Base Prospectus
Dated 13 May 2014

Enagás Financiaciones, S.A.U.

(incorporated with limited liability in the Kingdom of Spain)

€4,000,000,000

Guaranteed Euro Medium Term Note Programme

guaranteed by

Enagás, S.A.

(incorporated with limited liability in the Kingdom of Spain)

Under the Guaranteed Euro Medium Term Note Programme described in this Prospectus (the "Programme"), Enagás Financiaciones, S.A.U. (the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Guaranteed Euro Medium Term Notes (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed €4,000,000,000 (or the equivalent in other currencies).

The payment of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Enagás, S.A. ("Enagás" or the "Guarantor") . The obligations of the Guarantor in that respect (the "Guarantee") are contained in the deed of guarantee dated 13 May 2014.

Application has been made to the Commission de Surveillance du Secteur Financier (the "CSSF") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 as amended relating to prospectuses for securities, for the approval of this Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (the "Prospectus Directive"). The CSSF assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer in line with the provisions of article 7 (7) of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities. Application has also been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to the official list of the Luxembourg Stock Exchange (the "Official List") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market (or any other stock exchange).

Each Series (as defined in "Overview of the Programme – Method of Issue") of Notes will be represented on issue by a temporary global note (each a "temporary Global Note") or a permanent global note (each a "permanent Global Note"). If the Global Note are stated in the applicable Final Terms to be issued in new global note ("NGN") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common Safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Global Notes which are not issued in NGN form ("Classic Global Notes" or "CGNs") will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "Common Depositary"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation") will be disclosed in the Final Terms. A list of registered credit rating agencies is published at the European Securities and Market Authority's website: www.esma.europa.eu. The Guarantor's long-term debt is rated A- by Fitch Ratings Ltd ("Fitch") and BBB by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc. ("S&P"). Fitch and S&P are each a credit rating agency established in the European Economic Area ("EEA") and registered under the CRA Regulation.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

Dealers

BANCA IMI
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
BARCLAYS
BNP PARIBAS
CAIXABANK
CITIGROUP
DEUTSCHE BANK
J.P. MORGAN
SANTANDER GLOBAL BANKING & MARKETS
SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING

Arranger for the Programme

BARCLAYS

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (the "Prospectus Directive") and for the purpose of giving information with regard to the Issuer, the Guarantor, the Guarantor's subsidiaries and affiliates taken as a whole (the "Group") and the Notes which, according to the particular nature of the Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor.

The Issuer and the Guarantor (the "Responsible Persons") accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "Documents Incorporated by Reference").

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers or the Arranger (as defined in "Overview of the Programme"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC), the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") and include Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "Subscription and Sale".

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Notes.

The Arranger and the Dealers have not separately verified the information contained in this Prospectus. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Programme.

To the fullest extent permitted by law, none of the Dealers or the Arranger or the Fiscal Agent accepts any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or the Fiscal Agent or on its behalf in connection with the Issuer, the Guarantor or the issue and offering of the Notes. The Arranger and each Dealer and the Fiscal Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche (as defined in "Overview of the Programme – Method of Issue"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to Euro and € are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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RISK FACTORS

The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer or the Guarantor may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Risks Relating to the Issuer

Risks in relation to the Issuer

The Issuer is a finance vehicle established by Enagás for the purpose of issuing notes and other debt securities on behalf of the Group. The Issuer's principal liabilities will comprise the Notes and other debt securities issued by it and its principal assets will comprise its rights (if any) under agreements under which the net proceeds from the issue of the Notes and other debt securities are on-lent to or otherwise invested in Enagás. Accordingly, in order to meet its obligations under the Notes, the Issuer is dependent upon Enagás meeting its obligations under such agreements in a timely fashion. Should Enagás fail to meet its obligations under such agreements in a timely fashion this could have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Notes issued under the Programme. The fact that each Issuer is wholly owned by Enagás may limit the ability of the Issuer to enforce these obligations.

Risks Relating to the Guarantor

Regulatory risk

The Group operates in a highly regulated market that has undergone significant changes over recent years. Both Spanish and European regulations determine the scope of the business undertaken by the Group and the compensation scheme for regulated activities in the natural gas sector. These activities particularly include gas transport, regasification, underground storage and the technical management of the system. Consequently, changes in law or regulation or regulatory policy which affect the Group's business could materially adversely affect it. Decisions or rulings concerning, for example: (i) liberalisation of certain activities; (ii) whether licences, approvals, concessions or agreements to operate or supply are granted or are renewed or whether there has been any breach of the terms of a licence, approval, concession or regulatory requirement; (iii) timely recovery of incurred expenditure or obligations, a decoupling of energy usage and revenue and other decisions relating to the impact of general economic conditions on it, implications of climate change, the level of permitted revenues and dividend distributions for its businesses and in relation to proposed business development activities; and (iv) structural changes in regulation, could have a material adverse effect on the business, financial condition and results of operations of the Group.

A regulatory review of the regulations in the Spanish gas market is currently underway. The Ministry of Industry, Energy and Tourism asked for a report from the Spanish Energy Commission ("CNE") on regulatory

changes aimed at preventing a tariff deficit in the Spanish gas system. The report, published by the CNE on 7 March 2012, contains a number of measures that could affect the current legal framework; in particular, the CNE proposes revising gas sector planning in line with the currently lower demand (which could delay planned investment in transmission, underground storage and regasification) and how payments are calculated for the different regulated activities such as transmission, distribution, regasification and underground gas storage. Some of these proposals have been adopted by Royal Decree-Law 13/2012, of 30 March 2012, the aim of which is to implement measures concerning the domestic electricity and gas markets. In particular it introduces certain measures aimed at addressing the gap between the costs and revenues of the electricity and gas industries through various amendments to the relevant legislation concerning the gas industry and increasing system revenues. Through the transposition of Directive 2009/73/EC concerning common rules for the internal market in natural gas, the concept of "ownership unbundling" (*separación patrimonial*) has been incorporated into Spanish law. This implies the appointment of the network owner as the system operator and its independence from any supply and production interests.

Although Enagás considers that the Group is, in all material respects, in compliance with the laws governing its activities, it is subject to a large number of laws across various jurisdictions. If the competent public or private sector bodies were to interpret or apply such laws in a manner contrary to Enagás' interpretation of them, such compliance could be questioned or challenged and, if any non-compliance were to be alleged or proven, it could have a material adverse effect on the Group's subsidies, business, prospects, financial condition and results of operations.

In addition, it should be noted that many of the Group's authorisations, licenses and concessions are subject to the fulfilment of certain commitments which, if not met, can lead to sanctions, a reduction in remuneration, revocation of the authorisations, licenses and concessions and enforcement of any guarantees provided, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

Uncertain macroeconomic climate

The global economy and the global financial system continue to experience significant turbulence and uncertainty, including a very severe dislocation of the financial markets and stress to the sovereign debt and economies of certain EU countries. This dislocation has severely restricted general levels of liquidity and the availability of credit and the terms on which credit is available. It has also increased the financial burden on the Group's domestic and institutional customers, degrading their credit quality, reducing their spending capacity and negatively affecting consumer demand. This crisis in the financial system has led the governments of many developed economies (including Spain) to inject liquidity into the financial system and to require (and participate in) the recapitalisation of the finance sector to reduce the risk of failure of certain large institutions, to attempt to safeguard the flow of credit to businesses and to seek to return confidence to the market.

Despite this intervention, the volatility and market disruption in the financial sector have continued to reach levels unprecedented in recent history. This market dislocation has also been accompanied by recessionary conditions and trends in many economies throughout the world, with a material impact in Spain. There is increasing concern of a deep and prolonged global and Spanish recession.

In addition, certain countries in Europe, including Spain, currently have large sovereign debts and/or fiscal deficits and this has led to uncertainty in the markets as to whether or not the governments of those countries will be able to pay in full and on time the amounts due in respect of those debts. These concerns have led to significant spikes in secondary market yields for sovereign debt of the affected countries, including Spain, and also to significant exchange rate volatility, especially with respect to the euro. Further, the continued concern about the fiscal positions of the governments of the affected countries has also raised concerns regarding the

exposures of banks to such countries, especially banks domiciled within Europe. These concerns may lead to such banks being unable to obtain funding in the interbank market or interbank funding may become available only at elevated interest rates, which may cause such banks to suffer liquidity stress and potentially insolvency. If this were to happen, the flow of credit to businesses could be severely disrupted, thereby worsening the recessionary conditions and trends.

Continued deterioration in the Spanish and other economies throughout the world negatively affects business and consumer confidence, unemployment trends, the state of the housing market, the commercial real estate sector, the state of the equity, bond and foreign exchange markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes in key markets and the liquidity of the global financial markets, all of which could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group is not able to predict how the economic cycle is likely to develop in the short term or the coming years or whether there will be a further deterioration in this recessive phase of the global and Spanish economic cycle. Any further deterioration or continuation of the current economic situation in Spain could decrease the revenues, increase the bad debt exposure and increase the financing costs of the Group, any of which could have a material adverse effect on the business, prospects, financial condition and results of operations of the Group.

Business Strategy

Given the risks to which the Group is exposed and the uncertainties inherent in its business activities, the Group can provide no assurance that it will be able to implement its business strategy successfully. Were the Group to fail to achieve its strategic objectives, or if those objectives, once attained, did not generate the benefits initially anticipated, its business, financial condition and results of operations may be adversely affected, perhaps significantly. The Group's ability to achieve its strategic objectives is subject to a variety of risks, including, but not limited to, the following specific risks:

(i) the possibility of a new recession in the Spanish or European economy, or the actual or threatened default by any major economy on its sovereign debt, which would negatively affect the performance of the Group's businesses;

(ii) an inability to successfully manage the requirements of regulatory frameworks if stricter-than expected regulatory measures were to be imposed in relation to the distribution of gas;

(iii) demand for natural gas or the failure to correctly estimate projected natural gas demand over coming years;

(iv) an ability to achieve the desired level of regulated public bid awards with respect to infrastructure projects in gas supplies and access to gas reserves; and

(v) an ability to consolidate the Group's business strategy.

Risks associated with alterations in the demand of gas in Spain

The business of the Group is closely linked to growth of demand for natural gas in Spain and peak demand of the system, which depend on a series of factors beyond the control of the Group. These factors include, among others, the development of the electricity sector, the development of alternative energies, the price of natural gas by comparison to other energies, the general economic situation in Spain, the status of the international crisis, climate changes, the availability of capacity for international import of natural gas by pipeline, environmental legislation and uninterrupted imports of natural gas from foreign countries.

The Group's infrastructure investment plans are based on Spanish projected natural gas demand over coming years. These estimates are made based on current data and historical information on the evolution of the market.

Also, the demand for electricity and natural gas is closely related to climate. Generally, demand is higher during the cold weather months of October through March in Europe and lower during the warm weather months of April through September in Europe. A significant portion of demand for natural gas in the winter months relates to the production of electricity and heat and, in the summer months, to the production of electricity for air-conditioning systems. The revenues and results of operations of the Group's natural gas operations could be negatively affected by periods of unseasonable warm weather during the autumn and winter months. Likewise, electricity demand may decrease during mild summers as a result of reduced demand for air-conditioning, having a negative impact on revenues generated.

If natural gas demand in Spain does not increase at the forecasted pace the strategic plan of the Group could be affected, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

Risks that investments will not be authorised

The Spanish regulations on the gas sector provide that investments affecting the system's regasification capacity, or involving the underground storage of natural gas reserves or the construction of natural gas pipelines operating at a pressure of more than 60 bars are subject to mandatory planning to be established by the Spanish government. Any infrastructure investment included within the mandatory planning is to be authorised by the Ministry of Industry, Energy and Tourism and these projects are generally subject to a regulated public bid award process. Although the construction of the "primary transport" pipelines integrated in the so-called "backbone network" (*red troncal*) shall be directly awarded to the Group, it is not certain that the Group will be the successful bidder in the public bid award processes for other such projects. Failures to be awarded these projects may deviate the Group from its investment plan, which could have a material adverse effect on the consolidated financial statements and operating results of the Group.

Risk of making investments not contemplated in the investment plan

The Spanish regulations on the gas sector provide that the Ministry of Industry, Energy and Tourism may instruct the Group to make natural gas infrastructure investments if projects which were submitted to public bid award processes are not allocated. In such circumstances the Group would have to make investments not contemplated in the current investment plan which would require raising finance which was not foreseen in the current investment plan.

If the Group is required to develop a project in the circumstances set out above, any such investment might be less profitable than others in which other participants take part in the bidding process. The obligation of the Group, as technical manager of the natural gas system in Spain, to make such investments in infrastructure could result in stoppage or slowdown of its investment plan, a deviation from the Group's strategy and a higher cost in the management of this part of the transport network.

Risk associated with new investments

All new investments are subject to a range of market, credit, commercial, regulatory, operational and other risks, which may affect the profitability of the project.

In particular, the construction and development of natural gas supply and distribution infrastructure can be time-consuming and highly complex. Any increase in the costs of, cancellation of and/or delay in the completion of, the Group's projects under development and projects proposed for development could have a material adverse effect on its business, prospects, financial condition and results of operations. In particular, if

the Group was unable to complete projects under development, it may not be able to recover the costs incurred and its profitability could be adversely affected.

Environmental and health and safety risks

Aspects of the Group's activities are potentially dangerous, such as the operation and maintenance of gas transmission and distribution networks, and the regasification plants. Gas utilities also typically use and generate in their operations hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of its operations that are not currently regarded or proved to have adverse effects but could become so. The Group is subject to laws and regulations relating to pollution, the protection of the environment and the use and disposal of hazardous substances and waste materials. These expose the Group to costs and liabilities relating to its operations and properties, including those inherited from predecessor bodies or formerly owned by it and sites used for the disposal of its waste. The cost of future environmental remediation obligations is often inherently difficult to estimate and uncertainties can include the extent of contamination, the appropriate corrective actions and the Group's share of the liability. The Group is also subject to laws and regulations governing health and safety matters protecting the public and its employees. The Group is increasingly subject to regulation in relation to climate change. The Group commits significant expenditure towards complying with these laws and regulations. If additional requirements are imposed or its ability to recover these costs under the relevant regulatory framework changes, this could have a material adverse impact on the Group's business, financial condition and its results of operations. Furthermore, any breach of these regulatory or contractual obligations, or even incidents that do not amount to a breach, could materially adversely affect the Group's results of operations and its reputation.

Operating risks

The Group may suffer a major network failure or interruption or may not be able to carry out critical non network operations. Operational performance could be materially adversely affected by a failure to maintain the health of the system or network, inadequate forecasting of demand or inadequate record keeping or failure of information systems and supporting technology. This could cause the Group to fail to meet agreed standards of service or incentive and reliability targets or be in breach of a licence, approval, concession, regulatory requirement or contractual obligation, and even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming the Group's reputation. In addition to these risks, the Group may be affected by other potential events that are largely outside its control such as the impact of weather (including as a result of climate change), unlawful or unintentional acts of third parties or force majeure. Weather conditions, including prolonged periods of adverse weather, can affect financial performance and severe weather that causes outages or damages infrastructure will materially adversely affect operational and potentially business performance and its reputation. Terrorist attack, sabotage or other intentional acts may also damage the Group's assets or otherwise significantly affect corporate activities and as a consequence have material adverse effects on the Group's business, financial condition and results of operations.

Additionally, the Group may be subject to civil liability claims for personal injury and/or other damages caused in the ordinary pursuit of its activities, such as failures in its distribution network, gas explosions, pollution or toxic spills or incidents with its generating plants. Such claims could result in the payment of compensation by the Group, which could give rise, to the extent its civil liability insurance policies contracted do not cover the damages, to material adverse effects on the Group's business, financial condition and results of operations.

Interest rate risk

The Group's debt is primarily subject to fluctuations in the EURIBOR. Although the Group takes a proactive approach to the management of the interest rate risk in order to minimise their impact on its revenues, in some

cases the policies it implements may not be effective in mitigating the adverse effects caused by interest rate and could have an adverse impact on the Group's business, financial condition and results of operations.

Liquidity and availability of funding risks

The Group's business is financed through cash generated from on-going operations and the capital markets, particularly the long-term debt capital markets. The maturity and repayment profile of debt the Group uses to finance investments often does not correlate to cash flows from its assets. As a result the Group accesses commercial paper and money markets and longer-term bank and capital markets as sources of finance. Some of the debt the Group issues may be rated by credit rating agencies and changes to these ratings may affect both its borrowing capacity and the cost of those borrowings. As evidenced during recent periods, financial markets can be subject to periods of volatility and shortages of liquidity and if the Group was unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, its cost of financing may increase, the uncommitted and discretionary elements of the Group's proposed capital investment programme may need to be reconsidered and the manner in which the Group implements its strategy may need to reassessed. The occurrence of any such events could have a material adverse impact on the Group's business, financial condition and results of operations.

Litigation

The Group is, from time to time, involved in legal proceedings. Any adverse result in relation to any such proceedings may have an adverse effect on the Group's financial position, reputation and profitability.

As of the date of this Prospectus there are no pending or threatened governmental, legal or arbitration proceedings against or affecting the Group which, if determined adversely to the Group may have, or have had during the 12 months prior to the date hereof, individually or in the aggregate, a significant effect on the financial position of the Group and, to the best knowledge of the Issuer, no such actions, suits or proceedings are threatened or contemplated.

Insurance

The Group seeks to maintain insurance cover on all its key property and liability exposures in the international insurance market. No assurance can be given that the insurance cover acquired by the Group provides adequate or sufficient cover for all events or incidents. The international insurance market is volatile and therefore there can be no guarantee that existing cover will remain available or will be available at commercially acceptable rates.

Risks Related to the Notes issued under the Programme

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless, in the case of any particular Tranche, such Tranche is to be

consolidated with and form a single series with an outstanding Tranche of Notes). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List and to trading on the Luxembourg Exchange's regulated market, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there can be no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Terms and conditions of the Notes also provide that the Issuer may, without the consent of Noteholders substitute for itself as principal debtor under any Notes another company in the circumstances described in Condition 11(d) of the Terms and Conditions of the Notes.

EU Directive on the taxation of savings income

EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident or certain other types of entity established in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. A number of third countries and territories have adopted similar measures to the Savings Directive.

On 24 March 2014, the Council of the European Union adopted a Directive (the "**Amending Directive**") amending the Savings Directive, which, when implemented, will amend and broaden the scope of the requirements described above. In particular, the Amending Directive will materially broaden the circumstances in which information must be provided and/or tax withheld pursuant to the Savings Directive, and will require additional steps to be taken in certain circumstances to identify the beneficial owner of interest (and other income) payments, through a "look through" approach. The EU Member States will have until 1 January 2016 to adopt the national legislation necessary to comply with this Amending Directive. Investors should inform themselves of, and where appropriate take advice on, the impact of the Savings Directive and the Amending Directive on their investment.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU member states, such withholding may occur in a wider range of circumstances than at present, as explained above. The Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, which may reduce

an element of this risk. Investors should choose their custodians or intermediaries with care, and provide each custodian or intermediary with any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Notes where denominations involve integral multiples

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations (as defined in the Conditions). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the Spanish Withholding Tax

The Issuer considers that, according to article 44 of Royal Decree 1065/2007 of 27 July as amended by Royal Decree 1145/2011 of 29 July, it is not obliged to withhold taxes in Spain on any interest paid under the Notes to any Noteholder, irrespective of whether such Noteholder is tax resident in Spain. The foregoing is subject to certain information procedures (which do not require identification of the Noteholders) having been fulfilled. These procedures are described in "Taxation – Spanish Tax Considerations – Disclosure of Information in Connection with the Notes" below.

The Issuer and the Paying Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Notes. The procedures may be modified, amended or supplemented to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof.

Under Royal Decree 1145/2011, it is no longer necessary to provide an issuer with information regarding the identity and the tax residence of an investor or the amount of interest paid to it, provided that the securities: (i) are regarded as listed debt securities issued under Law 13/1985; and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state. The Issuer considers that the Notes meet the requirements referred to in (i) and (ii) above and that, consequently, payments made by the Issuer to Noteholders should be paid free of Spanish withholding tax.

Notwithstanding the above, in the case of Notes held by Spanish tax resident individuals (and under certain circumstances, by Spanish entities subject to Corporate Income Tax) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding by such depositary or custodian at the rate of 21 per cent in fiscal year 2014.

If the Spanish Tax Authorities maintain a different opinion as to the application by the Issuer or the Guarantor, as the case may be, of withholding to payments made to Spanish tax residents (individuals and entities subject to Corporate Income Tax (Impuesto sobre Sociedades)), the Issuer or the Guarantor, as the case may be, will

be bound by the opinion and, with immediate effect, will make the appropriate withholding. If this is the case, identification of Noteholders may be required and the procedures, if any, for the collection of relevant information will be applied by the Issuer (to the extent required) so that it can comply with its obligations under the applicable legislation as interpreted by the Spanish Tax Authorities. If procedures for the collection of the Noteholders information are to apply, the Noteholders will be informed of such new procedures and their implications. Holders of the Notes must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. None of the Issuer, the Dealers, or the Paying Agent assume any responsibility therefor.

Risks Relating to the Commissioner

Under Spanish law, the Issuer is required to appoint a commissioner (*comisario*) (the "Commissioner") in relation to its Notes. The Commissioner owes certain obligations to the Syndicate of Noteholders (as described in the amended and restated agency agreement dated 13 May 2014 (the "**Agency Agreement**") – Schedule 3 Part A). However, prospective investors should note that the Commissioner will be an individual appointed by the Issuer and that such individual may also be an employee or officer of the Issuer, the Guarantor or any member of the Group.

Risks related to Spanish Insolvency Law

Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the "Spanish Insolvency Law"), which came into force on 1 September 2004, supersedes all pre-existing Spanish provisions which regulated the bankruptcy, insolvency (including suspension of payments) and any process affecting creditors' rights generally, including the ranking of credits in an insolvency.

The Spanish Insolvency Law provides, among other things, that: (i) any claim may become subordinated if it is not included in a company's accounts or otherwise reported to the insolvency administrators within the required timeframes set forth therein; (ii) actions that cause a detriment to the assets of the insolvent debtor carried out during the two year period preceding the date of its declaration of insolvency may be rescinded; (iii) provisions in a contract granting one party the right to terminate on the other's insolvency may not be enforceable; (iv) interest accrued and unpaid until the commencement of the insolvency proceedings (*concurso*) shall become subordinated; and (v) interest shall cease to accrue from the date of the declaration of insolvency, except for interest relating to credits secured with an in rem security interest up to the amount secured with such in rem security interest.

Certain provisions of the Spanish Insolvency Law, together with those of the Spanish Companies Act, could affect the ranking of the Notes or claims relating to the Notes on an insolvency of the Issuer.

The Spanish Insolvency Law was amended by Law 38/2011, of 10 October 2011, which introduced, inter alia, a new regime for the combined opening of insolvency proceedings for various debtors (*declaración conjunta de concurso de varios deudores*). Accordingly, debtors who form part of the same group of companies or their creditors are able to request the combined opening of insolvency proceedings affecting all such group debtors. Insolvency proceedings which have been combined shall be carried out in a coordinated manner, without the assets of the different debtors being consolidated except in circumstances in which there exists a commingling (*confusión*) of assets between all group debtors and is not possible to perform a separation without incurring in an unjustified cost or time delay.

The Spanish Insolvency Law has been recently amended by virtue of Royal Decree-Law 4/2014, of 7 March, whereby, *inter alia*, a new regime for pre-insolvency refinancing agreements has been set forth.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls for Investors

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks for Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

PROSPECTUS SUPPLEMENT

If at any time the Issuer shall be required to prepare a prospectus supplement pursuant to Article 13 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, the Issuer will prepare and make available an appropriate supplement to this Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market, shall be approved by the CSSF and constitute a prospectus supplement as required by Article 13 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities.

Each of the Issuer and the Guarantor has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor, and the rights attaching to the Notes, the Issuer shall prepare a supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with (i) the audited consolidated financial statements of Enagás for the years ended 31 December 2013 and 31 December 2012, respectively, together in each case with the auditor's report thereon, and the unaudited consolidated interim condensed financial information of Enagás for the three months ended 31 March 2014 which have been previously published or are published simultaneously with this Prospectus and which have been approved by the CSSF or filed with it, (ii) the audited stand-alone financial statements of the Issuer for the year ended 31 December 2013 and the audited stand-alone financial statements of the Issuer for the period from 16 April 2012 (date of incorporation of the Issuer) to 31 December 2012, together, in each case, with the auditor's report thereon, (iii) the terms and conditions of the base prospectus dated 8 May 2012 and (iv) the terms and conditions of the base prospectus dated 26 April 2013, prepared by the Issuer in connection with the Programme. Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained without charge from the website of the Luxembourg Stock Exchange (www. bourse.lu).

The table below sets out the relevant page references for (a) the audited consolidated statements of Enagás for the years ended 31 December 2013 and 31 December 2012, respectively, as set out in Enagás' Annual Report, (b) the unaudited consolidated interim condensed financial information of Enagás for the three months ended 31 March 2014, (c) the terms and conditions of the base prospectus dated 8 May 2012 and (d) the terms and conditions of the base prospectus dated 26 April 2013.

Audited consolidated financial statements of Enagás for the year ended 31 December 2013

Audited consolidated financial statements of Enagás for the year ended 31 December 2012

Unaudited consolidated interim condensed financial information of Enagás for the three months ended 31 March 2014

The table below sets out the relevant page references for (a) the audited financial statements of the Issuer for the year ended 31 December 2013, as set out in the Issuer's Annual Report, and (b) the audited financial statements for the period from 16 April 2012 (date of incorporation of the Issuer) to 31 December 2012.

Audited financial statements of the Issuer for the year ended 31 December 2013

Audited financial statements of the Issuer for the period from 16 April 2012 (date of incorporation of the Issuer) to 31 December 2012

Terms and conditions of the base Prospectus dated 8 May 2012

Terms and conditions of the base prospectus ..... Pages 27-48

Terms and conditions of the base Prospectus dated 26 April 2013

Terms and conditions of the base prospectus ..... Pages 25-45

As mentioned above, the Issuer was incorporated on 16 April 2012. Consequently it does not have any audited financial statements for any period prior to the period from 16 April 2012 to 31 December 2012.

Information contained in the documents incorporated by reference other than information listed in the tables above does not form part of this Prospectus. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or otherwise covered elsewhere in the Prospectus.

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Prospectus.

Issuer:	Enagás Financiaciones, S.A.U.
Guarantor:	Enagás, S.A. The payment of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Enagás .
Description:	Guaranteed Euro Medium Term Note Programme
Size:	Up to €4,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	Barclays Bank PLC
Dealers:	Banca IMI S.p.A. Banco Bilbao Vizcaya Argentaria, S.A. Banco Santander, S.A. Barclays Bank PLC BNP Paribas CaixaBank, S.A. Citigroup Global Markets Limited Deutsche Bank AG, London Branch J.P. Morgan Securities plc Société Générale The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent:	The Bank of New York Mellon, London Branch
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same

	Series) will be completed in the final terms (the "Final Terms").
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes will be issued in bearer form. Each Tranche of Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "Subscription and Sale – Selling Restrictions" below), otherwise such Tranche will be represented by a permanent Global Note.
Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, if the relevant Global Note is a NGN, the Global Note will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN, the Global Note representing Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealers.
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the

	Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in "Terms and Conditions of the Notes") may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders.
Status of the Notes and the Guarantee:	The Notes and the obligations of the Guarantor under its Guarantee will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor, all as described in "Terms and Conditions of the Notes – Status".

Negative Pledge:	See "Terms and Conditions of the Notes – Negative Pledge".
Cross Default:	See "Terms and Conditions of the Notes – Events of Default".
Ratings:	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation on credit rating agencies will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption:	Except as provided in "– Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes – Redemption, Purchase and Options".
Taxation Notes:	All payments in respect of the Notes will be made without deduction for, or on account of, withholding taxes imposed by Spain unless such taxes are required by law to be withheld. In the event that any such deduction is made, the Issuer or the Guarantor will, save in certain circumstances as described in "Terms and Conditions of the Notes – Taxation" be required to pay additional amounts to cover any amounts so deducted. The Issuer considers that, according to Royal Decree 1145/2011, it is not obliged to withhold taxes in Spain in relation to interest paid on the Notes to any investor (whether tax resident in Spain or not) provided that the information procedures described in section "Taxation and Disclosure of Information in Connection with the Notes" below are fulfilled. According to the information procedures described in section "Taxation and Disclosure of Information in Connection with the Notes", it would no longer be necessary to provide the Issuer with information regarding the identity and tax residence of the Noteholders and the amount of interest payable to them. For further information regarding the interpretation of Royal Decree 1145/2011, please refer to "Risk Factors — Risks relating to Spanish Withholding Tax".

Governing Law:	Save as defined in the paragraph below, the conditions of the Notes will be governed by, and construed in accordance with, English law. In relation to Condition 3(b) (Guarantee and Status) and the provisions of Condition 11 (Syndicate of Noteholders) relating to the appointment of the Commissioner and the constitution of the Syndicates of Noteholders, will be governed by Spanish law.
Listing and Admission to Trading:	Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly.
Selling Restrictions:	The United States, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified denomination of less than €100,000 or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom, Spain, Japan. See "Subscription and Sale". The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended. The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "D Rules") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "C Rules") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented as at the Issue Date, the "Agency Agreement") dated 13 May 2014 between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "Deed of Covenant") dated 13 May 2014 executed by the Issuer in relation to the Notes. The Guarantor has executed a deed of guarantee (as amended or supplemented as at the Issue Date, the "Deed of Guarantee"). The fiscal agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Fiscal Agent", the "Paying Agents" (which expression shall include the Fiscal Agent) and the "Calculation Agent(s)". The Noteholders (as defined below), the holders of the interest coupons (the "Coupons") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "Talons") (the "Couponholders") are deemed to have notice of all of the provisions of the Agency Agreement applicable to them. If so required by Spanish law, the Issuer will execute a public deed (*escritura pública*) (the "Public Deed") before a Spanish Notary Public in relation to the Notes and will register such Public Deed with the Mercantile Registry of Madrid on or prior to the Issue Date of the Notes. The Public Deed contains, among other information, the terms and conditions of the Notes.

As used in these terms and conditions (the "Conditions"), "Tranche" means Notes which are identical in all respects.

Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection at the specified offices of each of the Paying Agents.

1 Form, Denomination and Title

The Notes are issued in bearer form in each case in the Specified Denomination(s) shown hereon, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be euro 100,000 (or its equivalent in any other currency as at the date of issue of those Notes).

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis shown hereon.

Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Title to the Notes, Coupons and Talons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as

its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" means the bearer of any Note, "holder" (in relation to a Note, Coupon or Talon) means the bearer of any Note, Coupon or Talon and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes

Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

3 Guarantee and Status

(a) **Guarantee:** Subject to the remaining provisions of this Condition 3, the payment of all sums expressed to be payable by the Issuer under the Notes and the Coupons has been and will be unconditionally and irrevocably guaranteed by Enagás, S.A. ("Enagás"), as specified hereon (the guarantor specified as such hereon in respect of the Notes the "Guarantor"). The obligations of the Guarantor in that respect (the "Guarantee") are contained in the Deed of Guarantee.

(b) **Status of Notes and Guarantee:** The Notes and Coupons relating to them constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them and the payment obligations of the Guarantor under its Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

Interest on the Notes accrued but unpaid as at the commencement of any insolvency proceeding (concurso) relating to the Issuer under Spanish law shall thereupon constitute subordinated obligations of the Issuer ranking below its unsecured and unsubordinated obligations. Under Spanish law, no further interest on the Notes shall be deemed to accrue from the date of any declaration of insolvency.

4 Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement) neither the Issuer nor the Guarantor will, and will ensure that none of its Subsidiaries will create, or have outstanding any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Notes, the Coupons or the Guarantor's obligations under its Deed of Guarantee the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by a resolution of the relevant Syndicate of Noteholders (as defined in Condition 11).

In these Conditions:

(a) "Relevant Indebtedness" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

(b) "Subsidiary" means, in relation to any Person (the "first Person") at any particular time, any other Person (the "second Person") whose:

(i) affairs and policies the first Person controls or has the power to control, whether by ownership of 50 per cent. of the share capital, contract, the power to appoint or remove the majority of the members of the governing body of the second Person or otherwise; or

(ii) financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the first Person; and

(c) "Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

5 Interest and other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-

paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at

approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(e) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5 (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph;

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be; or

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (with 0.000005 of a percentage point being rounded up) and (z) all currency amounts that fall due and payable

shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Fiscal Agent, the Issuer, the Guarantor, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "TARGET Business Day"); and/or

(iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual - ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

(viii) if "Actual/Actual-ICMA" is specified hereon,

if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of

days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;

where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"Determination Date" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"Interest Accrual Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date;

"Interest Amount" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"Interest Commencement Date" means the Issue Date or such other date as may be specified hereon;

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

"Interest Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and

each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon;

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon;

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent;

"Reference Rate" means the rate specified as such hereon;

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service);

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated; and

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(i) **Change of Interest Basis:** If Change of Interest Basis is specified in the relevant final Terms as being applicable, the Final Terms will indicate the relevant Interest Periods to which the Fixed Rate Note provisions, Floating Rate Note Provisions and/or Zero Coupon Note Provisions shall apply.

(j) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase and Options

(a) **Final Redemption:**

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time, (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if demand was made under the Guarantee, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Spain or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to

the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by the joint directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as defined in Condition 6(b) above)) together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchases:** Each of the Issuer, the Guarantor and any of their respective Subsidiaries as defined in the Agency Agreement may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(g) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may be surrendered for cancellation by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Fiscal Agent and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7 Payments and Talons

(a) **Method of Payment:** Payments of principal and interest in respect of Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Payments in the United States:** Notwithstanding the foregoing, if any Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(c) **Payments Subject to Laws:** Without prejudice to the application of the provisions of Condition 8, payments will be subject in all cases to any other applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer, or its Paying or Fiscal Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) **Appointment of Agents:** The Fiscal Agent, the Paying Agents and the Calculation Agent initially appointed and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents and the Calculation Agent(s) act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two major European cities, (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC, as amended from time to time, or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(e) **Unmatured Coupons and unexchanged Talons:**

(i) Upon the due date for redemption of Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note representing it, as the case may be.

(f) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(g) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Spain or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Spain other than the mere holding of the Note or Coupon; or

(b) **Presentation more than 30 days after the Relevant Date:** presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC, as amended from time to time, or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) **Payment by another Paying Agent:** presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or

(e) **Information requested by Spanish Tax Authorities:** (in respect of any payment by the Issuer) to, or to a third party on behalf of, a Noteholder who does not provide to the Issuer (or the Guarantor) or an agent acting on behalf of the Issuer (or the Guarantor) the information concerning such Noteholder as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1145/2011 as eventually made by the Spanish Tax Authorities.

As used in these Conditions, "Relevant Date" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition.

9 Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

If any of the following events ("Events of Default") occurs, (i) the relevant Commissioner, acting upon a resolution of the relevant Syndicate of Noteholders, in respect of all the Notes of the relevant Series, or (ii) the holder of any Note of the relevant Series, in respect of such Note and provided that such Noteholder does not contravene the resolution of the relevant Syndicate of Noteholders (if any), may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

(a) **Non-Payment:** default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or

(b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by the Commissioner (failing whom, any Noteholder); or

(c) **Cross-Default:** (A) any other present or future Relevant Indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such Relevant Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the Relevant Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds €50,000,000 (or its equivalent in any other currency); or

(d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or the Guarantor or any of their respective Subsidiaries and is not discharged or stayed within 90 days; or

(e) **Unsatisfied judgement:** one or more judgement(s) or order(s) for the payment of any amount is rendered against the Issuer, the Guarantor or any of their respective Subsidiaries (if any) and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(f) **Security Enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the their respective Subsidiaries; or

(g) **Insolvency etc.:** (i) the Issuer, the Guarantor or any of their respective Subsidiaries (if any) becomes insolvent, is adjudicated bankrupt (or applies for an order of bankruptcy) or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor or any of their respective

Subsidiaries (if any) or of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries (if any) is appointed (or application for any such appointment is made), (iii) the Issuer, the Guarantor or any of their respective Subsidiaries (if any) takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or (iv) the Issuer, the Guarantor or any of their respective Subsidiaries (if any) ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than in the case of a Subsidiary of the Guarantor (other than the Issuer), for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(h) **Winding up etc.:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Subsidiaries (if any) (otherwise than, in the case of a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(i) **Unlawfulness:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under or in respect of the Notes or, the Deed of Guarantee; or

(j) **Failure to take action etc.:** any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes and the Deed of Guarantee, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Receipts, the Coupons and the Deed of Guarantee admissible in evidence in the courts of England and the Kingdom of Spain is not taken, fulfilled or done; or

(k) **Analogous event:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the forgoing paragraphs above including, but not limited to, in the case of the Guarantor, any suspension of payments or bankruptcy (*concurso de acreedores*); or

(l) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(m) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the Guarantor or any of its Material Subsidiaries; or

In this Condition:

"Material Subsidiary" means any direct or indirect Subsidiary of the Guarantor that, together with its subsidiaries (i) for the most recent financial year of the Guarantor, accounted for more than 10 per cent. of the consolidated revenues of the Guarantor, (ii) as of the end of such financial year, was owner of either more than 10 per cent. of the consolidated assets of the Guarantor or (iii) is the owner of any asset or assets that are material to the Guarantor and its subsidiaries, taken as a whole; and

(n) **Controlling Shareholder:** the Issuer ceases to be wholly-owned and controlled directly or indirectly by Enagás.

11 Syndicate of Noteholders and Modifications

(a) **Syndicate of Noteholders:** The Noteholders of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Noteholders (the "Regulations"). The Regulations shall contain the rules governing the functioning of each Syndicate and the rules governing its

relationship with the Issuer and shall be attached to the relevant Public Deed (as defined in the introduction to these Conditions). Pro forma Regulations are included in the Agency Agreement.

A temporary Commissioner will be appointed for each Syndicate of Noteholders and the identity of such Commissioner will be set forth in the applicable Final Terms. Upon the subscription of the Notes, the temporary Commissioner will call a general meeting of the Syndicate of Noteholders to ratify or oppose the acts of the temporary Commissioner, confirm his appointment or appoint a substitute and to ratify the Regulations. Noteholders shall, by virtue of purchasing and/or holding Notes, be deemed to have granted to the Fiscal Agent full power and authority to take any action and/or to execute and deliver any document or notices for the purposes of attending on behalf of the Noteholders the first meeting of the relevant Syndicate of Noteholders called to confirm the appointment of the relevant temporary Commissioner, approve its actions and ratify the Regulations contained in the Fiscal Agency Agreement and the relevant Public Deed, and vote in favour of each of those resolutions.

Provisions for meetings of Syndicates of Noteholders will be contained in the Regulations relating to the relevant Series and in the Agency Agreement. Such Regulations shall have effect as if incorporated by reference herein.

The Issuer may, with the consent of the relevant Commissioner, but without the consent of the holders of the Notes of any Series or Coupons, amend these Conditions and the Deed of Covenant insofar as they may apply to such Notes to correct a manifest error.

In addition to the above, the Issuer and the Noteholders, the latter with the sanction of a resolution of the relevant Syndicate of Noteholders, may agree any modification, whether material or not, to these Conditions or the Deed of Covenant and any waiver of any breach or proposed breach of these Conditions.

For the purposes of these Conditions:

(i) "Commissioner" means the commissioner (*comisario*) as this term is defined under the Spanish Mercantile Companies Law (*Ley de Sociedades de Capital*) of each Syndicate of Noteholders; and

(ii) "Syndicate of Noteholders" means the syndicate (*sindicato*) as this term is described under the Spanish Mercantile Companies Law (*Ley de Sociedades de Capital*).

Noteholders shall, by virtue of purchasing and/or holding Notes, be deemed to have agreed to the appointment of the temporary Commissioner for the relevant Series specified hereon and to have become a member of the relevant Syndicate of Noteholders.

In accordance with Spanish law, a general meeting of the Syndicate of Noteholders shall be quorate upon first being convened provided that Noteholders holding or representing two-thirds of the Notes outstanding attend. If the necessary quorum is not achieved at the first meeting, a second general meeting may be convened to meet one month after the first general meeting and shall be quorate regardless of the number of Noteholders who attend. A resolution shall be passed by holders holding an absolute majority in principal amount of the Notes held by Noteholders present or duly represented at any properly constituted meeting.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

(b) **Modification of Agency Agreement:** The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

(c) **Notification to the Noteholders:** Any modification, waiver or authorisation in accordance with this Condition 11 shall be binding on the Noteholders and the Couponholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

(d) **Substitution:** The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes, the Coupons and the Talons, any company (the "Substitute") that is Enagás, or a Subsidiary (as defined in the Agency Agreement) of Enagás, provided that no payment in respect of the Notes or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the "Deed Poll"), to be substantially in the form scheduled to the Agency Agreement as Schedule 9, and may take place only if (i) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder and Couponholder against any tax, duty, assessment or governmental charge that is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note, Coupon, Talon or the Deed of Covenant and that would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution, (ii) where the Substitute is not Enagás, the obligations of the Substitute under the Deed Poll, the Notes, Coupons, Talons and Deed of Covenant shall be unconditionally guaranteed by the Guarantor by means of the Deed Poll and the relevant Deed of Guarantee, (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute, and in the case of the Deed Poll and the Deed of Guarantee of the Guarantor have been taken, fulfilled and done and are in full force and effect, (iv) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it, (v) legal opinions addressed to the Noteholders shall have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of this paragraph (iii) and the other matters specified in the Deed Poll and (vi) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to Noteholders, shall be available for inspection at the specified office of each of the Paying Agents. References in Condition 10 to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a guarantee, the events listed in Condition 10 shall be deemed to include that guarantee not being (or being claimed by the guarantor not to be) in full force and effect.

12 Replacement of Notes, Coupons and Talons

If a Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Paying Agent in Luxembourg (in the case of Notes, Coupons or Talons) or such other Paying Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Coupons or further Coupons) and otherwise as the

Issuer or such Paying Agent may require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (in all respects except for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

14 Notices

Notices to the holders of Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). So long as the Notes are listed on the Luxembourg Stock Exchange, notices to holders of the Notes shall also be published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg (which is expected to be *the Luxemburger Wort*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Notes in accordance with this Condition.

Copies of any notice given to any Noteholders will be also given to the Commissioner of the Syndicate of Noteholders of the relevant Series.

15 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note or Coupon is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or any Guarantor or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note or Coupon, the Issuer, failing whom the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon or any other judgment or order.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17 **Governing Law and Jurisdiction**

(a) **Governing Law:** Save as described below, the Agency Agreement (excluding Part A of Schedule 3, which shall be governed by and construed in accordance with Spanish law), the Deed of Covenant, the Deed of Guarantee and the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. Condition 3(b) and the provisions of Condition 11 relating to the appointment of the Commissioner and the Syndicate of Noteholders are governed by, and shall be construed in accordance with, Spanish law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons ("Proceedings") may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Notes, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

18 **Service of Process:** Each of the Issuer and the Guarantor irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London, EC2V 7EX as their agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer or the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, each of the Issuer and the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Note with the Common Safekeeper does not necessary mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. If the Global Notes are stated in the applicable Final Terms to be issued under NGN form, the relevant clearing systems will be notified whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility and, if so, will be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper.

Global Notes which are issued in CGN form may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary"), Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("Alternative Clearing System") as the holder of a Note represented by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

3 Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Overview of the

Programme – Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due.

3.4 Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, "Definitive Notes" means, in relation to any Global Note, the definitive Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.5 Exchange Date

"Exchange Date" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

4 Amendment to Conditions

The temporary Global Notes and permanent Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(e)(vi) and Condition 8(d) will apply to the Definitive Notes only. If the Global Note is a NGN, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(g) (Non-Business Days).

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

4.3 Meetings

The holder of a permanent Global Note shall (unless such permanent Global Note represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of the Guarantor's subsidiaries if they are purchased together with the rights to receive all future payments of interest (if any) thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation. Where the Global Note is a NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

4.8 NGN nominal amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

4.9 Events of Default

Each Global Note, or a portion of it, may become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note may elect for direct enforcement rights against the Issuer and the Guarantor under the terms of a Deed of Covenant executed as a deed by the Issuer on 13 May 2014 to come into effect in relation to the whole or a part of such Global Note in favour of the persons entitled to such part of such Global Note as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note will become void as to the specified portion.

4.10 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange's regulated market and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort).

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be on lent to Enagás to be used by Enagás and its consolidated subsidiaries for general corporate purposes.

FORM OF ENAGÁS GUARANTEE

This Deed of Guarantee is made on 13 May 2014 by Enagás, S.A. (the "**Guarantor**") in favour of the Holders and the Relevant Account Holders.

Whereas:

(A) Enagás Financiaciones, S.A.U. (the "**Issuer**") proposes to issue euro medium term notes guaranteed by the Guarantor (as defined in the Agency Agreement) (the "**Notes**", which expression shall, if the context so admits, include the Global Notes (in temporary or permanent form) to be initially delivered in respect of the Notes and any related coupons and talons) pursuant to an agency agreement, as amended or supplemented from time to time dated 13 May 2014 between, among others, the Issuer, the Guarantor and The Bank of New York Mellon, London Branch as Fiscal Agent (the "**Fiscal Agent**").

(B) The Issuer has, in relation to the Notes issued by it, entered into a deed of covenant (as amended and supplemented from time to time, the "**Deed of Covenant**") dated 13 May 2014 .

(C) The Guarantor has agreed to guarantee the payment of all sums expressed to be payable from time to time by the Issuer in respect of the Notes to the holders of any Notes (the "**Holders**") issued by it and under the Deed of Covenant to the Relevant Account Holders (the "**Guarantee**").

This Deed Witnesses as follows:

1 Interpretation

1.1 **Defined Terms:** In this Deed, unless otherwise defined herein, capitalised terms shall have the same meaning given to them in the Deed of Covenant and the Conditions (as defined in the Deed of Covenant).

1.2 **Headings:** Headings shall be ignored in construing this Deed.

1.3 **Contracts:** References in this Deed to this Deed or any other document are to this Deed or these documents as amended, supplemented or replaced from time to time in relation to the Programme and includes any document that amends, supplements or replaces them.

1.4 **Legislation or regulation:** Any reference in this Agreement to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

2 Guarantee and Indemnity

2.1 **Guarantee:** The Guarantor unconditionally and irrevocably guarantees that if the Issuer does not pay any sum payable by it under the Deed of Covenant or the Notes by the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise), the Guarantor shall pay that sum to each Holder and each Relevant Account Holder before close of business on that date in the city to which payment is so to be made. All payments under this Guarantee by the Guarantor shall be made subject to the Conditions.

2.2 **Guarantor as Principal Debtor:** As between the Guarantor, the Holders and the Relevant Account Holders but without affecting the Issuer's obligations, the Guarantor shall be liable under this Guarantee as if it were the sole principal debtor and not merely a surety. Accordingly, its obligations shall not be discharged, nor shall its liability be affected, by anything that would not discharge it or affect its liability if it were the sole principal debtor, including (1) any time, indulgence, waiver or consent at any time given to

the Issuer or any other person, (2) any amendment to any other provisions of this Guarantee or to the Conditions or to any security or other guarantee or indemnity, (3) the making or absence of any demand on the Issuer or any other person for payment, (4) the enforcement or absence of enforcement of this Guarantee, the Notes, the Deed of Covenant or of any security or other guarantee or indemnity, (5) the taking, existence or release of any security, guarantee or indemnity, (6) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person or (7) the illegality, invalidity or unenforceability of or any defect in any provision of this Guarantee, the Notes, the Deed of Covenant or any of the Issuer's obligations under any of them.

2.3 **Guarantor's Obligations Continuing:** The Guarantor's obligations under this Guarantee are and shall remain in full force and effect by way of continuing security until no sum remains payable under the Notes, the Deed of Covenant or this Guarantee and no further Notes may be issued by the Issuer under the Programme. Furthermore, those obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity. The Guarantor irrevocably waives all notices and demands of any kind.

2.4 **Exercise of Guarantor's Rights:** So long as any sum remains payable under the Notes, the Deed of Covenant or this Guarantee, the Guarantor shall not exercise or enforce any right, by reason of the performance of any of its obligations under this Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity.

2.5 **Avoidance of Payments:** The Guarantor shall on demand indemnify the relevant Holder or Relevant Account Holder, on an after tax basis, against any cost, loss, expense or liability sustained or incurred by it as a result of it being required for any reason (including any bankruptcy, insolvency, winding-up, dissolution or similar law of any jurisdiction) to refund all or part of any amount received or recovered by it in respect of any sum payable by the Issuer under the Notes or the Deed of Covenant and shall in any event pay to it on demand the amount as refunded by it.

2.6 **Debts of Issuer:** If any moneys become payable by the Guarantor under this Guarantee, the Issuer shall not (except in the event of the liquidation of the Issuer) so long as any such moneys remain unpaid, pay any moneys for the time being due from the Issuer to the Guarantor.

2.7 **Indemnity:** As separate, independent and alternative stipulations, the Guarantor unconditionally and irrevocably agrees: (1) that any sum that, although expressed to be payable by the Issuer under the Notes, the Deed of Covenant or this Guarantee, is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, the Guarantor, a Holder or a Relevant Account Holder) not recoverable from the Guarantor on the basis of a guarantee shall nevertheless be recoverable from it as if it were the sole principal debtor and shall be paid by it to the Holder or Relevant Account Holder (as the case may be) on demand; and (2) as a primary obligation to indemnify each Holder and Relevant Account Holder against any loss suffered by it as a result of any sum expressed to be payable by the Issuer under the Notes, the Deed of Covenant or this Guarantee not being paid on the date and otherwise in the manner specified in this Guarantee or in the Conditions or any payment obligation of the Issuer under the Notes, the Deed of Covenant or this Guarantee being or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not now known or becoming known to a Holder or a Relevant Account Holder), the amount of that loss being the amount expressed to be payable by the Issuer in respect of the relevant sum.

2.8 **Incorporation of Terms:** The Guarantor agrees that it will comply with and be bound by all such provisions contained in the Conditions which relate to it.

3 Payments

3.1 **Payments Free of Taxes:** All payments by the Guarantor under this Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Spain or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Guarantor shall pay such additional amounts as shall result in receipt by the Holders and the Relevant Account Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

3.1.1 **Other connection:** to, or to a third party on behalf of, a Holder or Relevant Account Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Spain other than the mere holding of the Note or Coupon; or

3.1.2 **Presentation more than 30 days after the Relevant Date:** presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Relevant Account Holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

3.1.3 **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC, as amended from time to time, or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

3.1.4 **Payment by another Paying Agent:** presented for payment by or on behalf of a Holder or Relevant Account Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or

3.1.5 **Information requested by Spanish Tax Authorities**: (in respect of any payment by the Issuer) to, or to a third party on behalf of, a Holder or Relevant Account Holder who does not provide to the Issuer (or the Guarantor) or an agent acting on behalf of the Issuer (or the Guarantor) the information concerning such Holder or Relevant Account Holder as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1145/2011 as eventually made by the Spanish Tax Authorities.

Defined terms used in this Clause 3.1 shall have the meanings given to them in the Conditions.

3.2 **Stamp Duties:** The Guarantor covenants to and agrees with the Holders and Relevant Account Holders that it shall pay promptly, and in any event before any penalty becomes payable, any stamp, documentary, registration or similar duty or tax payable in Spain, Belgium or Luxembourg, as the case may be, or in the country of any currency in which the Notes may be denominated or amounts may be payable in respect of the Notes or any political subdivision or taxing authority thereof or therein in connection with the entry into, performance, enforcement or admissibility in evidence of this Deed and/or any amendment of, supplement to or waiver in respect of this Deed, and shall indemnify each of the Holders and Relevant Account Holders, on an after tax basis, against any liability with respect to or resulting from any delay in paying or omission to pay any such tax.

4 Amendment and Termination

The Guarantor may not amend, vary, terminate or suspend this Guarantee or its obligations hereunder unless such amendment, variation, termination or suspension shall have been approved by a resolution of the relevant Syndicate of Noteholders or to comply with any mandatory requirements set forth by any regulation, directives or rules issued by the Spanish government or the relevant administrative authority, save that nothing in this Clause shall prevent the Guarantor from increasing or extending its obligations hereunder by way of supplement to this Guarantee at any time.

5 Currency Indemnity

If any sum due from the Guarantor under this Deed or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under this Deed of Guarantee or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to this Deed, the Guarantor shall indemnify each Beneficiary on demand against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Holder or Relevant Account Holder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Guarantor and shall give rise to a separate and independent cause of action.

6 General

6.1 **Benefit:** This Guarantee shall enure for the benefit of the Holders and the Relevant Account Holders.

6.2 **Deposit of Guarantee:** The Guarantor shall deposit this Guarantee with the Fiscal Agent, to be held by the Fiscal Agent until all the obligations of the Guarantor have been discharged in full. The Guarantor acknowledges the right of each Holder and each Relevant Account Holder to the production of, and to obtain a copy of, this Guarantee.

7 Governing Law and Jurisdiction

7.1 **Governing Law**: This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

7.2 **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with this Deed and accordingly any legal action or proceedings arising out of or in connection with this Deed ("**Proceedings**") may be brought in such courts. The Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Clause is for the benefit of each of the Relevant Account Holders and each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

7.3 **Agent for Service of Process:** The Guarantor irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London, EC2V 7EX as its agent in England to receive service of process in any Proceedings in England based on this Deed. If for any reason the Guarantor does not have

such an agent in England, it shall promptly appoint a substitute process agent and notify the Holders or Relevant Account Holders of such appointment in accordance with the Conditions. Nothing herein shall affect the right to serve process in any other manner permitted by law.

In witness whereof the Guarantor has caused this deed to be duly delivered as a deed on the date stated at the beginning.

ENAGÁS, S.A.

By:

DESCRIPTION OF ISSUER

General Information

The corporate name of the Issuer is "Enagás Financiaciones, Sociedad Anónima Unipersonal".

The Issuer is registered with the Mercantile Registry (*Registro Mercantil*) of Madrid, Spain, under Volume 29.386, Folio 161, Section 8, Page M-528949, 1st registration entry. The Issuer holds Tax Identification Code number A-86450244. The Issuer was incorporated for an indefinite time before Madrid Notary Public Mr. Pedro de la Herrán Matorras, on 16 April 2012.

The Issuer is a wholly-owned subsidiary of Enagás, S.A. and was incorporated on 16 April 2012 as a limited liability corporation (*sociedad anónima*) owned by one single shareholder (*unipersonal*), incorporated in accordance with Royal Legislative Decree 1/2010 of 2 July 2010, which approves the Consolidated Text of Spanish Limited Liability Companies' Law (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*).

The Issuer's current registered office is located at Paseo de los Olmos 19, Madrid 28005, Spain, and its telephone number is +34 900 100 399.

Share capital and shareholder

The Issuer's share capital is €90,000, fully subscribed and paid-up, divided into six hundred (900) standard shares, each having a par value of one hundred euro (€100), consecutively numbered from no. 1 through no. 900, inclusive, all of which are issued and fully paid-up.

No recent events relating to the Issuer exist which are important for evaluating its solvency.

Business

The exclusive corporate purpose of the Issuer is the issuance of debt securities guaranteed by the Guarantor. This purpose shall be implemented subject to compliance with those legal requirements in force at the time of an issue.

Management and Supervisory Bodies

As at the date of this Prospectus, the members of the board of directors of the Issuer and their position on the board, are the following:

Name of Director	Position on Board
Borja García Alarcón Altamirano	Joint Director
Isidro del Valle Santín	Joint Director

The business address of the members of the board of directors is Paseo de los Olmos 19, Madrid 28005, Spain.

As at the date of this Prospectus, there are no potential conflicts of interest between the duties of the persons identified above to the Issuer and their private interests and/or other duties. None of the members of the board of directors of the Issuer performs any activities outside the Issuer that are significant with respect to the Issuer.

Financial Information

Financial position

The Issuer was incorporated on 16 April 2012 with no financial activity prior to this date. The audited stand-alone financial statements of the Issuer for (i) the year ended 31 December 2013 and (ii) the period from 16 April 2012 (date of incorporation of the Issuer) to 31 December 2012 have been incorporated by reference into this Prospectus.

Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have or have had, in the period of 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer.

Material contracts

Not applicable.

Third party information statement by experts and declaration of any interest

Not applicable.

DESCRIPTION OF ENAGÁS, S.A.

General Information

Enagás, S.A. ("Enagás") is a Spanish limited liability company (*sociedad anónima*), subject to the Spanish Companies Law (*Ley de Sociedades de Capital*), that was incorporated on 13 July 1972 for an indefinite period. It is registered in the Mercantile Registry of Madrid at volume 305, sheet 36 and page number M-6113. The registered address of Enagás is Paseo de los Olmos No. 19, 28005 Madrid, Spain and its telephone no. +34 900 100 399.

Share capital and major shareholders

Enagás has been listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia since 2002 and its current share capital is represented by 238,734,260 shares with a par value of €1.50 each, forming a single class. The share capital is fully paid up.

The following table sets out the largest shareholders of Enagás as at the date of this Prospectus:

Shareholder	Direct shareholding	Indirect/direct shareholding	Total shareholding
	%	%	%
Fidelity International Limited	-	1.973	1.973
Kutxabank, S.A.[1]	-	4.980	4.980
Oman Oil Company S.A.O.C.[2]	-	5.000	5.000
Retail OEICS Aggregate	-	1.010	1.010
Sociedad Estatal de Participaciones Industriales	5.000	-	5.000

Notes:

(1) Through Kartera 1, S.L.

(2) Through Oman Oil Holdings Spain, S. L. U.

The Hydrocarbon Law (defined below), as amended, provides that no individual or company may (i) directly or indirectly hold more than 5 per cent. of Enagás' share capital or (ii) exercise more than 3 per cent. of the voting rights in Enagás. The Hydrocarbon Law also stipulates that natural persons or legal entities that operate in the gas industry or those natural persons or legal entities that, directly or indirectly, hold over 5 per cent. of the share capital of legal entities that operate in the gas industry may not exercise more than 1 per cent. of the voting rights in Enagás. It further provides that shareholders of Enagás may not enter into shareholders' agreements or any other kind of agreements for the joint exercise of their voting rights. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises.

The Hydrocarbon Law also stipulates that the sum of direct or indirect shareholdings in Enagás by all entities which develop activities related to the natural gas sector, may not be greater than 40 per cent. of Enagás' aggregate share capital.

Background

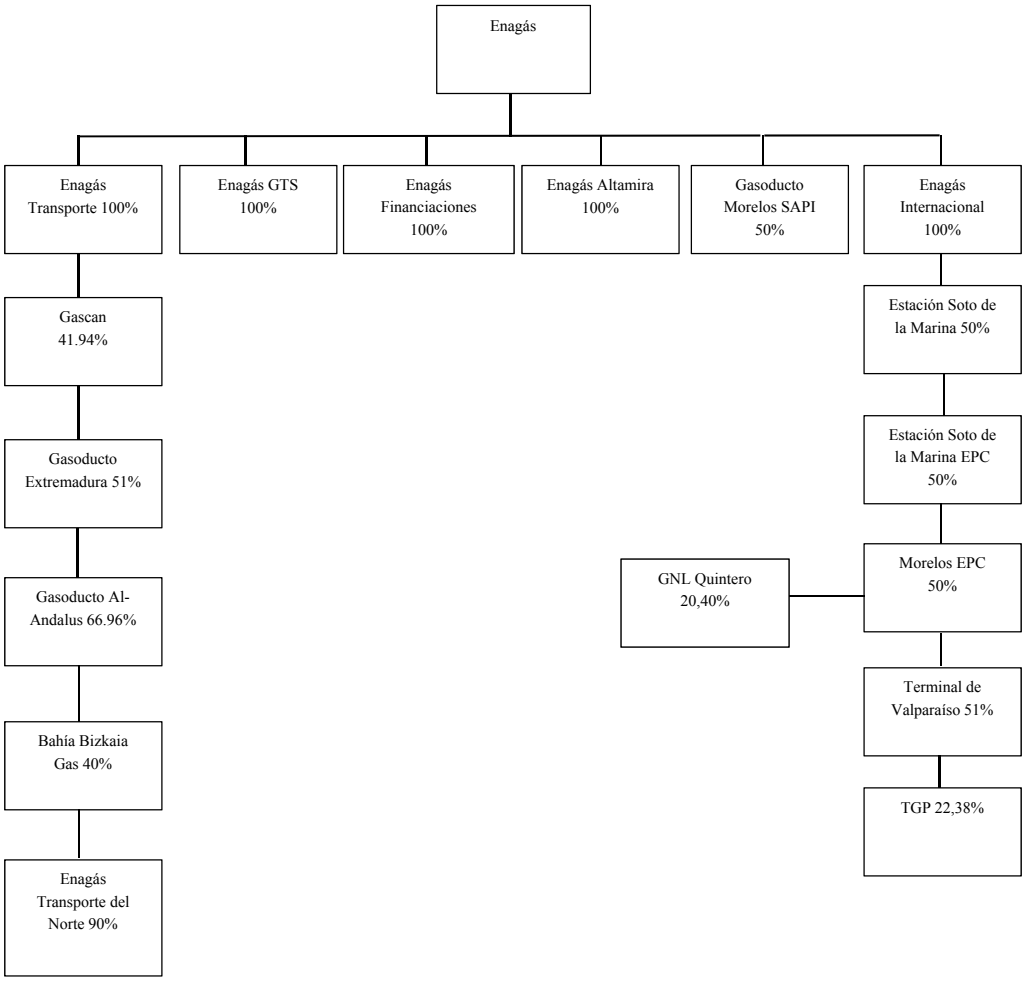
Enagás was incorporated to operate the natural gas infrastructure network in Spain. After the enactment in 1998 of the Hydrocarbons Industry Law (*Ley 34/1998, de 7 de octubre del sector de hidrocarburos*, the "Hydrocarbons Law") which liberalised the Spanish natural gas market in accordance with applicable European directives, and the implementation process that followed, Enagás became an owner of gas transportation infrastructures comprising high pressure gas pipelines, underground gas storages and regasification plants.

As the owner of the majority of the basic natural gas infrastructure network in Spain, in 2000 Enagás was appointed technical manager of the natural gas system (*Gestor Técnico del Sistema*, the "Technical System Manager") pursuant to an amendment of the Hydrocarbons Law made by Royal Decree Law 6/2000, of 23 June 2003. The Technical System Manager is responsible for the technical management of the basic and secondary gas transportation networks and its role is to ensure the continuity and security of supply and proper coordination among the access points.

Royal Decree Law 6/2009 appointed Enagás as the sole transporter for the high pressure gas network (*Transportista Único de la red troncal de transporte primario de gas*) in Spain. In addition to the activities that it carries out directly, Enagás is also the head of a group of companies that own interests in joint ventures engaged in the gas transportation and regasification business in Spain and Portugal (the "Group").

The Group

The simplified corporate structure of the Group is as follows:



The new Additional Provision no. 31 of the Hydrocarbons Law (introduced by the Final Provision no. 6 of Law 12/2011, of 27 May 2011 on civil liability for nuclear damage or damage produced by radioactive materials), provided that Enagás had to create two subsidiary companies in which it would hold the entire capital stock, that would be tasked with the functions of Technical System Manager and transportation company respectively, by transferring all of the material and human assets currently dedicated to the pursuit of each of the above two activities.

Pursuant to the above statutory provision Enagás has transferred to two newly incorporated subsidiaries (Enagás Transporte and Enagás GTS, S.A.U., "Enagás GTS") all of the economic units specific to their functions as gas transportation company and Technical System Manager, respectively, including the corresponding human resources teams and all assets and liabilities comprising such units. The corporate head offices and the properties not involved in the regulated activities which were not transferred to Enagás Transporte or Enagás GTS continue to be held by the parent company.

Pursuant to the Hydrocarbons Law Enagás may not transfer its shares in any subsidiaries pursuing regulated activities to any third parties.

Business

Overview

The Group is mainly engaged in the Spanish regulated activities of regasification, underground storage, gas transportation (through Enagás Transporte, S.A.U.) and management of the gas system (through Enagás GTS). However, activities of regasification performed outside of Spain are developed through Enagás Internacional and Enagás Altamira, S.L. ("Enagas Altamira"). The facilities of the Group include four wholly owned, one 40 per cent. owned and two 41.94 per cent. owned regasification plants, three underground gas storages and more than 10,000 Km of high pressure gas pipeline throughout Spain.

In 2013, the Group generated 94.4 per cent. of its revenue from regulated activities, of which 61.1 per cent. corresponded to transportation, 25.7 per cent. to regasification, 6.7 per cent. to storage and 0.9 per cent. to GTS.

The following table sets out the evolution of the Group's infrastructures from 2005 to 2013:

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Transportation grid									
Pipeline Km	7,538	7,609	7,655	8,134	8,884	8,981	9,280	9,680	10,233
Regasification plants[1]									
Storage capacity LNG (m^3) (´000)	987	1,287	1,287	1,437	1,437	1,887	2,037	2,037	1,957
Vaporization capacity (m^3(n)/h) [2] (´000)	3,450	4,050	4,200	4,350	4,650	4,650	4,650	4,650	4,650
Underground storage									
Extraction capacity (Mm^3(n)/day) [3]	12.5	12.5	12.5	6.9	6.9	6.9	12.4	27.4	27.4
Injection capacity (Mm^3(n)/day)	8.4	8.4	8.4	4.0	4.4	4.4	8.9	18.9	18.9

Notes:

(1) Does not include the percentage corresponding to the BBG and TLA (as defined below) regasification plants.

(2) (n)/h means, per hour, in normal conditions of pressure and temperature.

(3) (n)/day means, per day, in normal conditions of pressure and temperature.

Underground Storage

The Group owns and operates three underground storage facilities, Serrablo, located between the towns of Jaca and Sabiñánigo (Huesca), with maximum injection of 4.4 million m^3 (n)/day and maximum output of 6.7 million m^3 (n)/day; Gaviota, an off-shore facility located near Bermeo (Vizcaya), with maximum injection of 4.5 million m^3 (n)/day and maximum output of 5.7 million m^3 (n)/day and Yela (Guadalajara) with a maximum injection of 10 million m^3 (n)/day and maximum output of 15 million m^3 (n)/day.

Enagás has entered into contractual arrangements with commercial companies for approximately 94 per cent. of its underground storage capacity. Of this percentage, 100 per cent. relates to short term contracts. Pursuant to the current law, a minimum percentage of the contractual arrangements that Enagás enters into with respect to its underground storage capacity, must relate to short term contracts in order to encourage free competition.

Of the total capacity committed to contractual arrangements, 0 per cent. is in respect of short term contracts.

The capacity used at the Group's plants was 91 per cent. Commercial companies will enter into contracts for underground storage based on their maximum demand (forecast); consequently if this maximum demand is not achieved, there will be unused capacity.

The following table sets out the Group's underground storage inventories as at 31 December 2012 and 2013:

	As at 31 December 2012	As at 31 December 2013
	(GWh)	(GWh)
Capacity	**52,233**	54,597
A ***Total***	47,453	47,486
A_1 Non-extractable cushion gas (2/3)	23,278	25,120
A_2 Extractable cushion (1/3)	8,202	8,202
A_3 Operational gas	15,974	14,164
Operational gas % full	77%	68%
A_1+A_2 Cushion gas	31,480	33,322
A_2+A_3 Useful gas	24,176	22,366
Injection	13,052	9,235
Extraction	11,308	9,203

The following table sets out the capacity of the Group's underground facilities as at 31 December 2013:

	Operational Gas	Cushion gas	Injection (max)	Production
	(Mm^3 (n))	(Mm^3 (n))	(Mm^3 (n)/d)	(Mm^3 (n)/d)
Gaviota (Bermeo-Vizcaya)	980	1,134	4.5	5.7
Serrablo (Huesca)	680	280	4.4	6.7
Yela (Guadalajara)	1,050	900	10	15

Gas transportation

The Group operates (through Enagás Transporte) 10,233 Km of high pressure gas pipeline designed to function at maximum bar pressures of between 72 and 80. The gas pipeline network consists of the following main lines:

(i) **Central line**: Huelva-Córdoba-Madrid-Burgos-Cantabria-Basque Country (with the Huelva Seville-Cordoba-Madrid duplicated);

(ii) **Eastern line:** Barcelona-Valencia-Alicante-Murcia-Cartagena;

(iii) **Western line:** Almendralejo-Cáceres-Salamanca-Zamora-León-Oviedo;

(iv) **Spain-Portugal western line:** Córdoba-Badajoz-Portugal (Campo Maior-Leiria-Braga)-Tuy-Pontevedra-La Coruña-Oviedo;

(v) **Ebro line:** Tivisa-Zaragoza-Logroño-Calahorra-Haro;

(vi) **Transverse line:** Alcazar de San Juan-Villarobledo-Albacete-Montesa; and

(vii) **Balearic line:** Montesa-Denia-S. Antoni de Portmany-S. Juan de Dios, and the following gas pipeline entry points to the gas system:

(a) **North:** the Calahorra-Larrau pipeline connecting Spain and Portugal with the French and the European gas pipeline network; and

(b) **South:** the Maghreb-Europe pipeline and connection to the Marismas-Palancares gas fields in the Guadalquivir valley.

During the second half of 2009, the receiving terminal of Medgaz in Almeria was put into operation, which contributed to enhance the supply of natural gas in Spain and the rest of Europe. Medgaz is an underwater gas pipeline between Algeria and Spain.

The Villar de Arnedo, Chinchilla and Denia compressor stations came into operation in 2011, increasing the transport capacity of the Balear Axis, the Transversal Axis and the Ebro Axis.

The most significant additions in 2011 included the construction of the Algete-Yela pipeline, the Tivissa-Paterna pipeline (Phase 1) and the Besós pipeline. The former two have significantly increased the Group's transport capacity in the Ebro valley. The Besós pipeline will supply gas to the two new units at the Besós combined cycle plant at Sant Adrià (Barcelona) and are linked to the Martorell-Figueres pipeline constructed in 2012.

In 2012, the most significant additions besides the Martorell-Figueres pipeline and the Tivissa-Paterna pipeline (Phase central), were the Villar de Arnedo-Almazán pipeline and the Almazán-Yela pipeline.

In 2013, the most significant addition was the Zarza de Tajo-Yelapipeline.

The following table sets out the natural gas ("NG") and the liquefied natural gas ("LNG") input into the Group's system from 2012 to 2013 indicating from where the gas was introduced into the Spanish gas system:

	Location	2012	2013	Difference between 2013 and 2012
		(GWh)	(GWh)	(%)
NG	Tarifa	79,857	85,176	7
	Almería	38,782	70,162	81
	Larrau + Irún	35,328	44,215	25
	Nacional	1,093	749	-32
	Tuy	-	-	-
	Badajoz	3,225	1,924	-40
	Total NG	**158,285**	**202,225**	**28**
LNG	P.Barcelona	58,347	37,921	-35
	P.Cartagena	38,684	20,415	-21
	P.Huelva	48,218	38,017	-47
	P.Bilbao	41,032	28,794	-30
	P.Sagunto	30,966	29,831	-4
	P.Mugardos	20,487	18,964	-7
	Total LNG	**237,734**	**173,943**	-27

Total input	**396,019**	**376,168**	-5

The following table shows the Group's dock deliveries of LNG by source for the year ended 31 December 2013:

Deliveries in 2013	**Nigeria**		**Algeria**	**Egypt**		**Qatar**		**T&T**		**Norway**	**Peru**		**Belgium**	**Oman**		**France**		**Total Average delivery**
	Number of dock deliveries															**(GWh)**		
Barcelona	7	18	1	13	2	5	1	1	1	2	744	7	18	1	13	2	5	1	1	1	2
Cartagena	-	5	-	11	3	3	2	-	1	-	817	-	5	-	11	3	3	2	-	1	-
Huelva	16	19	-	9	4	2	2	-	-	-	731	16	19	-	9	4	2	2	-	-	-
Bilbao	7	-	-	1	12	2	9	-	-	-	929	7	-	-	1	12	2	9	-	-	-
Sagunto	3	27	-	9	-	1	-	1	1	-	710	3	27	-	9	-	1	-	1	1	-
Mugardos	10	-	-	1	5	7	3	1	-	-	704	10	-	-	1	5	7	3	1	-	-
TOTAL	43	69	1	44	26	20	17	3	3	2	763	43	69	1	44	26	20	17	3	3	2
Average delivery (GWh)	863	532	464	924	863	671	994	725	935	675		863	532	464	924	863	671	994	725	935	675
Quality of LNG																					
SCP mass (KMh/Kg)	15.24	15.07	15.38	15.16	15.40	15.13	15.15	15.28	15.14	15.14		15.24	15.07	15.38	15.16	15.40	15.13	15.15	15.28	15.14	15.14
PCS volume (KWh/m^3)	6,873	6,837	6,644	6,867	6,597	6,809	6,851	6,711	6,969	6,923		6,873	6,837	6,644	6,867	6,597	6,809	6,851	6,711	6,969	6,923
LNG density (Kg/m^3)	451	454	432	453	428	450	452	439	460	457		451	454	432	453	428	450	452	439	460	457

Regasification

The Group owns and operates through Enagás Transporte, four regasification plants in Spain, located in the port of El Musel (Gijon), Barcelona, Cartagena and Huelva, with a total emission capacity of 4,650,000 m³ (n)/h and a total storage capacity of 1,957,000 m³ of LNG in a total of 18 tanks and nine cistern loaders. In the second half of 2010 the Group acquired 40 per cent. of the regasification plant of Bahía de Bizkaia Gas ("BBG"), located in the port of Bilbao, with emission capacity of 800,000 m³ (n)/h and storage capacity of 300,000 m³ of LNG in two tanks. BBG is one of the main entry points for natural gas into the Cantabrian strip.

In 2011, the LNG storage capacity was substantially increased by the addition of a new 150,000 m^3 tank, the eighth tank at the Barcelona plant early in March, increasing the system capacity by 18 per cent. over the year.

In the third quarter of 2011 the Group acquired through Enagás Altamira 40 per cent. of the regasification plant of Terminal LNG Altamira ("TLA"), located in the port of Altamira in Mexico, with emission capacity of 800,000 m³ (n)/h and storage capacity of 216,000 m³ of LNG in two tanks. The Dutch company Vopak acquired the remaining 60 per cent. of the terminal. This acquisition is a complementary activity for the Group and it is linked to its main business.

In 2012, the Group acquired through Enagás Internacional, S.L. 20 per cent. of the regasification plant of GNL Quintero, S.A., located in Chile, with emission capacity of 600,000 m³ (n)/h and storage capacity of 334,000 m³ of LNG in three tanks.

In 2013, the Group acquired through Oman Oil Company, S.A.O.C. another 20 per cent. of the regasification plant of GNL Quintero, S.A. Furthermore, Enagás acquired through Enagás Transporte S.A.U. 90 per cent. of Naturgas Energía Transporte. This acquisition includes 450 km of high-pressure gas pipelines, as well as the international connection of Irún.

The following table shows the Group's regasification plants as at 31 December 2013:

	Number of tanks	Storage capacity	Emission capacity	Docking capacity
		(m^3 LNG)	(m^3 (n)/h)	(m^3 LNG)
P.Barcelona	6	760,000	1,950,000	266,000
P.Cartagena	5	587,000	1,350,000	266,000
P.Huelva	5	610,000	1,350,000	173,400
P. Musel	2	300,000	800,000	266,000
P.de BBG (Bilbao)	2	300,000	800,000	270,000
P.de Altamira (México)	2	300,000	800,000	216,000
P. GNL Quintero	3	334,000	600,000	265,000

Technical system management

Enagás, as Technical System Manager (through Enagás GTS), is responsible for the technical management of the basic and secondary gas transportation networks and for proper coordination between access points, storage, transportation and distribution in Spain.

In 2007 an autonomous unit was created within Enagás to perform the functions of Technical System Manager in accordance with the requirements of the Hydrocarbons Law. Enagás has transferred to two newly incorporated subsidiaries (Enagás Transporte and Enagás GTS) all the economic units specific to their function as gas transportation company and Technical System Manager, respectively, including the corresponding human resources teams and all assets and liabilities comprising such units. Enagás has advanced technological systems that allow it to analyse the quality, pressure, temperature and volume of the natural gas transported by the gas system.

Remuneration from regulated activities - Introduction

Royal Decree-Law 6/2000 of 23 June introduced the general principles under which the new integrated economic framework is to operate. These general principles were expounded in Royal Decree 949/2001, which states the criteria for determining the following economic variables:

(i) the remuneration payable to market participants for each of the regulated activities;

(ii) the applicable tolls and fees payable for third-party access; and

(iii) the tariffs for natural gas sold in the tariff-based market.

Under the new remuneration structure, the general principles governing the remuneration payable for regulated activities are:

(i) to ensure that any investment made by owners of a natural gas facility is recovered during the useful life of such facility;

(ii) to allow for a reasonable return on capital invested; and

(iii) to determine a system for the remuneration of operating costs that provides incentives for efficient management and enhanced productivity the benefit of which must be passed on, in part, to other users and customers.

The method for determining the remuneration for regulated activities will be set for periods of four years and will be reviewed by the Ministry of Industry, Energy and Tourism during the last year of each four-year period.

This new regulatory framework is centred on a settlement system managed by the Comisión Nacional de los Mercados y la Competencia ("CNMC") and the Ministry of Industry, Energy and Tourism. The purpose of this settlement system is to collect the tariffs, tolls and fees and use those funds to remunerate market participants for the use of their natural gas infrastructure and the performance of other regulated activities.

Remuneration of the regulated activities

Transport

Order ITC/3993/2006 of 29 December regulates the remuneration for the transportation of gas, as this activity is defined in article 16 of the Royal Decree 949/2001 for those facilities that were operational as of 1 January 2008.

The remuneration model set out in Order ITC/3993/2006 is based on the recognition of standard recognised costs, which are updated annually. This remuneration system distinguishes between three different types of facilities:

(i) facilities that were operational as of 31 December 2001;

(ii) new investments constructed pursuant to the direct authorisation of the Ministry of Industry, Energy and Tourism; and

(iii) new investments constructed pursuant to an award under a public tender process.

Existing facilities operative as of 31 December 2001.

With respect to facilities that were operational as of 31 December 2001, the remuneration model establishes a fixed remuneration component for each of the regasification, transport and storage facilities, together with a variable remuneration component for regasification only.

The fixed component is updated using an inflation index calculated annually at an average of the forecasted retail and industrial price indices in Spain for that year (defined as "IPH"). The IPH is multiplied by an efficiency factor ("f"), which is also set annually in order to calculate the amount of remuneration payable. The maximum efficiency factor is set at 0.85.

The variable component is updated using the IPH multiplied by the above mentioned efficiency factor and by the volume of LNG regasified, expressed in terms of its energy content in kWh, for each regasification plant.

New facilities.

The remuneration payable for any new facility is calculated as of the date from which the General Directorate of Energy Policy and Mining authorises such facility to be included in the remuneration system.

(i) Direct authorisation: With respect to any new regasification, transport and storage investments, the remuneration model recognises two different types of standard recognised costs: annual investment costs ("CIT") and annual operating costs ("CET"). The remuneration payable is the sum of these two cost elements.

Investment costs are the sum of: (i) a depreciation factor that is calculated by reference to the annual updated value of the facility and its useful life; and (ii) a financial return, which is calculated in accordance with Annex III of Order ITC/3993/2006.

Operating costs include the operating and maintenance costs of the natural gas installations, structural costs and any other costs necessary for the performance of transportation and regasification services.

These annual investment and operating costs are standard and will be calculated using the formulae and fixed values set out in Annex III of Order ITC/3993/2006.

(ii) Public tender. The total cost accredited to regasification, transport and storage facilities is calculated following the terms and conditions set out in the decision of the public body awarding the tender.

For facilities that were operational as of 1 January 2008, the remuneration is set forth in Royal Decree 326/2008 of 29 February. The remuneration is based on the investment costs and the maintenance and operation costs of each facility, the "CI" and "COM" costs. The investment costs will depend on the redeemed remuneration of the investment "A" in the facility and the financial retribution of the facility "RF" taking into account the value of the investment that is assigned by resolution of the General Directorate of Energy Policy and Mining "VI", the useful life of the facility "VU", the number of years in which the facility has been operational "m" and an update rate of 2.5 per cent. applicable every year "TA". The maintenance and operational costs are calculated using a fixed and variable operation and maintenance cost as defined in the Royal Decree 326/2008.

Underground Gas Storage

Underground gas storage remuneration is established in Order ITC/3995/2006 of 29 December. The remuneration is equal to the investment costs "CI" of the underground facility in the year "n" plus the operational and maintenance costs of the facility for that year "COM". The operative costs will be determined by a resolution of the General Directorate of Energy Policy and Mining.

Regasification

The remuneration of regasification is determined by Order ITC/3992/2006 of 29 December. This remuneration is also determined by the addition of the investment costs of the regasification facility for the year "n", "CI" and the operation and maintenance costs of the facility for that year as defined in the referred Order "COM". The operation and maintenance costs are calculated using a fixed and variable cost as determined in Annex III of the aforementioned Order.

Remuneration for the System Technical Manager

Enagás' remuneration for performing its obligations as System Technical Manager in each year is determined annually through a Ministerial Order by the Ministry of Industry, Energy and Tourism prior to 31 January of that year. To assist the Ministry in its annual assessment of this remuneration, Enagás must provide information regarding its operating, communication, monitoring and other costs on or before 1 December of the preceding year.

Tolls and fees

General principles

The principal objectives governing the application of tolls and fees are:

(i) to remunerate the regulated activities;

(ii) to assign on an equal basis the costs attributable to each type of supply. These costs are dependent on pressure, consumption levels and a volume coefficient (*factor de carga*); and

(iii) to promote the efficient consumption of natural gas.

The tolls and fees will be applied uniformly across the entire Spanish territory with regard only to volume, pressure and method of consumption (the so-called "postage stamp system"). In other words, the distance between the point of entry and the point of delivery of the natural gas supplied is irrelevant. These tolls and fees are expressed as ceilings and the market participants are, therefore, entitled to agree upon tolls and fees below these regulated ceilings. However, any agreed discounts must be reported to the CNMC and any company awarding a discount is nevertheless required to credit the full regulated amount for settlement purposes and bear the cost of the discount. See "-Settlement" below.

The criteria for determining the amount of tolls and fees will be updated annually or at any other time as the Ministry of Industry, Energy and Tourism considers appropriate.

The tolls and fees are established by Articles 26 of Hydrocarbons Law and Royal Decree-Law 949/2001 and the precise amounts are modified through Ministerial Orders on a regular basis. The applicable tolls and fees at this date are the ones determined in the Ministerial Order IET/2446/2013 of 27 December that establish the charges and fees associated with third party access to natural gas facilities and the payments to regulated activities.

Application of the tolls and fees to Enagás

The tolls and fees received and paid by Enagás vary between regasification, transport and storage.

Regasification

Payment of regasification toll entitles the payer to use the necessary facilities for unloading the LNG carriers, depositing and storing the LNG for 10 days in operating storage tanks and accessing the regasification facilities. The regasification toll is collected by the owner of the relevant facilities (currently, only Enagás) and comprises a fixed element, applicable to the daily flow of LNG measured by its energy content expressed in kWh, and a variable element, based on the energy content, expressed in kWh, of the LNG regasified or loaded into the pointing storage tanks.

Transport

Payment of the transport toll entitles the payer to use the necessary facilities for the transport of natural gas from the natural gas transportation network points of entry to the points of delivery to the eligible customers. In addition, the payment of the toll entitles the payer to five days' storage of the contracted volume of natural gas in operating storage facilities. The toll payable for transport comprises two elements: a capacity reservation element and a transport element. The latter is determined by reference to the level of pressure of the supply and the volume of consumption.

Storage

With regard to the amounts payable for storage, a distinction must be drawn between: (i) the fee payable for underground storage; and (ii) the fee payable for LNG storage.

(i) Underground storage fee: This fee is always collected by Enagás as set forth in the Resolution of 14 March 2008 from the General Secretary of Energy.

(ii) LNG storage fee: This fee is collected by the owner of the LNG storage facility and comprises only a variable element, which is based on the volume of LNG stored in excess of the amount held in the operating storage tanks, calculated on a monthly basis.

Levies

In addition to all of the above, the owners of the transportation facilities must collect levies to be paid to the System Technical Manager. Enagás as System Technical Manager will receive an annual amount, determined by Ministerial Order, regardless of the levies collected. In 2014 Enagás will receive an amount of €11,561,060 as determined by article 3.2 of Ministerial Order IET/2446/2013.

Price of natural gas in the tariff-based market

General principles

The structure, determination and value of tariffs are set out in Royal Decree 949/2001, as supplemented by the Ministerial Order ITC 1660/2009 of 22 June and Ministerial Order ITC/1506/2010 of 8 June, establishing the methodology for calculating the Last Resort Tariff (as defined therein) of natural gas.

The applicable tariffs are determined by the Ministry of Industry, Energy and Tourism. The Resolution of 26 December 2013 of the General Directorate of Energy Policy and Mining determines the current Last Resort Tariff (as defined therein).

Settlement

Royal Decree 949/2001 sets out the methods and criteria for determining the remuneration payable to regulated activities provided in the Spanish natural gas sector. As part of the regulatory framework, this Royal Decree anticipates a centralised system of settlement. This Royal Decree identifies the regulated activities in the natural gas sector that are subject to the settlement process, these are:

(i) regasification;

(ii) transport;

(iii) storage of LNG and natural gas; and

(iv) distribution.

In addition, this Royal Decree sets out the settlement procedure for tolls and fees received from third parties seeking access to the natural gas transportation and distribution network.

Royal Decree-Law 13/2012

Change in the remuneration for basic natural gas underground storage facilities which do not have a definitive commissioning certificate (Acta de Puesta en Marcha Definitiva) on 31 March 2012. The proposed changes to the remuneration system for underground storage facilities which do not have a definitive commissioning certificate on 31 March 2012 with respect to the system currently in place for this type of infrastructure in Order ITC/3995/2006 and ITC/3128/2011, arise from the need, pointed out by the government, to implement a remuneration system which, while continuing to guarantee that the developers of facilities recoup their investments on the terms established by the legislation, also complies with the principle of reasonable and sustainable profitability, all in a manner consistent with the new needs of the gas system.

For these purposes, article 14 of Royal Decree-Law 13/2012 introduces the following measures on the remuneration for basic natural gas underground storage facilities brought into operation from March 2012 onwards:

(i) The remuneration for investment costs will accrue from the day after the facility is brought into commercial operation. As a general rule, the remuneration accrued in each year "n" will be paid throughout year "n+1".

(ii) The remuneration accrued in more than one calendar year will not be paid in a single calendar year. If the facility is not definitively included in the remuneration system in the same calendar year that it came into operation, in year "j", the remuneration accrued in the year the facility came into operation will be paid, and in year "j+1" the remuneration accrued in the year after it came into operation will be paid and so on and so forth.

The same system will apply to the remuneration for operating and maintenance costs, which will also accrue from the day following the date on which the facility in question came into commercial operation.

(iii) Without affecting amounts accrued and claimed in accordance with their specific regulatory provisions up to the entry into force of Royal Decree-Law 13/2012, the recognition of additional provisional remuneration payments to the owners of natural gas storage facilities that have these arrangements in place has been put on hold.

(iv) The operating and maintenance contracts that are not taken over directly by the concession-holder must be notified to the Office of the Secretary of State for Energy (even those that were put into operation before March 2012), which may reject them or place conditions on them. In any event, all of those contracts will be awarded in accordance with the principles of competition, transparency and minimum cost, except where this is shown to be impossible.

(v) In order to *be certain of the optimal functioning of geological structures as underground storage,* a start up certificate will be granted in two phases: a provisional and a definitive phase. The provisional certificate will be issued upon verification of compliance with the conditions established in the administrative permit generally for the facility to be brought into operation, at which point the injection of cushion gas can start. The definitive start up certificate will be issued within a month after the owner evidences that the facility has been in operation within nominal parameters for at least 48 hours consecutively, both in injection and in extraction mode.

Following a request by the developers, the definitive remuneration may be paid in advance on or after the day following the date the provisional certificate takes effect, although it will not be considered final until the definitive certificate is issued. In the period between the request for that transitional remuneration and the issue of the definitive start-up certificate, owners must provide bonds to the Directorate-General of Energy Policy and Mining of the Ministry of Industry, Energy and Tourism equal to 10 per cent. of the remuneration paid, in order to secure compliance with the normal operating parameters. This bond will be provided in instalments so that no later than 31 January of year "n" it will be given for the amount actually paid in calendar year "n-1".

Overview of the Spanish Gas Industry

Conventional demand for natural gas in 2013 has achieved a marginally lower figure than in 2012. Total demand for natural gas in 2013 was 333,302 GWh, which represents a decrease of 3 per cent. compared to 2011. The primary reason for this decrease has been lower industrial consumption.

The following table shows the evolution of the total transported gas from 2009 to 2013:

	2009	2010	2011	2012	2013	Difference between 2013 and 2012
	(GWh)	(GWh)	(GWh)	(GWh)	(GWh)	(%)
Domestic market	**401,855**	**372,766**	**372,976**	**362,687**	**333,302**	**- 8.1**
Domestic conventional	241,062	262,891	263,056	277,964	276,608	-0.5
Electricity sector	160,793	109,875	109,920	84,723	56,813	-33
Exports International Connection	11,564	11,161	11,161	8,559	10,607	24
Exist – Guadalquivir Valley	1,495	-	-	-	1	-
Docking[1]	-	8,091	8,091	22,697	31,802	40
Regulated transport activity	**414,914**	**392,018**	**392,228**	**393,943**	**377,828**	**-5**
Transfer Maghreb-Europe pipeline (MEP) to REN	22,579	21,785	21,785	22,162	23,270	5
Total exits	**437,493**	**413,803**	**414,013**	**416,105**	**401,098**	-4
Injections	7,579	15,681	15,681	13,052	9,235	-29

Note:

(1) Including cold dockings

The following table shows the origin of the gas transported for 2012 and 2013:

	2012	2013
	(%)	(%)
By sea (LNG unloaded)	60.0	40.24
MEP charged	20.2	22.64
Larrau	8.9	11.75
Badajoz	0.8	0.51
Almería MEDGAZ	9.8	18.65
Extraction Guadalquivir valley	0.3	0.2
Extraction underground storage	2.9	2.5

The following tables show the source of all supplies of LNG and NG for 2012 and 2013:

	2012		2013		Difference between 2013 and 2012
LNG	**(GWh)**	**(%)**	**(GWh)**	**(%)**	**(%)**
Algeria	41,658	17.52	36,702	21.26	-11.90
Italy[1]	-	-	-	-	-
Qatar	46,181	19.43	40,639	23.55	-12
Oman	-	-	2,805	1.63	100
Nigeria	59,928	25.21	37,106	21.50	-38.08
Egypt	7,153	3.01	464	0.27	-93.51
Norway	19,563	8.23	13,366	7.74	-31.68
Libya	-	-	-	-	-

	2012		2013		Difference between 2013 and 2012
LNG	**(GWh)**	**(%)**	**(GWh)**	**(%)**	**(%)**
T&T	27,493	11.56	22,440	13	-18.38
USA[1]	-	-	-	-	-
Peru	28,299	11.90	16,898	9.79	-40.29
Belgium[1]	7,462	3.14	2,174	1.26	-70.87
Yemen	-	-	-	-	-
Total	**237,737**	**100**	**172,594**	**100**	**-27.40**

Note:

(1) Commercial source

	2012		2013		Difference between 2013 and 2012
NG	**(GWh)**	**(%)**	**(GWh)**	**(%)**	**(%)**
Algeria	118,638	75	155,338	76.81	30.93
France	35,328	22	44,215	21.86	25.15
Domestic[1]	1,093	1	749	0.37	-31.47
Portugal	3,225	5	1,924	0.95	-40.34
Total	**158,284**	**100**	**202,226**	**100**	**27.76**

Note:

(1) Domestic NG includes extraction from the no-basis storages of Guadalquivir Valley. The storages of Guadalquivir Valley are Poseidon and Marismas and they are owned by Gas Natural and are not part of the Spanish gas system. However their insignificant extractions are included in the total gas balance.

In 2012, Spain received natural gas from a total of 10 different countries.

All natural gas exports are to France via the Larrau and Irún connections, and to Portugal via Tuy and Badajoz. Most of the exports to Portugal were used to supply combined cycle thermal plants.

Spanish Regulation in relation to the Gas Industry

The Gas Directive was implemented in Spain by the Hydrocarbons Law, which has subsequently been supplemented and amended by further legislation and regulation.

The following is a complete list of the relevant Spanish legislation regulating the natural gas sector:

(i) Law 34/1998 of 7 October 1998, on the hydrocarbons sector (the "Hydrocarbons Sector Law") (*Ley 34/1998 del Sector de Hidrocarburos*) (described in more detail below);

(ii) Law 12/2007 of 2 July 2007, amending the Hydrocarbons Law 1998 of October 8, conforming it to Directive 2003/55/CE of the European Parliament and of the Council concerning common rules for the internal market in natural gas;

(iii) Law 15/2012, of 27 December 2012, on tax measures for energy sustainability.

(iv) Royal Decree-Law 6/2000 of 23 June 2000, introducing urgent measures for the increase in competition in the goods and services markets (Title 1, Chapter II, Article 34), also described in more detail below;

(v) Royal Decree-Law 13/2012, of March 30, 2012, transposing measures concerning the domestic electricity and gas markets and electronic communications, and adopting measures to remedy diversions due to gaps between the costs and revenues of the electricity and gas industries ("Royal Decree-Law 13/2012");

(vi) Royal Decree 949/2001 of 3 August 2001, regulating third-party access and establishing an integrated economic system for the natural gas sector;

(vii) Royal Decree 1434/2002 of 27 December 2002 regulating the transmission, distribution, wholesaling and supply activities of natural gas and natural gas facility authorisation procedures;

(viii) Royal Decree 1716/2004 of 23 July 2004 regulating the obligation to maintain minimum safety stocks, diversify natural gas supplies and the corporation for strategic reserves (known as "CORES");

(ix) Royal Decree 919/2006 of 28 July 2006 approving the technical regulations for the distribution and use of gaseous fuels and their supplementary technical instructions;

(x) Royal Decree-Law 6/2009, of April 30, adopting certain measures in the energy sector and establishing the social bond.

(xi) Royal Decree 326/2008 of 29 February 2008, establishing the remuneration for transportation of natural gas for installations put into service after 1 January 2008;

(xii) Ministerial Order ECO/31/2004 of 15 January 2004, establishing the methods for determining the remuneration for regulated activities in the natural gas sector;

(xiii) Ministerial Order ECO 3126/2005 of 5 October 2005, establishing the technical rules for the natural gas industry;

(xiv) Ministerial Order ITC 3995/2006 of 29 December 2006, which relates to the remuneration for basic underground gas storages;

(xv) Ministerial Order ITC 3993/2006 of 29 December 2006, establishing the remuneration for certain regulated activities in the gas industry;

Ministerial Order IET/2459/2013, of 26 December 2013, approving the quotas of the Corporation of Strategic Reservations of Oil Products corresponding to the year 2014

(xvi) Ministerial Order IET/2446/2013, of 27 December 2011, establishing the charges and fees associated with third party access to natural gas facilities, and the payments in respect of regulated activities;

(xvii) Ministerial Order IET/2805/2012, of 27 December 2012, defining the facilities of the basic network of natural gas that belong to backbone gas network.

(xviii) Resolution of the Directorate General for Energy Policy and Mining of 26 December 2013 establishing the last resort tariff of natural gas.

The natural gas sector in Spain has undergone a significant change in structure and operations driven mainly by the deregulation measures of European Directives 1998/30/EC and 2003/55/EC aimed at creating a single European gas market. The liberalisation of the gas market in Spain has been attained both by the Hydrocarbons Law and by Law 12/2007.

This new legal framework aims to integrate and liberalise the Spanish natural gas sector, through the introduction of enhanced competition. Although the new regulatory framework, attempts to create a liberalised natural gas market in Spain, the uninterrupted supply of gas is nevertheless considered to be of general economic interest. Accordingly, the regulatory framework attempts to guarantee a reliable and continuous supply of gas in a manner that is compatible with the liberalisation of the market and reduced intervention by the Spanish government. The gas system has been structured around two types of activities: regulated activities which include regasification, storage, transportation and distribution and deregulated activities encompassing trading and supply.

Hydrocarbons Law 1998 and 2007

The main aspects which the European Directive 2003/55/CE addresses, are the obligations that the Member States may impose on the companies operating in the natural gas industry to protect the general economic interest, to implement consumer protection measures related to the consistency, quality and price of the supply, to monitor the security of the supply, to establish technical standards, to clarify the designation and functions of the managers of the transport and distribution networks and the possibility of combined operation of both networks and the organisation of access to the networks.

The Hydrocarbons Law includes measures to achieve a fully liberalised internal market in natural gas that will be more competitive, with lower prices and will provide a higher quality of service to consumers. Further to these goals, the law emphasises the correct operation for access to the networks, to ensure transparency, objectivity and non-discrimination.

The Hydrocarbons Law of 1998 and its implementing regulation establish a legal framework for the transmission, distribution, storage, regasification and delivery of natural gas for those involved in the natural gas sector in accordance with the provisions set forth in Directive 98/30/CE and defines the functions and responsibilities of those involved in the natural gas industry. It should be noted that most of the provisions set out in Directive 2003/55/CE have already been incorporated into Spanish law.

In accordance with the principles set out in the Gas Directive 98/39/CE, the core measures introduced by the Hydrocarbons Sector Law 1998 are third party access, eligibility and legal and financial unbundling. In addition, the Hydrocarbons Sector Law provides for:

(i) the introduction of natural gas wholesalers, which sell gas to eligible customers in the liberalised market;

(ii) the right for eligible customers to acquire natural gas on freely agreed terms;

(iii) the additional right for eligible customers to acquire natural gas from the wholesaler of their choice; and

(iv) the limitation of gas imports from any one country to 60 per cent. of the total quantity of gas imported by Spain applicable to wholesalers and transportation companies. However, Royal Decree 1766/2007 stipulates that direct market suppliers and consumers must maintain minimum security stocks equivalent to 20 days' consumption, and limits the maximum percentage of gas supplies that may be sourced from a single country to 50 per cent.

In addition, the Hydrocarbons Sector Law 1998 provides that the Ministry of Economy will approve Rules for the Technical Management of the System ("the Rules"), following a report from the CNE. In accordance with the regulations, the System Technical Manager has prepared such Rules in draft form and they are awaiting the approval of the Ministry of Industry, Energy and Tourism. The purpose of the Rules is to promote accuracy in the technical functioning of the natural gas system and guarantee the continuity, quality and stability of the supply of natural gas by coordinating the activity of all the transportation companies.

Finally, the Hydrocarbons Sector Law 1998 provides that any investments affecting the regasification capacity of the system, or involving the construction of pipelines operating at a pressure of over 60 bar or strategic reserve storage facilities, will be subject to the mandatory strategic plan ("*planificación obligatoria"*). Any such investments will, in general, be offered to public tender and must be authorised by the Ministry of Industry, Energy and Tourism.

Until the mandatory strategic plan is approved, the Ministry of Industry, Energy and Tourism may directly authorise the construction and operation of new transportation network investments. The methods of determining the remuneration payable for transportation facilities are dependent on whether the facility was authorised directly or by public tender.

The two key changes enacted in the Hydrocarbons Sector Law 2007 are the elimination of regulated supply and the functional separation of regulated activities and deregulated activities. In the Spanish gas system, the marked deregulation process was completed on 1 July 2008 with the elimination of regulated supply for some customers and the creation of Last Resort Tariff, which is a tariff set by the government which sets a single price for all of the Spanish territory. Currently, low-pressure customers with annual consumption of less than 50,000 kWh that do not choose another supply option will be supplied by a last-resort supplier at a price approved by the Ministry of Industry, Energy and Tourism called (the "Last Resort Tariff").

The Hydrocarbon Sector Law 2007 redefines the activities of the different subjects that interact in the gas system by determining a functional and legal separation of the regulated activities and the production and supply activities, and by eliminating the potential competition between distributors and retailers in the supply sector through the disappearance of the tariff system and the creation of the Last Resort Tariff. Furthermore the Hydrocarbon Sector Law 2007 reviews the obligations and rights of participants in the gas system that perform the activities of distribution and supply.

Additionally, Law 12/2007 creates the Supplier Change Office, a limited liability company whose purpose is to monitor the changes in suppliers in accordance with the principles of transparency, objectivity and independence, guaranteeing the right of the consumers to change their suppliers, in accordance with the principles of transparency, objectivity and independence.

Law 12/2007 reinforces the separation requirements of Enagás. It limits the participation of any shareholder to 5 per cent. (this limit is not applicable to the public sector) and restricts the political rights to a 3 per cent. (1 per cent. if the company is in the gas system or participates in any gas company with more than a 5 per cent. stake). The sum of the participation of participants that are in the gas system may not be higher than 40 per cent.

Royal Decree-Law 6/2000

As mentioned above, Royal Decree-Law 6/2000 developed the regulatory framework established by the Hydrocarbons Law. The principal provisions and amendments to the Hydrocarbons Sector Law are:

(i) System Technical Manager: The System Technical Manager is responsible for the management of the transportation networks, for the purpose of ensuring the continuity, quality and safety of the gas supply and the correct functioning and coordination of the system.

(ii) Accelerated timetable: The timetable for the opening of the Spanish gas market to competition as set out in the Hydrocarbons Sector Law, envisioned full market access by 2013. However, in June 2000, this Royal Decree-Law brought forward to 2003 the timetable for liberalisation to 2003. Accordingly, as from 1 January 2002, any customers whose annual consumption by installation is equal to or exceeding 1 million m^3 (n) may elect to become eligible customers. From 1 January 2003, all customers, regardless of their level of consumption, may be categorized as eligible.

(iii) Tariffs, tolls and fees*:* Introduced a new regime for tariffs paid by customers in the tariff-based market and the payment of tolls and fees levied on customers in the liberalised market. However, the regime for tariffs has been eliminated by the Hydrocarbons Sector Law 2007 and replaced by a Last Resort Tariff.

(iv) Market share*:* From 1 January 2003, no company or group of companies can introduce more than 70 per cent. of the total amount of natural gas supplied for consumption in the Spanish market. For the purpose of calculating this percentage, amounts of natural gas consumed by suppliers are not included ("own-consumption").

Alongside these changes to encourage competition, the Spanish government has also passed measures to facilitate the transition from a quasi-monopolistic market to a competitive environment.

The Royal Decree-Law 6/2009 designates Enagás as the only transporter of the primary gas transport network.

Royal Decree-Law 13/2012

The aim of Royal Decree-Law 13/2012, of March 30, 2012 ("Royal Decree Law 13/2012"), is to implement certain measures concerning the domestic electricity and gas markets. In particular it introduces certain measures aimed at addressing the imbalance between the costs and the revenues of the electricity and gas sectors through various amendments to the relevant legislation concerning the gas industry. Through the transposition of Directive 2009/73/EC concerning common rules for the internal market in natural gas, the concept of "ownership unbundling" (*separación patrimonial*) has been incorporated into Spanish law, which implies the appointment of the network owner as the system operator and its independence from any supply and production interests. It also goes into greater detail with respect to the objectives and functions that help to guarantee the effectiveness and application of measures to protect consumers and introduces a reference to vulnerable consumers.

Introduction of measures to remedy the gaps.

Set out below are the measures aimed at remedying the gaps between the costs and revenues of the gas industry

(i) *Change in the remuneration for basic natural underground storage facilities without definitive commissioning certificate –Acta de Puesta en Marcha Definitiva- March 2012.*

Please see remuneration section above.

These measures mainly affect Enagás' Yela underground storage facility, the launch of which is planned for this year, although Enagás estimates that this impact is not significant.

Although Royal Decree-Law 13/2012 establishes in paragraph 1 of Article 14 that the remuneration shall accrue from the day after the commercial start, paragraph 4 of the same Article establishes that from the moment in which the certificate allowing the facility to be brought into service is granted and the storage is ready to initiate the cushion gas injection, a payment will be made as transitional remuneration on account of the final payment.

This means, that the measure will not have a significant impact on Enagás' revenues, as once the certificate of compliance allowing the facility to be brought into service is granted, Enagás will receive partial remuneration.

The main impact is the cost associated with the expenses relating to the establishment of a bank guarantee for an amount equal to 10 per cent. of the remuneration received.

Additionally, depending on the moment the facility is allowed to be brought into service, there may be a temporary delay of the remuneration payment since only the costs of one year will be included in the settlement of every year. This measure does not affect the regulated revenues although there will be a decrease in the cash flow which will lead to increased financial costs.

(ii) The halting of procedures relating to new regasification plants on the Spanish mainland.

The Royal Decree-Law 13/2012 sets out a transitional system for the authorisation procedures for new regasification plants on the Spanish mainland, with the key terms and conditions described below:

(a) All procedures for the award and grant of permissions for new regasification plants on the Spanish mainland have been halted, including administrative authorisation, authorisation for construction plans and the certificate for entry into service of facilities of this kind. However any regasification plants on the Spanish mainland that had already obtained approval for their construction, may go ahead with construction and subsequently apply for a certificate for entry into service to be issued.

(b) With respect to the owners of regasification plants that, as of the date of entry into force of Royal Decree-Law 13/2012 had applied for the certificate for entry into service, and for whom the procedure for granting the certificate has consequently been halted due to the publication of this Royal Decree, together with the owners that, after receiving approval for their construction plans, decided to go ahead with the construction of the infrastructure and apply for the certificate for entry into service to be issued, will be entitled to collect transitional remuneration.

This measure affects Enagás' Musel regasification plant which is scheduled to launch early 2013. Even though the suspension is a temporary one, in order not to harm the promoters of these facilities, financial compensation will be recognised to ensure the recovery of those financial costs associated with the delays which this measure may cause Enagás.

During the period that this suspension is maintained, the investment will remain in progress not being able to become an operation until the certificate of compliance allowing the facility to be brought into service is granted.

Moreover, as long as this situation remains, Enagás will be entitled to receive a fee for the operation and maintenance costs necessary in order to maintain the plant so that it is available to be brought into service when the Spanish government determines so.

(iii) The halting of administrative permits for new transmission gas pipelines and regulation and measurement stations.

All the relevant procedures for gas transmission pipelines and regulation and measurement stations that have yet to obtain or apply for an administrative permit, and are included in the planning document for the electricity and gas industries for 2008-2016, where they are not considered to be international commitments or economically profitable for the system due to the increase in associated demand, are to be halted.

However, procedures for individual exceptional applications for these facilities may be resumed by decision of the Council of Ministers. For an application to be exceptional, it must be evidenced that the failure to build the facility within three years will cause an imminent risk to the security of supply, or an adverse economic impact on the gas system, or that the construction of the facilities is of strategic importance to the country as a whole.

The halting of procedures for administrative permits for new gas transmission pipelines and regulation and measurement stations will not apply to:

(a) gas pipelines used to supply their designated area of influence, provided that the developers of those pipelines evidence their economic profitability on the terms and conditions established in Royal Decree-Law 13/2012; and

(b) the following infrastructure projects under international commitments that have already been acquired: (i) Zarza de Tajo-Yela gas pipeline (infrastructure associated with the Larrau international connection) and (ii) Euskadour compression station (infrastructure associated with the Irún/Biriatou international connection).

This measure affects the pipelines and regulation and measurement stations of the basic network, included in the planning, without authorization but that have already been granted directly to Enagás or are pending to be granted.

The halting of these projects will remain until the adoption of a new mandatory planning or if the Council of Ministers decides so on an individual a unique basis for each project. As long as the halting of these projects remains, the investments that have been made will remain in progress and cannot be considered operational until the definitive commissioning certificate is obtained.

(iv) Measures aimed at increasing the gas system's revenues.

In view of the projected review of the fees for access to the facilities of the gas system, the natural gas last resort tariff approved in the decision adopted by the Directorate-General of Energy Policy and Mining on 30 December 2011 has been extended on an exceptional basis, and this directorate-general has been authorised to review the last resort tariff by including any updates that are made to access fees, or to the cost of raw materials. This review has been made by resolution of the Directorate General of Energy Policy and Mines on 28 December 2012.

Changes to the Hydrocarbons Sector Law

Royal Decree-Law 13/2012 makes the following changes to the Hydrocarbons Sector Law:

(i) Redefinition of the basic natural gas system.

According to the provisions of article 59 of the Hydrocarbons Sector Law, the gas system will comprise the following facilities: i) those included in the basic system; ii) secondary transmission systems; iii) distribution systems; and iv) non-basic storage facilities and other complementary facilities.

It should be noted that Royal Decree-Law 13/2012 modifies the Hydrocarbons Sector Law by redefining the facilities that form part of the basic natural gas system to include:

(a) High-pressure primary natural gas transmission pipelines;

(b) Liquefied natural gas regasification plants that can supply the gas system and natural gas liquefaction (Conversion of gas into liquid state) plants; and

(c) Basic natural gas storage facilities that can supply the gas system.

It also includes a definition of "non-basic natural gas storage facilities," stating that they are natural gas storage facilities in the subsoil and surface facilities that are required, on a temporary or permanent basis, for the pursuit of the activity of operating an underground natural gas storage facility, including

connection pipelines between the storage facility and the basic natural gas system. These facilities will be excluded from the remuneration system for the natural gas system.

In accordance with the new wording of paragraph 1 of Article 67, the facilities that are part of the trunk system should be granted directly to Enagás, being the owner of most of the facilities of the trunk system.

This change affects Enagás in a positive way as it clarifies which facilities are part of the trunk system. Thus, the new compressor station Euskadour, unaffected by the temporary suspension, will be awarded to Enagás. The second transitory provision of Royal Decree Law 13/2012 determines that within two months after the entry into force of this Royal Decree, the Ministry of Industry, Energy and Tourism will identify the basic network facilities of natural gas which belong to the trunk system. The companies that own a facility that belongs to the trunk system must send an application to the CNMC no later than two months after the delivery of the Ministerial Order referred to.

(ii) Transmission system operator.

Royal Decree-Law 13/2012 modifies the Hydrocarbons Sector Law by including the definition of the transmission system operator, establishing that it means those commercial companies authorised to construct, operate and maintain trunk system facilities, in accordance with the procedure set out for such purpose in the new article 63 bis of the Hydrocarbons Law.

It also establishes that commercial companies that manage trunk system facilities they do not own and are authorised to construct, operate and maintain such facilities, will be deemed independent system operators.

This measure positively affects Enagás as the selected model for the transmissions system operator is that of an independent transmission system operator, which is the model that best fits Enagás and the selected model imposes certain terms for the operators who do not meet the required conditions. Thus, the companies that do not qualify would be forced to sell their facilities or have an independent transmission system operator manage them.

(iii) Certification of transmission system operators.

Transmission system operators, including independent system operators, must first obtain a certificate of compliance with activity separation requirements, in accordance with the new procedure established for such purpose under articles 63.bis and 63.ter.

Enagás has been certified as transmission system operator. Such certification guarantees the independence of the Spanish gas network regarding gas producers and suppliers. In addition, it harmonizes the company to the natural gas networks from other European countries.

(iv) Separation of activities.

In order to reinforce the obligations established in the Hydrocarbons Sector Law as regards separation of activities and to structure a specific regime governing separation of activities for transmission system operators, Royal Decree-Law 13/2012 introduces the following measures into the Hydrocarbons Sector Law:

(v) Transmission system operators must effectively separate transmission activities from supply and production activities as follows:

(a) The owners of facilities belonging to the gas pipeline trunk system must operate and manage their own systems or assign the management thereof to an independent system operator as provided for in the Hydrocarbons Sector Law.

(b) Transmission system operators must comply with the following conditions: (i) no individual or legal entity that directly or indirectly controls the transmission system operator may directly or indirectly control a company that pursues natural gas production or marketing activities, or *vice versa*; and (ii) no individual or legal entity that is a member or is entitled to appoint the members of the board of directors or of the bodies that legally represent the transmission system operator may exercise control or rights over a company that carries out the production or marketing of natural gas. Transmission system operator personnel may not be transferred to companies that perform production or supply functions.

(c) Enagás may not pursue, through the subsidiaries referred to in Additional Provision 32 of the Hydrocarbons Sector Law, activities other than the technical management of the system, the transportation of natural gas and the management of the transport network. Equally, these regulated subsidiaries may not acquire holdings in companies with a different corporate purpose.

(vi) *Access to the transmission system*

Royal Decree-Law 13/2012 makes a series of changes to article 70 of the Hydrocarbons Sector Law, which regulates access to transmission facilities, with a dual purpose: i) to regulate access to the non-basic storage facilities included in the planning on an indicative basis; and ii) to establish cases for the grant of an exemption from the obligation to grant third-party access to new infrastructure or expansions of existing infrastructure.

The following rules apply to access to non-basic storage facilities:

(a) Access shall be negotiated on the basis of transparent, objective and non-discriminatory criteria. Facilities shall be excluded from the natural gas remuneration system.

(b) Owners of non-basic storage facilities shall submit to the CNMC's method for allocating capacity at their facilities and calculating the charges so that the CNMC can verify that the above-mentioned criteria of transparency, objectiveness and non-discrimination are met.

(c) The CNMC and the Ministry of Industry, Energy and Tourism must also be notified of the main commercial conditions, services offered, contracts signed, list of prices for use of the facilities and any changes thereto, within a maximum period of three months.

(d) In relation to third-party access to new infrastructure or expansions to existing infrastructure, an exemption may exceptionally be granted from the obligation to grant third-party access in relation to certain new infrastructure or to modifications to existing infrastructure that entail a significant increase in capacity or enable the development of new sources of gas supply where so required in light of their particular characteristics, provided that the infrastructure meets the following conditions:

(1) The investment must enhance competition in gas supply and the security of supply.

(2) The level of risk attached to the investment must be such that the investment would not take place unless an exemption was granted.

(3) The infrastructure shall be owned by an entity which is separate at least in terms of its legal form from the system operators in whose systems the infrastructure will be built.

(4) Charges must be levied on users of that infrastructure.

(5) The exemption must not be detrimental to competition or the effective functioning of the European Union internal market in natural gas, or the efficient functioning of the regulated system to which the infrastructure is connected.

The Group's Environmental Management Procedures

The Group is aware of the environmental impact of its business activities. Protecting the environment and biodiversity, combating climate change and contributing to the communities within which it operates are essential elements in the development of its business activities.

This line of action consists of a series of environmental management procedures that aim to identify, prevent, minimise, and rectify the environmental impact of the Group's activities and facilities. The Group enacts the most stringent measures possible in order to respect biodiversity and the natural habitat.

The Group has integrated environmental protection within its political and strategic programs through the implementation of the Environmental Management System developed and certified by AENOR (*Asociación Española de Normalización y Certificación*) and prepared in accordance with the requirements of UNE EN ISO 14001, which ensures compliance with applicable environmental legislation and continual improvement of the environmental record in respect of the LNG storage and regasification plants in Barcelona, Cartagena, and Huelva, the Serrablo underground storage facility, the facilities for the basic gas pipeline network and the technological innovation unit.

In 2013, AENOR, the Spanish accreditation company, issued Environmental Management System audit reports with a positive opinion, concluding that the Spanish Gas System has a degree of development and maturity that ensures continuous improvement in that area.

The Group goes to continual lengths to identify, classify and minimise the environmental fallout from its activities and installations, assessing risks, promoting eco-efficiency, practicing responsible waste and residue management, minimising its carbon footprint and attempting to mitigate any negative contribution to climate change.

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

In 2013, these environmental activities amounted to a total capitalised investment of €9.3 million compared to €22.3 million in 2012. Environmental expenses incurred by the company in 2013 totalled €0.924 million compared to €0.922 million in 2012.

Potential contingencies, indemnities and other environmental risks to which the Group is exposed are sufficiently covered by third-party liability insurance policies.

In 2013, the Group did not receive any grants or revenue relating to environmental activities, except those mentioned in Note 26 of the 2013 Consolidated Annual Accounts detailing greenhouse gas emission rights.

Insurance

In line with industry practice the Group maintains insurance which provides cover against a number of risks, including property damage, fire, flood and third party liability arising in connection with the Group's operations.

Employees

In 2013 and 2012 the Group's average workforce totalled 1,149 and 1,118 respectively, of which 262 and 251, respectively, were female workers.

Litigation

There are no pending or threatened governmental, legal or arbitration proceedings against or affecting Enagás or the Group which, if determined adversely to Enagás or the Group may have, or have had during the 12 months prior to the date hereof, individually or in the aggregate, a significant effect on the financial position of Enagás or the Group and, to the best of the knowledge of Enagás, no such actions, suits or proceedings are threatened or contemplated.

Management

Enagás is managed by a board of directors which, in accordance with its by-laws (*estatutos sociales*) is comprised of no less than six and no more than sixteen members appointed by the general shareholders meeting. Members of the board of directors are appointed for a period of four years and may be re-elected.

The Board of directors meets at least once every two months and, in addition, whenever convened by the chairman or requested by a majority of members of the board of directors.

As at the date of this Prospectus, the members of the board of directors of Enagás, their position on the board and their principal activities outside Enagás, where these are significant, are the following:

Name of corporate / Name of director	**Position on the Board**	**Date of first appointment**	**Principal activities outside Enagás**
Antonio Llardén Carratalá	Chairman – Executive	24 January 2007	
Marcelino Oreja Arburúa	CEO- Executive	17 September 2012	
Jesús David Álvarez Mezquíriz	Director – Independent	25 April 2003	
Sultan Hamed Khamis Al Burtamani	Director – Nominee	21 December 2010	Director of SAGGAS-Planta de Regasificación de Sagunto, S.A., Director of Infraestructuras de Gas and Director of Oman Oil Company, S.A.O.C.
Ana Palacio Vallelersundi	Director – Independent	24 March 2014	Director at Pharmamar and Hidroeléctrica del Cantabrio
Isabel Tocino Biscarolasaga	Director – Independent	24 March 2014	Director in Banco Santander and ENCE
Antonio Hernández Mancha	Director – Independent	26 March 2014	Director of Isolux Corsán, S.A.
Luis Javier Navarro Vigil	Director – Other external	09 July 2002	Director of TLA, S. de R.L. de C.V.
Martí Parellada Sabata	Director – Independent	17 March 2005	
Ramón Pérez Simarro	Director – Independent	17 June 2004	
Gonzalo Solana González	Director – Independent	26 March 2014	
Sociedad Estatal de Participaciones Industriales - SEPI - (represented by Federico Ferrer Delso)	Director – Nominee	25 April 2008	
Luis Valero Artola	Director – Independent	30 March 2014	
Rosa Rodríguez Días	Director – Independent	24 April 2013	

Jesús Máximo Pedrosa Ortega	Director – Nominee	24 April 2013

There are no potential conflicts of interest between the members of the board of directors of Enagás and their respective private interests or duties.

The business address of the members of the board of directors is Paseo de los Olmos 19, Madrid 28005, Spain.

Recent Developments

There are no recent developments.

TAXATION AND DISCLOSURE OF INFORMATION IN CONNECTION WITH THE NOTES

Spanish Tax Considerations

Introduction

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the Notes, Coupons or Talons by individuals or entities who are the beneficial owners of the Notes (for the purposes of this section, "Noteholders" and each a "Noteholder"). The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

All the tax consequences described in this section are based on the general assumption that the Notes are initially registered for clearance and settlement in Euroclear and Clearstream, Luxembourg.

Prospective purchasers of the Notes, Coupons or Talons should consult their own tax advisors as to the tax consequences, including those under the tax laws of the country of which they are resident, of purchasing, owning and disposing of Notes, Coupons or Talons.

The summary set out below is based upon Spanish law as in effect on the date of this Prospectus and is subject to any change in such law that may take effect after such date, including changes with retroactive effect.

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Prospectus:

(a) of general application, Second Additional Provision of Law 13/1985, dated 25 May 1985, on investment ratios, own funds and information obligations of financial intermediaries ("Law 13/1985"), as well as Royal Decree 1065/2007, dated 27 July 2007, as amended by Royal Decree 1145/2011, dated 29 July 2011 ("Royal Decree 1145/2011");

(b) for individuals resident for tax purposes in Spain which are subject to the Personal Income Tax ("PIT"), Law 35/2006, dated 28 November 2006, on PIT and partial amendment of Corporate Income Tax Law and Non Residents Income Tax Law, and Royal Decree 439/2007, dated 30 March 2007, enacting the PIT Regulations, along with Law 19/1991, dated 6 June 1991 on Wealth Tax, and Law 29/1987, dated 18 December 1987 on Inheritance and Gift Tax;

(c) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax ("CIT"), Royal Legislative Decree 4/2004, dated 5 March 2004 promulgating the Consolidated Text of the CIT Law, and Royal Decree 1777/2004, dated 30 July 2004 promulgating the CIT Regulations; and

(d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("NRIT"), Royal Legislative Decree 5/2004, dated 5 March 2004 promulgating the Consolidated Text of the NRIT Law along with Law 19/1991, dated 6 June 1991 on Wealth Tax, Royal Decree 1776/2004, dated 30 July 2004 promulgating the NRIT Regulations, Law 29/1987, dated 18 December 1987 on Inheritance and Gift Tax.

Whatever the nature and residence of the Noteholder, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, dated 24 September 1993

and exempt from Value Added Tax, in accordance with Law 37/1992, dated 28 December 1992 regulating such tax.

Individuals with Tax Residence in Spain

Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and therefore will form part of the so called savings income tax base pursuant to the provisions of the aforementioned Law. The saving income tax base will be subject to the following tax rates (as applicable in fiscal year 2014) (i) income up to €6,000 will be taxed at a flat rate of 21 per cent., (ii) income between €6,001 and €24,000 will be taxed at a flat rate of 25 per cent., and (iii) the excess over €24,000 will be subject to a flat rate of 27 per cent.

According to Article 75 of the PIT regulation, the above mentioned income will be subject to the corresponding PIT withholding tax at the applicable tax rate of 21 per cent. in fiscal year 2014. Article 44 of the Royal Decree 1065/2007 (amended by Royal Decree 1145/2011) has established new information procedures for debt instruments issued under the Law 13/1985 (which do not require identification of the Noteholders) and has provided that the interest will be paid by the Issuer to the Paying Agent for the whole amount, provided that such information procedures are complied with.

Notwithstanding the above, withholding tax at the applicable rate of 21 per cent. in fiscal year 2014 may have to be deducted by other entities (such as depositaries, institutions or financial entities), provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory.

The Issuer considers that, according to Royal Decree 1145/2011, they are not obliged to withhold any tax amount provided that the new simplified information procedures described in "−Disclosure of Information in Connection with the Notes" below are complied with by the Paying Agent.

However, regarding the implementation of Royal Decree 1145/2011 refer to "Risk Factors – Risks Related to the Issuer and the Guarantor − Risks related to the Spanish Withholding Tax".

Net Wealth Tax (Impuesto sobre el Patrimonio)

According to Royal Decree-law 13/2011 dated 16 September 2011, as amended by Law 22/2013, dated 23 December 2013, all Spanish resident individuals are liable for Net Wealth Tax in 2014. This tax is levied on the net worth of an individual's assets and rights to the extent that their net worth exceeds €700,000. The marginal rates ranging between 0.2 per cent. and 2.5 per cent. and some reductions could apply. Individuals with tax residency in Spain who are under the obligation to pay Net Wealth Tax must take into account the amount of the Notes which they hold as at 31 December 2014, when calculating their Net Wealth Tax liabilities.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The effective tax rates range between 0 per cent. and 81.6 per cent., depending on relevant factors.

Legal Entities with Tax Residence in Spain

Corporate Income Tax (Impuesto sobre Sociedades)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes will be included in the CIT taxable income and will be taxed at the general tax rate of 30 per cent. in accordance with the rules for this tax.

In accordance with Section 59(s) of CIT Regulations, there is no obligation to withhold on income obtained by Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident funds and Spanish tax resident pension funds) from financial assets listed on an organised market of an OECD country, as in the case of the Notes.

According to Royal Decree 1145/2011, the Issuer will pay the whole amount, provided that the simplified information procedures as described in "—Disclosure of Information in Connection with the Notes" below are complied with. However, regarding the interpretation of Royal Decree 1145/2011 please refer to "Risk Factors – Risks Related to the Issuer and the Guarantor — Risks related to the Spanish Withholding Tax".

However, in the case of Notes held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest and income deriving from the transfer may be subject to withholding tax at the rate of 21 per cent. in fiscal year 2014, withholding that will be made by the depositary or custodian, if the Notes do not comply with the exemption requirements specified in the ruling issued by the Spanish Tax Authorities (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

Notwithstanding the above, amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the acquired Notes in their taxable income for Spanish CIT purposes.

Net Wealth Tax (Impuesto sobre el Patrimonio)

Legal entities are not subject to Net Wealth Tax.

Individuals and Legal Entities with no Tax Residence in Spain

Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes) — Non-resident investors acting through a permanent establishment in Spain.

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those previously set out for Spanish CIT taxpayers. See "— Legal Entities with Tax Residence in Spain — Corporate Income Tax (*Impuesto sobre Sociedades*)."

Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes) — Non-Spanish tax resident investors not acting through a permanent establishment in Spain.

Both interest payments periodically received and income derived from the transfer, redemption or reimbursement of the Notes obtained by individuals or entities who are not resident in Spain for tax purposes and do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT.

According to Royal Decree 1145/2011, which came into force on 31 July 2011, Spanish issuers, including in this case the Issuer, will not be obliged to withhold provided that the information procedures described in

"Disclosure of Information in Connection with the Notes" below are complied with. However, regarding the interpretation of Royal Decree 1145/2011 please refer to "Risk Factors – Risks Related to the Issuer and the Guarantor — Risks related to the Spanish Withholding Tax".

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over Notes by inheritance, gift or legacy, will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish rules, unless they reside in a country for tax purposes with which Spain has entered into a treaty for the avoidance of double taxation in relation to inheritance tax. In such case, the provisions of the relevant treaty for the avoidance of double taxation will apply.

Non-Spanish tax resident entities which acquire ownership or other rights over Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax. Such acquisitions will be subject to NRIT (as described above), without prejudice to the provisions of any applicable treaty for the avoidance of double taxation entered into by Spain and the investor's country of residence. In general, treaties for the avoidance of double taxation provide for the taxation of this type of income in the country of residence of the beneficiary.

Net Wealth Tax (Impuesto sobre el Patrimonio)

In relation to fiscal year 2014, non-Spanish tax resident individuals holding Notes will be subject to Net Wealth Tax to the extent that such Noteholders own Notes (along with other property located in Spain and rights which could be exercised in Spain) value for a combined net amount in excess of €700,000 as of December 31. Spanish Net Wealth Tax marginal rates ranging between 0.2 per cent. and 2.5 per cent. To the extent that income deriving from the Notes is exempt from Non-Resident Income Tax, individuals who do not have tax residency in Spain who hold such Notes on the last day of year 2014 will be exempt from Net Wealth Tax. Furthermore, individuals resident in a country with which Spain has entered into a double tax treaty in relation to Net Wealth Tax will generally be exempt from Net Wealth Tax. If the exemptions outlined do not apply, individuals who are not tax residents in Spain will be subject to Net Wealth Tax to the extent that the Notes are located in Spain or the rights deriving from the Notes can be exercised in Spain.

Disclosure of Information in Connection with the Notes

In accordance with Section 5 of Article 44 of Royal Decree 1065/2007 as amended by Royal Decree 1145/2011 and provided that the Notes issued by the Issuer are initially registered for clearance and settlement in Euroclear and Clearstream, Luxembourg, the Paying Agent should provide the Issuer with a declaration, a form of which is included in the Agency Agreement which should include the following information:

(a) Description of the Notes;

(b) Payment date;

(c) Total amount of income derived from the Notes;

(d) Total amount of income allocated to each non-Spanish clearing and settlement entity involved.

For these purposes "income" means interest and the difference if any, between the aggregate redemption price paid upon the redemption of the Notes and the issue price of the Notes.

According to section 6 of Article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, the relevant declaration will have to be provided to the Issuer as at the business day immediately prior to each interest payment date. If this requirement is complied with, the Issuer will pay gross (without deduction of any withholding tax) all interest under the Notes to all Noteholders (irrespective of whether they are tax resident in Spain).

In the event that the Paying Agent designated by the Issuer were to fail to provide the information detailed above, according to section 7 of Article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, the Issuer (or the Paying Agent acting on instructions from the Issuer) would be required to withhold tax from the relevant interest payments at the general withholding tax rate (21 per cent. in fiscal year 2014). If on or before the 10th day of the month following the month in which the interest is payable, the Paying Agent designated by the Issuer were to submit such information, the Issuer (or the Paying Agent acting on instructions from the Issuer) would refund the total amount of taxes withheld.

Notwithstanding the foregoing, the Issuer has agreed that in the event that withholding tax were required by law, the Issuer, failing which the Guarantor, would pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction, except as provided in "Terms and Conditions of the Notes - Taxation".

Regarding the interpretation of Royal Decree 1145/2011 and the new simplified information procedures, please refer to "Risk Factors – Risks Related to the Issuer and the Guarantor — Risks related to the Spanish Withholding Tax".

Payments under the Guarantee

On the basis that payments of principal and interest made by the Guarantor under the Guarantee are characterised as an indemnity under Spanish law, such payments may be made free of withholding or deduction on account of any Spanish tax. However, although there is no precedent or regulation on the matter, if the Spanish tax authorities take the view that the Guarantor have effectively assumed the obligations of the Issuer under the Notes (whether contractually or by any other means), the Spanish tax authorities may determine that payments made by the Enagás as guarantor, relating to interest on the Notes, will be subject to the same tax rules set out above for payments made by the Issuer.

Disclosure of Noteholder Information in Connection with the Redemption or Repayment of Zero Coupon Notes

In accordance with Article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, in the case of Zero Coupon Notes with a maturity of 12 months or less, the information obligations established in Section 44 (see "– Disclosure of Information in Connection with the Notes" above) will have to be complied with upon the redemption or repayment of the Zero Coupon Notes.

If the Spanish tax authorities consider that such information obligations must also be complied with for Zero Coupon Notes with a longer term than 12 months, the Issuer will, prior to the redemption or repayment of such Notes, adopt the necessary measures with the Clearing Systems in order to ensure its compliance with such information obligations as may be required by the Spanish tax authorities from time to time.

Luxembourg Tax Considerations

The following general description of certain tax issues that may arise as a result of holding of Notes is based on current Luxembourg tax legislation and is intended only as general information. This description does not deal comprehensively with all tax consequences that may occur for Noteholders, nor does it address rules regarding reporting obligations for, amongst others, payers of interest. Prospective applicants for Notes should consult their own tax advisers for information with respect to the special tax consequences that may arise as a result of acquiring, holding and disposing of Notes, including the applicability and effect of foreign income tax rules, provisions contained in double taxation treaties and other rules which may be applicable.

Withholding tax

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to certain individual Noteholders or so-called residual entities, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to certain individual Noteholders or so-called residual entities, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

Luxembourg non-resident

Under the Luxembourg laws dated 21 June 2005, as amended, implementing the European Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") and several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union ("**EU**"), a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual or "residual entities" resident or established in another Member State or in certain EU dependent or associated territories, unless the beneficiary of the interest payments elects for the procedure of exchange of information or, in case of an individual beneficiary, the tax certificate procedure. "Residual Entities" within the meaning of Article 4.2 of the Savings Directive established in a Member State or in certain EU dependent or associated territories which are not legal persons (the Finnish and Swedish companies listed in Article 4.5 of the Savings Directive are not considered legal persons for this purpose), whose profits are not taxed under the general arrangements for the business taxation, which are not and have not opted to be treated as UCITS recognised in accordance with the Council Directive 85/611/EEC as replaced by the European Council Directive 2009/65/EC or similar collective investment funds located in Jersey, Guernsey, the Isle of Man, the Turks and Caicos Islands, the Cayman Islands, Montserrat or the British Virgin Islands.

The current withholding tax rate is 35 per cent. Responsibility for the withholding tax will be assumed by the Luxembourg paying agent. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

The European Council has adopted certain amendments to the Savings Directive which will, when implemented, amend or broaden the scope of the requirements described above.

On 28 February 2014, based on the original scope of the Savings Directive, the Luxembourg government passed a bill which will implement as from 1 January 2015 the automatic exchange of information with regards to savings income and end the 35 per cent. withholding tax system.

Luxembourg resident

In accordance with the law of 23 December 2005, as amended by the law of 17 July 2008, on the introduction of a withholding tax on certain interest payments on savings income, interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents or to certain residual entities that secure interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognised in accordance with the Council Directive 86/611/EEC as replaced by the European Council Directive 2009/65/EC or the exchange of information regime) are subject to a 10 per cent. withholding tax. Responsibility for the 10 per cent. withholding tax will be assumed by the Luxembourg paying agent.

The withholding tax is the final tax liability for the Luxembourg individual resident tax payers receiving the payments in the framework of their private wealth.

EU Savings Tax Directive

EC Council Directive 2003/48/EC, as amended from time to time, on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident or certain other types of entity established in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. A number of third countries and territories have adopted similar measures to the Savings Directive.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU member states, such withholding may occur in a wider range of circumstances than at present, as explained above. The Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive, as amended from time to time, or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Investors should choose their custodians or intermediaries with care, and provide each custodian or intermediary with any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 13 May 2014 (the "Dealer Agreement") between the Issuer, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for all expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has represented and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Spain

Each Dealer has represented and agreed the Notes may not be offered or sold in Spain by means of a public offer as defined and construed in Chapter I of Title III of the Spanish Securities Market Law of 28 July 1998 (Ley 24/1998, de 28 de Julio, del Mercado de Valores) an Royal Decree 1310/2005 of 4 November 2005 (Real Decreto 1310/2005, de 4 de noviembre), each, as amended and restated. The Prospectus has not been registered with the CNMV and is not therefore intended to be used for any public offer of Notes in Spain.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the Act No.25 of 1948, as amended, the "Financial Instruments Securities and Exchange Act"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Act and Exchange Act and other relevant laws and regulations of Japan.

Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to any Notes be distributed in Italy, except to qualified investors (*investitori qualificati*) as referred to in Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "Financial Services Act") and Article 34-*ter*, paragraph 1, letter (b) of CONSOB regulation No. 11971 of May 1999 (the "Issuers Regulation") or in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Final Services Act and Issuers Regulation. In any event, any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in Italy must be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in

each case as amended form time to time); and (ii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms therefore in all cases at its own expense.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

Enagás Financiaciones, S.A.U.
(*Incorporated with limited liability in the Kingdom of Spain*)

Issue of **[Aggregate Nominal Amount of Tranche] [Title of Notes]**

Guaranteed by

Enagás, S.A.
(*Incorporated with limited liability in the Kingdom of Spain*)

under the **€4,000,000,000**

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 13 May 2014 [and the Prospectus supplement dated [●]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC, as amended (the Prospectus Directive). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and/,] the Final Terms [and the Prospectus supplement] [have] been published on the website of the Luxembourg Stock Exchange at www.bourse.lu and [are] available for viewing during normal business hours at Paseo de los Olmos, 19, 28005 Madrid, Spain (being the registered office of the Issuer and the Guarantor).

(The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.)

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") contained in the Agency Agreement dated [8 May 2012 / 26 April 2013] and set forth in the Prospectus dated [8 May 2012 / 26 April 2013]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC and must be read in conjunction with the Prospectus dated 13 May 2014 [and the Prospectus supplement dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [8 May 2012 / 26 April 2013] and incorporated by reference into the Prospectus dated 13 May 2014. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [8 May 2012 / 26 April 2013] and 13 May 2014 [and the Prospectuses supplements dated [●] and [●]]. The Prospectuses[and/,] the Final Terms [and the Prospectuses supplements] [have] been published on the website of the Luxembourg Stock Exchange at www.bourse.lu and [are] available for

viewing during normal business hours at Paseo de los Olmos, 19, 28005 Madrid, Spain (being the registered office of the Issuer and the Guarantor).

(Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.)

1	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
	(iii) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the existing notes with Series number [●] on [*insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below* [which is expected to occur on or about [*insert date*]]].]
2	Specified Currency or Currencies:	[●]
3	Aggregate Nominal Amount of Notes:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
4	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus [●] corresponding to the accrued interest for the period commencing on, and including [●] to, but excluding the Issue Date.]
5	(i) Specified Denominations:	[●]
	(ii) Calculation Amount:	[●]
6	(i) Issue Date:	[●]
	(ii) Interest Commencement Date	[[●]]/[Issue Date]/[Not Applicable]
7	Maturity Date:	[[●]]/[Interest Payment Date falling in or nearest [●]]
8	Interest Basis:	[[●] per cent. Fixed Rate (see item 14 below)] [[●] month [LIBOR]/[EURIBOR] +/– [●] per cent.

		Floating Rate (see item 15 below)] [Zero Coupon (see item 16 below)] (further particulars specified below)
9	Redemption/Payment Basis:	Subject to any purchase and calculation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount.
10	Change of Interest Basis	[Applicable]/[Not Applicable]
11	Put/Call Options:	[Put Option] [Issuer Call] [Not Applicable]
12	Date Board approval for issuance of Notes and Guarantee obtained:	[●] [and [●], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)
13	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	**Fixed Rate Note Provisions**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [●] (*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*)/not adjusted]
	(iii) Fixed Coupon Amount[(s)]	[●] per Calculation Amount
	(iv) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/Not Applicable]
	(v) Day Count Fraction:	[Actual/Actual] / [Actual/Actual-ISDA]/[Actual / 365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] / [30E/360] / [30E/360(ISDA)] / [Actual/Actual-ICMA]
	(vi) Determination Dates:	[[●]]/[Not Applicable]

15	**Floating Rate Note Provisions**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub- paragraphs of this paragraph*)
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[[●] each year]/[Not Applicable]
	(iii) First Interest Payment Date	
	(iv) Interest Period Date:	[●] (*Not applicable unless different from Interest Payment Date*)
	(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention]
	(vi) Business Centre(s):	[[●]]/[Not Applicable]
	(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
	(ix) Screen Rate Determination:	
	– Reference Rate:	[●]/[LIBOR]/[EURIBOR]
	– Reference Banks:	[●]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●]
	(x) ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	(xi) Margin(s):	[+/-][●] per cent. per annum
	(xii) Minimum Rate of Interest:	[●] per cent. per annum
	(xiii) Maximum Rate of Interest:	[●] per cent. per annum
	(xiv) Day Count Fraction:	[Actual/Actual / Actual/Actual-ISDA/Actual / 365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 30E/360 / 30E/360(ISDA) / Actual/Actual-ICMA]]
16	**Zero Coupon Note Provisions**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	Amortisation Yield:	[●] per cent. per annum

PROVISIONS RELATING TO REDEMPTION

17	**Call Option**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub- paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note:	[[●] per Calculation Amount/Condition 6(b) applies]
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
(iv)	Notice period	[●]
18	**Put Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note:	[[●] per Calculation Amount/Condition 6(b) applies]
(iii)	Notice period	[●]
19	**Final Redemption Amount of each Note**	[●] per Calculation Amount
20	**Early Redemption Amount**	[●]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21	**Form of Notes:**	**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent

		Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] (*N.B. In relation to any issue of Notes which are expressed to be represented by a Temporary Global Note exchangeable for Definitive Notes in accordance with this option, such notes may only be issued in denominations equal to, or greater that €100,000 (or equivalent) and integral multiples thereof.*) [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
22	New Global Note:	[Yes]/[No]
23	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable]
24	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, give details]
25	Consolidation provisions:	[Not Applicable/The provisions [in Condition [●]] apply]

DISTRIBUTION

26	(i) If syndicated, names of Managers:	[Not Applicable]/[[●]]
27	If non-syndicated, name of relevant Dealer:	[Not Applicable]/[[●]]
28	U.S. Selling Restrictions:	[Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]

THIRD PARTY INFORMATION

[[●] has been extracted from [●]. Each of the Issuer and the Guarantor confirm that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Enagás Financiaciones, S.A.U.:

By: .....

Duly authorised

Signed on behalf of Enagás, S.A.:

By: .....

Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

(i) Admission to listing and trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to listing on [the official list of the Luxembourg Stock Exchange/[●]] with effect from [●]] [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange/[●]] with effect from [●]] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)
(ii) Estimate of total expenses related to admission to trading:	[●]

2 RATINGS

Ratings:	The Notes to be issued have been rated: [S & P: [●]] [Moody's: [●]] [[Fitch: [●]] [[Other]: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*) *(Insert one (or more) of the following options, as applicable)* [[●] (*Insert legal name of particular credit rating agency entity providing rating*) is established in the EU and registered under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation"). A list of registered credit rating agencies is published at the European Securities and Market Authority's website: www.esma.europa.eu. [●] (*Insert legal name of particular credit rating agency entity providing rating*) is established in the EU and has applied for registration under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation"), although notification of the registration decision has not yet been provided. [●] (*Insert legal name of particular credit rating*

agency entity providing rating) is established in the EU and is neither registered nor has it applied for registration under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation").

[●] (*Insert legal name of particular credit rating agency entity providing rating*) is not established in the EU but the rating it has given to the Notes is endorsed by [●] (*insert legal name of credit rating agency*), which is established in the EU and registered under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation"). A list of registered credit rating agencies is published at the European Securities and Market Authority's website: www.esma.europa.eu. [●] (*Insert legal name of particular credit rating agency entity providing rating*) is not established in the EU but is certified under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation"). [●] (*Insert legal name of particular credit rating agency entity providing rating*) is not established in the EU and is not certified under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "CRA Regulation") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.]

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Not Applicable/Save for (i) any fees payable to the Dealer[s] and (ii) so far as the Issuer is aware, no person involved in the issue/offer of the Notes has an interest material to the offer. The Dealer[s] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, the Guarantor and any of its affiliates in the ordinary course of the business for which they may receive fees.]

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

Reasons for the offer:	[●]

5 [Fixed Rate Notes only – YIELD

Indication of yield:	[Not Applicable/[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future

yield.]

6 OPERATIONAL INFORMATION

ISIN:	**[●]**
Common Code:	**[●]**
Any clearing system(s) other than Euroclear Bank S.A./N.V. and number(s) and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/[●]]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	**[●]**
Names and addresses of additional Paying Agent(s) (if any):	**[●]**

GENERAL INFORMATION

(1) Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market.

(2) Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in Spain in connection with the update of the Programme and the Guarantee. The update of the Programme was authorised by a resolution of the sole shareholder of the Issuer and a resolution of the joint directors of the Issuer, both passed on 3 April 2014 and the giving of the Guarantee by Enagás was authorised by a resolution of its board of directors passed on 25 March 2014.

(3) There has been no significant change in the financial or trading position of the Issuer since 31 December 2013 or of Enagás or of the Group since 31 March 2014 and no material adverse change in the prospects of the Issuer or of Enagás or of the Group since 31 December 2013.

(4) Neither the Issuer, Enagás nor any of Enagás' subsidiaries is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Enagás is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group or Enagás.

(5) Each Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

(7) There are no material contracts entered into other than in the ordinary course of the Issuer's or Enagás' business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's or Enagás' ability to meet its obligations to Noteholders in respect of the Notes being issued.

(8) Where information in this Prospectus has been sourced from third parties this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

(9) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(10) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer and Enagás:

(i) the Agency Agreement (which includes the form of the Global Notes, the definitive Notes, the Coupons and the Talons);

(ii) the Deed of Covenant;

(iii) the Deed of Guarantee

(iv) the Memorandum and Articles of Association of the Issuer and the Guarantor;

(v) the published annual report and audited accounts of Enagás for the two financial years most recently ended 31 December 2012 and 2013 and the published annual report and audited financial statements of the Issuer for 16 April 2012 to 31 December 2012 and the year ended 31 December 2013;

(vi) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity);

(vii) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus; and

(viii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Prospectus.

This Prospectus, the Final Terms for Notes that are listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market will be published on the website of the Luxembourg Stock Exchange (www. bourse.lu).

(11) Copies of the latest annual report and consolidated accounts of Enagás may be obtained, and copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

(12) Deloitte, S.L. (Independent Auditors) located at Plaza de Pablo Ruiz Picasso 1, Torre Picasso, Madrid 28020, Spain are registered on the Registro Oficial de Auditores de Cuentas, and have audited, and rendered unqualified audit reports on, the accounts of Enagás respectively for the two years ended 31 December 2012 and 31 December 2013 and on the Issuer for the period from 16 April 2012 (date of incorporation of the Issuer) to 31 December 2012 and the year ended 31 December 2013.

Certain of the Dealers and their affiliates (including parent companies) have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, Guarantor and/or Guarantor's affiliates in the ordinary course of business. In particular, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of any of the Issuer and the Guarantor or any of their respective affiliates.

Registered Office of the Issuer

Enagás Financiaciones, S.A.U.
Paseo de los Olmos, 19
28005 Madrid
Spain

Registered Office of the Guarantor

Enagás, S.A.
Paseo de los Olmos, 19
28005 Madrid
Spain

Dealers

Banca IMI S.p.A.
Largo Mattioli 3
20121 Milan
Italy

Banco Bilbao Vizcaya Argentaria, S.A.
Calle Sauceda 28
Edificio Asia
28050 Madrid
Spain

Banco Santander, S.A.
Gran Via de Hortaleza 3
Edificio Pedreña
28033 Madrid
Spain

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

CaixaBank, S.A.
Avda Diagonal, 621 – 629
08028 Barcelona
Spain

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Société Générale
29 Boulevard Haussmann
75009 Paris
France

Fiscal Agent and Principal Paying Agent

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

Paying Agent

The Bank of New York Mellon (Luxembourg), S.A.
Vertigo Building, Polaris
2-4 rue Eugene Ruppert
L- 2453 Luxembourg

Calculation Agent

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

Arranger

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Luxembourg Listing Agent

The Bank of New York Mellon (Luxembourg), S.A.
Vertigo Building, Polaris
2-4 rue Eugene Rupper
L-2453 Luxembourg

Independent auditors

To the Issuer and Guarantor

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

Legal Advisers

To the Issuer and the Guarantor

in respect of Spanish law

J&A Garrigues, S.L.P.
Calle Hermosilla, 3
28001 Madrid
Spain

To the Dealers

in respect of English and Spanish law

Linklaters, S.L.P.
Almagro, 40
28010 Madrid
Spain