risks posed by new suppliers (financial, regulatory and reputational risks).

Lines of progress 2016

- Supply chain risk analysis.
- Incorporation of critical criteria in the classification of suppliers (categories).
- Definition of the supplier external audit programme (areas, frequency, supplier types audited, etc.).





Our supply chain

[G4-DMA, G4-12]

Suppliers must be approved in order to work with Enagás. The company currently works with 1,781 approved suppliers, which are classified in families according to the products or services they offer.

- > **Works and services:** IT & communication suppliers, engineering, etc. In 2015, employees from 525 service providers carried out work at Enagás facilities. [G4-10]
- > **Supplies:** electrical equipment, piping manufacturers, rotary machine manufacturers, manufacturers of instrumentation and control devices, among others.

They are in turn classified by category according to security and cost. Product and service suppliers that represent a higher cost and security risk are classified as "main" or "critical" (categories 1 and 2). Enagás has 1,051 suppliers of this type.

In 2015, we began working with 46 new suppliers and stopped working with 8 suppliers because they discontinued their activity, merged with third parties or for breach of contract. [G4-21, G4-13]

Supplier contracting

[G4-DMA, G4-12]

A high percentage of procurements made by Enagás are for facilities in Spain. Most contracts for works and services are thus with Spanish companies.

Supply chain risk management [G4-DMA]

Enagás' suppliers meet the following approval requirements:

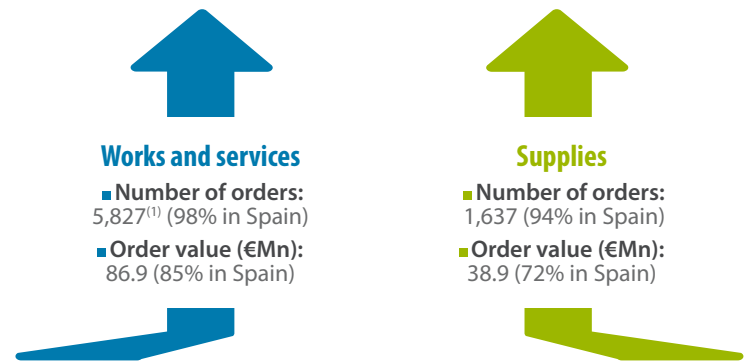
- > Capacity and resources to meet technical, quality, environmental and safety requirements, and upholding thereof over an extended period of time.
- > Observance of the principles of the United Nations Global Compact and the Universal Declaration of Human Rights.
- > Requirement for certifications for suppliers of certain product or service families: quality



INVESTEES COMPANIES

In its international activities, Enagás promotes the use of local suppliers in the country where the services or materials are to be procured, as is the case in Mexico, Chile and Peru. To that end, we are continuously seeking and contacting new local suppliers that we can use in said countries, providing they meet Enagás' approval requirements. [G4-EC9]

VOLUME OF SUPPLIER MANAGEMENT [G4-EC9]



(1) In 2015, as a consequence of having implemented the Maintenance Management System in SAP, an additional 4,547 orders were posted (€4.4Mn) compared to previous years, corresponding to occasional orders generated in a maintenance order.

(required from 47% of critical suppliers), environment (required from 27% of critical suppliers) and occupational risk prevention (required from 23% of Enagás' critical suppliers).

As a consequence of these approval requirements, as well as additional aspects, Enagás carries out the following assessments on their suppliers, in areas of the supply chain where risks have been identified (quality, environment, security, work-related issues, compliance and corporate responsibility).

SUPPLIER ASSESSMENT PROCESS

[G4-EN32, G4-EN33, G4-SO9, G4-SO10, G4-LA14, G4-LA15, G4-HR1, G4-HR10, G4-HR11, G4-DMA]

Global assessment areas	Assessment aspects	Critical suppliers assessed	Assessment results	Impact of the assessment
Quality	Availability of ISO 9001 certification.	495 suppliers, 29 of which are new, were required to have this certificate.	98% of the suppliers required to have this certificate are in possession of it.	Focus on continuous improvement and on the management of processes with our suppliers.
	Reliability analysis (assessment of aspects such as technical quality, meeting deadlines and the quality of the service provided).	Assessment made of 212 suppliers, belonging to 63 product categories.	99% of suppliers received scores above the acceptable level (50/100). The cumulative average results obtained since 2011, by supplier type, are as follows: <ul style="list-style-type: none"> Suppliers of equipment and material: 77,41/100. Civil work and facility assembly suppliers: 76,89/100. Service providers: 79,36/100. 	Following this analysis, Enagás reported the resulting assessment to each company, and their position compared to the average for each category. They were also informed of all deficiencies identified so that they could work to improve them. Meetings were held with suppliers with particularly poor scores to assess the results and propose corrective measures.
The environment	Availability of ISO 14001 certification.	280 suppliers, 15 of which are new, were required to have this certificate.	91% of the suppliers required to have this certificate are in possession of it.	Focus on continuous improvement and on the management of processes with our suppliers.
	Environmental impact during construction of infrastructures (on-site environmental audits).	8 critical suppliers of construction work in domestic projects were audited.	50% of the audited suppliers passed the audit without significant non-compliance. The negative impacts detected relate to document deficiencies in waste management and environmental management procedures, failure to conduct emergency drills and environmental monitoring inspections.	Process improvement. 100% of the suppliers audited have implemented actions to mitigate their environmental impact.
	Impact in relation to climate change (CDP Supply Chain initiative).	56 suppliers responded to the CDP Supply Chain questionnaire on climate change (118 were invited to take part).	See the 'Climate change and energy efficiency' section.	See the 'Climate change and energy efficiency' section.



[G4-EN32, G4-EN33, G4-SO9, G4-SO10, G4-LA14, G4-LA15, G4-HR1, G4-HR10, G4-HR11, G4-DMA]

Global assessment areas	Assessment aspects	Critical suppliers assessed	Assessment results	Impact of the assessment
Labour	Social Security status of permanent staff at Enagás facilities.	525 service providers that performed work at Enagás' facilities in 2015.	100% of providers have documentation accrediting the social security registration status of their employees.	Work performed while respecting employees' labour rights.
Health and Safety	Existence of OSHAS 18001 certification (approval requirement).	238 suppliers, 13 of which are new, were required to have this certificate.	88% of the suppliers required to have this certificate are in possession of it.	Focus on continuous improvement and on the management of processes with our suppliers.
	Accident rate of suppliers with staff who perform work at Enagás' facilities.	57 suppliers audited. Furthermore, an assessment was made of the accident rate of 525 service providers that performed work at Enagás' facilities in 2015.	100% of audited suppliers have passed the audit without significant non-compliance.	Process improvement.
Compliance	Legal obligations relating to tax and social security, existence of penalties or non-compliance.	1,781 (all approved suppliers).	100% meet their obligations.	Guarantee of legal compliance and performance of the work while respecting the employees' labour rights.
Corporate Responsibility	CSR certification.	While Enagás does not require any supplier to have CSR certification in order to work with the company, it does value those that have it positively.	7 critical suppliers approved by Enagás have CSR certification.	Focus on continuous improvement and on the management of processes with our suppliers.
	CSR score ⁽¹⁾ : ethics, human rights, labour practices (workforce structure, hiring of disabled people, etc.), safety, the environment, stakeholder engagement, quality and transparency, etc	473 main suppliers rated (29 are new). Moreover, audits were conducted on 33 critical suppliers using Achilles.	Enagás has a detailed score for each supplier and a comparison with the average of the suppliers included in the platform. As a result of these assessments and audits, agreed-upon actions are proposed and monitored in subsequent visits.	Extension of Enagás' commitment to the sustainability of the supply chain.

(1) Assessment carried out using the Achilles Repro platform.



ENAGÁS CONTRACTOR ACCESS SYSTEM (SACE) [G4-DMA]

Enagás has launched SACE, its new Contractor Access System, in line with the company's commitment to implementing and enforcing the regulatory framework for occupational health and safety, involving not only its own employees, but also the contractors with whom it works. With the implementation of SACE, Enagás seeks to ensure that all procedures are available, that all processes are of high quality and that there is smooth and ongoing communication between companies in the gas industry, thereby maintaining the highest safety levels.

From now on, as Enagás contractors, companies (as well as their potential sub-contractors) must be assessed and obtain the 'apt' classification in the SACE application process. This classification must be maintained throughout the duration of the contract as a contractor; to do this the company must register and permanently update the information and documentation submitted.





Collaboration with suppliers

[G4-DMA]

In order to increase the likelihood of collaborating with our suppliers, we have redefined the selection criteria that our suppliers must meet to collaborate in the Enagás "Supplier Circle".

We thus contemplate the likelihood that new, non-approved suppliers can participate in the initiative through collaborations that involve new business opportunities and/or undertaking projects related

to efficiency, sustainability and innovation. We have also linked the initiative to the Enagás Corporate Entrepreneurship Programme.

The status of some of the key projects being undertaken with our suppliers is set out below.

KEY PROJECTS UNDERTAKEN WITH SUPPLIERS

Supplier	Project description	Status
Montrel	Marketing agreement and transfer of rights of SICAN software.	Formalisation of the first marketing of SICAN.
APLEIN INGENIEROS	Development of a monitoring and supervision system to monitor and supervise energy metering stations with redundant instrumentation.	Enagás is exploiting one of these applications in the G-02 Gallués International Connection in Navarra. The company is also studying the possibility of signing a commercial exploitation agreement and transfer of rights of the system.
	Development of a system to supervise the metering of natural gas for pipelines.	A simulation of the system has been developed, revealing the functionalities of three specific real-time pipeline models, which produced satisfactory results.
INDRA	Development of a perimeter protection system to monitor intrusion in critical infrastructure.	Enagás has begun to install the system in Bermeo by means of underground wireless sensors. This technology will improve security at Enagás facilities and lead to savings on the maintenance of these protection systems.



PRIZE AWARDED BY AERCE FOR THE SECOND YEAR RUNNING

The Spanish Association of Purchasing, Contracting and Procurement Professionals (AERCE) named Enagás runner-up in the 'Strategy' category at the latest edition of the 'El Diamante de la Compra' awards. These awards, which acknowledge the most outstanding projects related to Purchasing Department functions, highlighted the work undertaken in regard to selecting suppliers for Enagás' international projects as they integrate perfectly with the company's strategy and contribute to its success.

5

KEY INDICATORS



Economic_ **105**

Social_ **107**

Environmental_ **109**



Economic

ECONOMIC PERFORMANCE AND COST EFFICIENCY ^[G4-9]

	2007	2008	2009	2010	2011	2012	2013 ⁽¹⁾	2014 ⁽²⁾	2015
EBITDA (€ Mn)	596.0	636.2	701.3	780.8	885.5	934.3	995.9	939.8	900.5
EBIT (€ Mn)	408.3	433.1	484.7	530.9	585.9	618.4	649.8	589.6	602.0
BDI (€ Mn)	238.3	258.9	298.0	333.5	364.6	379.5	403.2	406.5	412.7
Dividends (€ Mn) ⁽³⁾	143.0	155.3	178.8	200.1	237.0	265.7	302.4	310.4	315.1
Investments (€ Mn)	508.6	776.9	901.6	796.3	781.4	761.4	531.4	625.0	530.2
Net Debt (€ Mn)	1,942.7	2,351.3	2,904.0	3,175.3	3,442.6	3,598.6	3,657.8	4,059.0	4,237.0
Shareholders equity (€ Mn)	1,344.8	1,456.1	1,593.4	1,738.8	1,867.4	2,014.9	2,118.4	2,218.5	2,318.9
Assets (€ Mn)	3,976.0	4,717.8	5,779.9	6,829.1	7,717.4	8,083.4	7,043.5	7,711.8	7,751.9
Net Debt/EBITDA ^(*)	3.3x	3.7x	4.1x	4.1x	3.9x	3.8x	3.7x	4.2x	4.5x
Coverage ratio (EBITDA/ Interest)	9.8x	7.9x	9.6x	9.9x	9.0x	8.4x	8.0x	7.4x	8.0x
Net Debt/Total Assets	48.9%	49.8%	50.2%	46.5%	44.6%	44.5%	51.9%	52.6%	54.7%
Net Debt/Net Debt + Shareholders Equity	59.1%	61.8%	64.6%	64.6%	64.8%	64.1%	63.3%	64.7%	64.6%
Average cost of debt	4.3%	4.7%	3.3%	2.7%	2.8%	2.5%	3.0%	3.2%	2.7%
ROE after tax ^(**)	18.5%	18.5%	19.5%	20.0%	20.2%	19.6%	19.5%	18.7%	18.2%
ROCE after tax ^(***)	8.8%	8.5%	8.7%	7.9%	8.0%	7.9%	8.1%	6.8%	6.8%
Headcount (31 December)	985	1,008	1,046	1,047	1,126	1,178	1,149	1,206	1,337

^(*) Net debt/EBITDA adjusted for subsidiaries' dividends,

^(**) Net Profit/Average Shareholders Equity,

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

⁽¹⁾ 2013 data were adjusted in application of IFRSs effective at 1 January 2014,

⁽²⁾ In 2014, and in accordance with IFRS 11, BBG and Altamira are now consolidated under the equity method,

⁽³⁾ The figures reflect total dividends for the year (interim dividend + complementary dividend),

STOCK MARKET PERFORMANCE

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Share price (at 31 Dec, €)	19.990	15.560	15.425	14.915	14.290	16.140	18.995	26.185	26
Dividend per share (€)	0.60	0.65	0.75	0.84	0.99	1.11	1.27	1.30	1.32^(*)
Capitalisation (€Mn)	4,771.6	3,714.7	3,682.5	3,560.7	3,411.0	3,852.6	4,534.8	6,251.3	6,207.1
Number of shares (million)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7

^(*) Distribution of the 2015 gross dividend of €1.32 per share is subject to approval at the General Shareholders Meeting.

ECONOMIC VALUE GENERATED AND DISTRIBUTED (€MN) [G4-EC1]

	2009	2010	2011	2012	2013	2014	2015
Economic value generated (EVG)	901.5	1,000.80	1,154.80	1,199.30	1,261.9	1,227.2	1,221.6
Economic value distributed (EVD)	565.7	617.5	727.6	769.2	845.4	801.5	862
Suppliers	137.2	147.3	193.1	168.1	184.6	198.3	193.4
Society (tax and social action investment)	127.7	144.3	164.9	179.8	172.2	102.6	166.3
■ Investment in social action	0.8	1.3	2.2	1.6	1.6	1.6	1.9
■ Tax	126.9	143	162.6	178.2	170.6	101.0	164.4
Employees (personnel expenses)	60.7	67.2	67	79	82.3	84.7	96.3
Capital providers (dividends paid to shareholders and financial result)	240	258.7	302.6	342.4	406.3	415.9	406
■ Dividends paid to shareholders	178.8	200.1	237	265.7	302.4	310.4	315.1
■ Financial result	61.2	58.6	65.6	76.7	103.9	105.5	90.9
Economic value retained (EVR)	335.9	383.3	427.2	430.1	416.5	425.7	359.6

FINANCIAL AND NON-FINANCIAL RATINGS

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Standard & Poor's	AA-	AA-	AA-	AA-	AA-	BBB	BBB	BBB	A-
Fitch	A2	A2	A2	A2	A2	A-	A-	A-	A-
Dow Jones Sustainability Index ⁽¹⁾	67	77	75	78	88	83	85	84	85
CDP (transparency / performance)	-	-	-	70/B	83/B	85/B	83/B	91/B	99/B

(1) Enagás has been a member of the DJSI since 2008, and went to the top of its sector in 2011.



Social

CORPORATE GOVERNANCE

	2011	2012	2013	2014	2015
Number of directors	15	13	15	15	13
Independent directors	53.3%	61.5%	60%	60%	62%
Board gender diversity	13.4%	15.4%	20%	20%	23%
Non-Audit Fees*	27.2%	13.6%	3.2%	3.4%	4.38%
General Shareholders' Meeting quorum	57%	55.8%	53.1%	52.9%	54.8%

SUPPLY CHAIN

	2011	2012	2013	2014	2015
Approved suppliers (n°)	1,989	2,010	1,875	1,745	1,781
Critical/approved suppliers	52.1%	51.8%	54.4%	59.1%	59%
Orders assessed in reliability analysis (%)	-	11.6%	18.9%	24.4%	11.5%^(*)
Suppliers audited on management systems (n°)	-	31	51	61	33
Percentage of approved suppliers assessed in accordance with CSR criteria (%)	-	-	25.05%	27.05%	26.6%

^(*) In 2015, as a consequence of having implemented the Maintenance Management System in SAP, an additional 4,547 orders were posted (€4.4Mn) compared to previous years, corresponding to occasional orders generated in a maintenance order.

ETHICAL COMPLIANCE AND HUMAN RIGHTS

	2011	2012	2013	2014	2015
Reports received via ethics channel (no.)	-	2	2	4	4
People trained in issues related to ethical compliance (no.)			128	200	1.217

HUMAN CAPITAL [G4-9]

	2011	2012	2013	2014	2015
Employees (no.)	1,126	1,118	1,149	1,206	1,337
Net job creation (%)	7.55%	-0.71%	2.77%	4.9%	11%
Voluntary employee turnover (%)	0.8%	0.46%	0.45%	0.69%	0.49%
Absenteeism (%)	3.65%	2.33%	2.46%	2.50%	2.51%
Workforce gender diversity (%)	22.47%	22.45%	22.8%	23.88%	26.78%
Senior management gender diversity (%)	14.06%	15.87%	18.84%	20%	25.4%
Investment in training per employee (€)	956.2	898.25	1.192	1.041	894
Training per employee (hrs)	48.92	45.77	52.00	59.6	49.8

CUSTOMER SATISFACTION

	2011	2012	2013	2014	2015
Rate of shipper satisfaction with transmission	80%	82.5%	83%	82.2%	82.7%
Rate of satisfaction of transmission companies and distributors with transmission	76.7%	78.3%	79%	77.1%	89.2%
Rate of satisfaction of shippers with the technical management of the Spanish gas system	76.7%	83.5%	80.5%	78.6%	78.3%
Rate of satisfaction of transmission companies and distributors with the technical management of the Spanish gas system	76.7%	78.7%	81.2%	72.6%	83.3%

OCCUPATIONAL HEALTH AND SAFETY

	2011	2012	2013	2014	2015
Lost Time Injury Frequency Rate (own staff)	7.51	9.01	5.31	4.69	3.86
Lost Time Injury Frequency Rate (contractor staff)	7.08	6.36	9.32	3.04	2.25
Lost Time Injury Severity Rate (own staff)	0.07	0.37	0.25	0.53	0.14
Lost Time Injury Severity Rate (contractor staff)	0.2	0.28	0.36	0.11	0.07
Work-related fatalities of own staff (no.)	0	0	0	0	0
Work-related fatalities of contractor staff (no.)	0	0	0	0	0



IMPACT ON LOCAL COMMUNITIES

	2011	2012	2013	2014	2015
Social action investment/net profit (%)	0.6%	0.4%	0.4%	0.4%	0.5%
Participation of employees in corporate volunteering initiatives (% of workforce)		5%	8.5%	9%	15.1%
Time spent on volunteer work (hrs)		400	640	866	1.404

47%
reduction of the
carbon footprint
(scopes 1 and 2)

€1.9MN
Social action
investment

Environmental

ENVIRONMENTAL MANAGEMENT AND COMBATING CLIMATE CHANGE

	2011	2012	2013 ⁽¹⁾	2014	2015
Scope 1 CO ₂ emissions (t eq CO ₂)	264,679	387,651	479,175	537,092	272,728
Scope 2 CO ₂ emissions (t eq CO ₂)	52,752	61,377	36,079	33,941	32,444
Own consumption of natural gas (GWh)	1,025	1,672	1,827	2,218	876.96
Electricity consumption (GWh)	193.2	183.2	148.8	141.4	144.14
Electricity generation/consumption (%)	-	9.8%	8.5%	6.6%	8.3%
Waste generated (t)	3,722	3,913	3,455	2,189	3,823
Waste recycled (%)	59%	48%	63%	15%	40%
Area occupied in protected areas (km ²)			3.7	4	4

⁽¹⁾Data updated in accordance with Enagás' 2013 carbon footprint.

6

APPENDICES



Self-assessment of adoption of integrated reporting principles and elements	_ 111
GRI content index	_ 114
External verification report	_ 125
Contents of the Global Compact	_ 128
Our contribution to the Sustainable Development Goals	_ 129
Contact	_ 131



Self-assessment of adoption of integrated reporting principles and elements

Together with other leading companies in international reporting, Enagás took part in a pilot programme of the *International Integrated Reporting Committee* (IIRC) to establish a common framework for the preparation of integrated reports and enable participants to share best practices. Enagás is a member of the *Integrated Reporting Business Network*.

Enagás is committed to integrated reporting as a way of clearly and concisely presenting relevant issues affecting the company's capacity to create and maintain value in the present and future.

Since 2012, Enagás has been progressing towards an integrated report in its Annual Reports. In 2015, the company continued in this line, making significant progress in terms of Strategic Focus and Connectivity.

Strategic focus and future orientation

The report reflects key strategic aspects such as international investment criteria and how such investments are managed, or the outlook for the natural gas sector and the impact it will have on business, based on those established by the company's growth drivers.

In the chapter on Outlook and Strategy, we provide greater insight into the context in which the company is operating, including more detailed information on global trends and the natural gas market. We have also included the opportunities for Enagás within this context, in each geographical area, and we explain how the company is leveraging said opportunities.

The commitment of leaders responsible for sustainability and opportunity and risk management, together with the performance and set targets in each of the material issues, shows that company is prepared to deliver its strategy, i.e. how to generate value in the present and in the future.

Connectivity of information

The report reflects the relationship between different information blocks, primarily:

- > The outlook for the natural gas sector and the business model, from which opportunities, the company's growth drivers and strategy arise.
- > Strategy and Good Governance, through which we leverage opportunities and manage risks, all of which is aimed at creating value, while taking into account the impact on business and society (see the chapters on "Good Governance" and "Business Outlook and Strategy").
- > The company's objectives, aligned with the strategic *drivers* and linked to employees' variable remuneration, through which we ensure compliance with the strategy (see the chapter on "Business Outlook and Strategy").
- > The management of risks and opportunities, along with the impact thereof, and the controls and mitigating actions in various areas of management. All the above relates to both our activities and our supply chain (see the chapters on "Business Outlook and Strategy" and "Supply Chain").
- > Our value creation process, prepared in accordance with the capital model, includes in the different chapters the main *inputs* and impacts on the material issues generated by our activity (see the chapter on "Creating Economic, Social and Environmental Value"). Furthermore, performance and objectives in each of the material issues are aimed at fulfilling our strategy.

Responsiveness and stakeholder inclusiveness [G4-18]

Enagás' Annual Report 2015 targets its main stakeholders. In 2015, the company worked on formalising the materiality analysis process, the first phase of which involves identifying the stakeholders.

The company has identified its stakeholders classified according to the different areas of relation, identified by the material issues. In 2016, within the framework of the Sustainable Management Plan, we will be addressing the creation of local and country-specific stakeholder

maps in order to establish community outreach plans and identify the material issues in greater detail (locally and internationally).

As in previous years, the 2015 Annual Report has been drafted applying the principles of standard AA1000: inclusivity, materiality and responsiveness.

Materiality and conciseness ^[G4-18]

The report contains all the necessary information to be able to respond to the information relevant to the main stakeholders. This information was determined through Enagás' materiality analysis process.

As a result of this materiality analysis, Enagás has identified new material issues defined at a high level, the details of which are included in this report in each sub-chapter of the chapter on "Creating Economic, Social and Environmental Value".

Following publication of the information relative to these material issues in Enagás' previous Annual Report, relevant stakeholders for the company such as investors (primarily sustainability *rating* agencies and indices) demanded detailed information on the Environmental Management material issue that was initially not deemed relevant in materiality analysis, such as water. Therefore, this aspect has been included in the 2015 Annual Report.

Furthermore, though beyond the scope of the report, we continue moving forward in the reporting of key issues in which Enagás worked throughout the year at our investee companies. A good example is the information relative to the protection of biodiversity in Mexico, due to the relevance that this material issue acquires in the type of projects undertaken in Mexico.

In order to include in the Annual Report only that which is material, we have separated the Integrated Annual Report and the detailed information on the Financial Statements and Corporate Governance Report. The Integrated Annual Report includes the more relevant data from these publications.

At the same time, we have included on the corporate website other aspects that constitute non-material information or static information (management models, policies, etc.).

Reliability

Financial information is audited by Deloitte, which also audits our financial statements and examines information relating to the ICFR system, expressing an opinion on its effectiveness.

Non-financial information is verified by KPMG, with a limited level of assurance.

In 2012, work began on the reasonable assurance of the indicators relating to the development of human capital and safety.

> Occupational health & safety indicators. Lost Time Injury Frequency Rate (own staff) and Lost Time Injury Severity Rate (own staff).

> Human Resources indicators. Development of human capital, workforce and labour relations.

Enagás is continuing to review its indicators so as to achieve higher levels of assurance in future.

Comparability and consistency

The 2015 Annual Report takes account of the content and indicators recommended in the G4 *Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI)*, 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 2015 Annual Report are defined so as to facilitate comparison with reports for prior year and other companies in the sector, using studies, CSR indexes and *benchmarking* projects as references. For example, the emissions reported in the chapter on "Climate Change and Energy Efficiency" are those included in the Enagás Carbon Footprint report prepared for the first time in 2013.

Furthermore, customer satisfaction surveys are standardised for the respondents in terms of structure and rating levels, to facilitate comparison with other companies in the energy sector. Enagás is also involved in a *benchmarking* project with natural gas transmission companies internationally to compare the occupational health & safety and environmental indicators, among others.



INTEGRATED REPORTING FRAMEWORK CONTENT

Content element	Aspects included	Sections	Pages
Organisational overview and external environment	Activities and material issues	Our business model Materiality analysis	15, 32
	Mission, vision and values	Mission, vision and values	16
	Supply chain description	Supply chain	98
	Operating context	Enagás in the world Outlook and opportunities for the natural gas sector	10, 19
	Shareholder composition	Our business model	15
Governance	Corporate governance structure	Governance bodies	43
	Board selection and self-assessment	Performance of the governing bodies	49
	Good corporate governance practices implemented	Good Governance	42
	Remuneration for the Board linked to value creation in the short, medium and long term	Remuneration of the Board of Directors	47
Opportunities and risks	Management of opportunities arising from future outlook	Outlook and opportunities for the natural gas sector	19
	Management of risks associated with future outlook	Risk management	26
	Management of opportunities and risks in the supply chain	Supply chain risk management Collaboration with suppliers	99, 100
Strategy and resource allocation	Growth strategy	Enagás' strategy Management of opportunities in the natural gas sector	21, 23
	Strategy	Enagás' strategy	21
Business model	How Enagás creates value from its resources and business processes	Collaboration and creation of value with our stakeholders Creating economic, social and environmental value	36, 40
Performance	Sustainable management model	Sustainable Management Model	31
	Key company performance indicators	Enagás in 2015	10
	Performance in material issues measured by indicators	Good Governance Financial and operational excellence Ethical Compliance and Human Rights Human capital management Health & Safety Community outreach Environmental management Climate change and energy efficiency Supply chain	40-103
	Results of annual stakeholder surveys, indicating the extent to which needs, expectations and interests were met	Collaboration and creation of value with our stakeholders	36
Outlook	The opportunities, challenges and uncertainties the organisation may encounter in pursuing its strategy	Outlook and opportunities for the natural gas sector	19
	Risks associated with the business and implementation of the strategy	Risk management	26

GRI content index [G4, G4-32]

[Comprehensive Compliance Option]



BASIC GENERAL CONTENT [G4-32]

Basic general content	Pages/Reference/Direct response	Omissions	Description
Strategy and analysis			
G4-1	5		Statement from the most senior decision-maker of the organisation, strategy
G4-2	26-29, 21		Description of the key impacts, risks and opportunities
Organisation's profile			
G4-3	131		Name of the organisation
G4-4	15		Main brands, products and/or services
G4-5	13		Location of the organisation's headquarters
G4-6	12, 13		Number of countries where the organisation operates, and names of countries where the organisation has significant operations
G4-7	8		Nature of the ownership and legal form
G4-8	12, 13		Markets served
G4-9	105, 108		Scale of the organisation (net sales, total capitalisation, etc.)
G4-10	65, 69, 99		Breakdown of the workforce by employment type, employment contract, and region
G4-11	60		Percentage of total employees covered by collective bargaining agreements
G4-12	99		Supply chain description
G4-13	11, 15, 99		Significant changes regarding the organisation's size, structure, ownership or supply chain (acquisitions, shareholder structure, new suppliers and suppliers who no longer work with the company)
G4-14	26-29		Description of how the precautionary approach or principle is addressed by the organisation
G4-15	9, 59		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses
G4-16	16		Memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: <ul style="list-style-type: none"> ■ Holds a position on governing bodies ■ Participates in projects or committees ■ Provides substantive funding beyond routine membership dues; or ■ Views membership as strategic



[G4-32]

Basic general content	Pages/Reference/Direct response	Omissions	Description
Material and coverage aspects			
G4-17	8		List of entities included in financial consolidation and identification of those not included in this report
G4-18	32, 111, 112		Process for defining the content of the report and its scope. How the organisation has implemented the reporting principles for defining report content
G4-19	35, 41		List of material issues
G4-20	8, 35		Identification of aspects that are material in each financially consolidated company. Limitations regarding the aspect boundary
G4-21	8, 99		Material aspects identified outside the company and the companies affected, geographical location where the aspect is material and limitations regarding aspect boundary outside the organisation
G4-22	8		Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatements.
G4-23	8		Significant changes in the scope and aspect boundaries
Approach to stakeholder engagement			
G4-24	33, 36		List of stakeholders included by the organisation
G4-25	33, 34, 36		Basis for identification and selection of stakeholders with whom to engage
G4-26	36		Approach to stakeholder engagement (including frequency)
G4-27	34-36		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
Report profile			
G4-28	8		Period covered by the report
G4-29	2014		Date of most recent previous report (if any)
G4-30	Yearly		Reporting cycle (such as annual, biennial)
G4-31	131		Contact point
G4-32	114-127		Reporting of the "in accordance" option, the content index for the option and a reference to the external assurance report

BASIC GENERAL CONTENT [G4-32]

Basic general content	Pages/Reference/Direct response	Omissions	Description
G4-33	31, 125-127		Policy and current practice with regard to seeking external assurance for the report. Information on the relationship with the assurance provider and the highest governance body or senior executive involved in seeking assurance
Governance			
G4-34	31, 44		Governance structure of the organisation responsible for making decisions on economic, social and environmental impact
G4-35	31		Description of the process for delegating decision-making on economic, social and environmental impact
G4-36	31		Existence of an executive level with responsibilities in economic, environmental and social issues and the relationship of this point with the highest governance body
G4-37	34, 49		Process for consultation between stakeholders and the highest governance body
G4-38	44		Composition of the highest governance body and its committees: executive or non-executive, gender, tenure on the governance body, independence, membership of under-represented social groups, competences / responsibilities relating to economic, environmental and social impacts, and stakeholder representation
G4-39	44		Report whether the Chair of the highest governance body is also an executive officer
G4-40	Article 8 of the Regulations of the Enagás Board of Directors		Appointment and re-election criteria for the highest governance body: diversity, independence, experience, involvement of stakeholders (shareholders)
G4-41	Enagás Internal Code of Conduct in Matters Relating to Securities Markets (pages 9 to 15) Article 25 of the Regulations of the Enagás Board of Directors		Process for managing potential conflicts of interest
G4-42	16		Body responsible for reviewing and approving the company's values, mission and vision, policies and strategy related to economic, environmental and social objectives
G4-43	49		Mechanisms for increasing the highest governance body's knowledge of economic, environmental and social aspects
G4-44	49		Processes for evaluation of the highest governance body's own performance, particularly with respect to economic, environmental and social topics (independence of the process, self-assessment, frequency and actions taken in response to evaluation)



[G4-32]

Basic general content	Pages/Reference/Direct response	Omissions	Description
G4-45	26, 31		Role of the highest governance body in identifying and managing impacts, risks and opportunities in the economic, environmental and social spheres, as well as its role in implementing due diligence processes. Stakeholders' influence on decisions
G4-46	26		Highest governance body's role in reviewing the effectiveness of the risk management process
G4-47	26, 31		Frequency for reviewing economic, environmental and social impact, risks and opportunities on the part of the highest governance body
G4-48	5, 31		Highest body that reviews and approves the Annual Report, and ensures that all the material issues are covered
G4-49	49		Process for reporting critical issues to the Board of Directors
G4-50	49		Nature and total number of critical issues reported to the Board of Directors and the mechanisms used to address and resolve them
G4-51	25, 47, 48		Remuneration of the highest governance body and senior executives (fixed and variable remuneration, bonuses or incentive payments, termination benefits, recoveries and retirement benefits). Relation with the economic, environmental and social objectives.
G4-52	47		Process for determining remuneration (involvement of external advisers and independence)
G4-53	47		Involvement of stakeholders in defining remuneration policies
G4-54	The ratio of annual compensation of the highest-paid individual to the median annual compensation for employees is 31.2 (80% lower than IBEX-35 average in 2014)		Ratio of the total compensation for the highest-paid individual in each country of significant operations to the median total compensation for all employees
G4-55	The ratio of percentage increase of annual compensation of the highest-paid individual to the median percentage increase in annual compensation for all employees was -0.11 in 2015		The ratio of the percentage increase in total compensation for the highest-paid individual to the median percentage increase in total compensation for all employees
Ethics and integrity			
G4-56	Code of Ethics		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
G4-57	58		Internal and external mechanisms for seeking advice on ethical behaviour and matters related to integrity (helplines or advice lines)
G4-58	58		Mechanisms for reporting concerns about unethical behaviour or matters related to integrity.

BASIC SPECIFIC CONTENT [G4-32]

Information on the approach to management and indicators	Pages/Reference/Direct response	Omissions	Description
CATEGORY: ECONOMIC			
Material aspect: Economic performance			
G4-DMA	35, 51-54		Management approach
G4-EC1	11, 106		Direct economic value generated and distributed, including revenues, operating costs, employee wages and benefits, donations and other community investments, profits retained and payments to providers of capital and governments
G4-EC2	19, 27, 94		Financial implications and other risks and opportunities for the organisation's activities due to climate change
G4-EC3	71, 72		Coverage of the organisation's defined-benefit plan obligations
G4-EC4	The Group benefits from a deduction in corporate tax due to its R&D activities. When calculating corporate tax for 2015, the Group posted a deduction for R&D of €0.33Mn.		Financial assistance received from governments
Material aspect: Acquisition practices			
G4-DMA	35, 99-103		Management approach
G4-EC9	99		Proportion of spending on local suppliers at significant locations of operation
CATEGORY: ENVIRONMENT			
Material aspect: Energy			
G4-DMA	35, 85, 93-95		Management approach
G4-EN3	95		Total energy consumption (renewable and non-renewable fuels, electricity acquired, generated and sold) and methods/assumptions used
G4-EN4	11		Electricity consumption outside the organisation
G4-EN5	95		Energy intensity
G4-EN6	94		Energy saving (breakdown by type) due to conservation and efficiency initiatives, and methods/assumptions used
G4-EN7	94		Reductions in energy consumption achieved as a result of initiatives to provide energy-efficient or renewable energy-based products and services
G4-OG2	95		Total amount invested in renewable energy
G4-OG3	95		Total amount of renewable energy generated by source



BASIC SPECIFIC CONTENT [G4-32]

Information on the approach to management and indicators	Pages/Reference/Direct response	Omissions	Description
Material aspect: Water			
G4-DMA	35, 85, 88		Management approach
G4-EN8	88		Total water intake according to source
G4-EN9	88		Water sources that have been significantly affected by water intake
G4-EN10	Enagás does not reuse water in its processes		Percentage and total volume of recycled and reused water
Material aspect: Biodiversity			
G4-DMA	35, 85, 86		Management approach
G4-EN11	Enagás infrastructures cover 4 km ² of areas included in the Natura 2000 network (LIC/ZEPA).		Description of operational sites adjacent to or located in protected areas and areas of high biodiversity value outside protected areas. Indicate the location and size of operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
G4-EN12	86		Description of significant impacts of activities, products and services on biodiversity in protected areas and in areas of high biodiversity value outside protected areas
G4-EN13	86 Monitoring and verification is carried out internally.		Habitats protected or restored
G4-EN14	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, as well as national and regional protection lists.		Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk
G4-OG4	86		Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored
Material aspect: Emissions			
G4-DMA	35, 85, 89, 91-93		Management approach
G4-EN15	92, 93, 95 Financial control approach. Calculation method: application of emission factors (from most recent public sources) to activity data (from IT tools, meters, estimates based on established procedures).		Direct emissions (scope 1) by type of gas and calculation process

BASIC SPECIFIC CONTENT [G4-32]

Information on the approach to management and indicators	Pages/Reference/Direct response	Omissions	Description
G4-EN16	92, 93, 95 Financial control approach. Calculation method: application of emission factors (from most recent public sources) to activity data (from invoices).		Indirect emissions (scope 2) by type of gas and calculation process
G4-EN17	96 Financial control approach. Calculation method: application of emission factors (from most recent public sources) to activity data (from third parties and estimates).		Indirect emissions (scope 3) by type of gas and calculation process
G4-EN18	93		Emission intensity ratio
G4-EN19	94		Reduction of greenhouse gas emissions
G4-EN20	93 Calculation method: application of emission factors (from most recent public sources) to activity data (from IT tools, meters, estimates based on established procedures).		Emission of substances that affect the ozone layer and calculation process
G4-EN 21	89 Calculation method: application of emission factors (from most recent public sources) to activity data (from IT tools, meters, estimates based on established procedures).		NOx, SOx and other significant air emissions and calculation process
Material aspect: Effluent and waste			
G4-DMA	35, 85, 88, 89		Management approach
G4-EN22	88		Volume of water discharge by quality and destination
G4-EN23	89 Practically all waste derives from routine activities.		Total weight of managed waste, by type and treatment
G4-EN24	88		Total number and volume of significant spills



[G4-32]

Information on the approach to management and indicators	Pages/Reference/Direct response	Omissions	Description
G4-EN25	Waste generated by Enagás is not shipped internationally.		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
G4-EN26	Enagás does not discharge any wastewater into water courses located in protected nature reserves or considered to be of particular ecological value.		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
G4-OG5	Not reported	Not applicable. Not applicable to Enagás activity, as it does not have production water.	Volume and disposal of formation or produced water
G4-OG6	Methane is the main flared and/or vented hydrocarbon. In 2015, the volume of natural gas flared and/or vented amounted to 7,781,011 m ³ .		Volume of flared and/or vented hydrocarbons
G4-OG7	Not reported	Not applicable. As shown in the graph in the chapter on "About Us", the company's activity commences with tanker offloading at its regasification plants or at international connections in the pipeline network. Therefore, as it is not involved in extraction activities, Enagás does not generate drill mud.	Drilling waste (drill mud and cuttings). Strategies implemented for its treatment and elimination
Material aspect: Environmental assessment of suppliers			
G4-DMA	35, 99, 100		Management approach
G4-EN32	100, 101		Percentage of new suppliers that were screened using environmental criteria
G4-EN33	96, 100, 101		Significant current and potential negative environmental impacts in the supply chain and actions taken
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
Material aspect: Employment			
G4-DMA	35, 65, 71		Management approach
G4-LA1	65		Total number and rates of new employee hires and employee turnover by age group, gender, and region

BASIC SPECIFIC CONTENT [G4-32]

Information on the approach to management and indicators	Pages/Reference/Direct response	Omissions	Description
G4-LA2	72		Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.
G4-LA3	60		Return to work and retention rates after parental leave, by gender
Material aspect: Occupational health and safety			
G4-DMA	35, 75, 76, 79		Management approach
G4-LA5	78		Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes
G4-LA6	77		Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender.
G4-LA7	Enagás has not identified, through its occupational health and safety assessment systems, any positions with a risk of suffering occupational diseases.		Workers with high risk of diseases related to their occupation
G4-LA8	78		Health and safety topics covered in formal agreements with trade unions
Material aspect: Training and education			
G4-DMA	35, 22-24		Management approach
G4-LA9	65, 68		Average hours of training per year per employee, by employee category
G4-LA10	67-69		Programs for skills management and lifelong training that support the continued employability of employees and assist them in managing career endings
G4-LA11	65, 67		Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.
Material aspect: Diversity and equal opportunity			
G4-DMA	35, 69-71		Management approach
G4-LA12	44, 65 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.		Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.



[G4-32]

Information on the approach to management and indicators	Pages/Reference/Direct response	Omissions	Description
Material aspect: Equal remuneration for women and men			
G4-DMA	35, 61		Management approach
G4-LA13	61		Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.
Material aspect: Supplier assessment for labour practices			
G4-DMA	35, 101		Management approach
G4-LA14	100, 101		Percentage of new suppliers that were screened using labour practices criteria
G4-LA15	100, 101		Significant current and potential negative impacts, related to labour practices, in the supply chain and actions taken
SUB-CATEGORY: HUMAN RIGHTS			
Material aspect: Investment			
G4-DMA	35, 59-62		Management approach
G4-HR1	In 2015, there were no significant agreements		Total number and percentage of significant investment agreements that include human rights clauses or that underwent human rights screening
G4-HR2	56		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
Material aspect: Security measures			
G4-DMA	35, 59-62		Management approach
G4-HR7	62		Percentage of security personnel trained in human rights
Material aspect: Supplier assessment in the area of human rights			
G4-DMA	35, 101		Management approach
G4-HR10	100-101		Percentage of new suppliers that were screened using human rights criteria
G4-HR11	100, 101		Significant current and potential negative impacts on human rights in the supply chain and actions taken
Material aspect: Human rights grievance mechanisms			
G4-DMA	35, 58, 62		Management approach
G4-HR12	58		Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.

BASIC SPECIFIC CONTENT [G4-32]

Information on the approach to management and indicators	Pages/Reference/Direct response	Omissions	Description
SUB-CATEGORY: SOCIETY			
Material aspect: Local communities			
G4-DMA	35, 81-83		Management approach
G4-SO1	81, 83		Percentage of operations with implemented local community engagement, impact assessments, and development programs.
G4-SO2	81		Operations with significant actual or potential negative impacts on local communities
G4-OG10	81		Number and description of significant disputes with local communities and indigenous peoples
G4-OG11	De-commissioning of tank TK-1200-B at the Barcelona Plant was completed in July 2015.		Number of sites that have been decommissioned and sites that are in the process of being decommissioned
Material aspect: Anti-corruption			
G4-DMA	35, 57, 58		Management approach
G4-SO3	The risk of corruption is included in the risk of fraud and unauthorised activities. Every business unit has been analysed for corruption risks.		Total number and percentage of operations assessed for risks related to corruption
G4-SO4	56, 57		Communication and training in anti-corruption matters
G4-SO5	58		Measures taken in response to incidents of corruption
G4-OG12	Compulsory purchases related to Enagás' activity have not involved involuntary resettlement of communities.		Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process
G4-OG13	No process safety events pursuant to standard API RP 754 were recorded.		Number of process safety events, by business activity
Material aspect: Supplier assessment for impacts on society			
G4-DMA	35, 101		Management approach
G4-SO9	100, 101		Percentage of new suppliers that were screened using criteria for impacts on society
G4-SO10	100, 101		Significant current and potential negative impacts on society in the supply chain and actions taken



External verification report [G4-32, G4-33]



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Independent Review Report for Enagás, S.A.

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

In accordance with our engagement letter, Enagás, S.A. management has requested that we provide reasonable and limited assurance on the non-financial information contained in the Annual Report 2015 of Enagás, S.A. (hereinafter Enagás) for the year ended 31 December 2015 (hereinafter "the Report").

The indicators covered by reasonable assurance are GRI G4-11, G4-LA1, G4-LA6 (own employees), G4-LA9 and G4-LA12. The indicators covered by limited assurance comprise the other indicators described in the "GRI content index".

Enagás management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 4.0 (G4) and the Sector Supplement for Oil and Gas of the Global Reporting Initiative as described in point G4-32 of the Report for limited and reasonable assurance indicators. 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 Enagás' objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. These responsibilities include establishing such controls as management determines are necessary to enable the preparation of limited and reasonable assurance indicators that are free from material misstatement whether due to fraud or error.

Our responsibility is to carry out a review to provide reasonable assurance on the preparation and presentation of the GRI G4-11, G4-LA1, G4-LA6 (own employees), G4-LA9 y G4-LA12 indicators, a limited assurance review on the preparation and presentation of the other indicators within the review scope, and to express a conclusion based on the work performed. 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) 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.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have also conducted our engagement in accordance with Accountability Assurance Standard AA1000 APS 2008 (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 procedures selected in our reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement of the indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Enagás' internal control over the preparation and presentation of the Report.

Our engagement also includes assessing the appropriateness of the indicators with the criteria of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by Enagás, and re-computation of the calculations of the reasonable assurance indicators.

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

- Verification of Enagás' processes for determining the material issues, and the participation of stakeholder groups therein.
- Interviews with management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies and corporate responsibility for material issues, and the implementation of these across the business.
- Evaluation through interviews concerning the consistency of the description of the application of Enagás' policies and strategy on sustainability, governance, ethics and integrity.
- Risk analysis, including searching the media, to identify material issues during the year covered by the Report.
- Review of the consistency of information comparing General Basic Content with internal systems and documentation.
- Analysis of 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.
- Visit to Huelva regasification plant selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria.
- Review of the application of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines' requirements in accordance with the comprehensive option for preparing Reports.
- Analysis of the consistency between the information described in Annex 6.1 "Self – assessment of the incorporation of principles and elements of integrated reporting" on the progress in the elaboration of the report under an integrated report approach based on the principles and elements of the international framework for integrated reporting of the International Integrated Reporting Council, and the information included in the Annual Report.
- Verifying that the information on energy consumption and greenhouse gases included in the report has been audited by an independent third according to the ISO 14063-3 standard.
- 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.
- Verification that the financial information reflected in the Report was audited by independent third parties.

Our multidisciplinary team included specialists in AA1000 APS, stakeholder dialogue and in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.



- In our opinion, the GRI G4-11, G4-LA1, G4-LA6 (own employees), G4-LA9 y G4-LA12 indicators, reviewed with reasonable assurance, are prepared and presented, in all material aspects, in accordance with the Sustainability Reporting Guidelines version 4.0 (G4) and the Sector Supplement for Oil and Gas of the Global Reporting Initiative as described in point G4-32 of the GRI Index, including the reliability of data, adequacy of the information presented and the absence of significant deviations and omissions.
- Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the “GRI content index” limited assurance indicators have not in all material respects, been prepared and presented in accordance with the Sustainability Reporting Guidelines version 4.0 and Oil and Gas Disclosures of the Global Reporting Initiative as described in point G4-32 of the GRI Index, including the reliability of data, adequacy of the information presented and the absence of significant deviations and omissions.
- Additionally, nothing has come to our attention that causes us to believe that as a result of Enagás implementing the procedures described in sections G4-26 and G4-27 of the Report, any material issues have been omitted as applies to the principles of inclusivity, materiality and responsiveness as included in the AA1000 AccountAbility Principles Standard 2008.

Under separate cover, we will provide Enagás management with an internal report outlining our complete findings and areas for improvement. Without prejudice to our conclusions presented above, we present some of the key observations and areas for improvement below:

In relation to the INCLUSIVITY principle

During this year, the company has updated its Sustainable Management Plan, which includes lines of action to formalize local stakeholders’ map of the company. The objective pursued is to provide the necessary tools so that the identification and communication with stakeholders is homogeneous and follows the same criteria throughout the whole organization. In order to support the effective implementation of the tools that will formalize the methodology for identifying stakeholders, it is recommended to conduct pilot processes which, together with those already running in different areas of the company, enable to test the processes and make adjustments before being extrapolated to different areas and locations of the company.

In relation to the MATERIALITY principle

In 2014, Enagás carried out a consultation exercise with stakeholders that were identified in the Culture of innovation and shared value working group. This materiality analysis will be updated when different strategic priorities than current are identified. Based on the lines of the Sustainable Management Plan to formalize the communication channels, it is proposed to the company to consider the input received throughout the process, in prioritizing material issues, both at business and geographical area levels. Specific treatment of information by areas and geographies will allow to carry out a prioritization better adapted to the real needs of the stakeholders, which will result in an efficient use of resources.

In relation to the RESPONSIVENESS principle

The company offers communication channels with all its stakeholders through which measure their satisfaction and identify if new needs arise. As part of the updating of the Plan, the company will work on systematizing the process of collection and processing of comments received in the consultations with the aim of including them in the process of prioritization of relevant issues. It is recommended to continue working, in addition to formalizing the collection of these comments, on its consideration within the management of the company in order to give an answer reflected on its behaviour, as well as its communication.

In accordance with the terms of our engagement, this Independent Review Report has been prepared for Enagás in relation to its 2015 Annual Report and for no other purpose or in any other context.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

25 February 2016



Contents of the Global Compact

The Global Compact is an ethical commitment initiative designed so that entities from all countries can adhere to, as an integral part of their strategy and operations, ten universal principles governing conduct and action on matters concerning human rights, labour, 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	GRI G4 indicators	Pages
1	Companies must support and protect internationally acknowledged fundamental human rights within their sphere of influence	G4-HR1 - 11	35, 56, 59-62, 100, 101, GRI content index
2	Companies must ensure they are not a party to human rights infringements	G4-HR1, G4-HR7	62, GRI content index
Labour standards			
3	Companies must support the freedom of association to trade unions and accept in actual practice the collective bargaining process	G4-11	60
4	Companies must support all steps to eradicate forced or coerced labour	G4-DMAs. Sub-category: human rights	35, 58, 59-62, 101
5	Companies must support the eradication of child labour	G4-DMAs. Sub-category: human rights	35, 58, 59-62, 101
6	Companies must support the abolition of discriminatory practices in employment and occupation	G4-LA1, G4-LA12 - 13	44, 61, 65, GRI content index
Environment			
7	Companies must uphold a preventive approach that helps protect the environment	G4-EN19, G4-DMAs Category: environmental	85, 86, 88, 89, 91-95, 99, 100
8	Companies must promote initiatives that foster greater environmental responsibility	G4-EN6 - 7, G4-EN13 - 14, G4-EN19, G4-EN22 - 23	86, 88, 89, GRI content index
9	Companies must foster the development and dissemination of environmentally friendly technology	G4-EN6 - 7, G4-EN13 - 14, G4-EN19, G4-EN 22 - 23	86, 88, 89, GRI content index
Anti-corruption			
10	Entities must work against corruption in all its forms including extortion and bribery	G4-SO3, G4-SO5	58, GRI content index



Our contribution to the Sustainable Development Goals

SDG	Sustainable Development Goals	GRI G4 indicators	Pages
1	Eradicating poverty in all its forms worldwide	G4-SO2, G4-OG10, G4-OG11, G4-OG12	81, GRI content index
2	Eradicating hunger, achieving food security and improved nutrition and promoting sustainable agriculture	G4-EC1, G4-SO2, G4-OG10, G4-OG11, G4-OG12	11, 106, 81, GRI content index
3	Guaranteeing a healthy life and promoting well-being for everyone and for all ages	G4-EN15, G4-EN20, G4-EN16, G4-EN21, G4-EN17, G4-EN24, G4-EN22, G4-EN23, G4-LA6, G4-EN25, G4-LA7, G4-OG7, G4-OG13, G4-OG5, G4-OG6	92, 93, 95, 89, 96, 88, 77, GRI content index
4	Guaranteeing inclusive, equitable, quality education and promoting life-long learning opportunities for all	G4-43, G4-LA9	49, 65, 68
5	Achieving gender equality and empowering all women and girls	G4-38, G4-40, G4-LA9, G4-LA12, G4-EC1, G4-LA11, G4-LA14, G4-LA13, G4-LA3, G4-LA15, G4-LA1	44, 65, 68, 11, 106, 67, 100, 101, 61, 60, GRI content index
6	Guaranteeing access to and sustainable management of water and sanitation for all	G4-EN11, G4-EN13, G4-EN26, G4-EN10, G4-EN24, G4-EN14, G4-EN22, G4-EN8, G4-EN23, G4-EN9, G4-OG7, G4-OG4, G4-OG13, G4-OG5	86, 88, 89, GRI content index
7	Guaranteeing access to affordable, safe, sustainable and modern energy for all	G4-EC1, G4-EN4, G4-EN3, G4-EN5, G4-EN6, G4-EN7, G4-OG2, G4-OG3, G4-OG14, G4-OG6	11, 106, 95, 11, 94, GRI content index
8	Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	G4-11, G4-10, G4-LA9, G4-LA2, G4-LA12, G4-EC1, G4-EN4, G4-EN3, G4-EN5, G4-LA8, G4-EN10, G4-LA11, G4-EN2, G4-LA14, G4-LA5, G4-LA10, G4-LA13, G4-EN7, G4-LA3, G4-LA15, G4-LA1, G4-LA6, G4-LA7, G4-OG5, G4-OG6	60, 65, 69, 99, 68, 72, 44, 11, 106, 95, 78, 67, 100, 101, 61, 94, 77, GRI content index
9	Building resilient infrastructure, promoting inclusive, sustainable industrialisation and fostering innovation	G4-EC1, G4-OG2	11, 106, 95
10	Reducing inequality in and among countries	G4-LA13,	61
11	Ensuring that cities and human settlements are inclusive, safe, resilient and sustainable	G4-OG13, G4-OG12	GRI content index
12	Guaranteeing sustainable consumption and production patterns	G4-EN15, G4-EN20, G4-EN4, G4-EN3, G4-EN16, G4-EN5, G4-EN21, G4-EN17, G4-EN10, G4-EC9, G4-EN6, G4-EN7, G4-EN31, G4-EN24, G4-EN22, G4-EN23, G4-EN25, G4-OG7, G4-OG5, G4-OG6	99, 92, 93, 95, 11, 89, 96, 94, 88, GRI content index

SDG	Sustainable Development Goals	GRI G4 indicators	Pages
13	Adopting urgent measures to combat climate change and the effects thereof	EN15, EN4, EN3, EN16, EN5, EC2, EN18, EN17, EN6, EN19, EN7, OG6	92, 93, 95, 11, 96, 94, 27
14	Preserving and sustainably using oceans, seas and marine resources for Sustainable Development	EN12, EN15, EN16, EN18, EN13, EN26, EN21, EN11, EN17, EN19, EN24, EN14, EN22, OG4, OG5, OG6	86, 92, 93, 95, 96, 93, 94, 88, GRI content index
15	Protecting, re-establishing and promoting the sustainable use of terrestrial ecosystems, conducting sustainable forest management, combating desertification, stopping and reversing land degradation, and halting of the loss of biological diversity	EN12, EN15, EN16, EN18, EN13, EN26, EN21, EN11, EN17, EN19, EN24, EN14, OG4	86, 92, 93, 95, 96, 93, 94, 88, GRI content index
16	Promoting peaceful, inclusive societies for Sustainable Development, facilitating access to justice for all and creating institutions that are efficient, responsible and inclusive on all levels	G4-56, G4-53, G4-37, G4-41, G4-38, G4-45, G4-58, G4-57, G4-40, G4-39, G4-SO4, G4-SO5, G4-EN29, HR11	47, 34, 49, 44, 26, 31, 58, 56, 57, 100, 101, 62
17	Strengthening the means of implementing and revitalising the global partnership for Sustainable Development	OG2	95



Contact [G4-3, G4-5, G4-31]

Please address any comments, requests for clarification or suggestions in connection with this report to:

Enagás S.A.

Paseo de los Olmos, 19
28005 Madrid

Investor Relations Department

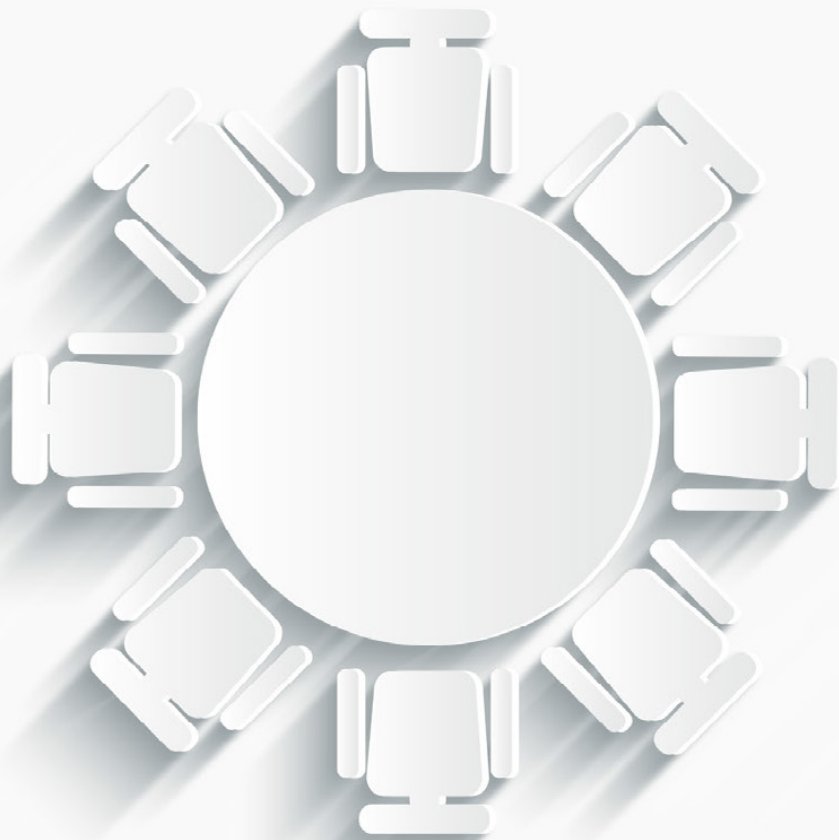
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7

CORPORATE GOVERNANCE REPORT 2015



Independent Assurance Report on the Annual Corporate Governance Report_	133
Annual Corporate Governance Report for Listed Companies_	136
Explanatory notes_	211
Report on the Activities of the Enagás, S.A. Audit and Compliance Committee in 2015_	227



INDEPENDENT ASSURANCE REPORT ON THE ANNUAL CORPORATE GOVERNANCE REPORT

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

INDEPENDENT REASONABLE ASSURANCE REPORT ON THE ANNUAL CORPORATE GOVERNANCE REPORT

To the Shareholders of Enagás, S.A.:

Scope of the Report

We have carried out a reasonable assurance report engagement regarding the compliance of the content of the Annual Corporate Governance Report for 2015 of Enagás, S.A. with the minimum content of the Annual Corporate Governance Report provided for by Circular 5/2015, of 22 December, of the Spanish National Securities Market Commission (CNMV) which modifies Circular 5/2013, of 12 June and with the provisions of the Order ECC/461/2013, of 20 March.

Responsibility of the Board of Directors

The preparation of the accompanying Annual Corporate Governance Report and the presentation of its content are the responsibility of the Board of Directors of Enagás, S.A., which is also responsible for the implementation and maintenance of the procedures and systems through which the information is obtained.

Our responsibility

Our responsibility is to issue an independent report of reasonable assurance regarding the compliance of the contents of the Annual Corporate Governance Report for 2015 of Enagás, S.A., with the minimum content of the Annual Corporate Governance Report established in Circular 7/2015, of 22 December, of the Spanish National Securities Market Commission (CNMV), which modifies Circular 5/2013, of 12 June and with the provisions of the Order ECC/461/2013, of 20 March.

We conducted our engagement in accordance with the requirements of the 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 issuing of reasonable assurance report.

This standard requires the planning and performance of procedures with the aim of obtaining sufficient and appropriate evidence to make it possible to reduce the assurance engagement risk to a low level according to its circumstances and the issuing of a conclusion in positive terms.

In this regard, our engagement has included, inter alia, the following procedures:

- Reading and understanding the information prepared by the Company contained in the Annual Corporate Governance Report and evaluating whether said information encompasses all the information required by Circular 5/2015, of 22 December, of the Spanish National Securities Market Commission (CNMV), which modifies Circular 5/2013, of 12 June and 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 based for the purpose of analysing the information included in the Annual Corporate Governance Report.
- Evaluating internal control relevant to the 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 designing verification 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 provided 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 Appointments, 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.

For those 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 have verified that the assertions contained in the Annual Corporate Governance Report do not contradict the evidence obtained from the application of the procedures described above.

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.

Independence

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.



Deloitte applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

In our opinion, the content of the accompanying Annual Corporate Governance Report for 2015 of Enagás, S.A. has been prepared, in all material respects, in accordance with Circular 5/2015, of 22 December, of the Spanish National Securities Market Commission (CNMV) which modifies Circular 7/2013, of 12 June and with the provisions of Order ECC/461/2013, of 20 March.

DELOITTE, S.L.

Ana Sánchez Palacios

16 February 2016

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

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

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

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
BANK OF AMERICA CORPORATION	0	8,627,588	3.61%
RETAIL OEICS AGGREGATE	0	2,410,274	1.01%

Name or corporate name of indirect shareholder	Through: name or corporate name of the direct owner of the shareholding	Number of voting rights
BANK OF AMERICA CORPORATION	BANK OF AMERICA CORPORATION	8.627.588
RETAIL OEICS AGGREGATE	RETAIL OEICS AGGREGATE	2.410.274

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

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
OMAN OIL COMPANY, S.A.O.C.	20/05/2015	Decrease of 5% of share capital



A.3 Complete the following tables on members of the Board of 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
Antonio Llardén Carratalá	56,396	0	0.02%
Marcelino Oreja Rrburúa	1,260	1,324	0.00%
Sociedad Estatal de Participaciones Industriales (SEPI)	11,936,713	0	5.00%
Luis Javier Navarro Vigil	1,405	7,075	0.00%
Martí Parellada Sabata	910	0	0.00%
Ramón Pérez Simarro	100	0	0.00%
Gonzalo Solana González	440	550	0.00%
Luis Valero Artola	0	10,000	0.00%

Name or corporate name of indirect shareholder	Through: name or corporate name of the direct owner of the shareholding	Number of voting rights
Marcelino Oreja Arburúa	Marcelino Oreja Arburúa	1,324
Luis Javier Navarro Vigil	Newcomer 2000, S.L.U.	7,075
Gonzalo Solana González	Investigación y Desarrollo de Estudios Aplicados, S.L.	550
Luis Valero Artola	Luis Valero Artola	10,000

% of total voting rights held by the Board of Directors	5.02%
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Complete the following tables on share options held by Directors.

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

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
BANK OF AMERICA CORPORATION
ENAGÁS, S.A.

Type of relationship Corporate

Brief description

Dividends and other benefits paid: €11,285 thousand.

Related party name or corporate name
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)
ENAGÁS, S.A.

Type of relationship Corporate

Brief description

Dividends and other benefits paid: 15,613 thousand.

Related party name or corporate name
RETAIL OEICS AGGREGATE
ENAGÁS, S.A.

Type of relationship Corporate

Brief description

Dividends and other benefits paid: 3,153 thousand.

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

Yes No

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

Yes No

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

Not applicable.



A.7 Indicate whether any individuals or corporate bodies 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

Remarks

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

At year end:

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

(*) Through:

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

Details of significant changes

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 Ordinary General Shareholders' Meeting held 27 March 2015 adopted the following resolution:

"To authorise and empower the Board of Directors, with power of substitution, for the derivative acquisition of the Company's own shares in accordance with article 146 of the Spanish Limited Liability Companies Act, in the following terms:

1. The acquisitions may be carried directly by Enagás, S.A. or indirectly by subsidiaries under the same terms as those set out herein.
2. The acquisitions may be carried out through a purchase and sale, exchange or any other transaction permitted by law.
3. The maximum number of shares to be acquired shall be the maximum number permitted by law.
4. The acquisition price shall not be more than 15 percent higher or lower than the average weighted share price of the session prior the acquisition.
5. The authorisation is granted for a maximum of five years from adoption of this resolution.

In accordance with article 146 of the LSC, it is hereby expressly stated that the shares acquired pursuant to this authorisation may, in whole or in part, be directly awarded to employees or directors of the Company or of companies belong to its Group, or that the purchase is the result of the exercise of employee or director options.

This resolution repeals and leaves without effect by the amount not used the authorisation granted by the General Meeting of Shareholders of 30 April 2010 for the derivative acquisition of treasury shares.

A.9.bis Estimated floating capital:

	%
Estimated floating capital	95.00%

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

Restrictions under law:

Additional Provision 31 of Law 34/1998, of October 7, 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 body corporate 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 corporate bodies 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. “OTHER INFORMATION OF INTEREST”: EXPLANATORY NOTE ON 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

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.

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: (...) and states in section 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".

Likewise, article 13.3 of the Regulations of the General Shareholders' Meeting states that:

"However, an absolute majority of shareholders holding at least fifty percent of the subscribed capital with voting rights is required to validly adopt resolutions to increase or decrease capital, make any other amendment to the Articles of Association, issue bonds, eliminate or restrict pre-emptive subscription rights for new shares, transform, merge, spin off or globally assign assets and liabilities, and transfer the registered office abroad. However, the favourable vote of shareholders representing two-thirds of the share capital present or represented is required when, on second call, shareholders holding at least twenty-five percent of the subscribed capital with voting rights are present and the aforementioned fifty percent threshold is not reached".

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

Date of general meeting	Attendance data				Total
	% attending in person	% by proxy	% remote voting		
			Electronic means	Other	
25/03/2014	5.58%	42.23%	0.00%	5.14%	52.95%
27/03/2015	0.09%	46.28%	0.00%	8.42%	54.79%

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

Yes No

B.6 Section revoked.

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 (www.enagas.es or www.enagas.com).

The links to this information can be found easily through the Company's web browser and are as follows:

> In Spanish:

i) **Página principal / Accionistas e Inversores /Gobierno Corporativo:**

- Junta General de Accionistas.
- Política de Gobierno Corporativo.
- Informe Anual de Gobierno Corporativo.

ii) **Página principal/Sostenibilidad/Gobierno Corporativo.**

> In English:

i) **Home/Investors Relations/Corporate Governance:**

- General Shareholders' Meeting.
- Corporate Governance Policy.
- Annual Report on Corporate Governance.

ii) **Home/Sustainability/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 Articles of Association.

Maximum number of Directors	14
Minimum number of Directors	6

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

Name or corporate name of Director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Luis Valero Artola		Independent	Director	28/4/14	28/4/14	Vote at general shareholders' meeting
Ana Palacio Vallelersundi		Independent	Director	25/3/14	25/3/14	Vote at general shareholders' meeting
Gonzalo Solana González		Independent	Director	25/3/14	25/3/14	Vote at general shareholders' meeting
Antonio Hernández Mancha		Independent	Director	25/3/14	25/3/14	Vote at general shareholders' meeting
Marcelino Oreja Arburúa		Executive	Chief executive officer	17/9/12	25/3/14	Vote at general shareholders' meeting
Jesús Máximo Pedrosa Ortega		Proprietary	Director	24/4/13	24/4/13	Vote at general shareholders' meeting
Ramón Pérez Simarro		Independent	Director	17/6/04	24/4/13	Vote at general shareholders' meeting
Isabel Tocino Biscarolasaga		Independent	Director	25/3/14	25/3/14	Vote at general shareholders' meeting
Antonio Llardén Carratalá		Executive	Chairman	22/4/06	25/3/14	Vote at general shareholders' meeting
Martí Parellada Sabata		Independent	Director	17/3/05	24/4/13	Vote at general shareholders' meeting
Rosa Rodríguez Díaz		Independent	Director	24/4/13	24/4/13	Vote at general shareholders' meeting
Luis Javier Navarro Vigil		Other external	Director	9/7/02	25/3/11	Vote at general shareholders' meeting
Sociedad Estatal de Participaciones Industriales (SEPI)	Federico Ferrer Delso	Proprietary	Director	25/4/2008	30/3/2012	Vote at general shareholders' meeting

Total number of Directors	13
---------------------------	----

Indicate any board members who left during this period.

Name or corporate name of Director	Status of the Director at the time	Leaving date
Jesús David Álvarez Mezquíriz	Independent	27/03/2015
Sultan Hamed Khamis Al Burtamani	Proprietary	22/06/2015

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

EXECUTIVE DIRECTORS

Name or corporate name of Director	Position held in the Company
Marcelino Oreja Arburúa	Chief executive officer
Antonio Llardén Carratalá	Chairman

Total number of Executive Directors	2
% of the board	15.38%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of Director	Name or corporate name of significant shareholder represented or proposing appointment
Jesús Máximo Pedrosa Ortega	Sociedad Estatal De Participaciones Industriales (SEPI)
Sociedad Estatal De Participaciones Industriales (SEPI)	Sociedad Estatal De Participaciones Industriales (SEPI)

Total number of Proprietary Directors	2
% of the board	15.38%

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of Director

Luis Valero Artola

Profile:

- Trade Technical Expert and State Economist.
- Former General Secretary of the Ministry of Industry, Energy and Tourism.
- Former General Manager of the Spanish Association of Automobile and Truck Manufacturer's (ANFAC).
- Former member of the Management Committee of the Spanish Confederation of Employers' Organisations (CEOE).
- Former Director of Operadora del Mercado Eléctrico (OMEL).
- Former Business Director of Banco Saudí Español.
- Former Manager of Spanish Foreign Investment Services.
- Former Commercial Director in the Republic of South Africa.



Name or corporate name of Director

Ana Palacio Vallelersundi

Profile:

- Lawyer, founder of Palacio & Asociados law firm.
- Lead Independent Director of Enagás and Director of Pharmamar.
- Elective Director of the Spanish Council of State.
- Member of Investcorp's International Advisory Committee and Member of the Chérifien des Phosphates Offices.
- Member of IE Business School's Governing Board.
- Member of the World Economic Forum's Global Agenda Council and Member of the Executive Board of the Atlantic Council of the United States.
- Member of the governing bodies of a number of research centres and public institutions: el Conseil d'Orientation et de Réflexion de l'Assurance de France (CORA), the MD Anderson Cancer Center, Fondation pour le Droit Continental and the Science Board of Real Instituto Elcano.
- Guest lecturer at Edmund A. Walsh School of Foreign Service at Georgetown University.
- Regular contributor of "Project Syndicate", among other media.
- Regular participant as panellist in international conferences and forums. Highlights of the past year: the Istanbul G-20 International Energy Forum, the Atlantic Council Energy & Economic Summit and the Schlessinger Awards Energy Security Conference.
- Honorary Doctorate of Humanities from Georgetown University and 20116 Sandra Day O'Connor Justice Prize winner.
- Coordinator of the Trans-European Transport Network (2014).
- Member of the Advisory Group of Foreign Affairs and Security (2010-2014) and of the Committee for the Appointment of Judges and Advocates-General of the European Union Court of Justice and the General Court (2010-2013).
- Advisor to the European Commission on justice, fundamental rights and citizenship (2010-2012).
- Senior Vice-President and member of the Executive Committee of AREVA (2008-2009).
- Senior Vice-President and General Counsel of the World Bank (2006-2008).
- Secretary General of the International Center for the Settlement of Investment Disputes (2006-2008).
- Member of the Spanish Parliament, Chair of the Joint Committee of the Two Houses for EU affairs (2004-2006).
- Spain's first women Minister of Foreign Affairs.
- Member of the Presidium of the Convention for the Future of Europe: Participated in the drafting and legal discussions on the European Constitution project (2001-2003).
- Member of the European Parliament, Chair of the Legal Affairs and Internal Market, Citizen Rights, Justice and Internal Affairs Committees, and Chair of the Conference of Committee Chairmen (1994 - 2002).

Name or corporate name of Director

Gonzalo Solana González

Profile:

- Director of the Nebrija Santander Chair in International Business Management.
- Professor of international economics at a number of universities.
- Founding partner of the law firm Huerta&Solana specialising in competition law and regulations.
- Independent Director of OMIClear, Chairman of the Audit Committee and Deputy Chairman of the Risk Committee.
- Former President of the Tribunal for the Defence of Competition (2000-2005).
- Deputy President and Director of Analysis and Strategy of the High Council of Chambers of Commerce (2006-2011) and Director of Study Services at the High Council of Chambers of Commerce (1986-2000).
- Former Board Member of the National Institute of Statistics (1986-2000 and 2006-2011) and Chairman of the Regional Statistics Committee of the INE.
- Economist at the Institute for Economic Studies (1981-1986).
- Professor of Applied Economics at the University of San Pablo CEU and University of Deusto.

Name or corporate name of Director**Antonio Hernández Mancha****Profile:**

- Public prosecutor.
- Member of the Court of Arbitration of Madrid's Chamber of Commerce and Industry.
- Founding President and Sole Director of Apple Energy Group Iberia, S.L.
- Member of C.I.M.A. (Civil and Mercantile Arbitration Court)
- Member of the Advisory Committee of M&A Arcano.
- Former Vice President of NAP de las Américas Madrid, S.A.
- Former Chief Executive Officer of NAP de África Occidental e Islas Canarias, S.A.

Name or corporate name of Director**Ramón Pérez Simarro****Profile:**

- Former Director General of Energy.
- Former General Secretary of Energy and Mineral Resources.
- Former General Technical Secretary of the Ministry of Industry.
- Former lecturer, Universidad Autónoma de Madrid.

Name or corporate name of Director**Isabel Tocino Biscarolasaga****Profile:**

- Elective member of the Spanish Council of State.
- Independent Director of Banco Santander.
- Independent Director of ENCE.
- Member of the Spanish Royal Academy of Doctors.
- Former Spanish Minister for the Environment (1996-2000).
- Former Chairwoman for Spain and Portugal and former Vice-Chairwoman of Siebel (subsequently acquired by Oracle).
- Former legal advisor to the Nuclear Energy Board (currently CIEMAT).

Name or corporate name of Director**Martí Parellada Sabata****Profile:**

- Professor at the University of Barcelona.
- Member of the Board of Trustees and Standing Committee of Hospital Clinic de Barcelona.
- Deputy Chairman and Director of the Barcelona Economic Institute Foundation.
- Trustee of the Energy and Environmental Sustainability Foundation.



Name or corporate name of Director

Rosa Rodríguez Díaz

Profile:

- Doctorate in Economics and Business Administration.
- Lecturer at the Las Palmas de Gran Canaria University's Economics and Business Administration Faculty.
- Former Vice-Secretary of Tax Administration and Planning for the government of the Canary Islands.
- Former Vice-President of Gran Canaria's "Cabildo" Council.

Total number of Independent Directors	82
% of the board	61.54%

List any Independent Directors who receives from the Company or Group any amount or payment other than standard Director remuneration or who maintains or has 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.

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

OTHER EXTERNAL DIRECTORS

Identify all Other External Directors and explain 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

Luis Javier Navarro Vigil

Company, executive or shareholder with whom the relationship is maintained

TERMINAL DE LNG DE ALTAMIRA, S. DE R.L. DE C.V.

Reasons:

LUIS JAVIER NAVARRO VIGIL, Director of Enagás, was appointed, at the proposal of Enagás, as Director of the Mexican companies TLA, S. DE R.L. and TLA Servicios S. de R.L. de C.V. In this respect, Enagás entered into the related service level agreements with Newcomer 2000, S.L.U., the company through which LUIS JAVIER NAVARRO VIGIL provided his services to Enagás.

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 the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás.

Total number of Other External Directors	1
% of the board	7.69%

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

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				% of total Directors of each type			
	2015	2014	2013	2012	2015	2014	2013	2012
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	3	3	3	2	37.50%	33.33%	33.33%	25.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	3	3	3	2	23.08%	20.00%	20.00%	15.38%

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

Article 25.2 of the Regulations of the Board of Directors stipulates that the Appointments, Remuneration and Social Corporate Responsibility Committee's duties and responsibilities include establishing a goal concerning the representation of the less-represented gender on the Board of Directors and preparing guidelines on how this goal can be achieved, in line with the recommendations of the Good Governance Code.

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

To fill the five vacancies by the 2014 General Shareholders' Meeting, the Appointments, Remuneration and CSR Committee agreed that the proposed candidates for appointment as Independent Directors should meet the following criteria:

- > Without prejudice to any legal and statutory requirements of the post, candidates must have acknowledged prestige and appropriate professional knowledge and experience to perform their tasks.
- > Candidates must meet all the conditions to qualify as Independent Directors.
- > Candidates must be able to satisfy the independence requirements demanded by Enagás' appointment as independent gas transmission network operator.
- > It must be sought that the proposals encourage diversity within the Board, whereby they must focus on preferably incorporating women and people who due to their nationality or experience have an international professional profile, in accordance with the Company's new strategy.
- > An independent expert must be involved in the selection process, who can bring a more objective perspective to the process.



In addition, for the presentation of the proposed candidates, the Appointments, Remuneration and CSR Committee received support from an executive recruitment and development firm of recognised renown.

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 of 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 THIRTEEN (13) members of the Board of Directors of Enagás are women: ROSA RODRÍGUEZ DÍAZ, ANA PALACIO VALLELERSUNDI and ISABEL TOCINO BISCAROLASAGA. In addition, ROSA RODRÍGUEZ DÍAZ is a member of the Audit and Compliance Committee, ISABEL TOCINO BISCAROLASAGA is Chair of the Appointments, Remuneration and CSR Committee and ANA PALACIO VALLELERSUNDI is Lead Independent Director.

C.1.6 bis Explain the Nomination Committee's conclusions on the checks carried out to ensure that the director selection policy is being complied with. Particularly whether the policy pursues the goal of having at least 30% of total board places occupied by women directors before the year 2020.

Explanation of conclusions

The report by the Appointments, Remuneration and CSR Committee of February 2, 2016 justifying the proposed re-election of Director for the 2016 General Shareholders' Meeting includes the following:

"In relation to the vacancy on that date as a result of the resignation last June of the Mr Sultan Ahmed Kamis Al Burtamani, who was a Proprietary Director designated at the proposal of the shareholder Oman Oil Holdings Spain, S.L. and which took place after the sale of the company's total stake in Enagás, S.A., the Appointments, Remuneration and CSR Committee believes that it is not necessary to propose to the General Shareholders' Meeting the appointment of a new Director to fill this vacancy".

The Committee believes that thirteen (13) directors are sufficient for the Board's functioning, without prejudice to the possibility that a future Shareholders' Meeting may appoint a new Director who meets the profile to fill this vacancy.

After the proposed re-election, the Board has increased the number of its already majority of independent members. Of its thirteen (13) members, eight (8) are Independent Directors, while the number of women on the Board will remain at three (3), and these women will moreover exercise important functions within the Board: Ms Isabel Tocino Biscarolasaga is Chair of the Appointments, Remuneration and CSR Committee, Ana Palacio Vallelersundi is Lead Independent Director and Rosa Rodriguez Díaz is a member of the Audit and Compliance Committee.

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

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI) is currently the only shareholder with a significant holding that has a seat on the Board of Directors.

Moreover, JESÚS MÁXIMO PEDROSA ORTEGA was appointed, at the proposal of SEPI, as a Proprietary Director for the four-year term provided for in the Articles of Association at the General Shareholders' Meeting held on 24 April 2013.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

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

Yes No

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:

Sultan Hamed Khamis Al Burtamani

Reasons for resignation

Mr Al Burtamani was a Proprietary Director proposed by Oman Oil Holdings Spain, S.L. His resignation came after Oman Oil Holdings España S.L. sold its entire shareholding in Enagás, S.A.

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

Name or corporate name of Director

Marcelino Oreja Arburúa

Breve descripción:

Pursuant to the resolution passed by the Board of Directors of Enagás, S.A. on March 25th, 2014, 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 public deed dated May 28th, 2014 and executed before the Notary Public of Madrid Pedro de la Herrán Matorras, with number 1,306 in his notarial archive and is recorded in Volume 32,018, Book 0, File 5, Section 8; Sheet M-6113; Entry 777 of the Madrid Companies Register.

Further details on the powers delegated by the Board of Directors are provided in section H) OTHER INFORMATION OF INTEREST" (EXPLANATORY NOTE ON SECTION C.1.10 of this Report).



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	Do they have executive duties?
Marcelino Oreja Arburúa	Enagás Chile, S.P.A.	Board delegate	No
Marcelino Oreja Arburúa	Enagás Transporte Del Norte, S.L.	Chairman	Yes
Antonio Llardén Carratalá	Enagás GTS, S.A.U.	Representative of sole director	Yes
Antonio Llardén Carratalá	Enagás Transporte, S.A.U.	Representative of sole director	Yes
Luis Javier Navarro Vigil	Terminal De LNG De Altamira, S. DE R.L. DE C.V.	Director	No
Luis Javier Navarro Vigil	TLA Servicios, S. DE R.L. DE C.V.	Director	No
Marcelino Oreja Arburúa	Compañía Transportista De Gas Canarias, S.A.	Representative of sole director	Yes

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
Ana Palacio Vallelersundi	Pharmamar, S.A.	Director
Isabel Tocino Biscarolasaga	Ence Energía y Celulosa, S.A.	Director
Isabel Tocino Biscarolasaga	Banco Santander, 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 following must not be Directors or, if applicable, natural person representatives of a legal person Director:

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

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

Board remuneration (thousands of euros)	3,191
Cumulative amount of rights of current Directors in pension scheme (thousands of euros)	1,984
Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	0

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
Diego Antonio Vela Llanes	General Manager Technical System
Claudio Pedro Rodríguez Suárez	General Manager Gas Assets
Jesús Luis Saldaña Fernández	General Manager Business Development
Juan Andrés Díez de Ulzurrun Moreno	General Manager Engineering
Francisco Borja García-Alarcón Altamirano	Chief Financial Officer
Felisa Martín Villan	General Manager Communications and Institutional Relations
Rafael Piqueras Bautista	General Secretary
Javier Perera de Gregorio	General Manager Corporate Resources
Isidro del Valle Santín	Head of Internal Audit
Total remuneration received by senior management (thousands of euros)	2,886

C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or 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.

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

Yes No

Description of amendments

The Regulations of the Board of Directors was amended twice in 2015.

The first was on February 23rd, 2015 to adapt the articles of the Regulations to the legislative report introduced by Law 31/2014 of 3 December amending the Spanish Limited Liability Companies Law to improve corporate governance ("Law 31/2014").

The second was on December 21st, 2015 to adapt the articles to the Good Governance Code of Listed Companies ("Good Governance Code" or "GGC"), approved on February 18th by the Board of the National Securities Market Commission (CNMV) and published on February 24th, 2015. This amendment has yet to be placed on file with the Companies Register.



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 Regulations of Enagás' Board Regulations:

1. Directors shall be appointed at the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions of the Ley de Sociedades de Capital (the "Spanish Limited Liability Companies Law" or "LSC") and the Company's Articles of Association.
2. Candidates must be persons who, in addition to satisfying the legal and statutory requirements of the post, have acknowledged prestige and appropriate professional knowledge and experience to perform their tasks. The Appointments, Remuneration and Social Corporate Responsibility Committee is responsible for proposing the appointment of Independent Directors. The proposals for the appointment or re-election of Non-independent 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, Remuneration and Social Corporate Responsibility 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. Proposals shall always be accompanied by a report from the Board justifying the competencies, experience and merits of the proposed candidate. This report shall be attached to the minutes of the General Meeting or of the Board. The foregoing will also be applicable to natural persons appointed as representatives of a legal person Director. The proposal for a natural-person representative must be submitted to the Appointments, Remuneration and Social Corporate Responsibility Committee.
3. The Board of Directors must ensure that the procedures for selecting its members promote diversity of gender, experience and knowledge, that do not suffer from implicit biases that entail any discrimination and, in particular, that facilitate the selection of directors.

(Continues in section H: OTHER INFORMATION OF INTEREST.- EXPLANATORY NOTE ON SECTION C.1.19).

C.1.20 Explain, if applicable, to what extent this annual evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments

The evaluation focused on issues in which the Directors showed an interest or concern in the 2014 evaluation, with few comments by Directors on them, largely because of the new initiatives undertaken in 2015 to improve the preparation and development of the Board and Board Committee meetings. Certain individual areas of improvement were identified and the results showed an interest in having specific information on the development of new international projects involving the Company. Special attention was paid in this respect in 2015.

C.1.20. bis. Describe the evaluation process and the areas evaluated by the board, assisted, if applicable, by an external advisor, concerning diversity in its composition and skills, the functioning and composition of its committees, the performance of the Chairman of the board and the Chief Executive Officer and the performance and contribution of each Director.

The Board evaluation process began via a resolution by the Appointments, Remuneration and CSR Committee on November 4th, 2015 appointing Sodali as an independent expert, based on its renowned solvency and prestige among international investors, particularly those with shareholdings in Enagás.

Sodali sent a questionnaire to each Director and conducted interviews with several Directors (the Chairman, the Chief Executive Officer, the Chairmen of the Committees, and the Lead Independent Director), who issued their opinions on a series of questions related to the composition and structure of the Board and its committees, on the performance of the Board and its committees, and on the relations and procedures of the Board and its committees.

C.1.20. ter. Explain, if applicable, the business relationship the advisor or any group company maintains with the company or any group company.

Enagás does not have any direct contractual relationship (nor has had it in recent years) with SODALI other than the independent evaluation of the Board. However, Enagás engages Santander Global Corporate Banking for a variety of services related to its General Shareholders' Meeting which, in turn, includes certain services that this firm contracts with SODALI regarding advisory on the relations with international investors and proxy advisors.

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

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

- 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, the Articles of Association, and in these Regulations.
 - 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 damage its credibility and reputation. Once a Director is indicted or tried for any of the crimes stated in article 213 of the LSC, the board shall examine the matter and, in view of the particular circumstances, 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 exists.
 - 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.



If the Board of Directors does not deem it advisable to have a Director tender his/her resignation in the cases specified in points 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.

When a Director gives up his place before his tenure expires, through resignation or otherwise, he shall state his reasons in a letter to be sent to all members of the Board of Directors. 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.

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 the duration of the duty is shortened by the Board of Directors.

C.1.22 Section revoked.

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.

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

Yes No

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

Yes No

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 different to the one established in the regulations.

Yes No

Maximum number of years in office	12
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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 there are any restrictions as to what categories may be appointed as a proxy other than those stipulated by law. If so, give brief details.

According to article 39 of the Articles of Association, the Board of Directors' meeting shall be validly constituted when one half of the membership plus one member are in attendance or represented at it. The Directors must attend the meetings of the Board in person. Without prejudice to the foregoing, Directors may grant a proxy to another Director. Non-Executive Directors may only grant a proxy to other Non-Executive Directors.

In addition, according to article 7.3 of the Board Regulations, Directors must attend the meetings of the Board in person. Without prejudice to the foregoing, Directors must grant a proxy to another Director. Non-Executive Directors may only grant a proxy to other Non-Executive Directors. Proxies for the representation of absent Directors may be granted by any means, with a telegram, facsimile or email 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

If the Chairman is an executive Director, indicate the number of meetings held without an executive Director present or represented and chaired by the lead director.

Number of meetings	0
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Indicate the number of meetings of the various board committees held during the year.

Committee	No. meetings
Audit and compliance committee	5
Appointments, remuneration and csr committee	4

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.

Number of meetings with all members present	9
% of attendances of the total votes cast during the year	98.68%



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 for their authorisation for issue by the board.

Name	Position
Francisco Borja García-Alarcón Altamirano	General manager finance
Antonio Llardén Carratalá	Chairman

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 Audit and Compliance Committee at Enagás has its own regulations, which set out, inter alia, the following competences, which represent effective mechanisms for the Board of Director to prevent the financial statements it prepares from being presented at the General Shareholders' Meeting with qualifications in the audit report:

- > Overseeing the preparation and presentation of financial information on the Company and the Group, and checking compliance with regulatory requirements, the due definition of the scope of consolidation and correct application of accounting principles.
- > Reporting to the Board of Directors on recommendations or comments it deems necessary on the application of accounting criteria, internal control systems and any other relevant matter, and in particular, to present recommendations or proposals to the Board of Directors aimed at safeguarding the integrity of the financial information.
- > Ensuring that the Board of Directors presents financial statements to the General Shareholders' Meeting without any qualifications or reservations in the audit report.
- > Assessing any proposals made by senior managers regarding changes in accounting practices.
- > Reviewing the content of audits, limited review reports of interim financial statements and other required reports of statutory auditors prior to their issued in order to prevent qualifications.
- > Liaising with the External Accounts Auditor to obtain information on issues related to the procedure for auditing financial statements, and on potential safeguards to adopt and pre-empt conflicts that may arise.

As in previous years, in 2015, the Audit and Compliance Committee continued to review the limited quarterly reports issued by the auditors. Specifically, the Committee analysed, together with Deloitte, the quarterly reviews of the condensed consolidated interim financial statements of Enagás S.A. and subsidiaries, as well as those of the main investees. Performing these reviews enables the Committee to minimize the impact of any accounting issues arising in the course of the year, and the members of the Committee and Board of Directors to keep abreast of the opinions of the Company's external auditors on annual developments in the balance sheet and income statement.

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

Yes No

Complete if the Secretary is not also a Director:

Name or corporate name of Secretary	Representative
Rafael Piqueras Bautista	

C.1.34 Section revoked.

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.

The Enagás Code of Ethics serves as a code of conduct for all employees in their professional activities and in relation to all the Company's stakeholders. Enagás has the necessary procedures to ensure due diligence in the issues related to this area, as well as an Ethical Compliance Committee, which is a collegiate body to which the Audit and Control Committee delegates management of the notifications and consultations concerning this matter.

Compliance with the Code of Ethics is mandatory for all employees, managers and administrators of Enagás, as well as its suppliers, contractors and collaborators or business partners in their spheres of the Company. Investees have an ethics and compliance model that is appropriate for the environment they operate in.

With regard to External Accounts Auditors:

One of the key objectives of the Audit and Compliance Committee, according to its regulations, is to oversee the independence of the External Accounts Auditor.

Specifically, this Committee has the following competences:

- > To ensure that the Company and the External Accounts Auditor comply with prevailing regulations regarding non-audit services.
- > To establish the appropriate relations with the External Accounts Auditor in order to receive information on matters that could jeopardise its independence and on potential safeguard measures.
- > To authorise services other than those that are prohibited in accordance with applicable legislation.
- > To ensure that the Company and the External Accounts Auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.
- > To supervise that the level of fees of the External Accounts Auditor do not threaten its quality and independence, and are not based on any form of contingency.
- > In the event of resignation of the Accounts Auditor, the Committee should investigate the issues giving rise to the resignation.
- > To receive from the External Accounts Auditor, on an annual basis, their statement of independence with respect to the Enagás Group (including in the delivery of a supplementary report) or entities related to it directly or indirectly, in addition to detailed and individual information on additional services of any kind rendered to these entities by the External Accounts Auditor or by persons or entities related to it in conformity with the audit regulations.



- > To issue an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditors is compromised. This report shall in all cases include a reasoned assessment of each additional service rendered, as referred to in the previous section, that could comprise the independence of the Accounts Auditor, considered separately and in their totality, other than statutory audits and how they relate to the requirement of independence or to the audit regulations and shall be published on the website of the Company sufficiently in advance of the date of the Ordinary General Shareholders' Meeting.
- > To establish a maximum term of auditor engagement, ensuring a gradual rotation with the main audit partners.

In relation to financial analysts, investment banks and rating agencies:

Enagás has specific mechanisms in place for communicating and disclosing information to shareholders designed to guarantee and promote regular, two-way sharing of information between them.

The communication and disclosure strategy is predicated on principles of good governance and corporate values: transparency and truthfulness of the information; continuity, accessibility and immediacy; encourage the trust of shareholders, the protection of their rights and foster their participation; equitable and non-discriminatory treatment; and compliance with current legislation, the best practices in good governance, etc.

In line with Enagás's Good Governance System, the Board of Directors has put in place systems allowing for regular information exchange with shareholders on topics such as investment strategy, assessment of performance figures, the composition of the Board of Directors and management efficiency. Under no circumstances can this information create situations of privilege or attribute special advantages with regard to the other shareholders. In addition, within the scope of its activities the Finance Department provides investment banks with the information they need.

Noteworthy was that in 2015, the Company's Board of Directors approved the Communication and Contact Policy with Shareholders, Institutional Investors and Proxy Advisors to encourage ongoing dialogue and conversation with each of its stakeholders and, in particular, with its shareholders, institutional investors, rating agencies, bondholders and proxy advisors, all within a framework of transparency and accessibility.

To this end, Enagás has an Investor Relations Area, to permanently deal with enquiries or suggestions from analysts and institutional investors, professionals or qualified persons, rating agencies, bondholders, as well as those from socially responsible investors (SRI), by providing a telephone number and email address for this purpose.

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.

In accordance with article 5 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 f) of the Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee, this Committee is responsible for assessing compliance with the Internal Code of Conduct in Matters Relating to Stock 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 liaises with the Appointments, Remuneration and CSR Committee in considering Company Directors' and managers' compliance with the Code.

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

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

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

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 (thousands euros)	29	30	59
Amount of non-audit work as a % of the total amount billed by the audit firm	2.13%	2.25%	4.38%

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

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

	Sociedad	Grupo
Number of consecutive years	12	12
Number of years audited by current audit firm/Number of years the Company's financial statements have been audited (%)	27.91%	27.91%

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

Yes No

Procedures

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



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

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

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 Board Regulations governs the procedure to ensure that Directors have the necessary information to prepare meetings of the Board of Directors with sufficient time. It states 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 Board Regulations 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. Once a Director is indicted or tried for any of the crimes 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.

When a Director gives up his place before his tenure expires, through resignation or otherwise, he shall state his reasons in a letter to be sent to all members of the Board of Directors. 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.

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

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 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 type of operations.

Number of beneficiaries	10
Type of beneficiary	Executive Directors and Senior Management

Description of the resolution:

The Company has an agreement with the Executive Chairman, the Chief Executive Officer and EIGHT (8) 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 an unilateral decision made by the manager without a 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 EIGHT (8) 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

	Yes	No
Is the General Shareholders' Meeting informed of such clauses?		X

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
Martí Parellada Sabata	Chairman	Independent
Rosa Rodríguez Díaz	Member	Independent
Gonzalo Solana González	Member	Independent
Luis Valero Artola	Member	Independent
Sociedad Estatal de Participaciones Industriales (SEPI)	Member	Proprietary

% of Proprietary Directors	20.00%
% of Independent Directors	80.00%
% of Other External Directors	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

The Audit and Compliance Committee is governed by applicable legislation, the Articles of Association, and the Rules of Organisation and Functioning of the Board of Directors, the latest amendment of which was approved by the Board of Directors on December 21st, 2015, and the Regulations of the Audit and Compliance Committee, the latest amendment of which was approved by the Board of Directors on December 21st, 2015.

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 Board Regulations, 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 based, in particular, on their knowledge and experience on accounting, auditing and risk management. Overall, the members of the Audit and Compliance Committee shall have the pertinent technical knowledge of the gas industry.

No executive Director may sit on the Audit and Compliance Committee and the majority of its members must be independent. Four (4) of the Committee's members are independent, including the Chairman of the Committee, MARTÍ PARELLADA SABATA, and only one (1), SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI) is a Proprietary Director.

MARTÍ PARELLADA SABATA, an Independent Director, was appointed Chairman of the Audit and Compliance Committee on 19 May 2015 by the Board of Directors of Enagás based on his knowledge and experience on accounting, auditing or both, as provided for in articles 44 of the Articles of Association and 26 of the Board Regulations.

According to article 3 of the Audit and Compliance Committee Regulations, the Committee Chairman shall be selected from among the Independent Directors by the Board of Directors, and shall not have a casting vote.

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 loses his status as Director of the Company or 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 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 Board Regulations for the setting of remuneration to Directors, subject to the same requirements of public disclosure.

In the exercise of his office, a member of this Committee shall, according to article 6 of the Committee regulations, be under the same duties and subject to the same principles of action as those prescribed for Directors in the Articles of Association, the Board Regulations and current legislation.

In keeping with article 8 of the Committee Regulations, this 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 2015, the Audit and Compliance Committee met five (5) times.

Each Committee meeting shall be reported at the first subsequent meeting of the full Board, and a copy of the minutes of Committee proceedings shall be sent to every Director. Any company employee or Manager of the Company deemed relevant may be called to attend the Committee meetings, even ordering their appearance without the presence of another senior officer.

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 and the legislation in force in the area of their competence.

In particular, and in compliance with the provisions of article 44 of the Articles of Association, article 26 of the Board Regulations and article 7 of the Audit and Compliance Committee Regulations, it has the following duties and powers:

The main 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 and the legislation in force in the area of their competence.

To achieve these objectives, the Audit and Compliance Committee, in addition to the functions established by law for this committee, shall carry out those detailed in Appendix I (Explanatory notes) to this Report.



Identify the Director who has been appointed Chairman on the basis of knowledge and experience of accounting or auditing, or both and state the number of years he/she has been Chairman.

Name of Director	Martí Parellada Sabata
Number of years as Chairman	2

APPOINTMENTS, REMUNERATION AND CSR COMMITTEE

Name	Position	Type
Isabel Tocino Biscarolasaga	Chairman	Independent
Antonio Hernández Mancha	Member	Independent
Luis Javier Navarro Vigil	Member	Other External
Jesús Máximo Pedrosa Ortega	Member	Proprietary
Ramón Pérez Simarro	Member	Independiente

% of Proprietary Directors	20.00%
% of Independent Directors	60.00%
% of Other External Directors	20.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

The Nomination, Remuneration and Corporate Social Responsibility (CSR) Committee has no specific regulations, as it is sufficiently regulated under article 45 of the Articles of Association and article 25 of the Board Regulations, as amended by the Board of Directors at its meeting of December 21st, 2015.

The Appointments, Remunerations and CSR Committee is composed of five (5) Directors, appointed by the Board of Directors, which is within the limits established in the Articles of Associations and the Board Regulations, which set a minimum of three (3) and maximum of six (6) Directors. It consists of five (5) Directors, of which three (3) are Independent Directors, including the Chairman, one (1) is a Proprietary Director and one (1) is an Other External Director.

Article 25 of the Board Regulations stipulates that members of this Committee shall be selected by the Board of Directors, which shall ensure that they have the necessary knowledge, competencies and experience to perform their tasks.

A majority of the members of the Appointments, Remuneration and CSR Committee must be Independent Directors. Executive Directors may not sit on the Committee, although they may be present if so expressly decided by the Committee.

The Committee Chairman shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote.

The Committee Chairman is an Independent Director, as provided for in the Board Regulations.

Pursuant to article 25 of the Regulations of the Board of Directors, the Appointments, Remuneration and CSR Committee must meet at least four (4) times a year. In 2015, the Committee met four (4) times.

In addition, meetings shall be called by its Chairman. The Committee may seek advice both internally and externally and request the attendance of senior management personnel of the Company and its Group, as deemed necessary in the execution of its duties. Each Committee meeting shall be reported at the first subsequent meeting of the full Board, and a copy of the minutes of Committee proceedings shall be sent to every Director.

The duties of the Appointments, Remuneration and CSR Committee are set out in article 45 of the Articles of Association and expanded in article 25 of the Regulations of the Board of Directors. For more information see Appendix I (“Explanatory notes”) to this Report.

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							
	2015		2014		2013		2012	
	Number	%	Number	%	Number	%	Number	%
Audit and compliance committee	1	20.00%	1	20.00%	1	20.00%	1	20.00%
Appointments, remuneration and csr committee	1	20.00%	1	16.67%	1	16.67%	1	20.00%

C.2.3 Section revoked.

C.2.4 Section revoked.

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 and on its website at www.enagas.es or www.enagas.com. The latest amendment to these regulations was approved by the Board of Directors of Enagás, S.A at its meeting of December 21st, 2015 to adapt to good governance recommendations and Law 22/2015, of July 20th, on Auditing. This amendment has yet to be placed on file with the Companies Register. The Appointments, Remuneration and CSR Committee prepared a report on the Audit and Compliance Committee’s activities in 2015, which will be published on the website sufficiently in advance of the General Shareholders’ Meeting and is included in this Report in Appendix II.

The Appointments, Remuneration and CSR Committee has no specific regulations, as it is sufficiently regulated under article 45 of the Articles of Association and article 25 of the Board Regulations. The Articles of Association and the Board Regulations are available for consultation at the headquarters of Enagás and on its website (www.enagas.es or www.enagas.com).

C.2.6 Section revoked.



D. Related party and intragroup transactions

D.1 Explain, if applicable, the procedures for approving related party or intragroup transactions.

Procedures for approving related party transactions

1.- It will be the responsibility of the Board of Directors to identify and approve, pursuant to a report from the Audit and Compliance Committee, transactions carried out by the Company or the companies in its Group with Directors under the terms set forth in Articles 229 and 230 of the Spanish Limited Liability Companies Law, or with shareholders who, individually or in conjunction with others, hold a significant stake, including shareholders represented on the Company's Board of Directors or the boards of other companies belonging to the Group or with persons associated with them. The affected Directors or those who represent or are related to the affected shareholders must refrain from participating in deliberating and voting on the resolution in question.

The aforementioned 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 approval provided in the previous paragraph shall not be required, however, for transactions that simultaneously comply with the three following conditions:

- (a) they are governed by standard form contracts applied on an across-the-board basis to a large number of customers;
- (b) they go through at market prices, generally set by the person supplying the goods or services; and
- (c) their amount does not exceed 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 said transactions

4.- In the event of duly documented, urgent reasons, related party transactions may be authorised, as applicable, by delegated bodies and persons, who must be ratified at the first meeting of the Board of Directors held after the decision is adopted.

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 of the Company or its Group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
BANK OF AMERICA CORPORATION	ENAGÁS, S.A.	Corporate	Dividends and other benefits paid	11,285
RETAIL OEICS AGGREGATE	ENAGÁS, S.A.	Corporate	Dividends and other benefits paid	3,153

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. administradores o directivos de la sociedad:

Name or corporate name of manager or Director	Name or corporate name of related party	Relationship	Type of transaction	Amount (in thousands of euros)
Sociedad estatal de participaciones industriales (SEPI)	ENAGÁS, S.A.	Director	Dividends and other benefits paid	15,613

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

ESTACIÓN DE COMPRESIÓN SOTO LA MARINA SAPI DE CV

Amount (in thousands of euros): 3,802

Brief description of the transaction:

Financial revenue on the loan.

Corporate name of the Group company

GASODUCTO DE MORELOS SAPI DE CV

Amount (in thousands of euros): 1,565

Brief description of the transaction:

Financial revenue on the loan.

Corporate name of the Group company

GASODUCTO SUR PERUANO, S.A.

Amount (in thousands of euros): 485

Brief description of the transaction:

Financial revenue on the loan.

Corporate name of the Group company

PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A. (SAGGAS)

Amount (in thousands of euros): 80

Brief description of the transaction:

Financial revenue on the loan.

Corporate name of the Group company

TRANS ADRIATIC PIPELINE AG

Amount (in thousands of euros): 953

Brief description of the transaction:

Financial revenue on the loan.

Corporate name of the Group company

ESTACIÓN DE COMPRESIÓN SOTO LA MARINA SAPI DE CV

Amount (in thousands of euros): 67,366

Brief description of the transaction:

Loan and financial revenue.

**Corporate name of the Group company****GASODUCTO DE MORELOS SAPI DE CV****Amount (in thousands of euros): 28,512****Brief description of the transaction:**

Loan and financial revenue

Corporate name of the Group company**PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A. (SAGGAS)****Amount (in thousands of euros): 9,948****Brief description of the transaction:**

Loan and financial revenue.

Corporate name of the Group company**TRANS ADRIATIC PIPELINE AG****Amount (in thousands of euros): 62,194****Brief description of the transaction:**

Loan and financial revenue.

Corporate name of the Group company**GASODUCTO DE MORELOS SAPI DE CV****Amount (in thousands of euros): 9,201****Brief description of the transaction:**

Guarantees and sureties extended

Corporate name of the Group company**GASODUCTO SUR PERUANO, S.A.****Amount (in thousands of euros): 218,526****Brief description of the transaction:**

Guarantees and sureties extended

Corporate name of the Group company**SWEDEGAS, AB****Amount (in thousands of euros): 25,864****Brief description of the transaction:**

Guarantee commitment.

Corporate name of the Group company**ESTACION DE COMPRESIÓN SOTO LA MARINA SAPI DE CV****Amount (in thousands of euros): 4****Brief description of the transaction:**

Gains on sales of assets.

Corporate name of the Group company**GASODUCTO DE MORELOS SAPI DE CV****Amount (in thousands of euros): 138****Brief description of the transaction:**

Gains on sales of assets.

Corporate name of the Group company**GASODUCTO DE MORELOS SAPI DE CV****Amount (in thousands of euros): 98****Brief description of the transaction:**

Losses on derecognition or disposal of assets.

Corporate name of the Group company**GASODUCTO SUR PERUANO, S.A.****Amount (in thousands of euros): 109,195****Brief description of the transaction:**

Investment commitments acquired.

Corporate name of the Group company**TRANS ADRIATIC PIPELINES AG****Amount (in thousands of euros):** 141,025**Brief description of the transaction:**

Investment commitments acquired.

Corporate name of the Group company**GASODUCTO SUR PERUANO, S.A.****Amount (in thousands of euros):** 70**Brief description of the transaction:**

Financial revenue.

D.5 Indicate the amount from related party transactions.

152,609 (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.

Article 13 of the Board Regulations states that Directors shall perform their positions with the loyalty of a reliable representative, acting in good faith and in the best interest of the Company. In particular, the duty of loyalty requires that Directors: [...]

- c) Refrain from participating in deliberating and voting on resolutions or decisions in which they or a related person have a direct or indirect conflict of interests. Resolutions or decisions that affect them in their capacity as Director, such as their appointment to or removal from posts on the governing body or others of a similar nature, will be excluded from the preceding obligation,
- d) Perform their functions according to the principle of personal responsibility with freedom of judgement or judgement and independence relating to instructions from and links with third parties.
- e) Adopt the measures required to avoid becoming involved in situations in which their interests, either for their own personal reasons or those of another party, may conflict with the Company's interest or with their duties with the Company.

In particular, the obligation to avoid conflicts of interest referred to in the preceding paragraph requires that Directors refrain from:

- a) Conducting transactions with the Company, except for routine transactions carried out under standard conditions for the customers and having little import, which are understood to be those that are not required to be reported in order to express a true and fair view of the equity, the financial position and results of the entity.
- b) Using the name of the Company or invoking their position as director to improperly influence the conducting of private transactions.
- c) Using the corporate assets, including the Company's confidential information, for private purposes.
- d) Taking advantage of the Company's business opportunities.
- e) Obtaining benefits and remunerations from third parties other than the Company and its group associated with the performance of their duties, except for acts of mere courtesy.
- f) Conducting activities for themselves or for another party which—actually or potentially—entail effective competition with the company or which, in any other manner, place them in permanent conflict with the Company's interests.



The above provisions will also be applicable if the beneficiary of prohibited acts or activities is a person related to the Director.

In any event, Directors must inform the other Directors and the Board of Directors of any direct or indirect situation of conflict that they or persons related to them make have with the Company's interests.

Direct and indirect conflicts of interest in Directors become involved shall be disclosed in the Annual Report.

In addition, 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 a 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 Audit and Compliance Committee is the body responsible for regulating and resolving any conflicts of interest that may arise and, pursuant to article 26 of the Board Regulations, is assigned the following duties:

- a) To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Internal Code of Conduct regarding the securities market.
- b) To report to the Board of Directors on any related party transactions before authorisation thereof. Under no circumstances shall the Board of Directors authorise any transaction which has not been issued a favourable report from the Appointments, Remuneration and CSR Committee as outlined in article 14A of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A., except for those transactions which meet the three conditions stipulated in article 14A.
- 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 CSR 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:

Listed subsidiary

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other Group companies.

Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other Group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other Group companies.

Mechanisms

E. Risk control and management systems

E.1 Describe the risk management system in place at the Company, including fiscal risks.

The Enagás Group has established a risk control and management model focussed on guaranteeing business continuity and the predictable achievement of the Company's objectives, with an overall medium-low risk profile. The model is based on the following aspects:

- > The establishment of a risk appetite framework that is consistent with the stated business targets and the market context within which the company carries out its activities (see details in section E.4);
- > the consideration of standard risk typologies to which the Company is exposed (see details in section E.3);
- > the existence of governance bodies with responsibilities for overseeing the Company's level of risk (see section E.2);
- > the segregation and independence of the functions of risk control and management at the Company, on three lines of "defence"; and
- > the transparency of information supplied to third parties, to guarantee its reliability and accuracy.

The risk control and management function is articulated around three lines of defence, with differentiated roles and responsibilities, as follows:

- > 1st line of defence: the organisational units that assume risk in the ordinary course of their activities. They own and are responsible for identifying the risks.
- > 2nd line of defence: the Risk Department, in charge mainly of ensuring that the risk control and management system works correctly, defining the regulatory framework and approach, and performing periodic monitoring and overall control of the Company's risks.
- > 3rd line of defence: the Internal Audit Department, in charge of supervising the efficiency of the risk controls in place.



Comprehensive assessment of all risks allows for appropriate risk control and management, understanding the inter-relationships and facilitating their joint evaluation. This is performed by considering, among others, the differences in the nature, ability to manage and tools for measuring each risk type.

Enagás has established a regulatory framework for risk through the “Risk Control and Management Policy” and the “General Regulations for Risk Control and Management” setting out the basic principles governing the risk function and identifying the roles of the various decision-making bodies and the constituent parts of the risk management system.

According to the nature of the events and the triggers, monitored risks are classified as: strategic and business risks, operational and technological risks, credit and counterparty risks, financial and fiscal risks, criminal liability risks, reputational risks and compliance and model risks.

In 2015, the Enagás Group completed a project entailing the review and redesign of the risk function to adapt to the complexity of its business operations amid a globally competitive environment, the economic context, the materialisation of risks (quicker and with an increasingly evident knock-on effect) which warranted the evolution of its risk management and control systems. The new design aims to turn “risk management” into a competitive advantage for the business. Similarly, the corporate governance framework (the Limited Liability Companies Law and the Corporate Governance Code of Listed Companies) strengthened certain activities related to the risk function. The redesign of the risk function is fully aligned with risk-related requirements.

E.2 Identify the bodies responsible for preparing and implementing the risk management system, including fiscal risks.

The main bodies responsible for the Risk Management System and their main functions are:

Board of Directors

The Enagás Board of Directors is responsible for approving the risk control and management policy. Its responsibilities with respect to risks are delegated in the Audit and Compliance Committee.

Audit and Compliance Committee

The mission of the Audit and Compliance Committee is to assist the Board of Directors in all matters related to the Company’s risks. Its functions related to risk control and management are:

- > To oversee the effectiveness of the risk control and management systems in order to mitigate risks adequately in the framework of the Company’s internal policy.
- > To submit recommendations or proposals to the Board of Directors to improve these systems along with the corresponding deadline with dealing with them.
- > To assess the Company’s risks and examine the analyses of risks, the types of which are set out in the internal risk policies, that affect the business. This periodic information is prepared in accordance with internal rules, including the identification, measurement and establishment of management measures for the key risks affecting the Company.
- > To disclose to the Board of Directors the risks uncovered along with an assessment, and any key issue concerning risks.

Risk Committee

The Enagás Group's Risk Committee is an executive governance body that assists the Management Committee on all matters related to the Company's risks. It coordinates the set of strategic and operational activities to maximise the profitability of the business with certain degrees of uncertainty.

Part of the duties of this committee are:

- > To oversee compliance with risk regulations, proposing the actions it considers necessary in the event of any breach.
- > To establish the risk principles and overall strategy, promoting the integration of the risk management function at all levels and areas of Enagás's business through a common risk culture aligned with the Company's objectives.
- > To approve risk-measurement approaches, ensuring consistent metrics in order to consolidate the overall risk level.
- > To approve the Company's overall risk limits and/or thresholds, and, where appropriate, those of the business units and/or corporate departments.
- > To supervise that risk remains within levels that the Company is willing to accept and that are aligned with its strategy and objectives.
- > To regularly review the level of exposure to risk: i) analyse overall risk exposure and exposure of the various businesses and departments, and verify, by risk typology, that the level of risk exposure is below the level of acceptable risk; ii) review the corrective actions proposed by the business units and/or corporate departments to address potential breaches of the established limits.
- > To report to and advise the Management Committee on matters related to the Company's risks.

Risk Department

The corporate Risk Department is in charge of the overall management of all regulations related to risk, supervising that risk management is applied correctly, disclosed, monitored and improved continuously so that it is aligned with the business needs at all times.

Part of the duties of this committee are:

- > To ensure that the risk control and management systems are functioning correctly. To define the framework of rules and methodologies for the identification, measurement and management of the main risks affecting the Company.
- > To participate actively in the preparation of risk strategies and in key decisions about their management. To analyse, from a risk perspective, the main risks and participate in the decisions that affect them
- > To supervise that the risk control and management actions proposed by the business units are mitigating risks effectively in the frame of the policy and strategy drawn up.
- > To propose to the Risk Committee the Company's risk appetite and tolerance, and the structure of the related limits.
- > To monitor and control all the Company's risks, validating the measurements made by the business units and/or departments.
- > To advise the Company's departments in risk assessment.
- > To propose a global and consistent view of the Company's risk through an internal information and control system.
- > To disclose the Group's risks and report on the key matters relating to risk to the senior management and governing bodies.



Business and corporate units

These are the various business and corporate units that assume risk in the ordinary course of their activities.

Part of their duties are:

- > To identify risks in their activity on a regular and systematic basis through the year.
- > To assess and measure risks following the established identification and assessment approaches.
- > To define risk-management and risk-mitigation and impact control actions in accordance with the defined strategy and the nature of the risks.
- > To pass down risk limits and thresholds to lower levels.

E. 3 Indicate the main risks, including fiscal, which may prevent the Company from achieving its targets.

The main risks affecting the Enagás Group in the development of its business can be classified as follows:

Strategic and Business Risks:

There are risks inherent in the gas business related to potential losses of value or earnings derived from external factors, strategic uncertainties, economic cycles, changes in the environment, shifts in consumption patterns, market structure and competition, or changes in the regulatory framework, as well as from incorrect decisions regarding the Company's business plans and strategies.

The Enagás Group's activities are mainly exposed to the following risks:

- > Changes in the regulatory framework
- > Trends in demand, with short- and medium-long term effects
- > Permits and administrative approvals.
- > Delays and cost over-runs in the execution of infrastructure projects.
- > Legal risk.
- > Country risks.
- > Etc.

Operational and Technological Risks:

Operation of the Enagás Group's activities may give rise to losses of value or earnings resulting from inadequate or failed internal processes, human error or other external factors

The main operational and technological risks to which the Enagás Group is exposed are:

- > Incidents and/or unavailability of infrastructures, equipment and systems.
- > Internal and/or external fraud.
- > Cybersecurity.

Financial and Fiscal Risks:

The Enagás Group is subject to the risks deriving from the volatility of interest and exchange rates, as well as movements in other financial variables that could negatively affect the Company's liquidity.

Interest rate fluctuations affect the fair value of assets and liabilities that accrue interest at fixed rates, and the future cash flows from assets and liabilities that accrue interest at floating rates.

Foreign currency risk relates to debt transactions denominated in foreign currency, income and expenses relating to companies whose functional currency is not the euro and the effect of converting the financial statements of those companies whose currency is not the euro during the consolidation process. This risk arises at the Enagás Group for both its international operations, fundamentally in Latin America, and intragroup loans in currencies other than the euro, mainly the US dollar.

The Enagás Group maintains a liquidity policy that is consistent in terms of contracting credit facilities that are unconditionally available and temporary financial investments in an amount sufficient to cover the projected needs over a given period of time.

It is also exposed to potential changes in legal frameworks for taxation and uncertainty arising from the possible different interpretations of prevailing tax laws, which could have a negative impact on results.

Credit and Counterparty Risks:

Credit risks entail the risk of potential losses from the failure of a counterparty to which the Enagás Group has extended a loan that has yet to be settled or collected to meet its payment obligations. Counterparty risk is the risk that a counterparty will not meet the obligations assumed in commercial agreements, which are generally long term.

Reputational Risks:

Reputational risk refers to any action, event or circumstance that could have a harmful effect on the Company's reputation among its stakeholders.

Criminal Liability Risks:

Amendments to article 31 bis of Spain's Criminal Code in 2010 and 2015 establish criminal liability for legal persons. In this regard, the Enagás Group could be held liable in Spain for certain crimes committed by its directors, officers and staff in the course of their work and in the interest of the Company.

To prevent this risk from materialising, the Enagás Group has approved a Criminal Prevention Model and has implemented the measures needed to prevent corporate crime and avoid liability for the Company. In addition, in line with its international expansion, the Company is designing expansion of the Crime Prevention Model to comply with Mexican legal requirements and US anti-corruption legislation.



Compliance and Model Risks:

The Enagás Group is exposed to compliance risk, which is the potential cost of non-compliance with laws and legislation, or penalties derived from the materialisation of operational events (e.g. environmental damage, third-party damage, leak of confidential information, and occupational health and safety). It also includes incorrect business practices (e.g. violation of anti-trust laws, independence of functions) or breach of the Company's internal policies and procedures.

Moreover, the Group could be affected by the incorrect use of risk assessment and/or measurement models or without the required accuracy to correctly evaluate the results.

E.4 Identify if the Company has a risk tolerance level, including fiscal.

The Enagás Group's risk control and management model has a defined risk tolerance level, which is the level of variation from the risk appetite that the Company is willing to accept. Risk appetite relates to the level of risk the Company wants to take in pursuit of its objectives, expressed through certain risk limits.

The Enagás Group has defined limits for the various types of risk to which the Company is exposed: strategic and business, operational and technological, financial and fiscal, credit and counterparty, and criminal liability, setting the maximum level the Company is willing to accept if risks such as regulatory, unavailability of infrastructure, interest-rate and exchange-rate volatility, credit quality requirements, etc. materialise. These limits were approved by the Risk Committee in 2015.

E.5 Identify any risks, including fiscal, which have occurred during the year.

The Company lowered its risk profile over the course of 2015, in part by implementing corporate risk control and management systems. This helped to remove certain risks from the inventory without causing any negative impact on the Company. Others include: i) regulatory developments which complete pending regulatory reform, ii) growth in demand for natural gas, iii) receipt of administrative permits and completion of construction projects abroad, etc.

Risks that materialised with a negative impact on the Company in 2015 related to its heavy exposure to regulatory risk, as certain regulatory developments had a negative impact on the Company.

Similarly, certain operational and technological risks were recorded in respect of incidents with infrastructures and systems for minor sums caused by circumstances inherent in operations and business.

E.6 Explain the response and monitoring plans for the main risks the Company is exposed to, including fiscal.

A series of control activities defined by each of the business units and corporate departments are associated with the main risks identified by the Company to ensure that it can respond adequately and in a timely manner. The Audit and Compliance Committee and the Risk Committee oversee the implementation of these control activities and monitor the action plans.

The type of controls in place vary considerably depending on the nature of the risk. For instance:

- > Regarding regulatory risks, controls and mitigating actions include, inter alia, ongoing cooperation with (domestic and European) regulators and public administrations.
- > Regarding infrastructure operation (e.g. damage, incidents), risks are mitigated through the design of maintenance and continuous improvement plans, the definition and monitoring of quality indicators, and control systems and alerts, which ensure service continuity and quality, among others.
- > Regarding business risks related to international asset management, controls include monthly monitoring of planning for international assets and returns on investments, etc.
- > To prevent criminal liability risk from materialising, the Enagás Group has approved a Criminal Prevention Model and has implemented the measures needed to prevent corporate crime and the avoid liability for the Company. This model was reviewed in 2015 to cover Mexican legal requirements and US anti-corruption legislation.



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 information:

Board of Directors

Pursuant to article 5 b) of the Rules and Regulations of the Organisation and Functioning of the Board of Directors, the Board of Directors is responsible for "the determination of the Company's tax strategy and of its risk control and management policy, including regarding tax risks, and the oversight of its internal formation 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 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 Audit and Compliance Committee Regulations, the Audit and Compliance Committee's duties and competencies include "monitoring the preparation and integrity of financial information prepared on the Company and, where relevant, the Group, and checking compliance with regulatory requirements, the due definition of the scope of consolidation and the correct application of accounting principles".

Likewise, article 44 of the Articles of Association states that the Audit and Compliance Committee is responsible for seeing to the proper operation of the Company's internal control, its internal audit function, if applicable, and risk management systems, and discussing with the auditors any significant weaknesses in the internal control system detected in the course of audit.

To carry out its duty of oversight of the effectiveness of internal control, 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 these duties.

Internal Audit Department

The Internal Audit Department reports to the Audit and Compliance Committee as per the Internal Audit General Regulations. It is responsible for “assessing and improving the efficiency of 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:

- Performing tests and assessments of the design, implementation and operational effectiveness of the ICFR system.
- Conducting a series of limited checks on the documentation of cycles and sub-cycles to achieve a preliminary understanding of whether the documentation prepared by Enagás is up to date and to detect which potential control activities should be designed.
- Conducting a series of limited checks to achieve a preliminary understanding of the degree of compliance and formalisation of the (manual and automated) controls established by Enagás.
- Drawing up and issuing reports on ICFR system audits in accordance with the Internal Annual Audit Plan.
- Verifying the correct implementation of corrective action concerning the ICFR system in accordance with the Internal 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 the integrity and internal coherence of the 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, 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 reviews of the ICFR.



Departments and Business Units involved in preparing financial information

The people in charge of the sub-cycles/processes involved in the preparation of financial information and their main duties are:

- 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.

The allocation of ICFR responsibilities is reflected in the positions within the Group's organisational structure, and included in the job analysis and description sheets containing the description of the assigned tasks. Any changes in the allocation of responsibilities are made to the organisational structure and these sheets, as set forth in the Company's "Organisational development and processes" procedure.

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- > 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 Responsibility Committee as stipulated in article 25 of the Enagás, S.A. board regulations. The Appointments, Remuneration and CSR Committee 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. Meanwhile, specific ICFR-related responsibilities are considered in the design of the model, aligned with those defined in the job analysis and description sheets. Versions of the ICFR model are generated periodically to reflect the changes over time in job responsibility.

Also worth noting is the "Powers of attorney and electronic signature certificates management" procedure, which sets out the actions to ensure that responsibilities are given appropriately.

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. In addition, the specific rules and procedures detailing the related responsibilities are published in the intranet, as stipulated in the "General Regulations for Rules and Process Management".

- > 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 Policy on Sustainability and Good Governance and other corporate policies:

Internal Code of Conduct in Matters Relating to Stock Markets

As stipulated in article 5 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A., the Company has an Internal Code of Conduct in Matters Relating to Stock Markets which was drawn up and approved by the board. These regulations establish the rules for acting in securities markets and mandatory registries, 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 Organisation and Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A.).

Enagás Group Code of Ethics

The "Enagás Group Code of Ethics, approved by the Board of Directors at its meeting of 15 December 2014, is designed to formalise "[...] the ethics and compliance model of the Company, providing a description of the conduct expected of its employees, managers and directors ("persons") irrespective of their responsibilities and their geographic or functional location [...]"

Moreover, the Company "[...] undertakes to inform and train appropriately both the persons at Enagás and third parties so that they are aware of and comply with this Code of Ethics, as well as the regulations, commitments and procedures that implement it. All these receive this Code and expressly confirm their commitment to knowing, complying with and enforcing it [...]" The Code is available on the external website and the Intranet.

The conduct guidelines contained in the document, which are listed below, address issues related to financial reporting:

- Be trustworthy and transparent: "[...] The persons at Enagás ensure the reliability and rigour (they provide accurate, complete, understandable and timely information) of the financial and non-financial information both for internal use and provided to the market, and the accounting policies, control systems and supervisory mechanisms defined are applied so that the relevant information is identified, prepared and communicated in due time and form [...]"
- Expressly reject fraud, corruption and bribery: "In their relationships with third parties, including public authorities, the persons at Enagás can neither offer nor accept gifts or preferential treatment that is of more than a purely symbolic nature or that could be interpreted as an attempt to gain undue influence[...]"

In this regard, in 2013 the "Procedures for Managing the Offering and Acceptance of Gifts" was approved and in 2015 the "Anti-Fraud, Corruption and Bribery Policy" was approved.

The Code states that the Audit and Compliance Committee "[...] is responsible for supervising due execution of the ethics and compliance model, which includes measures for supervision and monitoring to prevent irregularities and offences. Enagás has an Ethical Compliance Committee which reports directly to the Audit and Compliance Committee and which will be responsible for supervising the operation of the ethics and compliance model [...]"

Code of Conduct of the Technical System Manager of Spain's Gas System

"A Code of Conduct of the Technical System Manager of Spain's Gas System has been drawn up to [...] guarantee that the functions of the Technical Manager of Spain's Gas System are carried out independently from the rest of the activities of the Enagás Group, in compliance with the legally established criteria in the Hydrocarbons Sector Law, Law 34/1998 of 7 October [...]" It has been approved by the Board of Directors.

As set out in the Code: "It is the obligation of Enagás GTS to keep the list of the individuals subject to this Code of Conduct updated at all times and to send each of these a copy of the Code, requiring them to furnish a letter in which they confirm they have received the Code and declare that they know and accept compliance with the obligations they are subject to".

It also provides that: "The Ethical Compliance Committee is entrusted with ensuring compliance with this Code of Conduct and the effectiveness hereof. It will therefore periodically report to the Audit and Compliance Committee of the Board of Directors of Enagás, S.A. on the results of its assessment and on any deficiencies detected. However, the Managing Director of the Technical Manager of the System will address any queries that may be raised by the employees of Enagás GTS regarding the Code of Conduct. [...]"

The Ethical Compliance Committee, pursuant to Article 63.4 d) of the Hydrocarbons Sector Law, shall prepare a report containing the following information:

- The measures adopted to guarantee the segregation of activities.
- The conflicts of interest reported and the measures adopted to resolve them.[...]"

This report will be submitted to the Ministry of Industry, Energy and Tourism and to the National Markets and Competition Commission. Moreover, both this report and the Code of Conduct of the Technical System Manager of Spain's Gas System are available on the external website.

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", for consultation and reporting of irregularities or breaches of the Enagás Group Code of Ethics and the Code of Conduct of the Technical System Manager of Spain's Gas System.

The Ethical Compliance Committee is responsible for processing consultations and notifications. 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 "Procedure for the management of consultations and reporting regarding irregularities or breaches of the Code of Ethics"), 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 Division, 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 employees which is included in the Training Plan and "Training Programme".



The Resources Department, in coordination with the Finance Department and the Internal Audit Department, 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 2015, the Finance Department and the Internal Audit Department took part in various training programmes, including: Refresher course on Spanish GAAP-IFRS, Certification in Information Security Management (CISM), Tax Accounting: corporate income tax and VAT, Analysis and Measurement of Investment Projects, Risk of Criminal Liability, Remuneration Model, Regulatory Development, among others.

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 regards to the preparation of financial information. Until 2014, the process followed the COSO (1992) (Committee of Sponsoring Organizations of the Treadway Commission) framework. One of the objects was to help ensure that transactions were recorded faithfully in accordance with the related accounting framework so it could provide reasonable assurance regarding the prevention or detection of errors that could have a material impact on the information contained in the consolidated financial statements. In 2015, the model was adapted to the new COSO 2013 framework set out in its Internal Control-Integrated Framework report.

The “Enagás Risk Control and Management Policy” provides 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 principles and criteria included in the policy were issued by the Enagás Risk Committee. This Committee is charged with defining, approving and updating the basic criteria and principles guiding actions in relation to risk, as set out in “Functioning of the Enagás Risk Committee” procedure.

The principles set out in the “Enagás Risk Control and Management Policy” are articulated in the “General Regulations for Risk Control and Management”, providing an organisational and methodological framework that ensures the risk control and management process is implemented appropriately and effectively.

Specific risks related to the Company’s Internal Control over Financial Reporting System are classified in this framework under the Group’s operational risk category. The identification and measurement of these risks are performed as set out in the Internal Control over Financial Reporting System Manual.

- > 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 follows:

- **Completeness:** the risk that all transactions, and other circumstances and events are recorded.
- **Rights and obligations:** the risk that all financial information at any given date does not reflect the rights and obligations through the corresponding assets and liabilities in accordance with applicable standards.
- **Existence and occurrence:** the risk that not all transactions, circumstances and events exist and are not all recorded at the appropriate time.
- **Valuation:** the risk that not all transactions, circumstances and events are recorded and valued in conformity with applicable standards.
- **Presentation, disclosure and comparability:** the risk that not all transactions, circumstances and events are classified, presented and disclosed in the financial information in accordance with applicable standards.
- **Internal fraud:** includes the risk of manipulation of files, software and information, and the risk of unauthorised activities (involving employees) leading to intentional financial statement misstatements; and misappropriation of funds and assets due to inappropriate use of corporate assets.

Periodically, 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 Organisation and Functioning of the Audit and Compliance Committee, the Committee’s duties and competencies include “Overseeing the preparation process and monitoring the integrity of financial information on the Company and, where relevant, the Group, checking compliance with regulatory requirements, the due definition of the scope of consolidation and the correct application of accounting principles”.

In determining the companies covered by the ICFR scope, the Group considers those in which it has a direct 100% shareholding. For all other consolidated companies, the Group includes controls to ensure consistency, validity and reliability of the financial information provided for inclusion in the consolidated financial statements.



- > The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

The process of identifying risks associated with achieving the financial reporting objectives takes into account the possible effects derived from the materialisation of other types of risks contained in the risk control and management model described in section E) of this Report. The risks which may affect this include strategic and business, operational and technological, financial and fiscal, credit and counterparty, reputational, criminal liability, and compliance and model risks. comprendidas en el modelo de control y gestión de riesgos que se encuentra descrito en el apartado e) de este documento. Esta afección vendría dada, en su caso, a través de los riesgos: estratégicos y de negocio, operacionales y tecnológicos, financieros y fiscales, de crédito y contraparte, reputacionales, de responsabilidad penal y de cumplimiento y modelo.

- > Finally, which of the company's governing bodies is responsible for overseeing the process.

The Audit and Compliance Committee is responsible for overseeing the preparation process and monitoring the integrity of financial information on the Company and overseeing the risk management systems, including the risks related to the treatment of financial information, according to article 44 of the Articles of Association and article 7 of the Regulations of the Audit and Compliance Committee.

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 description of ICFR to be disclosed to the markets, stating who is responsible in each case and 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.

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 (PGC)" and the "Manual of Accounting Policies (IFRS)", which establish and provide clear information on the accounting policies required for performing accounting estimates and preparing the Company's Separate and Consolidated 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 changes in cash flows.
- > "Period-end procedures for the Separate Financial Statements and Annual Accounts" and "Period-end procedures for the Consolidated Financial Statements and Annual Accounts" approved by the Chief Financial Officer 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, interim management reports and, if applicable, quarterly financial reports. This also establishes 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 five components of the COSO Model (The Committee of Sponsoring Organizations of the Treadway Commission) included in the Internal Control-Integrated Framework report (2013):

1. The control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring

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) (2010) 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 2015, there were 41 ICFR general controls in operation. Senior Management is responsible for overseeing these controls, which are split between the following divisions:

- > Secretary to the Board of Directors
- > General Secretariat
- > Gas System Technical Management Department
- > Finance Department
- > Resources Department
- > Investor Relations Department
- > Risks Department
- > Communications and Public Affairs Office

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:

- > Adquisiciones
- > Acquisitions
- > Fixed assets
- > Inventories
- > Income
- > 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 with 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 the 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 the end of 2015, there were 358 ICFR process controls, approximately 10% 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 2015, there were 826 operating activities, approximately 12% 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 “Cybersecurity 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 2014, 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 a 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 engages the services of independent experts for appraisal, calculation or valuation services, we request that they certify 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 (PGC)" and the "Accounting Policy Manual (IFRS)", internal documents which outline all procedures and the accounting policies required for performing accounting estimates and preparing the Company's Separate and Consolidated 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 changes in cash flows. Those employees involved in the process are informed of any updates to the policies 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 (PGC)" and the "Accounting Policy Manual (IFRS)", 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 a 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 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 effectiveness of the controls in place.
- > The participation of the Internal Audit Department, through the supervision functions attributed by the ICFR model through the “General Internal Audit Regulations”, the “Enagás Group ICFR Manual” and the “Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A.”.
- > Effective supervision by the Audit and Compliance Committee, relative to overall control of the ICFR model, delegated by the Board of Directors, and instrumented by Internal Audit.
- > Reporting on weaknesses 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”.
- > Finally, 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.

Key throughout this oversight process is the function of Internal Audit which, as set out in the “General Internal Audit Regulations”, is responsible for:

- > Collaborating with the Audit and Compliance Committee in fulfilling its duties, particularly with regard to the supervision of the internal control system and the risk control and management process, to relations with the external auditor and to supervision of the financial information preparation process.
- > Participating in the review of the Internal Control over Financial Reporting (ICFR) system established by the Company for its subsequent certification.

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 2015 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, including 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 internal Codes of Conduct with relation to Stock Market matters. The reports on the activities of the Audit and Compliance Committee contain important information about communication procedures and the conclusions reached at the end of each year.

F.6. Other relevant information

There is no other relevant information regarding ICFR at the Group 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.

The Group 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 2015 is attached.

G. Degree of compliance with corporate governance recommendations

Indicate the degree of the Company's compliance with the recommendations of the Good Governance Code of Listed Companies.

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.

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

INDEPENDENT REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the Shareholders of Enagás, S.A.,

Scope of the Work

We have conducted the reasonable assurance review of the information relating to the System of Internal Control over Financial Reporting (ICFR) of the Enagás Group (“the Group”) contained in Section F of the accompanying Annual Corporate Governance Report for the year ended 31 December 2015.

The objective of this system is to contribute to the faithful representation of the transactions performed and to the provision of 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 the Board of Directors of Enagás, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report.

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 performed only in accordance with the authorisations established; (iii) provide reasonable assurance that transactions are recognised appropriately to enable the preparation of 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 acquisition, use or sale of the company's assets that could have a material effect on the financial information. In view of the limitations inherent to any system of internal control over financial reporting, certain errors, irregularities or fraud might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that internal control may be rendered inadequate as a result of future changes in the applicable conditions or that there may be a reduction in the future of the degree of compliance with the policies or procedures established.

Directors' Responsibility

The Board of Directors of Enagás, S.A. 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

Our responsibility is to issue a report on the independent reasonable assurance review of the effectiveness of the System of Internal Control over Financial Reporting (ICFR) based on the work performed by us.

Our work 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 as at 31 December 2015, 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.

Our work was performed in accordance with the requirements established in Standard ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

This standard requires the planning and performance of procedures and the obtaining of sufficient evidence to reduce engagement risk to a low level in the circumstances of the engagement, and the issuance of a positive conclusion.

Independence

Our work was performed in accordance with the independence standards required by the Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control (ISQC) 1, Deloitte has in place a global system of quality control which includes documented policies and procedures in relation to compliance with ethical requirements, professional standards and applicable legislation.

Conclusion

In our opinion, at 31 December 2015, the Group had, 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 the Board of Directors of Enagás, S.A. in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report. Also, the disclosures contained in the information relating to the system of ICFR which is included in Section F of the Group's Annual Corporate Governance Report at 31 December 2015 comply, in all material respects, with the requirements established by the Spanish Limited Liability Companies Law, by Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March, and by Spanish National Securities Market Commission (CNMV) Circular 7/2015, of 22 December, amending Circular 5/2013 of 12 June 2013.

DELOITTE, S.L.



Oliverio Álvarez Alonso

16th February 2016

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..

Compliant **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 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 Company of over 1%. These restrictions do 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 by parties that operate within the natural gas sector may not exceed 40%.

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

- a) Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, it shall be deemed that the members of the Board of Directors of a body corporate act on its behalf or in a concerted fashion with it.
- b) 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 limit on interests in the share 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 Law. Responsibility shall lie with the individuals or bodies corporate found to be the owners of the securities or whoever the excess interest in the share 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, section 3 of Additional Provision 31 of this law states that:

“The restrictions of shareholding percentages and non transfer of the shares referred to in this provision are not applicable to other subsidiaries that ENAGÁS, S.A. may constitute for business activities other than transmission regulated by article 66 of law 34/ 1998, of 7 October, on the hydrocarbons sector, management of the transmission network and technical management of the national gas system”.

Meanwhile, article 6 bis of the Company’s Articles of Association (“Limitations on holdings in share capital”) 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 Company of over 1%. These restrictions do 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 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.”

2. When a dominant and subsidiary company are stock market listed, they should provide detailed disclosure on:

- a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

Compliant **Partially compliant** **Explain** **Not applicable**

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) Changes taking place since the previous annual general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead

Compliant **Partially compliant** **Explain**

The Company intends to disclose all the information related to this recommendation at the upcoming General Shareholders' Meeting schedule for March 17th, 2016, at first call, and tentatively March 18th, 2016, on second call, in order to comply with the Good Governance Code of Listed Companies.

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant **Partially compliant** **Explain**

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant Partially compliant Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reviews of the operation of the audit committee and the nomination and remuneration committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

Compliant Partially compliant Explain

7. The company should live broadcast its general meetings on the corporate website.

Compliant Explain

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant Partially compliant Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant Partially compliant Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.



d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant Partially compliant Explain Not applicable

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Compliant Partially compliant Explain Not applicable

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant Partially compliant Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Compliant Explain

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable;
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant Partially compliant Explain

The Appointments, Remuneration and CSR Committee approved a director selection policy in 2014, based on the following criteria:

- 1.- Sin perjuicio de cumplir en todo caso con los requisitos legales y estatutarios que el cargo exige, los candidatos deberán gozar de reconocido prestigio y poseer los conocimientos y experiencia profesionales adecuados para el ejercicio de sus funciones.
- 2.- Candidates must meet all the conditions to qualify as Independent Directors.

- 3.- Candidates must be able to satisfy the independence requirements demanded by Enagás' appointment as independent gas transmission
- 4.- It must be sought that the proposals encourage diversity within the Board, whereby they must focus on preferably incorporating women and people who due to their nationality or experience have an international professional profile, in accordance with the Company's new strategy.
- 5.- An independent expert must be involved in the selection process, who can bring a more objective perspective to the process.

In 2016, the Company will consider the possibility of approving a director selection policy that complies with the requirements set forth in this recommendation.

15. Proprietary and independent directors should constitute an ample majority on the board of directors, 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.

Compliant **Partially compliant** **Explain**

16. The percentage of proprietary directors out of all non-executive directors should not be greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant **Explain**

17. Independent directors should be at least half of all board members

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, Independent Directors should occupy, at least, a third of board places.

Compliant **Explain**

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

Compliant **Partially compliant** **Explain**



19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent 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.

Compliant Partially compliant Explain Not applicable

20. 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.

Compliant Partially compliant Explain Not applicable

21. 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 they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board 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 offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant Partially compliant Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm 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 also apply to the secretary of the board, even if he or she is not a director.

Compliant Partially compliant Explain Not applicable

24. 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. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant Partially compliant Explain Not applicable

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant Partially compliant Explain

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant Partially compliant Explain

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant Partially compliant Explain

28. 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, they should be recorded in the minute book if the person expressing them so requests.

Compliant Partially compliant Explain Not applicable

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant Partially compliant Explain

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant Partially compliant Explain

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly reported/recorded in the minutes, of the majority of directors present.

Compliant Partially compliant Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant Partially compliant Explain



33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's Bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise..

Compliant Partially compliant Explain

34. When a lead independent director has been appointed, the Bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those that have to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant Partially compliant Explain Not applicable

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company..

Compliant Explain

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant Partially compliant Explain

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Compliant Partially compliant Explain 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.

Compliant Partially compliant Explain Not applicable

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant Partially compliant Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant Partially compliant Explain

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant Partially compliant Explain Not applicable

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; 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 appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) In the event of resignation of any external auditor, the Committee should investigate the issues giving rise to the resignation.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform them of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant Partially compliant Explain

43. 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 Partially compliant Explain



44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant **Partially compliant** **Explain** **Not applicable**

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), 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) The 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.

Compliant **Partially compliant** **Explain**

46. Companies should establish a risk control and management function in charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant **Partially compliant** **Explain**

47. Appointees to the nomination and remuneration committee - or of the nomination committee and remuneration committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant **Partially compliant** **Explain**

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Compliant **Explain** **Not applicable**

The amendments to the Articles of Association proposed by the Board of Directors for the 2016 General Shareholders' Meeting include the amendment to article 45 to allow the split of the Appointments, Remuneration and CSR Committee into two separate committees.

In 2016, the Board of Directors will study when to separate the Appointments, Remuneration and CSR Committee into two separate committees.

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Compliant **Partially compliant** **Explain**

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant **Partially compliant** **Explain**

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to Executive Directors and senior officers.

Compliant **Partially compliant** **Explain**

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) Committees should be chaired by an independent director.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be recorded/notified in the minutes and a copy made available to all board members.

Compliant **Partially compliant** **Explain** **Not applicable**

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.



- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant **Partially compliant** **Explain**

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks..
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant **Partially compliant** **Explain**

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant **Partially compliant** **Explain**

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not as high as to compromise the independent judgement of non-executive directors.

Compliant **Explain**

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant **Partially compliant** **Explain**

58. In the case of variable awards, remuneration policies should include limits and 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, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant **Partially compliant** **Explain** **Not applicable**

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant **Partially compliant** **Explain** **Not applicable**

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Compliant **Partially compliant** **Explain** **Not applicable**

61. A major part of executive Directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price..

Compliant **Partially compliant** **Explain** **Not applicable**

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, Directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant **Partially compliant** **Explain** **Not applicable**

At its meeting of February 15th, 2016, the Board of Directors resolved to propose to the 2016 General Shareholders' Meeting a three-year long-term incentive plan (2016-2018) with payment based on the fulfilment of the objectives and metrics established in the plan. For Executive Directors, this incentive may result, at most, in the delivery of shares representing 150% of their annual remuneration (50% per year). This is the first long-term incentive provided by the Company in years and is for a limited amount. When other plans are adopted, the limit proposed in this recommendation (of not transferring shares equivalent to twice their annual fixed remuneration) will be considered.

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Compliant **Partially compliant** **Explain** **Not applicable**



64. Termination payments should not exceed a fixed amount equivalent to two years of the Director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant **Partially compliant** **Explain** **Not applicable**

The Executive Chairman's contract governs the circumstances for termination. In the event that the Company freely decides to terminate the contract for whatever reason, as long as this is not due to a breach or being guilty of any actions by the Executive Chairman or because the Company has failed to comply with its contractual obligations, the Executive Chairman will be entitled to an indemnity equivalent to three years' salary of his annual fixed remuneration, understood as that held by the Chairman at the time of the termination of employment plus the remuneration in kind and the last annual variable remuneration received. This clause was established at the same time the Executive Chairman was designated in 2007.

The Chief Executive Officer's contract governs the circumstances for termination. In the event that the Company freely decides to terminate the contract for whatever reason, as long as this is not due to a breach or being guilty of any actions by the Chief Executive Officer or because the Company has failed to comply with its contractual obligations, the Chief Executive Officer will be entitled to an indemnity equivalent to two years' salary of his annual fixed remuneration, understood as that held by the Chief Executive Officer at the time of the termination of employment plus the remuneration in kind and the last annual variable remuneration received

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 from 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 report includes the following Appendices in an attached document. APPENDIX I.- Explanatory notes

APPENDIX II.- Report on the Activities of the Audit and Compliance Committee, 2015.

APPENDIX III.- Audit opinion on Internal Control over Financial Reporting ("ICFR"), 2015.

APPENDIX IV.- Audit opinion on the Annual Corporate Governance Report, 2015.

This annual corporate governance report was adopted by the Company's Board of Directors at its meeting held on February 15th, 2016.

List whether any Directors voted against or abstained from voting on the approval of this Report.

Yes No



APPENDIX I

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 December 31st, 2015 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 October 19th.

The most significant change in the shareholder structure in 2015 was that **OMAN OIL HOLDINGS SPAIN, S.L.U.** ceased to be a significant shareholder in Enagás (indirectly through OMAN OIL COMPANY, S.A.O.C. and directly through OMAN OIL HOLDINGS SPAIN, S.L.U.).

Explanatory note on section A.3.

The table for this section uses information published in official CNMV records, in accordance with the communication filed by the Company's directors.

In particular, we would highlight the cases of Mr. Marcelino Oreja Arburúa and Mr. Luis Valero Artola, who are shown as holding 1,324 and 10,000 voting rights, respectively, but without specifying the individual or corporate name of the direct owner of the holding.

The names of these Directors - the holders of these indirect holdings - are given in the table in order to provide full information.

Explanatory note on section A.5.

Regarding dividends paid by Enagás to the significant shareholders referred to in section A.5 of this Report, note:

On July 2nd, 2015, Enagás paid **BANK OF AMERICA CORPORATION** a final dividend for 2014 of €6,730 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2015, a €4,555 thousand interim dividend against 2015 earnings was paid. The total dividend paid therefore stands at €11,285 thousand.

On July 2nd, 2015, Enagás paid **SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI")** a final dividend for 2014 of €9,311 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2015, a €6,302 thousand interim dividend against 2015 earnings was paid. The total dividend paid therefore stands at €15,613 thousand.

On July 2nd, 2015, Enagás paid **RETAIL OEICS AGGREGATE** a final dividend for 2014 of €1,880 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2015, a €1,273 thousand interim dividend against 2015 earnings was paid. The total dividend paid therefore stands at €3,153 thousand.

Explanatory note on section A.7.

At the date of preparation of this Report, SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI), in addition to having a seat on the Board, also had a significant holding (5%) in the share capital of Enagás, S.A.

SEPI cannot exercise control over Enagás, S.A. as it is not in any of the circumstances set out in article 4 of Act 24/1988, dated July 28th, on the Securities Market ("LMV").

Accordingly, no individual or body corporate exercises or could exercise control over Enagás, S.A in accordance with article 4 of the LMV.

Explanatory note on section A.10.

Further text of section 2 of the thirty-first additional provision of Law 34/1998, of October 7th, on the Hydrocarbons Sector ("LSH"):

(...) 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 [Act 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, 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 the LMV".

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 found to be the owners of the securities or whoever the excess interest in the share 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, section 3 of Additional Provision 31 of this law states that:

"The restrictions of shareholding percentages and non transfer of the shares referred to in this provision are not applicable to other subsidiaries that ENAGÁS, S.A. may constitute for business activities other than transmission regulated by article 66 of law 34/ 1998, of October 7th, on the hydrocarbons sector, management of the transmission network and technical management of the national gas system".



Restrictions under the company's Bylaws:

In accordance with the aforementioned legal provision, article 6a bis of Enagás, S.A.'s Bylaws ("Limitations on holdings in share capital") establishes that:

"No individual nor corporate body 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 Company of over 1%. These restrictions do 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 by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the interest in that shareholder structure, the applicable Oil and Gas legislation 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 C.1.10.

The Chief Executive Officer, Mr. 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 trademarks and trade names, patents of invention and introduction, utility models and other modalities of industrial property, or challenge and denounce any attempted or effective misappropriation of the name, trademarks 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 drawn 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 withdrawn 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 May 28th, 2014 with number 1,306 of his notarial archive and registered as entry 777 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.1.12.

SEPI has representation on the Board of Directors of the listed company EBRO FOODS, S.A. through ALYCESA (a 91.96%-owned subsidiary of SEPI).

Explanatory note on section C.1.16.

In 2015, a total of €2,886 thousand was paid to members of senior management. This includes the remuneration received by the Head of Internal Audit (Mr. José Manuel Castro from January 1st to July 22nd 2015 and Isidro del Valle from July 23th to December 31th 2015).

Explanatory note on section C.1.17.

Mr. Federico Ferrer Delso, persona física representante del Consejero SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI"), es Vicepresidente de SEPI.

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 for similar periods. Directors appointed by co-option will perform their duties until the date of the first General Meeting, or until the date of the following meeting, if the vacancy arises after the General Meeting has been convened and before it is held.

Appraisal:

Article 11 of the Regulations of the Board stipulates that the Appointments, Remuneration and CSR 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 the information required to assess proposals for re-election of non-Independent Directors presented by the Board of Directors to the General Meeting and proposals for the re-election of Independent Directors.



Proposals for re-election shall always be accompanied by a report from the Board justifying the competencies, experience and merits of the candidate. This report shall be attached to the minutes of the General Meeting or of the Board.

As a general rule, appropriate rotation of Independent Directors should be ensured. 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.

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 Bylaws and these Regulations ([article 12.1 of the Regulations of the Board](#)).

The Board of Directors shall not propose the removal of any independent Director prior to the end of the bylaw-mandated period for which they have been appointed, unless there are due grounds acknowledged by the Board following a report from the Appointments, Remuneration and Corporate Social Responsibility Committee. In particular, it shall be understood that there is just cause when the director takes on new offices or assumes new obligations that prevent him from devoting the time necessary to perform the duties of the office of Director, breaches the duties inherent to his position or is affected by one of the circumstances that cause him to lose his independent status in accordance with the provisions of applicable law ([art. 12.3 of the Regulations of the Board](#)).

Explanatory note on section C.2.1.

Audit and compliance committee (Continued):

The duties and responsibilities of the Audit and Compliance Committee are:

a) With regards to the financial statements and other accounting information

- Overseeing the preparation and presentation of financial information on the Company and the Group, and checking compliance with regulatory requirements, the due definition of the scope of consolidation and correct application of accounting principles.
- 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.
- Reporting to the Board of Directors on recommendations or comments it deems necessary on the application of accounting criteria, internal control systems and any other relevant matter, and in particular, to present recommendations or proposals to the Board of Directors to safeguard the integrity of such financial information.
- Informing the Board with regard to the annual financial statements and any other information that must be regularly disclosed prior to these being drawn up.
- Ensuring that the Board of Directors endeavours to present the financial statements in such a way that there are no grounds for limitations or qualifications by the Company's Accounts Auditor.
- 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.
- Assessing any proposals made by senior managers regarding changes in accounting practices.

b) Competencies relating to legality

- Reporting to the Board of Directors prior to it approving the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a similar nature that, by their nature, might impair the transparency of the Company or the Group;
- Reporting to the Board of Directors prior to transactions with related parties, pursuant to article 14 Bis of the Regulations of the Board.

- Receiving and analysing information on the fiscal criteria applied by the Company during the year, particularly with regard to the degree of compliance with corporate tax policy, prior to the preparation of the annual financial statements.

c) Competencies with regard to the Internal Audit unit

- Ensuring the independence of the unit that performs internal audit functions, which reports functionally to the Chairman of the Committee. It also ensures the smooth running of internal control and information systems submitting recommendations and proposals to the Board of Directors, with related monitoring periods, as it deems appropriate.
- The head of the unit responsible for the internal audit function shall present an annual work programme to the Committee, and report on any incidents arising during its implementation, and shall submit an activity report at the end of each year.
- Ensuring the unit has sufficient resources and suitably qualified personnel for optimum performance of the function.
- Approving the Internal Audit Plan and related work plans, and proposing the annual budget for this, ensuring that activity focuses mainly on the most significant risks facing the Company.
- Supervising the Company's Internal Audit services, receiving regular information on its activities and verifying that senior management takes its conclusions and recommendations into account.
- Making proposals to the Board of Directors on the selection, appointment, re-election and removal of the head of Internal Audit.

d) Competencies relating to the relationship with the external auditor

- With regard to the **appointment, re-election and replacement of the external auditor**:
 - Taking responsibility for the selection process, pursuant to applicable legislation.
 - Reporting on the remuneration of the external auditor and other contract conditions.
 - Proposing the appointment, re-election or replacement of the external auditors of the Enagás Group to the Board of Directors for presentation to the General Shareholders' meeting.
 - As applicable, ensuring that the Company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- With regard to the **independence of the external auditor and absence of causes for prohibition and incompatibility**:
 - Establishing appropriate **relations with the External Auditor** for the receipt of information on issues that might represent a threat to its independence and any other issues related to the audit process, and any safeguards to be adopted, discussing any significant weaknesses in internal control systems identified in the audit process, without in any way impinging on its independence.
 - Receiving other communications as set down in auditing legislation and audit standards.
 - Authorising services other than those that are prohibited, in accordance with applicable legislation.
 - Ensuring that the Company and the External Accounts Auditor adhere to current regulations on the provision of non-audit services, limits on the **concentration of the auditor's business** and other requirements concerning auditor independence.
 - Ensuring that the **fees** of the External Accounts Auditor do not threaten its quality and independence, and are not based on any form of contingency.
 - In the event of resignation of the Accounts Auditor, the Committee should investigate the issues giving rise to the resignation.



- To receive an annual statement from the External Auditor on their independence with respect to the Enagás Group (included in the delivery of the supplementary report) or entities directly or indirectly related to it, in addition to detailed and individual information on additional services of any kind rendered to these entities by the External Auditor or by persons or entities related to it, in conformity with audit regulations.
 - Issuing an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditors is compromised. This report shall in all cases include a reasoned assessment of each additional service rendered, as referred to in the previous section, that could comprise the independence of the Accounts Auditor, considered separately and in their totality, other than statutory audits and how they relate to the requirement of independence or to the audit regulations. This report shall be published on the Company's website sufficiently in advance of the date of the Ordinary General Shareholders' Meeting.
 - Establishing a maximum term of auditor engagement, ensuring a gradual rotation with the main audit partners.
- With regard to **audit reports**:
- Reviewing the content of audits, limited review reports of interim financial statements and other required reports of statutory auditors prior to their issue in order to prevent qualifications.
 - Supervising the responses of senior management to its recommendations, and mediating and arbitrating in the event of any disagreement with regard to the principles and criteria applicable to the preparation of the financial statements.
 - Fostering and ensuring that the external auditor who audits the individual and/or consolidated financial statements takes full responsibility for the audit report issued, even when the financial statements of investees are audited by other external auditors.
 - Reporting to the General Shareholders' Meeting on the audit results, explaining that this process contributes to the reliability of the financial information, and on the role performed by the Committee in this process.
 - Ensuring that the external auditor has a yearly meeting with the board in full to inform them of the work undertaken and developments in the company's risk and accounting positions.

e) Competencies relating to the Company's risk control and management function

- To oversee the effectiveness of risk control and management systems in order to mitigate risks adequately, in the framework of the Company's internal policy. To submit recommendations or proposals to the Board of Directors to improve these systems along with the corresponding deadline with dealing with them.
- In particular, the Company shall have a risk control and management unit, supervised by the Audit and Compliance Committee, which shall, among other functions, ensure the proper functioning of the risk control and management systems and, in particular, identify, manage and adequately quantify all material risks affecting the Company; actively participate in the development of the risk strategy and major decisions on its management; and ensure that the risk control and management systems adequately mitigate risk under the policy defined by the Board of Directors.
- To assess the Company's risks and examine the analyses of risks that affect the business, which are set out in the internal risk policies. This periodic information is prepared in accordance with internal rules, including the identification, measurement and establishment of management measures for the key risks affecting the Company.
- To disclose to the Board of Directors any risks uncovered, with an assessment thereof, and any key issues concerning risks.

f) In relation to corporate governance

- Reporting in advance to the Board of Directors on structural and corporate changes that the Company plans to carry out, their economic conditions and their accounting impact and, in particular, where appropriate, the proposed exchange ratio.
- Assessing compliance with the Internal Code of Conduct on matters relating to the securities markets, the Rules and Regulations of the Audit and Compliance Committee 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 Appointments, Remuneration and Corporate Responsibility Committee in considering Company Directors' and managers' compliance with the Code.

- Coordinating the process for reporting non-financial and diversity information, in accordance with applicable regulations and international benchmark standards.
- Supervising a whistle-blowing mechanism enabling employees to report - confidentially and anonymously - any potentially significant incidents they identify in the company, particularly with regard to financial and accounting issues, whilst respecting personal data protection regulations and the basic rights of the parties involved.
- Preparing an annual report on the work of the Audit and Compliance Committee that will form part of the Corporate Governance Report.
- Assisting with drafting the Annual Corporate Governance Report, especially in areas concerning information transparency and conflicts of interests.

g) Competencies relating to the Compliance function

- Ensuring the independence of the compliance function.
- Ensuring that the compliance unit performs its mission and competences with regard to regulatory compliance and the prevention and correction of behaviour that is illegal or fraudulent or otherwise breaches the Enagás Group Code of Ethics.
- Ensuring that the compliance unit has the human and material resources needed for optimum performance of its functions.
- Providing information and putting forward proposals to the Board of Directors regarding the selection, appointment, reappointment and dismissal of the head of Compliance.

h) In relation to shareholders

- Providing information on issues within the scope of its duties at the General Meeting.

Appointments and remuneration committee (Continued):

The duties and responsibilities of the Appointments and Remuneration Committee are:

- To evaluate the competencies, knowledge and experience required on the Board of Directors. To this end, it shall determine the functions and capacities required of the candidates to fill each vacancy, and evaluate the precise amount of time and degree of dedication necessary for them to effectively perform their duties, while overseeing that the Non-Executive Directors have sufficient time available to properly perform their functions.
- To review the structure of the Board of Directors, the criteria for the renewal of Directors required under the Bylaws, the addition of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that the Committee considers necessary..
- To establish a goal concerning the representation of the less-represented gender on the Board of Directors and to prepare guidelines on how this goal can be attained.
- To forward to the Board of Directors proposed appointments of Independent Directors for them to be designated by co-option or subject to the decision of the General Meeting of Shareholders, as well as on proposals for their re-election or removal by the General Shareholders' Meeting
- To report proposed appointments of the remaining Directors for them to be designated by co-option or subject to the decision of the General Meeting of Shareholders, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.



- To report on the appointment and dismissal of the Secretary of the Board of Directors.
- To report on proposed appointments and removals of senior management and the basic terms of their contracts.
- To examine and organize the succession of the Chairman of the Board of Directors and CEO of the Company and, if appropriate, to make proposals to the Board to ensure the succession is smooth and well-planned.
- To draw up and review the criteria that must be utilized for the composition of the Board and for selection of those nominated as Directors, ensuring that their access to the Board does not affect the Company's status as technical transmission operator, pursuant to the provisions of regulations applicable concerning hydrocarbons.

The Committee shall verify on an annual basis compliance with the selection policy of Directors of the Company approved by the Board of Directors.

- To formulate proposals to the Board of Directors regarding the Company's organizational structure, including the creation of senior management posts in order to achieve improved and more efficient Company administration.
- To propose to the Board of Directors a policy of remuneration of Directors and general managers or those who perform senior management functions and report directly to the Board of Directors, to the Chairman, to executive committees or Chief Executives, along with individual remuneration and other terms of Executive Directors' contracts, ensuring that said policy is abided by. To this end, the Committee will periodically review the remuneration policy for Directors and senior management and ensure that their individual remuneration is proportional to that paid to the other directors and senior executives of the Company.
- To propose a general remuneration policy for Enagás management, providing a rationale to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers, in order to ensure that the Company has suitable highly qualified staff for administering its business at all times, proposing to the Board the basic conditions of their contracts.
- To verify information on remuneration of directors and senior executives contained in the various corporate documents, including the Annual Report on Directors' Remuneration.
- To ensure that any conflicts of interest do not impair the independence of external advisers to the Committee on remuneration.
- To report to the Board on general policy concerning Corporate Social Responsibility and Corporate Governance, 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 this end, the Committee shall be responsible for the following functions:
 - a) To submit to the Board the initiatives and proposals it deems appropriate and provide information on proposals submitted to the Board and information the Company releases to shareholders annually regarding these issues.
 - b) To monitor compliance with the rules of corporate governance of the Company, periodically assessing the adequacy of the Company's system of corporate governance, in order to fulfil its mission of promoting the corporate interest, and consider, as appropriate, the legitimate interests of other stakeholders.
 - c) To monitor the communication strategy and relations with shareholders and investors, including small and medium shareholders.
 - d) To monitor the corporate social responsibility strategy and practices and assess their degree of compliance.
 - e) To monitor and assess the processes of liaising with different stakeholders.
 - f) To review the corporate responsibility policy of the Company, ensuring that it is aimed at creating value.
 - g) In particular, the Committee shall ensure that the policy of corporate responsibility identifies at least:
 - The goals of its corporate social responsibility policy and the support instruments to be deployed.

- The corporate strategy with regard to sustainability, the environment and social issues.
- Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- The mechanisms for supervising non-financial risk, ethics and business conduct.
- Channels for stakeholder communication, participation and dialogue.
- Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

The report which, if any, may be issued by the Committee on the Company's general policy of Corporate Social Responsibility, shall be developed using any of the internationally accepted methodologies, and shall be published on the website of the Company sufficiently in advance of the Ordinary General Shareholders' Meeting.

- To report to the Board of Directors on measures to be taken in the event of breach of these Board 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.

The Committee shall consult the Chairman of the Board and Chief Executive Officer of the Company, especially on matters relating to the appointment of the executive directors and the remuneration of senior executives and Executive Directors. Any board member may suggest directorship candidates to the Appointments Committee for their consideration.

Explanatory note on section D.2.

Regarding dividends paid by Enagás to significant shareholders, excluding Directors, referred to in section D.2 of this Report, note:

On July 2nd, 2015, Enagás paid **BANK OF AMERICA CORPORATION** a final dividend for 2014 of €6,730 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2015, a €4,555 thousand interim dividend against 2015 earnings was paid. The total dividend paid therefore stands at €11,285 thousand.

On July 2nd, 2015, Enagás paid **RETAIL OEICS AGGREGATE** a final dividend for 2014 of €1,880 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2015, a €1,273 thousand interim dividend against 2015 earnings was paid. The total dividend paid therefore stands at €3,153 thousand.

Explanatory note on section D.3.

Regarding dividends paid by Enagás to Directors who are significant shareholders, as referred to in section D.3 of this Report, note:

On July 2nd, 2015, Enagás paid **SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES ("SEPI")** a final dividend for 2014 of €9,311 thousand, as approved by the shareholders in General Meeting. Additionally, in December 2015, a €6,302 thousand interim dividend against 2015 earnings was paid. The total dividend paid therefore stands at €15,613 thousand.

The remuneration received by the Board of Directors in 2015 is set out in the Annual Directors' Remuneration Report, which will be made available to shareholders at the time of the publication of the call notice for the 2016 General Shareholders' Meeting.



Explanatory note on section D.4.

The basis on which Enagás 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. Their amount is no more than 1% of the Company's annual revenues.
 - 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 on an arm's length.

Services received generated billings in the amount of **€27,291 thousand**. Services rendered generated billings in the amount of **€10,651 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:

Group entity	Related party	Item	Amount (€ thousand)
Enagás S.A.	Banco Santander, S.A.	Finance cost	2,518
Enagás Internacional S.L.U.	Banco Santander, S.A.	Finance cost	262
Enagás Financiaciones S.A.U.	Banco Santander, S.A.	Finance cost	435
Total finance cost, other related parties			3,215
Enagás, S.A.	Instituto Petrofísico	Finance revenue	17
Total finance revenue, other related parties			17
Enagás S.A.	Eulen, S.A.	Services received	386
Enagás Transporte S.A.U.	Eulen, S.A.	Services received	151
Enagás Internacional S.L.U.	Newcomer 2000, S.L.U.	Services received	72
Total services received, other related parties			609
Enagás S.A.	Banco Santander, S.A.	Guarantees	148,768
Guarantees and sureties received, other related parties			148,768
TOTAL TRANSACTIONS WITH OTHER RELATED PARTIES			152,609

Transactions with BANCO SANTANDER, S.A.

Finance costs:

In 2015, finance costs payable to Santander, S.A. amounted to **€3,215 thousand**, of which €2,518 thousand is payable by Enagás S.A., €262 thousand is payable by Enagás Internacional, S.L.U. and €435 thousand is payable by Enagás Financiaciones, S.A.U.

Guarantees and sureties:

Guarantees extended by Banco Santander, S.A. in 2015 amounted to **€148,768 thousand**, all of which were granted to Enagás, S.A.

Transactions with the Instituto Petrofísico Foundation

Ingresos Financieros:

Finance revenue: Finance revenue from the Instituto Petrofísico Foundation in 2015 amounted to **€17 thousand**.

Transactions with EULEN, S.A.

Receipt of services:

Enagás, S.A. incurred expenses of **€386 thousand**, as follows:

Services received from Eulen, S.A.				
Item	Amount	Price policy	Payment terms	Guarantees
Building/installations maintenance	386	-	-	-

Receipt of services:

Enagás Transporte, S.A.U. incurred expenses of **€151 thousand**, broken down as follows:

Services received from Eulen, S.A.				
Item	Amount	Price policy	Payment terms	Guarantees
Mantenimiento edificios/instalaciones	126	-	-	-
Seguridad	25			

Receipt of services:

Enagás Internacional, S.L.U. incurred expenses of **€72 thousand**, broken down as follows:

Services received from Newcomer 2000				
Item	Amount	Price policy	Payment terms	Guarantees
Advisory services	72	-	-	-



Appendix II.

Report on the Activities of the Enagás, S.A. Audit and Compliance Committee in 2015

The purpose of this report is to summarize the activities of the Audit and Compliance Committee of Enagás, S.A. during 2015.

Composition during 2015

During the year 2015, the composition of the Committee has remained unchanged.

Chairman

Mr. Martí Parellada Sabata, Independent Director

Members

Sociedad Estatal de Participaciones Industriales (SEPI), represented by its Deputy Chairman, Federico Ferrer Delso Proprietary director.

Mrs. Rosa Rodríguez Díaz, Independent Director.

Mr. Gonzalo Solana González, Independent Director.

Mr. Luis Valero Artola, Independent Director.

Secretary

Mr. Rafael Piqueras Bautista

As provided in the Company's constitutional documents, the Committee called on a number of persons related to matters under their competence for consultation. Accordingly, committee meetings were regularly attended by the Chief Executive Officer (Mr. Marcelino Oreja Arburúa), the Chief Financial Officer (Mr. Borja García-Alarcón Altamirano), and the successive Directors of Internal Audit (Mr. José Manuel Castro del Real and Mr. Isidro del Valle Santín). The Chief Risk Officer has also attended meetings of the Committee when the latter has addressed issues related to his functions.

The representatives of the External Auditor, Deloitte, S.L., have also attended regular meetings of the Committee.

Amendment to the legal regulations and corporate texts pertaining to the audit and compliance committee.

On December 4th, 2014, Law 31/2014, of December 3th, was published in the Boletín Oficial del Estado [Spanish Official State Gazette] amending the Spanish Limited Liability Companies Law. This law provides for legislative reform aimed at improving good governance at companies of all types generally, and furthermore includes specific measures for publicly traded corporations.

In line with the provisions of the Law, the General Shareholders' Meeting held on March 27th, 2014 approved the adaptation of the Company Bylaws to the innovations introduced by this Law into the Spanish Limited Liabilities Companies Law. The reform included the amendment to the regulation of the composition of the Audit and Compliance Committee and the adaptation of its functions and competences to the provisions of the Spanish Limited Liabilities Companies Law. Article 44 of the Bylaws was given the following wording:

“Article 44. - Audit and Compliance Committee

The Board of Directors shall appoint from among its members an Audit and Compliance Committee that shall comprise a minimum of three and a maximum of five Directors. No Executive Director may sit on this Committee. At least one member of the Committee must be independent and will be appointed in light of his or her knowledge and track record in matters of accountancy, auditing, or both. The Committee Chairperson shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote. The Chairman must be replaced every four years, and may be re-elected after the lapse of one year from his departure from office

The Audit and Compliance Committee shall possess functions and competences in the following areas, in addition to those that may be attributed to it in the Bylaws or the Regulations of the Board of Directors:

- To inform the General Shareholders’ Meeting on issues raised in the areas that lie within the Committee’s competence
- To oversee the effectiveness of the Company’s system of internal control, internal auditing and risk management, including taxation risks, as well as discussing with the auditors any significant weaknesses in the internal control system identified during the course of the audit;
- To oversee the process of preparation and presentation of statutory financial reporting
- To formulate proposals for the Board of Directors for selecting, appointing, re-electing and replacing the external auditors, along with the terms of their contract, regularly evaluate information on the auditing plan and its implementation, in addition to preserving their independence in the exercise of their functions.
- To liaise with the external auditor to obtain information on any issues that could compromise the latter’s independence for review by the Committee or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in auditing standards. In all cases, on an annual basis, the Audit Committee shall receive from the auditors written confirmation of their independence vis-à-vis the Company or entities related to it directly or indirectly, in addition to information on additional services of any kind rendered to these entities by the aforementioned auditors or persons or entities related to them in conformity with the provisions of auditing legislation
- To issue an annual report, prior to the issue of the audit report, giving an opinion on the independence of the auditors. This report shall in all cases include a valuation of the additional services provided, as referred to in the previous section, considered separately and in their totality, that consists of services other than statutory audits and how they relate to the requirement of independence or to the regulatory legislation on auditing
- To keep the Board of Directors informed, in advance, on all items provided for in the law, the Bylaws and the Regulations of the Board of Directors, in particular, in relation to:
 - 1.º The financial information that the Company must periodically publish;
 - 2.º The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens and
 - 3.º Related party transactions.

The meetings of this Committee shall be called by its Chairman and shall be held at least four times a year. The company’s external auditor may attend Committee meetings and the Finance Director, head of the Enagás Internal Audit Unit, or any other senior manager of the company or group that the Committee deems appropriate, may also be asked to give account at meetings. The Committee may obtain support and assistance from the aforesaid Executives in the performance of its duties.”

For its part, the Board of Directors, at its meeting on February 23th, 2015, resolved to amend the Rules of Organization and Functioning of the Board to adapt them to the Law. Such amendment included that of Article 27 concerning the Audit and Compliance Committee. Likewise, the Regulations of the Audit Committee were modified as necessary.



The Committee issued its favourable reports on the proposed amendments to the aforementioned corporate texts. Furthermore, on February 18th, 2015, the Board of the Spanish National Securities Market Commission approved the new Corporate Governance Code of listed companies, which was published on February 24th, 2015. Similarly, the reform of the Spanish Limited Liability Companies Law through Law 22/2015, of July 20th, on Auditing, took place.

As a result of this, the Board of Directors, at its meeting on December 18th, 2015, agreed to a new amendment to the Rules of Organization and Functioning of the Board to include that of Article 27 concerning the Audit and Compliance Committee. It also agreed to amend the Regulations of the Audit Committee as necessary. The Board will include as a point on the Agenda at the next General Shareholders' Meeting, the proposal to amend Article 44 of the Bylaws in order to adapt it to the Audit Law and the recommendations of the Corporate Governance Code of listed companies. The Committee has reported favourably on the aforementioned proposals.

Committee activities

The Committee has met five (5) times in 2015. The Chairman of the Committee has reported to the Board the discussions held at each of the meetings of the Committee at the next meeting thereof.

The main areas in which the Audit and Compliance Committee has focused its activity during 2015 are summarized below.

Committee activities relating to the formulation and approval of the Enagás Financial Statements for 2014 Report on the independence of the external auditor.

As in previous years, the Audit Committee was entrusted with the task of discussing and analysing the financial statements prior to their authorization for issue by the Board of Directors. To this end the members of the Committee met with the Company's External Auditors (Deloitte S.L.) on February 23th, 2015, and also with Enagás' Chief Financial Officer and Director of Internal Audit.

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 External Auditors delivered to the Committee a letter in which they state that "in connection with the audit of the consolidated financial statements of Enagas, S.A. and subsidiaries (Enagás Group) for the year ended December 31st, 2014, we confirm that to our best knowledge, the team in charge of the audit and Deloitte, S.L., with the extensions that apply to them, have complied with the independence requirements applicable under the provisions of the revised text of the Audit Law, issued by Royal Legislative Decree 1/2011, of July 1st, and its implementing regulations." The document then includes below the total amount of the fees paid to Deloitte for the year 2014, classified by type of service.

For its part, the Committee unanimously adopted the following:

Report on the independence of the auditors

Pursuant to the provisions of article 529 quaterdecies of the Spanish Limited Liability Companies Law, the Audit and Compliance Committee of Enagás, S.A. issues this 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 December 31st, 2014, stating the following:

- The Company has maintained appropriate liaisons with the auditors so as 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 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 July 12th.

In view of the information that has been provided, the Audit and Compliance Committee of Enagás has not identified any issues that call into question compliance with the regulations in force in Spain for the audit activity as regards auditor independence and, in particular, the Committee confirms that it has not identified any matters of this nature relating to the provision of additional services to those of the audit, taken individually and as a whole, of any kind.

February 23th, 2015

The following conclusions emerged from the Audit Committee's examination of the 2014 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 statements respected the generally accepted accounting principles and regulations, on the same terms applied in previous years.
- That the principles of equality of treatment for shareholders and transparency of information reported to the markets had been abided by.

The Committee accordingly resolved to recommend that the Board of Directors of Enagás authorize the financial statements for its issue. At a meeting held on February 23th, 2015, the Board of Directors adopted the Committee's recommendation and authorized the financial statements for issue in line with the terms indicated by the Committee. The financial statements and directors' report for 2014 were approved at the General Shareholders' Meeting held on March 27th, 2015.

In addition to the above task, as in previous years, the Chairman of the Audit Committee, Mr. Parellada, intervened at the Ordinary General Shareholders' Meeting of the Company held on March 27th, 2015, to explain the most important elements of the financial statements to the Company's shareholders and to ensure that 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.

Quarterly accounting reviews

Throughout 2015, the Committee continued to review the interim financial statements and the limited quarterly reports issued by the auditors.

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 minimize the impact of any accounting issues arising in the course of the year, and the members of the Committee and Board of Directors to keep abreast of the opinions of the Company's external auditors on annual developments in the balance sheet and income statement.

The Audit Committee considers that both the quarterly reviews carried out by the External Auditor and the Committee's own analysis of these reports are essential to ensure strict control over the Company's accounting, and they also facilitate the issue of an unqualified audit report at year-end.



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.

In particular, the Committee prepared a favourable report on the financial statements for the first half-year which, on its recommendation, were approved by the Board of Directors on July 20th, 2015.

Internal Control over Financial Reporting System (ICFR).

The Committee has supervised the Internal Control over Financial Reporting System (hereinafter, ICFR) applied by the Company. Both the ICFR and its application during the year are described in the Annual Corporate Governance Report which includes the favourable report of the External Auditor as an Annex. The Committee has reported favourably on the proposed Annual Corporate Governance Report

External auditor.

The Committee has sought to ensure the independence of the external auditor in the performance of its duties. According to the applicable provisions, it has sought the declaration of independence and has issued one of its own as set out above. In addition, following the recommendations of the Corporate Governance Code of listed companies, it has produced a specific report on the independence of the Auditor to be made available to shareholders when publishing the notice of the General Shareholders' Meeting. It has also approved the contracts that the Company has signed with the external Auditor, ensuring that they do not affect its independence.

The Committee proposed to the Board—for its proposal to the General Shareholders' Meeting—to renew Deloitte S.L. as the Auditor of Enagás, S.A. and its Consolidated Group in 2015. The proposal was approved by the General Shareholders' Meeting held on 27 March 2015.

The Committee has paid particular attention to the process of drafting the new Audit Law, particularly with regard to the appointment and incompatibilities of the auditors. Once the Audit Law had been published in the Official State Gazette, the Committee proceeded to hold a competition to appoint the External Auditor for the coming years with the requirements now determined by the Law. This competition was conducted subject to procedural rules that guarantee the absolute independence of its decision with respect to the services of the Company that could be affected by the auditing process and the free competition between the firms invited to participate in the said competition. The Committee has submitted a proposal to the Board on the appointment of an auditor for its inclusion in the Agenda of the next General Shareholders' Meeting.

Related-party transactions.

The Committee has assumed the functions that the discussed legal and corporate texts attribute thereto in relation to related-party transactions. Under the supervision of the Committee, the Company has published the required regular information in this respect, as well as that contained in the Annual Corporate Governance Report.

Following the recommendations of the Corporate Governance Code of listed companies, the Committee has produced a report on related-party transactions to be made available to shareholders when publishing the notice of the General Shareholders' Meeting.

Internal auditor.

In July, the Committee approved the appointment of Mr. Isidro del Valle Santín as Director of Internal Audit in place of Mr José Manuel Castro, as the latter has moved over to the role of Director of Compliance, a newly created post in the organization of the Company.

The Committee approved the Annual Internal Audit Plan for 2015 and the Internal Audit Budget for 2015. The Committee has ensured that the Internal Audit has adequate human and material resources to carry out its function. The Director of Internal Audit has reported regularly to the Committee on the development of the Annual Plan and the results of the audits.

Risk control in 2015.

The Audit Committee considers the work on risk control to be particularly important. Periodically, the Chief Executive and the Director of Risks have informed the Committee of the state of risk control and management at the Company.

The Committee reported favourably on the “Policy of Risk Control and Management” and “Anti-corruption policy”, which were subsequently approved by the Board.

On July 1st, 2015, Organic Law 1/2015, of March 30th, amending the Criminal Code came into force, which included developments in the area of the criminal liability of legal persons, such as the possibility of exemption from criminal liability for legal persons if they comply with certain conditions relating to the adoption and effective implementation of a Crime Prevention Model, while establishing the basic requirements that must be included in the Crime Prevention Model, among which are the establishment of a disciplinary system that adequately punishes non-compliance with the established measures, periodic review of the model, etc.

The Committee, at its meeting of July 20th, 2015, approved a new Crime Prevention Model aligned with these legislative developments. The Crime Prevention Model has been established as the ideal mechanism to prove due diligence on the part of the legal person in the prevention and detection of crime, and to repair the damage caused. It is a dynamic model that will continue to be adapted to internal and external changes.

At that same meeting, the Committee was informed of the creation of a new Regulatory Compliance Department which, under the organizational dependence of the General Secretary and therefore of the Chairman, will assume the relevant functions in this area

Report of proceedings of the Ethics Committee

The Committee has examined the activities of the Ethics Committee, and approved its report for 2015. The Committee has been informed in a timely fashion and in detail regarding the incidents arising in relation to the “Ethics Channel”. No significant incidents have been detected during the year in question.

Activities subsequent to year-end

In the opening months of 2016, 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 a meeting on February 15th, 2016 the Audit and Compliance Committee issued a prior favourable report on the 2015 financial statements which will be submitted to the 2016 General Shareholders’ Meeting for adoption.

And for all appropriate legal reasons, it is hereby stated that the Audit and Compliance Committee approved this report at its meeting held on February 15th, 2016.

Secretary of the Board of Directors
Rafael Piqueras Bautista
Enagás, S.A.



8

CONSOLIDATED FINANCIAL STATEMENTS 2015



Auditor's Report_	235
Consolidated Financial Statements at 31 December 2015_	237
Appendix I: Subsidiaries of the Enagás Group at 31 December 2015_	344



AUDITOR'S REPORT

Deloitte.

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Enagás, S.A.,

Report on the Consolidated Financial Statements

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

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Enagás, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2 to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Enagás, S.A. and Subsidiaries as at 31 December 2015, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the situation of Enagás, S.A. and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2015. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Enagás, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Oliverio Alvarez Alonso

16 February 2016



ENAGÁS, S.A. AND SUBSIDIARIES

Consolidated Financial Statements at 31 December 2015

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015

(Figures in thousands of euros)

Assets	Notes	12/31/2015	12/31/2014
NON-CURRENT ASSETS		7,072,033	6,652,652
Intangible assets	5	80,286	77,769
Goodwill		25,812	17,521
Other intangible assets		54,474	60,248
Investment properties	8	24,970	25,080
Property, plant and equipment	6	5,183,400	5,336,848
Equity-accounted investments	9 and 33	1,191,105	740,636
Other non-current financial assets	9	518,837	399,906
Deferred tax assets	22	73,435	72,413
CURRENT ASSETS		679,885	1,059,207
Inventories	10	16,881	15,686
Trade and other receivables	9 and 11	426,404	484,469
Other current financial assets	9	7,521	3,220
Other current assets		4,451	4,383
Cash and cash equivalents	12	224,628	551,449
TOTAL ASSETS		7,751,918	7,711,859

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015

(Figures in thousands of euros)

Liabilities	Notes	12/31/2015	12/31/2014
EQUITY		2,391,572	2,260,316
SHAREHOLDER'S EQUITY	13	2,318,911	2,218,514
Issued capital		358,101	358,101
Reserves		1,674,200	1,578,022
Profit for the year		412,662	406,533
Interim dividend		(126,052)	(124,142)
NET UNREALISED GAINS (LOSSES) RESERVE	13	58,226	27,555
NON-CONTROLLING INTERESTS (EXTERNAL PARTNERS)	13	14,435	14,247
NON-CURRENT LIABILITIES		4,716,391	4,272,494
Non-current provisions	15	167,024	163,340
Non-current financial liabilities	16	4,192,752	3,735,091
Payables to related parties		17	11
Deferred tax liabilities	22	306,059	318,001
Other non-current liabilities	17	50,539	56,051
CURRENT LIABILITIES		643,955	1,179,049
Current financial liabilities	16	402,754	943,241
Trade and other payables	16 and 20	241,201	235,808
TOTAL EQUITY AND LIABILITIES		7,751,918	7,711,859

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



CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

(Figures in thousands of euros)

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

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE AT 31 DECEMBER 2015

(Figures in thousands of euros)

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

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(Figures in thousands of euros)

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

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

(Figures in thousands of euros)

	12/31/2015	12/31/2014
PROFIT BEFORE TAX	557,268	495,271
Adjustments to profit	338,975	432,685
Depreciation and amortisation expense	289,787	314,900
Other adjustments to profit	49,188	117,785
Change in working capital	(23,085)	(80,598)
Inventories	(1,195)	(548)
Trade and other receivables	(4,817)	(100,041)
Other current assets and liabilities	344	(1,282)
Other non-current assets and liabilities	(1,221)	(1,101)
Trade and other payables	(16,196)	22,374
Other cash flows used in operating activities	(246,139)	(290,736)
Interest paid	(114,653)	(118,226)
Interest received	10,898	8,262
Income taxes paid	(143,656)	(190,239)
Other cash inflows/(outflows)	1,272	9,467
NET CASH FROM OPERATING ACTIVITIES	627,019	556,622
Payments for investments	(539,154)	(706,795)
Subsidiaries and associates	(412,843)	(531,138)
Property, plant and equipment and investment property	(121,159)	(140,343)
Non-current assets held for sale Other financial assets	-	(35,314)
Otros activos financieros	(5,152)	-
Proceeds from disposals	8,944	37,038
Subsidiaries and associates Non-current assets held for sale	8,944	-
Activos no corrientes mantenidos para la venta	-	37,038
Other cash flows from financing activities	46,568	32,878
Other cash inflows (outflows) from investing activities	46,568	32,878
NET CASH USED IN INVESTING ACTIVITIES	(483,642)	(636,879)
Payments for financial liabilities	(157,410)	603,766
Issues	1,518,407	2,173,729
Repayments and redemptions	(1,675,817)	(1,569,963)
Dividends paid	(313,097)	(307,215)
NET CASH USED IN FINANCING ACTIVITIES	(470,507)	296,551
EFFECT OF CHANGES IN CONSOLIDATION METHOD	-	-
Effect of changes in exchange rates	309	142
NET DECREASE IN CASH AND CASH EQUIVALENTS	(326,821)	216,436
Cash and cash equivalents at 1 January	551,449	335,013
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	224,628	551,449

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



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

1. Group activity

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

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

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

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

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

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

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

The consolidated financial statements of the Group and those of each of the entities that compose the Group for 2015, which have served as the basis for the preparation of these consolidated financial statements, are pending approval by their respective Ordinary General Shareholders' Meetings and it is expected they will be approved without any modifications.

These consolidated financial statements are presented in thousands of euros (unless expressly stated otherwise), as this is the functional currency of the principal economic area in which the Enagás Group operates.

2. Basis of presentation of the financial statements and consolidation principles

2.1 Basis of presentation

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

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

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

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

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

2.2 Responsibility for the information and estimates made

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

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

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

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



2.3 Changes in the scope of consolidation

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

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

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

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

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

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



2.4 Basis of consolidation

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

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

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

Subsidiaries are fully consolidated.

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

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

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

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

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

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

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

The consolidation methods of the Enagás Group are described below:

- a. The full consolidation method was applied to wholly-owned investee companies: Enagás Transporte, S.A.U.; Enagás GTS, S.A.U.; Enagás Internacional, S.L.U.; Enagás Financiaciones, S.A.U.; Enagás U.S.A., L.L.C.; Enagás Perú, S.A.C.; Enagás México, S.A. de C.V.; Compañía Transportista de Gas Canarias, S.A. (Gascan); and the consolidated financial statements of the Chile subgroup, whose parent company is Enagás Chile, Spa. This method is also used to consolidate Enagás Transporte del Norte, S.L., in which a 90% stake is held, recognising the 10% interest held by Ente Vasco de la Energía in the “Non-controlling interests (External Partners)” under Equity in the consolidated balance sheet at 31 December 2015.
- b. The companies considered to be jointly controlled operations, Gasoducto Al-Andalus, S.A. and Gasoducto Extremadura, S.A., were proportionately consolidated.
- c. Lastly, the equity method has been applied to the companies Morelos EPC, S.A.P.I. de C.V.; Gasoducto de Morelos, S.A.P.I. de C.V.; Morelos O&M, S.A.P.I. de C.V.; Estación de Compresión Soto La Marina, S.A.P.I. de C.V.; Estación de Compresión Soto La Marina EPC, S.A.P.I. de C.V.; Compañía Operadora de Gas del Amazonas, S.A.C. (COGA); Estación de Compresión Soto La Marina O&M, S.A.P.I. de C.V.; BBG, Trans Adriatic Pipeline AG (TAP), GSP; Terminal de LNG de Altamira, S. de R.L. de C.V.; Knubbsäl Topholding AB, which is the parent company of the Swedegas Group and which includes the indirect stake in Swedegas AB, TgP and Saggas. In addition, within the consolidated subgroup headed up by Enagás Chile, Spa, the interest in Terminal de Valparaiso, and indirectly in GNL Quintero, S.A., is also accounted for using the equity method.

The Enagás Group consolidation process took place as follows:

- a. Intra-group transactions: All balances, transactions, income and expenses between fully consolidated companies are eliminated on consolidation. In the case of proportionately consolidated companies, the balances, transactions and gains and losses on transactions with other Group companies are eliminated to the extent of the ownership interest consolidated. Realised gains and losses on transactions between Group companies and equity-accounted investees are eliminated to the extent of the Group’s ownership interest in the latter.
- b. Consistency: For investees which apply accounting principles and measurement bases different from those of the Group, adjustments have been made on consolidation, provided that the effect is material, in order to present the Consolidated Financial Statements based on consistent measurement bases.
- c. Translation of financial statements denominated in foreign currencies: The companies included in the scope of consolidation are presented in euros, with the exception of Enagás Internacional, S.L.U.; Enagás U.S.A., L.L.C.; Terminal de LNG de Altamira, S. de R.L. de C.V.; Morelos O&M, S.A.P.I. de C.V.; Gasoducto de Morelos, S.A.P.I. de C.V.; Morelos EPC, S.A.P.I. de C.V.; Estación de Compresión Soto La Marina, S.A.P.I. de C.V., GSP, TgP; Estación de Compresión Soto La Marina EPC, S.A.P.I. de C.V.; Estación de Compresión Soto La Marina O&M, S.A.P.I. de C.V.; Enagás Perú, S.A.C.; Enagás México, S.A. de C.V. and the consolidated subgroup in Chile, whose functional currency is the US dollar. In addition, COGA uses the Peruvian Nuevo Sol as its functional currency and Knubbsäl Topholding AB, parent company of the consolidated subgroup of the Swedegas Group, uses the Swedish krona (SEK).

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 Comparative information

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

2.6 Accounting standards and interpretations

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

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

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



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

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

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

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

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

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

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

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



3. Measurement bases

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

a. Goodwill and business combinations

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

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

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

The cost of the business combination is the sum of:

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

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

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

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

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

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

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

b. Intangible assets

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

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

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

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

Service concession arrangements may be capitalised only when a company has acquired the assets for consideration, in the case of concessions which may be transferred, or for the amount of the expenses incurred in obtaining them directly from the State or from the relevant public body. If the rights to a concession are lost due to failure to comply with the terms and conditions thereof, its value is fully written off in order to cancel its carrying amount. These concessions are amortised on the basis of their useful lives.

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

Intangible assets with a finite useful life are amortised over that period, which is equivalent to the following amortisation rates:

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

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

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



c. Property, plant and equipment

The assets recognised as property, plant and equipment are initially measured at acquisition or production cost, with the exception of revaluations made by Enagás, S.A. in 1996, less accumulated depreciation and any impairment losses, in keeping with the criteria set forth in the following note.

The costs of remodelling, expansion or upgrades leading to increased productivity, capacity or a lengthening of the useful lives of assets are capitalised as an increase in the cost of the related asset. In contrast, regular maintenance, upkeep and repair expenses are charged to profit and loss in the year in which they are incurred.

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

1. Finance costs associated with the financing of infrastructure projects accrued during the construction period if this is more than one year. The average gross capitalisation rate used to calculate the amount of the borrowing costs to be capitalised was 2.30% in 2015 (2.83% in 2014).
2. Employee benefits expense directly related to work in progress. To this end, the Group has a "Functional procedure for attributing staff costs to investment projects", which contains the calculation assumptions. This procedure establishes that the calculation of the work performed for the Group's own assets takes into account direct employee expenses, i.e., the hours charged to each project based on the prices per hour calculated at the start of the year. The amounts capitalised for these items are recognised in the 2015 consolidated income statement as a decrease in staff costs (Note 6).
3. Future payments which the Group will have to make in relation to the requirement to dismantle certain items of property, plant and equipment corresponding to the Serrablo, Yela and Gaviota underground storage facilities and the Barcelona, Huelva and Cartagena regasification plants at the end of their useful lives. The carrying amounts of these assets include an estimate of the present value at the date of acquisition of the costs to the Group of dismantling, with a credit to "Non-current provisions" (see Note 15) in the accompanying consolidated balance sheet. In addition, this provision has been adjusted and discounted in subsequent periods. The before-tax discount rate used at 31 December 2015 is 2.9%. This rate reflects current market valuations of the time value of money and the specific risks relating to the obligation to be provisioned. A change in the discount rate of 0.05% and -0.05% would result in a change of -1.5% and 1.6%, respectively.

Pursuant to Royal Decree 1061/2007 of 20 July 2007, which grants Enagás, S.A. the concession to operate the Yela underground natural gas storage facility, in compliance with article 25.3 of Law 34/1998 of 7 October, which establishes a provision of 14,700 thousand euros for dismantling costs, this amount is recognised as an increase in the value of the asset.

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

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

The expenses and pertinent discounting for dismantling the Serrablo underground storage facility are reflected in the provision allocated to comply with the requirements of 'Order of 6 September 1995 regarding the concession, to Enagás, S.A., for the storage of natural gas in Jaca, Aurín, and Suprajaca, located in Serrablo', which required that a project for dismantling the Serrablo site be presented and approved prior to engaging in storage activities.

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes, for qualifying assets, capitalised borrowing costs and employee benefits expense directly related to work in progress in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

The volume of gas that must remain 'immobilised' in the storage facility to operate underground natural gas storage facilities (i.e., cushion gas) is recognised as property, plant and equipment and depreciated over the useful life specified by prevailing legislation, or over the lease term, if shorter.

Both the natural gas related to the minimum linepack of the gas pipelines for system security and the minimum operating levels of the regasification plants (also called "heel gas") are considered non-depreciable property, plant and equipment as this gas is not available and is thereby immobilised under prevailing regulations. It is measured at the auction price under Order ITC/3993/2006 and the Resolution dated 18 April 2007 (see Note 6).

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, using the following annual rates.

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



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

	Amortisation rate	Useful life (years)
Buildings	2%-3%	50-33
Plant (transport network)	2.5%-5%	40-20
Tanks	5%	20
Underground storage facilities	5%-10%	20-10
Cushion gas	5%	20
Other plant and machinery	5%-12%	20-8.33
Tools and equipment	30%	3.33
Furniture and fixtures	10%	10
IT hardware	25%	4
Transportation equipment	16%	6.25

The Group's directors consider that the carrying amount of property, plant and equipment does not exceed their recoverable value, calculated based on the discounted future cash flows they generate in accordance with the remuneration envisaged in the prevailing legislation.

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

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

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

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

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

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

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

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

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

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

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

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

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

To calculate the present value, the projected cash flows are discounted at an after-tax rate that reflects the weighted average cost of capital (WACC) for the business and in the geographical area in which the business' activities are carried out. The calculation is based on the time value of money, the risk-free rate and the risk premiums commonly used by analysts for the business and the geographical region in question. The risk-free rate corresponds to Treasury issues in the market concerned that have sufficient depth and solvency, and a maturity date that is in line with the period over which the future cash flows will be generated. The associated country risk for each geographic area is nevertheless taken into consideration. The risk premium for the asset relates to the specific risks affecting that asset, the calculation of which takes into account the estimated betas based on the selection of comparable companies that have a similar primary activity.

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

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



e. Investment properties

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

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

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

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

f. Leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When consolidated entities act as lessees, lease expenses, including any incentives granted by the lessor, are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

The group did not hold any finance leases in 2015.

g. Financial assets

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

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

Loans and receivables

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

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

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

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

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

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

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

Equity-accounted investments

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

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

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

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

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

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

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

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



Cash and cash equivalents

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

h. Inventories

Natural gas inventories

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

Other inventories

Other inventories unrelated to natural gas are stated at the lower of acquisition or production cost and net realisable value. The carrying amount includes the direct cost of materials and, where appropriate, direct labour and manufacturing overheads, including costs incurred in bringing the products to their present location and condition, at the point of sale.

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

i. Equity and financial liabilities

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

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

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

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

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

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

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

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

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

a) Fair value hedges

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

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

b) Cash flow hedge

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

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

c) Hedges of a net investment in foreign operations

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

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

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

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

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

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

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



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

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

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

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

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

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

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

EAD * PD * LGD

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

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

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

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

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

j. Current/non-current classification

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

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

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

k. Pension obligations

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

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

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

l. Severance indemnities

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



m. Provisions

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

- > Provisions: Balances payable covering obligations existing at the balance sheet date arising as a result of past events which could give rise to a loss for the companies which is specific in nature but uncertain in terms of its amount and/or timing.
- > Contingent liabilities: Possible obligations arising from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events beyond the control of the consolidated entities.

The consolidated annual financial statements of the Group include all significant provisions for which it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed in the notes to the extent that they are not considered to be remote (see Note 15).

Provisions, which are estimated based on the best available information as to the consequences of the events giving rise thereto and which are re-estimated at the balance sheet date, are used to meet the specific obligations for which they were initially recognised and are reversed, totally or partially, whenever these risks disappear or diminish.

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

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

n. Revenue recognition

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

Ordinary revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the result of the transaction can be estimated reliably.

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

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

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

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

This heading also includes the accrual of amounts received for making connections from the basic network infrastructure of Enagás Transporte, S.A.U. and Enagás Transporte del Norte, S.L. to networks owned by distributors, secondary transporters, gas supply companies and eligible customers. This revenue is taken to profit or loss on the basis of the useful life of the assigned facilities.

o. Expense recognition

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

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

p. Income tax

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

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

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

Changes during the year in deferred tax assets or liabilities which do not arise from business combinations are recognised in the consolidated income statement or directly in equity in the consolidated balance sheet, as appropriate.

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

Deductions arising from economic events in the year are deducted from the accrued income tax expense unless there are doubts as to whether they will be realised, in which case they are not recognised until they materialise, or they relate to specific tax incentives.

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



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

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

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

As a consequence of the entry into force of the new Corporation Tax Law (Law 27/2014 of 27 November) on 1 January 2013, there has been a reduction in the income tax rate in fiscal year 2015 from 30% to 28% (see Note 22).

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

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

q. Earnings per share

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

r. Consolidated cash flow statement

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

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

4. Regulatory framework

a) Revenue from regasification, storage and transport.

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

The fundamentals of the new remuneration framework are as follows:

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

This principle is reinforced by the establishment of restrictions on the appearance of temporary annual mismatches, establishing the corrective mechanism of mandatory automatic revisions of tolls and fees that will be applied if certain thresholds are exceeded. The thresholds introduced allow for deviations deriving from one-off circumstances or volatility affecting gas demand which, as such, may be reversed in the following period without the need to modify the tolls and fees, while guaranteeing that mismatch levels that could place the system's financial stability at risk cannot be reached.

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

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

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

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

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



- > The remuneration consists of a fixed rate for facility availability and a variable rate for supply continuity. The fixed facility availability rate includes the operating and maintenance costs for each year, depreciation and financial compensation calculated by applying the financial remuneration rate determined for each regulatory period to the annual net value of the investment.

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

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

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

Once the regulatory useful life of the facilities has ended, and in those cases in which the asset continues in operation, the fixed remuneration is calculated as operating and maintenance costs increased by a coefficient determined by the number of years by which a facility exceeds its regulatory useful life. No amount whatsoever accrues as remuneration for the investment made.

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

a.1.1. Remuneration for investment costs comprises:

- > **Value of recognised assets.** The recognised values for the assets under the preceding remuneration framework are maintained. For facilities commissioned before 2002, the remuneration is calculated based on the carrying amount of the assets after the revaluation of 1996 (Royal Decree-Law 7/1996), less grants received to finance these assets. An annual update rate based on the adjusted average of the consumer price index (CPI) and the industrial price index (IPRI) is applied to the difference.

For new facilities brought into service since 2002, the standard value of each investment set by the regulator is used, while those investments that entail expansion are measured at actual cost.

Investments in underground storage are also measured at actual cost because there are no standard values.

Transport facilities brought into service since 2008 are valued at the average of the standard value and actual cost.

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

- > **Remuneration for depreciation of system assets.** The depreciation rate relating to the useful life of the asset is applied to the investment recognised to give the amount of revenue for this item.

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

- > **Financial remuneration for the value of the investment.** The calculation applies a financial remuneration rate to the non-discounted net value of the assets. During the first regulatory period, the remuneration rate for transportation, regasification and basic storage assets entitled to remuneration from the gas system will be the average yield on 10-year government bonds in the secondary market applied among owners of non-segregated accounts in the 24 months before the entry into force of the legislation, plus a spread of 50 basis points. The financial remuneration rate remained fixed at 5.09% for the regulatory period (value ratified by Law 8/2015 of 21 May).
- > **Remuneration for fully depreciated assets.** Once the regulatory useful life of each asset ends, if the item continues in operation, the remuneration that will be accrued by that facility for the investment made, depreciation and financial remuneration will be zero.

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

This parameter will have the following values:

- During the first five years in excess of the regulatory useful life: 1.15.
- When the regulatory useful life has been exceeded by between 6 and 10 years, the useful life extension coefficient will be: $1.15+0.01(X-5)$.
- When the regulatory useful life has been exceeded by between 11 and 15 years, the useful life extension coefficient will be: $1.20+0.02(X-10)$.
- When the regulatory useful life has been exceeded by more than 15 years, the useful life extension coefficient will be: $1.30+0.03(X-15)$.

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

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

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

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

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

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



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

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

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

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

b) Revenue from technical system operation (TSO)

Revenue from this activity is calculated on a yearly basis in accordance with the recognised cost for each year, and is used to remunerate Enagás GTS, S.A.U. for its obligations as Technical System Manager, which include coordinating the development, operation and maintenance of the transport network, supervising the security of the natural gas supply (storage levels and emergency plans), implementing plans for the future development of gas infrastructures and controlling third-party access to the network.

In 2015, the amount earmarked for TSM remuneration, which should be collected by companies that are titleholders of the regasification, transport, storage and gas distribution facilities, as a percentage of invoicing for tolls and fees relating to third-party network access rights, was 0.38%. This amount is deposited by these companies within the deadlines and in the manner established in the settlement procedure into the deposit account held by the CNMC for these purposes.

The above-mentioned percentage of invoicing is calculated based on the figure obtained by applying maximum tolls and fees to the invoiced amounts, without subtracting possible discounts that could be agreed between the titleholders of the facilities and their users.

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

This revenue is taken to the consolidated income statement monthly on a straight-line basis.

c) Settlement of tolls relating to third-party access to gas installations.

Invoicing and collection of remuneration for regulated activities subject to settlement (third-party access to the network and Technical System Management) is carried out in compliance with the settlement procedure established in the Ministerial Order dated 28 October 2002.

d) Settlement system.

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

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

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

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

After the entry into force of the new remuneration framework the compensation for this item continues, and the same financial remuneration rate is applied as that for the transportation, regasification and underground storage facilities. The acquisition cost will be the result of applying the auction price to the quantity purchased.

f) Revenue for gas purchases for internal consumption.

From 1 July 2007, gas transporters are responsible for acquiring the amount of gas needed for internal consumption at their facilities (operating gas). This leads to a reduction in the percentages of shrinkage retained from users.

Gas acquired by transporters is measured at the auction price, with the payments made treated as reimbursable expenses.

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

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

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

g) Settlement of the accumulated deficit.

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

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



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

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

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

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

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

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

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

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

h) Establishment of the Organised Gas Market.

In relation to Law 8/2015 of 21 May, amending Law 34/1998, of 7 October, on the Oil and Gas industry, regulating certain tax and non-tax measures relating to the exploration, investigation and exploitation of oil and gas, article 65 ter., "Organised Gas Market Operator", states that a trading company, whose shareholding may consist of any natural or legal person, shall act as the organised gas market operator, with the total direct shareholdings in the capital of this Technical Operators company for Spanish and Portuguese gas systems amounting to 20%. The relative weight of the shareholding of both companies in the organised gas market operator shall be 2/3 and 1/3, respectively. In addition, the first transitory provision states that within two months from the entry into force of Law 8/2015, that is, no later than 23 July 2015, the Iberian Energy Market Operator, Polo Español, S.A. shall undertake the adaptation of the trading company MIBGAS, S.A. to the criteria set out in article 65 ter. of Law

34/1998, of 7 October, of the Hydrocarbon Sector. If this does not cover all shareholdings envisaged under the criteria set out in said provision, the Iberian Energy Market Operator, Polo Español, S.A., shall temporarily broaden its shareholding to cover one hundred per cent of the capital. Lastly, the organised gas market operator should be operational within a maximum of four months from the entry into force of Law 8/2015, that is, no later than 23 September 2015. No change in this regard had appeared by 31 December 2015.

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

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

j) Developments in the regulatory framework.

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

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

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



k) Developments in the regulatory framework.

The main gas industry regulatory developments approved in 2015 include:

1. Supranational regulations

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

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

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

2. Spanish regulations

BASIC REGULATION

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

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

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

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

REMUNERATION AND TOLLS

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

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

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

TARIF OF LAST RESORT

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

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

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

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

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

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

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

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

TECHNICAL MANAGEMENT RULES

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

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

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

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



UNDERGROUND STORAGE

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

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

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

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

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

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

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

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

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

STRATEGIC RESERVES CORPORATION (CORES)

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

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

OTHER PROVISIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



5. Intangible assets

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

2015

Cost	Opening balance	Increases due to changes in the scope of consolidation	Additions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Goodwill (*)	17,521	8,291	-	-	-	25,812
Other intangible assets						
Development	5,511	-	1,129	-	-	6,640
Concessions	5,863	8	-	-	-	5,871
Computer software	164,047	172	16,192	1,207	-	181,618
Other intangible assets	8,935	-	108	(1,207)	(1)	7,835
TOTAL COST	201,877	8,471	17,429	-	(1)	227,776
Depreciation	Opening balance	Increases due to changes in the scope of consolidation	Provisions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Other intangible assets						
Development	(1,799)	-	(429)	-	-	(2,228)
Concessions	(3,737)	-	(125)	-	-	(3,862)
Computer software	(111,118)	(172)	(22,534)	-	-	(133,824)
Other intangible assets	(7,454)	-	(122)	-	-	(7,576)
TOTAL DEPRECIATION	(124,108)	(172)	(23,210)	-	-	(147,490)
Carrying amount	Opening balance	Increases due to changes in the scope of consolidation	Additions or allocations	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Total goodwill	17,521	8,291	-	-	-	25,812
Total other intangible assets	60,248	8	(5,781)	-	(1)	54,474
TOTAL INTANGIBLE ASSETS	77,769	8,299	(5,781)	-	(1)	80,286

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

2014

Cost	Opening balance	Additions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Goodwill	17,521	-	-	-	17,521
Other intangible assets					
Development	5,262	249	-	-	5,511
Concessions	5,863	-	-	-	5,863
Computer software	141,286	22,761	-	-	164,047
Other intangible assets	7,727	1,208	-	-	8,935
TOTAL COST	177,659	24,218	-	-	201,877
Depreciation	Opening balance	Provisions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Other intangible assets					
Development	(1,399)	(400)	-	-	(1,799)
Concessions	(3,527)	(210)	-	-	(3,737)
Computer software	(88,222)	(22,896)	-	-	(111,118)
Other intangible assets	(7,163)	(291)	-	-	(7,454)
TOTAL DEPRECIATION	(100,311)	(23,797)	-	-	(124,108)
Carrying amount	Opening balance	Additions or allocations	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Total goodwill	17,521	-	-	-	17,521
Total other intangible assets	59,827	421	-	-	60,248
TOTAL INTANGIBLE ASSETS	77,348	421	-	-	77,769

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

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



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

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

2015

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

2014

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

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

6. Property, plant and equipment

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

2015

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

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

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

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



2014

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

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

Impairment losses	Opening balance	Provisions	Increases or decreases through transfers	Disposals, derecognition or write-downs	Closing balance
Plant and machinery	(28,047)	(234)	-	4,144	(24,137)
Other fixtures, tools and furniture	-	-	-	-	-
Grants related to assets	-	-	-	-	-
TOTAL IMPAIRMENT	(28,047)	(234)	-	4,144	(24,137)

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

The Group insures its assets so no significant losses occur, on the basis of best market practice and according to the nature and characteristics of the items of property, plant and equipment.

The Group also has insurance policies against third-party civil liability.

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

2015

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

2014

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

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

2015

Thousands of euros

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

2014

Thousands of euros

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

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

2015

Thousands of euros

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

2014

Thousands of euros

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



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

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

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

Regasification Plant – Granadilla (Tenerife).

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

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

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

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

7. Business combinations

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

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

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

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

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

Thousands of euros	
Current assets:	7
Trade receivables	4
Cash and cash equivalents	3
Non-current assets:	18,226
Intangible assets	8
Property, plant and equipment	15,214
Other non-current assets	3,004
Current liabilities:	(9,901)
Payable to group companies	(2,490)
Trade payables	(632)
Other current liabilities	(6,779)
Non-current liabilities:	(2,716)
Deferred tax liabilities	(2,716)
TOTAL FAIR VALUE OF IDENTIFIABLE NET ASSETS ACQUIRED	5,616



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

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

8. Investment properties

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

2015

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

2014

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

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

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

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

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

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

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

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

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



9. Financial assets

9.1 Composition and breakdown

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

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

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

Equity-accounted investments

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

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

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

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

2015

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

(*) Changes in consolidation method due to the 100% acquisition of Gascan shares (See Notes 2.3 and 7).

2014

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



Credits

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

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

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

Thousands of euros

	Interest rate	Maturity	12/31/2015	12/31/2014
NON-CURRENT LOANS TO RELATED COMPANIES (NOTE 29)			160.569	111.997
Trans Adriatic Pipeline AG	FTA+ Spread	Jul.-2043	61,231	29,190
Gasoducto del Sur Peruano, S.A.	6.00%	Aug.-2048	-	8,961
Estación de Compresión Soto La Marina S.A.P.I. de C.V.	5.03%	Dec.-2032	63,301	54,076
Gasoducto de Morelos, S.A.P.I. de C.V.	7.50%	Sept. 2033	27,308	19,770
Planta de Regasificación de Sagunto, S.A.	Eur6m + Spread	Jun. 2025	8,729	-
CURRENT LOANS TO RELATED COMPANIES (NOTE 29)			7,521	3,220
Compañía Transportista de Gas Canarias, S.A.	Eur6m + Spread	Jun.-2015	-	302
Compañía Transportista de Gas Canarias, S.A.	Eur6m + Spread	Mar.-2015	-	257
Compañía Transportista de Gas Canarias, S.A.	Eur6m + Spread	Jul.-2015	-	183
Compañía Transportista de Gas Canarias, S.A.	Eur6m + Spread	Jan.-2015	-	151
Compañía Transportista de Gas Canarias, S.A.	Eur6m + Spread	Jul.-2015	-	129
Gasoducto de Morelos, S.A.P.I. de C.V.	7.50%	Sept. 2033	138	-
Gasoducto del Sur Peruano, S.A.	6.00%	Aug.-2048	70	-
Gasoducto de Morelos, S.A.P.I. de C.V.	6.10%	May 2016	1,066	-
Estación de Compresión Soto La Marina S.A.P.I. de C.V.	5.03%	Dec.-2032	4,065	2,198
Trans Adriatic Pipeline AG	FTA+ Spread	Jul.-2043	963	-
Planta de Regasificación de Sagunto, S.A.	Eur6m + Spread	Jun. 2025	1,219	-
TOTAL			168,090	115,217

Trade and other receivables

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

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

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

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

Derivative financial instruments

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

	Level 1	Level 2	Level 3	Level 4
Hedging derivatives	-	8,686	-	8,686
TOTAL	-	8,686	-	8,686

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

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

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

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

Other

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

9.2 Impairment losses

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



10. Inventories

It should be noted that at 31 December 2015, the Enagás Group, as technical system operator, had approximately 755 GWh of working gas reserves necessary to ensure operation of the gas system, as stipulated in additional provision five of Order ITC/3863/2007, of 28 December. This gas is not recognised as inventory in the financial statements since it belongs to the entire gas system and is not the property of the Enagás Group.

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

11. Trade and other receivables

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

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

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

- > The services provided by Enagás Transporte, S.A.U. to Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A., amounting to 1,477 thousand euros and 954 thousand euros, respectively, corresponding to the percentage of the shareholding of Galp Gas Natural, S.A. in both companies.
- > Disposal of assets to Gasoducto de Morelos EPC, S.A.P.I. de C.V. by Enagás Transporte, S.A.U. for the amount of 1,946 thousand euros.
- > The services provided by Enagás Internacional, S.L.U. to Gasoducto del Sur Peruano, S.A., and to the Swedegas Group for the amount of 1,281 thousand euros and 124 thousand euros respectively.
- > Also recorded are 632 thousand euros and 167 thousand euros for services rendered by Enagás, S.A. to E.C. Soto La Marina EPC, S.A.P.I. de C.V. and Bahía de Bizkaia Gas, S.L., respectively.

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

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

The Supreme Court issued rulings regarding the situation with the shippers regarding the payment of this fee on 27 November 2014 and on 10 December 2014, and definitively confirmed the situation regarding the option right and the settlements of the Port Authority of Barcelona and Huelva deriving from that right, recognising that Enagás Transporte, S.A.U. is entitled to collect those amounts from the shippers. The dispute regarding the option right exercised with respect

to the Port Authority of Cartagena is currently still pending settlement before the Central Economic-Administrative Tribunal. Notwithstanding this, the doctrine established by the Supreme Court decisions allows us to foresee the outcome of the dispute. In this respect, the High Court of Murcia is finding in favour of Enagás S.A.U. and the State Attorney has accepted the demands presented by the Enagás Group in ongoing legal proceedings before said court (for all, decision of 26 January 2016, High Court of Murcia). The Group therefore considers that the risk of not recovering these receivables is remote at the end of 2015.

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

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

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

12. Cash and cash equivalents

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

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

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

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

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



13. Equity

13.1 Share capital

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

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

It should be noted that after the publication of Additional Provision Thirty-One of Law 34/1998, on the Hydrocarbon Sector, in force since Law 12/2011 was enacted on 27 May, it is stipulated that "no individual or legal entity may directly or indirectly hold more than 5% of Enagás, S.A.'s shares or exercise more than 3% of the voting rights at this parent. Under no circumstances may such shareholdings be syndicated". It also states that "those parties that operate within the gas sector, including those individuals or bodies corporate that directly or indirectly hold over 5% of the share capital of these companies may not exercise more than 1% of the voting rights in such company. These restrictions do not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share capital be syndicated".

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

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

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

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

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

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

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

13.2 Reserves

Legal reserve

Under the Spanish Limited Liability Companies Law, an amount equal to 10% of the profit for the year must be earmarked for the legal reserve until such reserve represents at least 20% of share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

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

13.3 Profit distribution proposal from the parent company

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

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

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

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

Thousands of euros

	Provisional accounting statement at 31 October 2015
Accounting profit	60,193
10% allocation to legal reserve	-
Interim dividend from Group companies	300,000
INCOME AVAILABLE FOR DISTRIBUTION	360,193
FORECAST PAYMENTS ON ACCOUNT	(126,052)
Forecast cash at banks and in hand between 31 October and 31 December:	
Cash at banks and on hand	150,971
Collections forecast for the period under consideration	95,623
Credit facilities and loans granted by financial entities	1,650,000
Projected payments during the period under consideration (including payments on account)	(58,759)
FORECAST CASH BALANCE AT BANKS AND ON HAND	1,837,835



The aforementioned interim dividend was paid on 17 December 2015.

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

13.4 Total dividends paid

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

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

13.5 Adjustments due to changes in value

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

	12/31/2015	12/31/2014
Translation differences Cash flow hedge	64,581	29,223
Cobertura de flujos de efectivo	(6,355)	(1,668)
TOTAL ADJUSTMENTS DUE TO CHANGES IN VALUE	58,226	27,555

Hedging transactions

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

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

2015

Thousands of euros

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

2014

Thousands of euros

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

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

	Fully-consolidated companies	Companies carried using the equity method	Total
EQUITY AT 12/31/2013	(2,076)	12,501	10,425
Measurement of financial instruments	(7,944)	(12,705)	(20,649)
Tax effect	2,063	3,221	5,284
Transfers to profit and loss	10,391	(5,148)	5,243
Tax effect	(3,114)	1,143	(1,971)
EQUITY AT 12/31/2014	(680)	(988)	(1,688)
Measurement of financial instruments	(15,656)	(2,562)	(18,218)
Tax effect	3,914	667	4,581
Transfers to profit and loss	10,326	2,338	12,664
Tax effect	(2,891)	(823)	(3,714)
EQUITY AT 12/31/2015	(4,987)	(1,368)	(6,355)

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

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

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



13.6 Non-controlling interests

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

2015

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

2014

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

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

14. Earnings per share

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

Accordingly:

	2015	2014	Variación
Profit for the year attributable to equity owners of the parent (thousands of euros)	412,662	406,533	1.5%
Weighted average number of shares outstanding (thousand shares)	238,734	238,734	-
BASIC EARNINGS PER SHARE IN EUROS	1.7285	1.7029	1.5%

Diluted earnings per share is calculated by dividing profit for the period attributable to equity holders of the parent (adjusted for the effect of dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the period adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the company. As there are no potential ordinary shares at 31 December 2015 and 31 December 2014, basic and diluted earnings per share coincide.

15. Provisions and contingent liabilities

The directors consider that the provisions recorded in the accompanying consolidated balance sheet adequately cover the Group's exposure to the lawsuits, arbitration and other proceedings described in this Note, and therefore do not expect these proceedings to give rise to additional liabilities. Given the nature of the risks covered by these provisions, it is not possible to make a reasonable estimate as to the timing of any payments which may arise.

15.1 Non-current provisions

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

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

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

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

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

15.2 Contingent liabilities

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



16. Financial liabilities

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

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

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

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

2015

	2016	2017	2018	2019	2020 and beyond	Total
Bonds and other marketable securities	259,402	468,465	-	-	1,854,935	2,582,802
Bank borrowings	125,790	288,890	151,742	141,742	1,175,944	1,884,109
Derivatives (Note 19)	13,403	10,545	10,259	10,275	60,379	104,861
Trade and other payables	245,360	923	17,268	476	907	264,934
TOTAL	643,955	768,823	179,269	152,494	3,092,165	4,836,707

2014

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

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

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

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

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

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



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

	Level 1	Level 2	Level 3	Level 4
Hedging derivatives	-	104,861	-	104,861
TOTAL	-	104,861	-	104,861

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

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

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

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

Bank borrowings

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

2015

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

2014

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

Financing highlights in 2015 include:

- > The formalisation by Enagás Internacional, S.L.U. of a credit line amounting to a maximum of 500,000 thousand US dollars secured by Enagás S.A. with a maturity of 2017. At 31 December 2015, the available balance amounted to 137,138 thousand euros.
- > The line of multi-currency financing obtained in 2013 under the Club Deal arrangement was renewed in 2014, with an agreed increase of the amount to 1,500,000 thousand euros and an extension of the term to December 2019. Enagás, S.A. has the option to request an extension for an additional one or two years, subject to approval by the lenders. In 2015, the Company, executed the first extension provided for in the contract until 2020 for an amount of 1,450,000 thousand euros. No drawdowns had been made on this financing 2015.
- > The provision by Enagás, S.A. of the last tranche available for the amount of 110,000 thousand euros of the loan granted by the European Investment Bank in 2008 for a total of 1,000,000 thousand euros. The term of this provision is established at 10 years, with a grace period of 4 years.
- > The formalisation by Enagás Internacional, S.L.U. of a bank loan maturing in 2022 for the amount of 898,800 thousand Swedish krona.

Bonds and other marketable securities

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

2015

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

2014

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

Financing highlights in 2015 include:

- > On 23 January 2015, Enagás Financiaciones S.A.U., issued 10-year bonds in the amount of 600 million euros with an annual coupon of 1.25%, guaranteed by Enagás, S.A. Part of this bond, specifically 259 million euros, was used to partially repay 282 million euros from a previous bond issue in the amount of 750 million euros with a coupon of 4.25%, maturing on 5 October 2017. The funds corresponding to this issue were paid on 6 February 2015.
- > On 10 March 2015, Enagás Financiaciones S.A.U., issued 8-year bonds in the amount of 400 million euros with an annual coupon of 1.00%, secured by Enagás, S.A. The bonds were swapped in their entirety for bonds issued previously for the same amount with a floating interest rate and maturing in 2016. The funds corresponding to this issue were paid on 25 March 2015.
- > On 18 May 2015, Enagás Financiaciones, S.A.U. renewed the Euro Medium Term Note (EMTN) programme in the amount of 4,000 million euros and registered with the Luxembourg Stock Exchange in 2012, for which Enagás, S.A. was the guarantor.
- > On 18 May 2015, Enagás, S.A. renewed the Euro Commercial Paper (ECP) programme for a maximum amount of 1,000 million euros, listed on the Irish Stock Exchange in 2011. Banco Santander, S.A. is the arranger (coordinator of the operation) of the programme, an entity which acts as a designated dealer together with 9 other banks. At 31 December 2015, the amount drawn down from the programme totalled 230,000 thousand euros (230,000 thousand euros at 31 December 2014), and there were issues in 2015 for a nominal amount of 624,000 thousand euros and repayments totalling 624,000 thousand euros.



Other financial liabilities

The heading "Other" mainly includes:

- > "Current and non-current financial liabilities" classified as derivatives and others includes the loan from the General Energy Secretariat, which forms part of the aid envisaged in the National Energy Programme granted by the Ministry of Industry, Tourism and Trade within the framework of the National Plan for Scientific Research, Development and Technical Innovation (2004-2007). This loan is associated with the "Project for the electricity generation system at the Almendralejo compression station" being carried out by Enagás Transporte, S.A.U. The total amount of the loan granted is 3,265 thousand euros, of which 169 thousand euros was repaid in 2010, 466 thousand euros in each of the years 2011, 2012, 2013, 2014 and 2015. As at 31 December 2015, 299 thousand euros were classified as non-current, while 467 thousand euros were classified as current.
- > Also included is the loan from the General Industry Secretariat, which forms part of the aid envisaged in the aforementioned plan by the Ministry of Industry, Tourism and Trade. This loan is associated with the "Project for design and development of a high pressure gas meter calibration facility" being carried out by Enagás Transporte, S.A.U. The total initial loan grant was 1,100 thousand euros. The Group repaid 204 thousand euros in 2009, at the request of the General Industry Secretariat, in order to adjust the size of the loan to the amount actually invested. In 2011, 57 thousand euros were paid off, while each of the years 2012, 2013, 2014 and 2015 saw 128 thousand euros paid off. At 31 December 2015, 199 thousand euros was classified as non-current and 128 thousand euros was recognised as current.
- > This heading also includes another loan from the General Secretariat for Energy as part of the aid envisaged in the aforementioned plan by the Ministry of Industry, Tourism and Trade. This loan is associated with the "Project for the Huelva electricity generation plant" being carried out by Enagás Transporte, S.A.U. The total amount of the loan granted stands at 3,598 thousand euros. 108 thousand euros was repaid in 2009 at the request of the General Industry Secretariat, in order to adjust the size of the loan to the amount actually invested, with a further repayment of 13 thousand euros in 2012. 22 thousand euros was repaid in 2012 with repayments of 64 thousand euros in 2013, 164 thousand euros in 2014 and 497 thousand euros in 2015. At 31 December 2015, 2,235 thousand euros was classified as non-current and 495 thousand euros was recognised as current.

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

17. Other non-current liabilities

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

Thousands of euros

	Canon Gasoducto de Extremadura, S.A.	Canon Gasoducto Al-Andalus, S.A.	Conexiones a la Red Básica	Total
BALANCE AT 31 DECEMBER 2013	6,652	15,087	55,548	77,287
Additions	-	-	1,588	1,588
Derecognition	-	-	(19,083)	(19,083)
Recognised in profit or loss	(950)	(2,156)	(635)	(3,741)
BALANCE AT 31 DECEMBER 2014	5,702	12,931	37,418	56,051
Derecognition	-	-	(1,466)	(1,466)
Recognised in profit or loss	(951)	(2,154)	(941)	(4,046)
BALANCE AT 31 DECEMBER 2015	4,751	10,777	35,011	50,539

Amounts related to the royalties payable by group subsidiaries Gasoducto de Extremadura, S.A. and Gasoducto Al-Andalus, S.A. correspond to balances pending application in respect of "gas transport rights" contracts signed with these subsidiaries. These balances are consolidated proportionally in accordance with the percentage shareholding of Enagás Transporte, S.A.U. in these companies.

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

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

18. Risk and capital management policy

18.1 Qualitative information

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

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

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



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

- > 1st line of defence: made up from the organisational units which assume the risks in the ordinary course of their activities. They are the owners of the risks and responsible for their identification and measurement.
- > 2nd line of defence: made up by the Risk Management team, responsible for ensuring the proper functioning of the risk management and control system, define the regulatory and methodological framework and carry out the periodic monitoring and overall control of the risks of the Company.
- > 3rd line of defence: made up of the Internal Auditing Management team, responsible for supervising the efficiency of the established risk controls.

The governing bodies involved in risk management and control are:

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

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

Credit risk

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

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

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

Interest rate risk

Interest rate fluctuations affect the fair value of assets and liabilities carrying fixed interest rates, and the future flows from assets and liabilities linked to floating interest rates.

The objective of interest rate risk management is to achieve a balanced debt structure that minimises the cost of debt over the long term and mitigates volatility in the consolidated income statement.

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

Exchange rate risk

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

Liquidity risk

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

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

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

Other risks

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

18.2 Quantitative information

a) Interest rate risk

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

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

	Thousands of euros			
	Change in interest rates			
	2015		2014	
	25 pbs	-25 pbs	25 pbs	-25 pbs
Change in finance cost	2.599	(2.599)	3.189	(3.189)

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

b) Exchange rate risk

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

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



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

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

Thousands of euros

	Appreciation/(depreciation) of the euro against the dollar			
	2015		2014	
	5,00%	-5,00%	5,00%	-5,00%
Effect on profit after tax Effect on equity	(971)	971	(1,603)	1,740
Efecto en el patrimonio neto	(30,734)	33,969	(17,889)	19,772

18.3 Capital management

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

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

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

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

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

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

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

19. Derivative financial instruments

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

The Group has fulfilled the requirements set forth in Note 3.i regarding the measurement bases for classifying financial instruments as hedges. Specifically, they have been formally designated as such, and they have been tested for effectiveness.

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

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

2015

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



2014

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

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

Company	Classification	Rate	Amount arranged	Currency	Maturity	12/31/2014	Income and expense recognised in equity		Transfers to income statement		Other variations (*)	12/31/2015
							Hedging transactions	Translation differences	Changes in gain (loss)	Counterparty risk		
Interest rate swap	Cash flow hedge	Floating to fixed	475,000	Euros	January 2017	(3,945)	(1,113)	-	2,122	-	(87)	(3,023)
			200,000	Euros	June 2015	(1,061)	-	-	1,061	-	-	-
			100,000	Euros	May 2017	(81)	(444)	-	112	-	-	(413)
			150,000	Euros	December 2019	(396)	(891)	-	397	-	(318)	(1,208)
			150,000	Euros	January 2020	(222)	(943)	-	303	-	-	(863)
			65,000	Euros	March 2020	(126)	(587)	-	171	-	-	(542)
Cross-currency swap	Fair value hedges	Fixed to floating	147,514	Euros	September 2039	(12,461)	-	-	-	(1,113)	22,260	8,686
Cross-currency swap	Net investment hedge	Fixed to fixed	400,291	Euros	April 2022	(43,195)	(11,678)	(53,302)	6,160	3,203	-	(98,812)
TOTAL			1,687,805			(61,487)	(15,656)	(53,302)	10,326	2,090	21,854	(96,175)

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

Cash flow hedge

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

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

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



Fair value hedges

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

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

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

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

Thousands of euros	Fair value at 31/12/2014	Fair value at 31/12/2015	Change (income statement)
Measurement of the derivative (+asset/-liability)	(12,461)	8,686	21,147
Measurement of the hedged instrument (liability)	(134,398)	(156,658)	(22,260)
TOTAL NET AMOUNT RECOGNISED IN PROFIT AND LOSS (EXPENSE)			(1,113)

Hedges of a net investment in a foreign operation

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

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

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

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

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

20. Trade and other payables

Trade and other payables

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

	31.12.2015	31.12.2014
Payables to related parties (Note 29)	2,439	1,991
Payable to suppliers	181,156	196,308
Other payables	20,600	5,276
Current tax liabilities (Note 22)	37,006	32,233
TOTAL	241,201	235,808

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

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

Information on the average payment period.

Additional provision three.

"Disclosure requirement" set out in Law 15/2010, of 5 July.

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

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

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

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



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

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

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

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

21. Defined contribution plans

The Group operates defined contribution pension plans covering the commitments acquired with respect to qualifying serving employees. The plan assets are held separately from those of the Group in funds under the control of trustees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Group are reduced by the amount of the forfeited contributions.

The contributions made by the Group to the pension plan in this connection amounted to 2,304 thousand euros in 2015 (2,283 thousand euros in 2014), recognised under "Staff costs" in the accompanying consolidated income statement (see Note 24.1).

22. Tax matters

22.1 Tax Reform

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

22.2 Tax return

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

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

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

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

22.3 Tax receivables and payables

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

Thousands of euros

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

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

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

22.4 Reconciliation of profit before tax and taxable income

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

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

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



22.5 Tax recognised in equity

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

Thousands of euros

	2015			2014		
	Increases	Decreases	Total	Increases	Decreases	Total
Deferred tax:						
Arising in the current year:						
Measurement of other financial assets Arising in prior years:	4,659	(2,910)	1,749	206	(1,386)	(1,180)
Measurement of other financial assets						
Total deferred tax	-	(882)	(882)	7,364	(2,871)	4,493
Total impuesto diferido	4,659	(3,792)	867	7,570	(4,257)	3,313
TOTAL TAX RECOGNISED DIRECTLY IN EQUITY	4,659	(3,792)	867	7,570	(4,257)	3,313

22.6 Reconciliation between profit before tax and income tax expense

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

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

22.7 Breakdown of income tax expense

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

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

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

22.8 Deferred tax assets and liabilities

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

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



Movements in 2015 were as follows:

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

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

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

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

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

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

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

However, on 31 March 2012, Royal Decree-Law 12/2012 of 30 March was published and it eliminated the accelerated depreciation tax incentive for investments made after the publication of this Royal Decree. In any event, the amounts pending application with respect to the investments made up until 31 March 2012 may benefit from this incentive, up to a limit of 40% of the tax base for those relating to the period 2009-2010, and of 20% for those relating to the period 2001-2012.

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

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

22.9 Years open to inspection and tax audits

In accordance with current legislation, tax returns cannot be considered definitive until they have been inspected by the tax authorities or until the four-year inspection period has elapsed.

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

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



23. Income

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

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

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

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

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

24. Expenses

An analysis of Group expenses is provided below:

Thousands of euros

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

24.1 Staff costs

The detail of staff costs is as follows:

Thousands of euros

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

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

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

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

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

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



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

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

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

24.2 Other operating costs

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

Thousands of euros

	12/31/2015	12/31/2014
External services:		
R&D costs	472	1,634
Leases and royalties	44,250	44,901
Insurance premiums	42,335	39,749
Other services	29,173	30,590
Transport	27,576	10,366
Insurance premiums	6,418	4,723
Banking and similar services	340	182
Advertising, publicity and PR	3,922	3,672
Supplies	20,224	19,300
Other services	18,728	21,310
EXTERNAL SERVICES	193,438	176,427
TAXES OTHER THAN INCOME TAX	20,758	13,328
OTHER OVERHEAD COSTS	117	-
OTHER EXTERNAL EXPENSES	10,207	9,304
CHANGE IN OPERATING PROVISIONS	428	3,744
TOTAL OTHER OPERATING COSTS	224,948	202,803

24.3 Other disclosures

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

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

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

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

25. Net finance cost

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

	12/31/2015	12/31/2014
Finance revenue from Group companies and associates	6,884	2,760
Finance revenue from third parties	7,913	9,327
FINANCE REVENUE	14,797	12,087
Finance and similar costs	(298)	(544)
Interest on loans	(113,445)	(130,715)
Interim interests	4,177	4,887
Other	1,119	6
FINANCIAL COSTS	(108,447)	(126,366)
PROFIT FROM HEDGING INSTRUMENTS	2,090	231
EXCHANGE DIFFERENCES	630	8,542
NET FINANCE COST	(90,930)	(105,506)

The Group had capitalised borrowing costs in an amount of 4,177 thousand euros at 31 December 2015 (4,887 thousand euros at 31 December 2014) (Note 6).



26. Business and geographical segments

26.1 Segmentation criteria

Segment information is organised according to the Group's various business units (primary reporting segments). The Group identifies its operating segments based on internal reports on the Group's performance which are regularly reviewed, debated and evaluated in the decision-making process.

26.2 Segments by geographical areas

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

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

NET PROFIT	12/31/2015	12/31/2014
Europe	375,103	393,187
South America	37,559	13,346
TOTAL	412,662	406,533

26.3 Main business segments

The business areas described below have been established on the basis of the classification included in the Hydrocarbon Sector Law 34/1998 of 7 October, and in accordance with the organisational structure of the Enagás Group, which takes into account the nature of the services and products offered.

a) Infrastructure activity (including gas transport, regasification, and storage):

- > **Gas transport:** Core activity which consists of the movement of gas through the Group's transport network, composed of gas pipelines for the primary (with maximum design pressure equal to or higher than 60 bars) and secondary (with maximum design pressure of between 60 and 16 bars) transport of gas to distribution points, as owner of most of the Spanish gas transport network.
- > **Regasification:** The gas is transported from producer countries in methane tankers at 160°C below zero in liquid form (LNG) and is unloaded at the regasification plants, where it is stored in cryogenic tanks. At these facilities, the temperature of the LNG is raised through a physical process, generally using salt water vaporisers, transforming it into gas. The natural gas is then injected into gas pipelines and transported throughout the Spanish mainland.
- > **Storage:** The Enagás Group operates the following underground storage facilities: Serrablo, located between the towns of Jaca and Sabiñánigo (Huesca), Gaviota (an off-shore facility) located close to Bermeo (Vizcaya) and Yela (Guadalajara).

b) Technical System Operator activity

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

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

c) Unregulated activities

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

26.4 Bases and methodology for segment reporting

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

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

Segment information is set out below:

Thousands of euros

	infrastructures		Technical System Management		Unregulated activities		Adjustments (*)		Group Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Income statement										
Operating revenue	1,199,414	1,213,737	13,755	13,680	92,392	89,261	(83,962)	(89,497)	1,221,599	1,227,181
Depreciation and amortisation	(267,687)	(295,264)	(9,347)	(7,070)	(12,993)	(15,972)	240	3,406	(289,787)	(314,900)
Operating profit	657,869	636,598	(13,132)	(10,818)	(41,945)	(34,349)	(829)	(1,814)	601,963	589,617
Finance revenue	7,037	3,086	-	202	444,190	397,121	(436,430)	(388,322)	14,797	12,087
Finance costs	(9,785)	(90,927)	(56)	(208)	(98,618)	(103,892)	12	68,661	(108,447)	(126,366)
Income tax expense	(168,370)	(108,245)	3,691	3,106	20,860	14,545	232	2,967	(143,587)	(87,627)
Profit after tax	440,115	438,434	(9,497)	(7,717)	365,864	297,977	(383,820)	(322,161)	412,662	406,533
Balance sheet										
Total assets	6,289,484	6,742,402	41,188	48,530	6,331,336	3,007,720	(4,910,091)	(2,086,793)	7,751,917	7,711,859
Fixed asset purchases	120,769	113,050	8,169	13,865	9,489	9,662	(11,652)	(3,583)	126,775	132,994
Non-current liabilities (**)	510,300	538,034	15	15	13,237	7,491	70	(8,148)	523,622	537,392
Deferred tax liabilities	303,539	314,319	-	-	2,520	3,607	-	75	306,059	318,001
Provisions	156,292	167,664	15	15	10,717	3,884	-	(8,223)	167,024	163,340
Other non-current liabilities	50,469	56,051	-	-	-	-	70	-	50,539	56,051
Current liabilities (**)	154,835	166,309	33,919	43,595	63,827	31,233	(11,380)	(5,329)	241,201	235,808
Trade and other payables	154,835	166,309	33,919	43,595	63,827	31,233	(11,380)	(5,329)	241,201	235,808

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

(**) Does not include financial liabilities.



27. Environmental information

The Group's efforts to protect the environment and its biodiversity, to boost energy efficiency, lower its carbon emissions and promote the responsible use of resources are the key components of its environmental management strategy, designed to mitigate its impact on its surroundings.

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

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

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

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

In 2015, environmental action totalling 29,440 thousand euros was undertaken, together with investments in balance sheet assets (8,573 thousand euros in 2014). Environmental expenses incurred by the Group in 2015 totalled 1,468 thousand euros (1,345 thousand euros in 2014) and are recorded under "Other operating costs".

Potential contingencies, indemnities and other environmental risks to which the Enagás Group is exposed are sufficiently covered by third-party liability insurance policies.

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

28. Greenhouse gas emission allowances

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

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

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

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

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

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

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

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

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

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

29. Related party transactions and balances

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

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

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



Below is a detail of the Group's related-party transactions in 2015 and 2014, distinguishing between significant shareholders, board members, executives and other related parties. The terms of transactions with related parties are equivalent to those made on an arm's-length basis, and the corresponding remuneration in kind has been recorded.

2015

Thousands of euros

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

2014

Thousands of euros

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

2015

Thousands of euros

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

2014

Thousands of euros

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

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

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

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

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

Directors estimate that no significant liabilities will arise in addition to those recognised in the accompanying consolidated balance sheet as a result of the transactions described in this note.



30. Director and senior management compensation

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

2015

	Salaries	Attendance fees	Other	Pension plans	Insurance premiums
Board of Directors	2.014	1.007	170	12	33
Senior management	2.212	-	111	56	17
TOTAL	4.226	1.007	281	68	50

2014

	Salaries	Attendance fees	Other	Pension plans	Insurance premiums
Board of Directors	2.016	1.083	145	13	31
Senior management	2.241	-	104	52	26
TOTAL	4.257	1.083	249	65	57

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

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

Thousands of euros

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

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

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

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

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

3 Said Directors stood down in 2015.

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

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



31. Other Director disclosures

In keeping with the provisions of article 229 et seq. of the Spanish Limited Liability Companies Law, these notes include disclosures relating to the ownership interests and positions held by members of Enagás, S.A.'s Board of Directors in other companies engaging in activities that are similar or complementary to those that constitute its corporate purpose. When preparing this information, companies having a corporate purpose that is similar or complementary to that of Enagás have been considered to be those group companies engaged in the transport, regasification, distribution or supply of natural gas, as regulated by the Oil and Gas Act (Law 34/1998).

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

2015

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

2014

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

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

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

2015

Director	Company	Position
Luis Javier Navarro Vigil	TLA, S. de R.L. de C.V.	Director
Marcelino Oreja Arburúa	MIBGAS	Director

2014

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

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

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

32. Commitments and guarantees

2015

Thousands of euros

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

2014

Thousands of euros

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

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

- > Corporate guarantees granted on the debt of certain related companies. At 31 December 2015, said guarantees amounted to 138,016 thousand euros and fully correspond to the GSP project. These corporate securities will be released when the debt is refinanced. At 31 December 2014, said amount came to 134,936 thousand euros, fundamentally corresponding to GSP projects (74,202 thousand euros) and BBG projects (57,179 thousand euros). With regard to the corporate guarantee, please note that the financial entities of the European Investment Bank, CaixaBank, S.A., Banco Bilbao Vizcaya Argentaria, S.A., and Kutxabank, S.A., communicated their full and unconditional release dated 2 December 2015, thereby confirming that there are no claims pending of any kind in relation to this.
- > In addition, the undertaking acquired in the Financing Agreement existing between Knubbsäl Topholding AB and the Enagás Group is included, whereby this latter undertakes to extend a corporate guarantee in favour of the financing entities if the current Financing Agreement has not been cancelled or refinanced six months prior to its due date, this being January 2022. The maximum security commitment granted by the Enagás Group amounts to 25,864 thousand euros (237,500 thousand Swedish kronor), and in accordance with the foregoing, this corporate guarantee will not be granted prior to January 2022. In the event that it needs to be granted, this corporate guarantee may only be executed by the financing entities in the case of non-payment by Knubbsäl Topholding AB on the due date of the Financing Agreement.

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

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

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



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

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

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

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

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

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

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

Directors estimate that no significant liabilities will arise in addition to those recognised in the accompanying consolidated balance sheet as a result of the transactions described in this note.

33. Joint ventures and associates

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

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

(1) GNL Quintero is 40% owned by Terminal de Valparaiso S.A. and 51% owned by Enagás Chile. Accordingly, the indirect stake held by Enagás Group in GNL Quintero is 20.40%. The dividend is distributed by GNL Quintero.

(2) For companies whose local currency is not the euro (Note 2.4.f), the carrying amount of the financial investment is shown in euros at historical rates and includes the capitalised purchasing costs. The euros relating to dividends received are translated at the exchange rate at the date of the transaction.

(3) This company has three permanent establishments in Greece, Italy and Albania.

(4) Both companies are investees together with other international industrial partners. Its business consists of the development and operation of infrastructure projects, such as the Altamira regasification plant already in operation and the TAP trans-Adriatic gas pipeline (declared to be a project of common interest by the European Union).

(5) In March the Enagás Group and its Belgian partner, Fluxys Europe BV, purchased 50% each of the Swedish company Knubbsäl Topholding AB. This company in turn indirectly owns 100% of the shares in Swedegas AB, operator of the Swedish gas system.

(6) The company Planta de Regasificación de Sagunto Gas, S.A. is 50% owned by Iniciativas de Gas, S.L. Accordingly, the indirect stake held by Enagás Group in Planta de Regasificación de Sagunto Gas, S.A. is 30%. The Planta de Regasificación de Sagunto Gas, S.A. is responsible for the distribution of the dividend.



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

BALANCE SHEET AGGREGATES

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

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

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

INCOME STATEMENT AGGREGATES

Thousands of euros

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

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

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



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

BALANCE SHEET AGGREGATES

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

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

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

INCOME STATEMENT AGGREGATES

Thousands of euros

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

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

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



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

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

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

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

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

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

34. Events after the reporting period

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

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

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

35. Explanation added for translation to English

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

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

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



Directors' report of the Enagás group

I. Group performance in 2015

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

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

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

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

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

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

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

The increase is mainly down to the higher consumption of gas used in generating electricity and for household consumption.

Specifically, the demand for electrical generation has grown by 18.2% compared against 2014, largely due to a lower hydraulic generation in 2015, the increase in the electrical demand and the greater activity of combined cycles during the summer months, owing to the heat waves recorded.

In addition, the typical demand increased by 1.7% on account of the lower temperatures reached in the first quarter of 2015, the increase in the number of household customers and renewed industrial activity.

On 19 December 2014, Order IET/2445/2014 was published in the Spanish Official State Gazette. This Order establishes the tolls and fees for third-party access to gas facilities and the remuneration of the regulated activities, establishing the fixed assets entitled to remuneration at each company in relation to their transport, regasification, storage and distribution activities, as well as the parameters for calculating the related variable remuneration.

Subsequently, the previous order was amended by Order IET/389/2015 of 5 March 2015, which updates the automatic calculation of maximum prices for the sale of bottled liquefied petroleum gases, before tax, and modifies the automatic calculation of sale prices, before, of liquefied petroleum gases for piping.

In terms of CO₂ emissions, Enagás has reduced its carbon footprint by more than 45% compared with 2014. The Energy Efficiency Plan contains measure that in 2015 have made it possible to prevent the emission of around 44,000 t CO₂ into the atmosphere, largely through lower internal consumption of natural gas in the operating of regasification plants below the technical minimum and ship-loading.

Additionally, the programme for reducing methane emissions in the transport network has made it possible to prevent the emission of 84.4 tonnes of methane per year.

In 2015, the Group continued to expand and enhance its regasification, transport and storage facilities to bring them into line with demand forecasts.

In this respect, the following significant actions carried out were:

- > Reduced internal consumption at the Huelva plant.
- > Emission below the technical minimum at the Cartagena Plant.
- > Gaviota drilling tower and wells.
- > Refurbishment of the dock at the Barcelona Plant.
- > Power generation at the Barcelona plant.
- > Euskadour compression station.
- > Revamping of the dock facilities at the Barcelona Plant.

Overall, as of 31 December 2015, the Enagás Group's gas infrastructure comprising the basic natural gas network consisted of the following:

- > Almost 10,314 kilometres of gas pipelines throughout Spain.
- > Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara) and Gaviota (Vizcaya).
- > Four regasification plants in Cartagena, Huelva, Barcelona and Gijón.
- > The Group additionally owns 50% of the BBG Regasification Plant (Bilbao), 40% of the Altamira Plant (Mexico) and 20.4% of the Bahía de Quintero Plant (Chile), and indirectly 30% of the Sagunto Regasification Plant (Valencia).
- > Since March 2014, the Enagás Group owns 20% of the company Transportadora de gas del Perú, whose assets make up the Natural Gas Transportation Pipeline System between Camisea and Lurín and the Liquefied Natural Gas Transport pipeline between Camisea and Costa. It is worth noting that from July 2015 the Enagás Group increased its shares in that company by 4.34%, bring its total stake up 24.34%.
- > In addition, it should be noted that the Enagás Group has a 30% holding in COGA, the company responsible for operating and maintaining the gas transport infrastructure in Peru.
- > From 15 April 2015, the Enagás Group hold 50% of Knubbsäl Topholding AB, indirect holder of 100% of Swedegas AB, holding company of the entire network of the high-pressure gas system in Sweden and sole operator in Sweden with European TSO (Transmission System Operator) certification.

II. Main business risks

The Enagás Group is exposed to various risks intrinsic to the sector, markets in which it operates and the activities it performs, which, should they materialise, could prevent it from achieving its objectives and executing its strategies successfully.

The Enagás Group has established a risk management and control model aimed at ensuring the continuity of the business and the achievement of the objectives of the company in a predictable manner and with a medium-low profile for all of its risks. This model is based on the following features:

- > establishing a context of appetite for risk that is consistent with the established business goals and the market context in which the company is developing its activities;
- > the consideration of some standard types of risk that the company is subject to;



- > the segregation and independence of the risk management and control functions brought together in the company on three levels of defence;
- > the existence of certain governing bodies with responsibilities for supervising the level of risk in the company;
- > transparency in the information provided to third parties, guaranteeing its reliability and rigour.

The integral analysis of all risk permits the appropriate control and management thereof, an understanding of the relationships between them and facilitates their joint assessment. This is accomplished by taking into account the differences of each type of risk in terms of its nature, handling capacity, risk measurement tools, etc.

The main risks associated with the Group's business activities are classified as follows:

1. Strategic and Business Risks

These are risks which are inherent to the gas sector and are linked to potential losses of value or results derived from external factors, strategic uncertainties, economic cycles, changes to the environment, changes to patterns of demand, competition and market structure or changes to the regulatory framework, as well as those derived from taking the incorrect decisions in relation to business plans and company strategies.

The activities carried out by the Enagás Group are notably affected by legislation (local, regional, national and supranational). Any change in that legislation could negatively affect profits and the value of the company. Within this type of risk, regulatory risk is of special relevance, and is associated with the remuneration framework and, therefore, the regulated income from business activities.

Similarly, the new developments of infrastructures are subject to obtaining licences, permits and authorisation from governments, as well as legislation of various types, notably environmental regulations. These long-term and complex processes may give rise to delays or modifications to the designs initially projected due to: i) obtaining authorisation, ii) the processes relating to environmental impact studies, iii) public opposition in the affected communities, and iv) changes in the political environment in the countries in which it operates. All of these risks may increase costs or delay projected income.

The growth in demand may also bring negative effects that will have a different impact in the short and medium- to-long term.

In the short term, the variation in the demand for transport, regasification and underground storage of natural gas in Spain has a direct impact on a component of the regulated remuneration received by these activities. The degree to which regasification plants are used may have a negative impact on the forecasted operating costs, through greater internal consumption and greenhouse gas emissions.

In the medium-to-long term, the increase in the demand is a factor that creates opportunities for building new projects in transport, regasification and underground storage infrastructure for natural gas and its development may alter or delay decisions taken in dealing with these projects.

The results of the company may also be affected by the legal risk arising from the uncertainties related with the different interpretation of contracts, laws or regulations which the company and third parties may have, as well as the results of any law suits undertaken.

The internalisation process that Enagás Group is undertaking means that its operations are being developed in specific regulatory frameworks and contexts of different investment needs, which have specific risks associated with them.

This context includes risks resulting economic or political crises that affect the operations of subsidiaries, the expropriation of assets, changes in commercial, tax, accounting or employment legislation, restrictions applied to the movement of capital, etc.

Major infrastructure projects are being undertaken, which are exposed to various risks of construction, for example deviations in completion deadlines or changes to plans and designs, with potential negative impact on the planned investment, penalties, etc.

Certain internal regulatory frameworks mean that subsidiaries assume a commercial risk and their short-term revenue is affected by the increase in the demand, competitiveness of natural gas compared with other sources of energy or the negotiation of tariffs with industrial clients.

The Enagás Group has implemented measures to control and manage its strategic and business risk within acceptable risk levels. To this end, it continually monitors risks relating to regulation, the market, the competition, business plans, strategic decisions, etc., and the management measures for keeping them at acceptable levels.

2. Operational and Technological Risks

During the performance of the activities carried out by Enagás Group there may be direct or indirect losses of value caused by inadequate processes, failure of physical equipment and computer systems, human resource errors or those deriving from certain external factors.

The main operational and technological risks that the Enagás Group is exposed to are those related with incidents and/or the unavailability of its infrastructure, teams and systems, which have negative economic effects due to repair costs or higher investment. Some of the regulatory frameworks in which the group operates also establish penalties in the event of the prolonged unavailability of the infrastructure.

Each year, the Enagás Group identifies the control and management activities that allow it to adequately and appropriately respond to those risks. The control activities that have been defined include employee training, the application of certain internal policies and procedures, maintenance plans and the definition of quality indicators, the establishment of limits and authorisations, and quality, prevention and environmental certificates, etc., that allow the likelihood of the occurrence of these risk events to be minimised.

To mitigate the negative economic impact that the materialization of some of these risks could have on the Enagás Group, a series of insurance policies have been obtained.

Some of these risks could affect the reliability of the financial information prepared and reported by the Enagás Group. To control these types of risks, an Internal Control over Financial Reporting System (ICFRS) has been established, the details of which may be consulted in the Corporate Governance Report.

3. Credit and Counterparty Risks

Credit risk consists of the possible losses arising from a failure to pay the financial or quantifiable obligations owed by a counterparty to which the Enagás Group has extended net credit and is pending settlement or collection. The counterparty risk includes the potential breach of obligations acquired by a counterparty in commercial agreements that are generally established in the long-term.

The Enagás Group monitors in detail this type of risk for its commercial activity, which is particularly relevant in the current economic context.

The activities carried out include analysing the risk level and monitoring the credit quality of counterparties, regulatory proposals to compensate the Group for any possible failure to comply with payment obligations on the part of marketers (an activity that takes place in a regulated environment), the request for guarantees or guaranteed payment schedules in the long-term agreements reached with respect to the international activity, etc.

The measures for managing credit risk involving financial assets include the placement of cash at highly-solvent entities, based on the credit ratings provided by the agencies with the highest international prestige. Interest rate and exchange rate derivatives are contracted with financial entities with the same credit profile.



The regulated nature of Enagás Group business activity does not allow an active customer concentration risk management policy to be established. However, the internalisation process that the Company is carrying out will facilitate the reduction of this potential risk.

Information concerning credit and counterparty risk management is disclosed in Note 17 to the consolidated financial statements.

4. Financial Risks

The Enagás Group is subject to the risks deriving from the volatility of interest and exchange rates, as well as movements in other financial variables that could negatively affect the company's liquidity.

Interest rate fluctuations affect the fair value of assets and liabilities that accrued interest at fixed rates, and the future flows from assets and liabilities that accrue interest at floating rates. The objective of interest rate risk management is to achieve a balanced debt structure that minimises the cost of debt over a multi-year horizon with low volatility in the income statement. For this purpose, hedges are put in place using derivatives and at the moment the Enagás Group maintains its fixed or protected debt structure of over 70%.

Foreign currency risk relates to debt transactions denominated in foreign currency, income and expenses relating to companies whose functional currency is not the euro and the effect of converting the financial statements of those companies whose currency is not the euro during the consolidation process. Exchange rate risk management at the Enagás Group pursues a balance between the flows relating to assets and liabilities denominated in a foreign currency at each of the companies. The possibility of arranging exchange rate derivatives to cover the volatility affecting the collection of dividends is also analysed at each opportunity for international expansion.

The Enagás Group maintains a liquidity policy that is consistent in terms of contracting credit facilities that are unconditionally available and temporary financial investments in an amount sufficient to cover the projected needs over a given period of time.

The financial risk management policy is set out in Note 18 to the consolidated financial statements.

5. Reputational Risks

Reputational risk refers to any action, event or circumstance that could have either a harmful or beneficial effect on the company's reputation among its stakeholders.

The Group has implemented a reputational risk self-assessment procedure which uses qualitative measurement techniques. This process considers the potential reputational impact of any of the risks listed in the current inventory as a result of strictly reputational events arising from the action, interest or opinion of a third party.

6. Compliance Risk and Model

The Enagás Group is exposed to the compliance risk, which includes the cost associated with potential penalties for breach of laws and legislation, or penalties resulting from the materialisation of operational events (environmental damage, damage to third parties, filtration of confidential information, health, hygiene and workplace security, etc.). In addition, the use of improper business practices (infringement of competition laws, independence of functions, etc.) or the breach of internal company policies and procedures.

Also, the Group may be affected by risks associated with the improper use of assessment models and/or risk measurement, and hypotheses that are outdated or do not have the necessary precisions to be able to correctly evaluate their results.

7. Criminal Liability Risks

The amendments made to Article 31 bis of the Criminal Code in 2010 and 2015 establish criminal liability on the part of legal entities. In this regard, the Enagás Group could be held liable in Spain for certain crimes committed by its directors, officers and staff in the course of their work and in the interest of the Company.

To prevent this risk from materialising, the Enagás Group has approved a Crime Prevention Model and has implemented the measures needed to prevent corporate crime and the avoid liability for the Company.

As a result of the international development of the company, the Crime Prevention Model is being expanded for the purpose of meeting the requirements of Mexican criminal legislation and US anti-corruption legislation.

III. Use of financial instruments

In February 2008, the Enagás Group Board of Directors approved an interest rate hedging policy devised to align the Group's financial cost with the target rate structure set under its Strategic Plan.

In compliance with this policy, the Group entered into a series of interest rate hedges in the course of 2015. As a result, 82% of total gross debt was hedged against interest rate increases at 31 December 2015.

IV. Outlook

The natural gas market is mature. The Spanish gas sector is dependent on the stream of regulations emanating from the European Union. The Enagás Group, which generates most of its revenue from the regulated business in Spain, is committed to Europe's new energy policy objectives. To this end, it is working intensively to help make sure that these regulatory developments prove as effective as possible, factoring in the characteristics of the internal market, and that they are properly integrated into the Spanish framework.

Net profit in 2016 is expected to increase by 0.5% compared with 2015.

The Enagás Group is considering making investments in 2016 of around 465 million euros, 70% of which are expected to go towards new international acquisitions and 30% towards regulated assets in Spain.

V. Research and development

In 2015 the activities carried out by the Company, with regard to technological innovation, focused on the study, analysis and, where applicable, application of new gas technologies in order to increase and improve the efficiency and security of operations and the competitiveness of the activities carried out, concentrating its technological efforts on projects with strategic value for the Company.

The most significant activities carried out by area in 2015 were:

a) Production (LNG).

The contribution to the newly revised LNG Custody Transfer Handbook has been finalised with the preparation and validation of the procedure to determine the energy transferred in a load, according to the alternative method proposed (mass balance). CFD studies for flaring at the Cartagena Plant and flaring and venting at the Barcelona Plant: Corrections made subject to the results of the hydrodynamic analysis. Completion of a sensitivity analysis on the operating parameters of a recondenser to determine whether there was a need to acquire the ROMEO tool. Launch of the project to develop an internal tool (Julieta) for optimising the recondenser. Contribution to the preparation of the Retail LNG Handbook published in 2015. Revision of the state of the technology for LNG fiscal measurement in small-scale applications and launch of a pilot test to compare measurements with Coriolis meters against the static measurement in tank loaders at the Barcelona Plant.

**b) Transport.**

The Company completed its part in a European project to adopt a common position on the quantitative evaluation of gas leaks in gas transport systems. It also took part in European studies into the development of Power to Gas technology, evaluating the operating and financial repercussions that could result from injecting small amounts of hydrogen into the natural gas network. A Spanish project also commenced to design natural gas production plants based on hydrogen produced electrolytically using the excess from renewable energies and the CO₂ content of biogas.

c) Storage.

The use of equipment for flow measurement for multiphase flows in the exit chamber of underground wells and a pilot project has been launched.

d) Operation.

The SPOL tool (Logistics Optimisation and Planning System) has been adapted to the new regulatory changes introduced in 2015 and to the new infrastructure regulatory framework. Finally, the Company continued with the development of a model to determine gas quality through simulation (NGQT), having established in collaboration with the Spanish Centre for Meteorology the technical requirements for obtaining certification for the system.

e) Safety.

Various projects and studies have been developed in relation to the analysis of risks involving gas pipelines and Enagás facilities. Specifically, all compressor stations, pipelines and positions belonging to two autonomous communities. The Group has also continued to participate in the development of important international databases.

f) Measurement.

Work continued to improve the measurement of sulphur compounds, dew points and hydrocarbon levels in natural gas, implementing a methodology for the contrast of measurements taken in the laboratory as well as in the field. A model is being developed to estimate the uncertainty of measuring energy in the transport network in order to improve the limitations on local and global calculation of the uncertainty and its integration as part of the measurement system.

g) Projects of general interest.

The Group has continued to develop a project that will cover all of the Group's facilities and is intended to boost energy efficiency both from the standpoint of optimising consumption and producing electricity from residual energy from the process: pressure, heat and cold. Various comparisons and proofs have been conducted on the evolution of the VUM software, which is a tool used in the metrology verification procedures at measuring stations.

h) Other matters.

The Group has also collaborated with various regulatory preparation groups relating to gas and biomethane quality, in accordance with the M400 and M475 mandates of the European Union, and the measurement of natural gas. Analysis and preparation of a report to be sent to MINETUR on the impact of narrowing the range of the Wobbe Index in Spain Study of the variation in the main quality parameters in the RBG, meeting the needs of the Pilot Study to harmonise the Wobbe Index launched by MARCOGAZ and EASEE-gas.

VI. Transactions with treasury shares

The Group did not carry out any transactions involving treasury shares during the 2015.

VII - Additional information

This additional disclosure is included to comply with article 116.bis of Securities Market Law 24/1988, of 28 July.

a) Capital structure, including securities which are not admitted to trading on a regulated market in a member state, indicating, where appropriate, the different classes of shares and, for each class of shares, the rights and obligations attaching thereto and the percentage of total share capital represented

Capital structure of the parent company:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
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 corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
BANK OF AMERICA CORPORATION	0	8,627,588	3.614
RETAILS OEICS AGGREGATE	0	2,410,274	1.01

Significant shareholdings of directors holding voting shares in the company:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr. Antonio Llardén Carratalá	56,396	0	0.024
Mr. Marcelino Oreja Arburúa	1,260	0	0.001
Solana Gonzalez, Gonzalo ⁽¹⁾	440	550 (1)	0.000
Mr. Luis Javier Navarro Vigil ⁽²⁾	1,405	7,075 (2)	0.004
Mr. Martí Parellada Sabata	910	0	0.000
Mr. Ramón Pérez Simarro	100	0	0.000
Sociedad Estatal de Participaciones Industriales (SEPI)	11,936,713	0	5.000
TOTAL	11,997,224	7,625	5.029

1. Through Investigación y Desarrollo de Estudios Aplicados, S.L., 50% owned with his wife.

2. Through Newcomer.

(1) through:

Name or corporate name of shareholder	Number of direct voting rights	% of total voting rights
Investigación y Desarrollo de Estudios Aplicados, S.L	550	-



(2) through:

Name or corporate name of shareholder	Number of direct voting rights	% of total voting rights
NEWCOMER 2000, S.L.U.	7,075	0.003
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 in line with the provisions of Law 12/2007 of 2 July.

Law 12/2007 of 2 July, amending Hydrocarbon Law 34/1998, of 7 October, in order to bring it into line with the provisions of Directive 2003/55/EC of the European Parliament and of the Council, of 26 June 2003 concerning common rules for the internal market in natural gas, provides a new wording for Additional Provision Twenty of Law 34/1998, which vests in Enagás, S.A. the role of technical system operator and sets ceilings on shareholdings in the Company. The wording of this additional provision now stands as follows:

"Additional Provision Twenty. Technical system operator.

ENAGAS, Sociedad Anónima shall undertake the duties, rights and obligations of technical system operator. (...)
No natural person or corporate body may hold, directly or indirectly, more than 5% of the share capital of the company acting as technical system manager, or exercise more than 3% of the company's voting rights. Such shares may in no event be syndicated. Parties operating in the gas industry or natural persons or corporate bodies that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise voting rights in the technical system manager above 1%. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises. Under no circumstances may share capital be syndicated.

In addition, the sum of direct and indirect shareholdings held by parties operating in the natural gas industry may not exceed 40%.

For the purposes of calculating the interest in the shareholding structure, the same individual or body corporate will be attributed, in addition to the shares and other securities held or acquired by companies belonging to its group, as defined in article 4 of the Law 24/1988, of 28 July, regarding securities markets, those whose ownership corresponds to:

- a) Any person acting on his own behalf but on account of the aforesaid, in concert or constituting a decision-making unit. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that governing body
- b) Partners with those with which one of them exercises control over a dominant company in accordance with article 4 of Securities Market Law 24/1988.

In any event, regard shall be had to the proprietary ownership of the shares and other securities and the voting rights attached to each.

Breach of the restrictions on interests in share capital prescribed by this article shall be treated as a very serious infringement for the purposes of article 109 of this Law, and liability shall attach to any natural person or body corporate found to be holders of the securities or to any person to whom there may be attributed the excess interest in share capital or voting rights pursuant to the above sub-paragraphs. In any event, the regime of penalties laid down in the law shall be applied."

Accordingly, Transitional Provision Six of Law 12/2007, of 2 July, stipulates that during the four months prior to the entry into force of the Law, Enagás, S.A. shall bring its bylaws in line with Additional Provision Twenty of Law 34/1998, of 7 October. Transitional Provision Two of Law 12/2007 of 2 July, further prescribes:

“Transitional Provision Two. Technical system operator.

The voting rights that correspond to the shares or other securities held by those persons that have a shareholding in Enagás, S.A., exceeding the maximum percentages indicated in Additional Provision Twenty of Hydrocarbon Law 34/1998, shall be suspended as of the entry into force of this provision.

The Spanish energy regulator shall be entitled to bring all legal actions aimed at ensuring compliance with the limitations imposed by this provision.”

In accordance with the aforementioned legal provision, article 6a (“Limitation on shareholdings and exercise of voting rights”) of Enagás, S.A.’s bylaws sets forth the following:

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

In addition, the sum of direct and indirect shareholdings held by parties operating in the natural gas industry may not exceed 40%.

For the purposes of computing holdings in the share capital of the company, additional provision 20 of the Hydrocarbons Law 34/1998 of 7 October shall apply”.

e) Agreements between shareholders

There is no record of any agreements among the Company’s shareholders.

f) The rules governing the appointment and replacement of board members and the amendment of the articles of association

Bylaw provisions affecting the appointment and replacement of board members:

ARTICLE 35. – COMPOSITION OF THE BOARD.

The Company shall be governed and managed by the Board of Directors, which shall represent the Company collegiately, both in and out of court. Its representation shall extend, with no limitation of powers, to all acts embodied in the Company’s objects.

The Board of Directors shall be composed of a minimum of six members and a maximum of seventeen, appointed at the General Shareholders’ Meeting.

Directors shall be elected by vote. For this purpose, the shares that are voluntarily pooled, to make a share capital that is equal to or greater than the result of dividing the latter by the number of Directors, shall be entitled to appoint a number of Directors equal to the integer number resulting from that proportion. If this power is exercised, the shares pooled in this way shall not take part in the voting for the appointment of the remaining Directors.

A director need not be a shareholder, may step down from office, may have his appointment revoked, and may be re-elected on one or more occasions.

Appointment as director shall take effect upon acceptance of the post.

Persons who are subject to any of the situations referred to in article 124 of the revised Spanish Companies Law may not be appointed as directors.



ARTICLE 37.- POSTS.

The Board of Directors will appoint its Chairman and, where applicable, a Deputy Chairman, who shall act as Chairman when necessary. In lieu of a Deputy Chairman, the most senior director in age shall substitute the Chairman.

The Board of Directors will be responsible for appointing a Secretary, and may also appoint a Deputy Secretary, which shall act as Secretary when necessary, those that may not be directors. In lieu of a Deputy Secretary, the most senior director in age shall substitute the Secretary.

Provisions of the organisational and operational regulations of the Board of Directors (adopted by the Board of Directors on 29 March 2007):

ARTICLE 3.- QUANTITATIVE AND QUALITATIVE COMPOSITION.

1.- Within the minimum and maximum limits set forth under article 35 of the Company's current bylaws, and without prejudice to the powers of proposal enjoyed by shareholders, the Board of Directors shall submit to the General Meeting such Board membership size as it deems appropriate in the interests of the Company at the given time. The General Meeting shall decide on the final number.

2.- The Board of Directors shall be composed of Directors classified into the categories specified below:

a) Internal or Executive Directors: directors who perform senior management functions or are employed by the company or its Group. If a director performs senior management functions and, at the same time, is or represents a significant shareholder or one that is represented on the Board of Directors, he/she shall be considered internal or executive for purposes of the present Regulations.

No more than 20% of the total number of Directors may belong to this category.

b) External Consultants: These directors shall in turn fall into three categories:

b1) Proprietary directors: directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than said amount, as well as those who represent said shareholders.

b2) Independent Directors: Directors of acknowledged professional prestige who are able to contribute their experience and knowledge to corporate governance and, since they do not belong to either of the two preceding categories, meet the conditions set forth under article 9 of the present Regulations. The number of independent directors shall represent at least one third of all directors.

b3) Other external directors: External directors who are not proprietary directors and cannot be classified as independent directors in accordance with article 9 of these Regulations.

In exercising its powers of co-option and proposal to the General Meeting to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, Independent Directors represent a broad majority over Executive Directors, and that among Non-Executive Directors the ratio of Proprietary to Independent Directors reflects the existing ratio of share capital represented by Proprietary Directors to all other capital.

ARTICLE 8 - APPOINTMENT OF DIRECTORS.

1.- Directors shall be appointed at the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions contained in the Spanish Companies Act and the company's Bylaws.

2.- In order to be considered for appointment, candidates must have a solid reputation and possess the professional know-how and experience required to discharge their duties, in addition to complying with all requirements associated with the post imposed by law and the bylaws.

Proposals for the appointment of directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a report from the Appointments and Remuneration Committee. When the Board of Directors departs from the Committee's recommendations, it must explain the reasons for this, and such reasons must be duly recorded in the minutes.

3.- Selection procedures must be free of any implied bias against women candidates. The Company shall make an effort to include women with the target profile among the candidates for Board positions.

ARTICLE 9.- APPOINTMENT OF INDEPENDENT DIRECTORS

Independent Directors are defined as those who, appointed based on their personal and professional aptitudes, may perform their duties without being affected by dealings with the Company, its significant shareholders or its executives. As such, the following shall in no circumstances qualify as independent directors:

- a) Persons who have been employed by, or served as Executive Directors of, Group companies, unless three or five years, respectively, have elapsed since the termination of that relationship.
- b) Persons who receive any sum or benefit other than Director's remuneration from the Company or its Group, unless such benefit is negligible. Payment shall not include for the purposes of the provisions of this article, dividends or pension top-ups paid to the director in connection with his or her former professional or employment relationship, so long as their settlement is unconditional in nature and the Company paying them cannot arbitrarily choose to suspend, modify or revoke their payment, unless the director is in breach of his or her obligations.
- c) Persons who are, or have been during the past three years, a partner of the external auditor or party responsible for the auditor's report reviewing the accounts of Enagás, S.A. or any other Group company for that period.
- d) Persons who are executive directors or senior managers of another company where an Executive Director or Senior Manager of Enagás, S.A. is a non-executive director.
- e) Persons who maintain, or have maintained in the past year, a significant business relationship with Enagás, S.A. or any other Group company, whether on their own behalf or as a significant shareholder, director or senior manager of any company that maintains or has maintained such relationship. Business dealings are considered those with suppliers of goods or services, including financial advisory and consultancy services.
- f) Persons who are significant shareholders, executive directors or senior managers of any entity that receives, or have received during the past three years, significant donations from Enagás, S.A. or its Group. Mere sponsors of a foundation receiving donations are not included here.
- g) Spouses, partners or relatives up to the second degree of any of the Company's Executive Directors or senior managers.
- h) Any person not proposed for appointment or renewal by the Appointments and Remuneration Committee.
- i) Those standing in some of the situations listed in a), e), f) or g) above in relation to a significant shareholder or a shareholder with board representation. In the case of the family relations set out in letter g), the limitation shall apply not only in connection with the shareholder but also with his or her proprietary directors in the investee company. Significant-Shareholder Appointed Directors disqualified as such and obliged to resign due to the disposal of shares by the shareholder they represent may only be re-elected as independents once the said shareholder has sold all remaining shares in the company.

A director with shares in the company may qualify as independent, provided he or she meets all the conditions stated in this article and the holding in question is not significant.

ARTICLE 10.- TENURE AND CO-OPTION

Directors may hold their post for a period of four years, and may be re-elected. Directors appointed by co-option will perform their functions until the date of the next General Shareholders' Meeting.

ARTICLE 11.- RE-APPOINTMENT OF DIRECTORS

The Appointments and Remuneration Committee, responsible for evaluating the quality of work and dedication to the post of the directors proposed during the previous term of office, shall provide information required to assess proposal for re-appointment of directors presented by the Board of Directors to the General Shareholders' Meeting.

As a general rule, appropriate rotation of independent directors should be endeavoured. For this reason, when an Independent Director is proposed for re-election, the circumstances making this Director's continuity in the post advisable must be justified. Independent directors should not stay on as such for a continuous period of more than 12 years.



ARTICLE 12.- REMOVAL OF DIRECTORS.

- 1.- Directors shall leave their post after the first General Shareholders' Meeting following the end of their tenure and in all other cases in accordance with law, the company's bylaws and the present Regulations.
- 2.- Directors must place their office at the Board of Directors' disposal, and tender, if the Board deems this appropriate, their resignation in the following cases:
 - a) When they are involved in any of the legally stipulated circumstances of incompatibility or prohibition.
 - b) When they are in serious breach of their obligations as directors.
 - c) When they may put the interests of the company at risk or harm its name and reputation. If a director is indicted or an order is issued to initiate a trial against him/her for a crime specified under article 124 of the Spanish Companies Law, the Board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide where or not the director should be called on to resign.
 - d) When the circumstances motivating their appointment as directors no longer exist.
 - e) When Independent Directors no longer fulfil the criteria required under article 9.
 - f) When the shareholder represented by a Significant-Shareholder Appointed Directors sells its entire interest. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced proportionately.

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

- 3.- The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a report from the Appointments and Remuneration Committee.
- 4.- After a director has been removed from his/her post, he/she may not work for a competitor company for a period of two years, unless the Board of Directors exempts him/her from this obligation or shortens its duration.

Bylaw provisions affecting the amendment of the Articles of Association:

ARTICLE 26. – SPECIAL QUORUM.

In order to enable the Ordinary or Extraordinary General Shareholders' Meeting to validly resolve to issue bonds, increase or reduce capital, transform, merge or spin-off the Company and, in general, to amend the bylaws in any way, it will be necessary, at first call, that the shareholders in attendance (either in person or represented) hold at least fifty per cent of the share capital with voting rights.

At second call, attendance of at least twenty-five percent of the paid up voting capital shall be sufficient.

g) The powers of board members and in particular the power to issue or buy back shares

The powers delegated to the Executive Chairman, Antonio Llardén Carratalá, by the company's Board of Directors, were granted in the public deed executed on 9 February 2007 before the Notary Public of Madrid Pedro de la Herrán Matorras, under number 324 in his notarial archive, and recorded in Volume 20,090, Book 0, File 172, Section 8; Sheet M-6113; Entry 668 of the Madrid Mercantile Register.

On 25 March 2014 the Board of Directors of Enagás, S.A. delegated to MARCELINO OREJA ARBURÚA the powers that the Board of Directors considered had to be delegated to the Chief Executive Officer within statutory limits, in accordance with article 43 of the Company's Articles of Association and article 19 of the Board Regulations. These powers were granted in the public deed executed on 28 May 2014 before the Notary Public of Madrid Pedro de la Herrán Matorras, under number 1,306 in his notarial archive, and recorded in Volume 32,018, Book 0, File 5, Section 8, Sheet M-6113, Entry 777 of the Madrid Mercantile Register.

Although said powers encompass broad powers of representation, they do not include the ability to issue or buy back shares of the Company.

Regardless of the foregoing, the tenth resolution adopted at the General Shareholders' Meeting held on 11 May 2007 is currently in force. Its terms are:

"To grant the Board of Directors the broadest powers required by law to increase the Group's share capital, once or several times, within a maximum period of five years from the date of the Meeting, under the terms of article 153.b) of the Spanish Companies Law, up to a maximum of 179 million euros, by issuing new shares, with or without voting rights, with or without a share premium, in exchange for cash, and to establish the terms and conditions of the capital increase and the features of the shares, with the possibility of offering freely new shares unsubscribed within the pre-emptive subscription period(s) and determine, if the shares are not fully subscribed, that capital will be increased only by the amount of the subscriptions made and, accordingly, to redraft the article of the Company bylaws regarding share capital. The Board of Directors was also empowered to cancel pre-emption rights, in full or in part, in accordance with article 159 of the Spanish Companies Law."

h) Significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company arising from a takeover bid and the effects thereof except where such disclosure could pose a serious risk to the company. This exception is not applicable when the company is legally obliged to disclose the information.

No agreements of this kind exist.

i) Agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment relation ends following a takeover bid.

The Company has an agreement with the Executive Chairman, the Chief Executive Officer and eight of its officers that include express severance pay clauses.

The clauses in each case are applicable in cases of company termination of the contract, unfair disciplinary dismissal, dismissal for the reasons outlined under article 52 of the Workers' Statute, or as decided by the manager citing one of the reasons outlined under article 50 of the Workers' Statute, provided the resolution is certified by means of conciliation between the parties, legal judgement, arbitration award, or resolution by a competent administrative body. They are not applicable if the resolution is the result of a unilateral decision made by the manager without just cause.

All such contracts have been approved by the Board of Directors.

VIII. The average payment period to suppliers.

The Group's average payment period was 22 days.



IX Events after the balance sheet date

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

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

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

On 15 February 2016, the Board of Directors of Enagás, S.A. authorised the consolidated financial statements and management report for the year ended 31 December 2015, consisting of the accompanying documents, signed and sealed by the Secretary with the Company's stamp, for issue, in accordance with article 253 of the Spanish Corporate Enterprises Act and article 37 of the Code of Commerce.

DECLARATION OF RESPONSIBILITY.

For the purposes of article 8.1 b) of Spanish Royal Decree 1632/2007, of 19 October 2007, the undersigned directors state that, to the best of their knowledge, the annual consolidated financial statements, prepared in accordance with applicable accounting principles, provide a true and fair view of the equity, financial position and results of the Group and that the Group's management report includes a fair analysis of the performance and results of the businesses and the situation of the Group, together with the description of the main risks and uncertainties faced. They additionally state that to the best of their knowledge the directors not signing below did not express dissent with respect to the annual consolidated financial statements or management report.

CHAIRMAN
Mr. Antonio Llardén Carratalá
CHIEF EXECUTIVE OFFICER
Mr. Marcelino Oreja Arburúa
DIRECTORS
Sociedad Estatal de Participaciones Industriales (SEPI) (Representada por D. federico Ferrer Delso)
Mr. Luis Javier Navarro Vigil
Mr. Martí Parellada Sabata
Mr. Ramón Pérez Simarro
Mr. Gonzalo Solana González
Mr. Luis Valero Artola
Mr. Antonio Hernández Mancha
Ms. Ana Palacio Vallelersund
Mr. Jesús Máximo Pedrosa Ortega
Ms. Rosa Rodríguez Díaz
Ms. Isabel Tocino Biscarolasaga
SECRETARY TO THE BOARD
Mr. Rafael Piqueras Bautista