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

MANAGEMENT REPORT OF THE ENAGÁS GROUP

I.- Group performance in 2012

Net profit rose 4.1% in 2012 to 379,508 thousand euros.

Revenue totalled 1,180,059 thousand euros.

The Enagás Group carries out its business operations primarily in Spain, where it develops and operates virtually all of its assets. In 2012, the Group leveraged its extensive track record developing and operating regasification plants and transmission networks around the world to make a number of international business investments in 2012.

In respect of operations in Spain, throughout 2012 the Group maintained the basic natural gas regasification, storage and transmission network, servicing demand at all times.

Demand for natural gas declined by 3% year on-year, driven by a year-on-year drop in consumption of gas at electric power generation stations of 23%.

In contrast, deliveries of gas to the manufacturing and residential segments rose by 6% to 278 TWh – an all-time record. Notably, gas exports in the form of LNG loads virtually tripled to 22.3 TWh.

As in prior years, diversification was high, with the Group importing gas from 11 different source markets. Forty per cent of imports were in the form of natural gas and 60% in the form of LNG via the regasification plants. For the second year in a row, the weight of LNG in the supply mix fell due to the increase in gas from France and Algeria, the latter thanks to the international connection in Almeria, which has been registering volume growth since being added to the network in 2011.

The storage capacity of the Spanish gas system increased from 28,080 GWh in 2011 to 28.956 GWh in 2012 thanks to the addition of the Marismas and Yela facilities. In the specific case of the Yela facility, definitive extraction capacity will cover close to 90% of current demand in central Spain.

Elsewhere, the unified management and contracting of all of the system's underground storage facilities, tasked to Enagás GTS, continued.

Capital expenditure amounted to 761.4 million euros, topping initial guidance for the year, as did the amount of assets commissioned (994.4 million euros), driven mainly by the addition of assets acquired.

Ministry of Industry, Energy and Tourism Order IET/3587/2011, establishing the tolls and fees for third-party access to gas installations and remuneration of regulated activities, was published in the Official State Gazette on 31 December 2011.

Enagás achieved its goal in respect of carbon emissions in 2012, reducing emissions deriving from self-consumption of natural gas at its own facilities by 16%.

The capital and reserves of the Enagás Group stood at 2,014,878 thousand euros at year end, while equity amounted to 2,004,784 thousand euros.

Share capital is represented by 238,734,260 fully paid ordinary bearer shares each with a par value of 1.50 euros.

At 31 December 2012, 96% of net debt was non-current and 82% was fixed-rate, compared to 71% at year-end 2011.

Overall, at the end of 2012, the gas infrastructure of the Enagás Group comprising the basic natural gas grid consisted of the following:

- Over 9,000 kilometres of gas pipelines throughout Spain
- Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara) and Gaviota (Vizcaya)
- Three regasification plants in Cartagena, Huelva and Barcelona plus a fourth under construction at El Musel (Gijón)
- The Group additionally owns 40% of the BBG regasification plant (Bilbao), 40% of the Altamira regasification plant (Mexico) and 20% of the Bahía de Quintero regasification plant (Chile)

II.- Main business risks

The Enagás Group is exposed to various risks intrinsic to the sector, the market in which it operates and the activities it performs, which could prevent it from achieving its objectives and executing its strategies successfully.

The main risks associated with the Group's business activities are classified as follows:

1. Business risk

Business risk relates to losses caused by external factors such as regulation, economic growth patterns, competition levels, demand trends, structural industry factors, etc., as well as to potential losses resulting from incorrect decision-making in relation to the company's business plans and strategies.

Within business risk, regulatory risk, which relates to the regulatory framework governing the Group's business activities and also refers to certain aspects of local rates, is particularly prominent.

The Group has implemented measures to control and manage its business risk within acceptable risk levels. To this end, it continually monitors risks relating to regulation, the market and the competition.

2. Counterparty risk

Counterparty risk relates to the possibility of losses deriving from a counterparty's failure to comply with its obligations and to uncertainty as to a counterparty's ability to honour its obligations.

In the assessments performed in 2012, the Group qualified its credit and counterparty risk as negligible as it only does business with solvent companies, as corroborated by these companies' external credit ratings.

The pertinent counterparty risk management information is disclosed in Note 16 to the consolidated annual financial statements.

3. Financial risk

Financial risk is an assessment of earnings vulnerability to adverse fluctuations in financial variables such as interest rates, exchange rates, market liquidity conditions and other market drivers.

The financial risk management policy is detailed in Note 16 to the consolidated annual financial statements.

4. Operational risk

The Group's day-to-day operations can give rise to direct or indirect losses on account of inadequate internal processes, technological errors, human error or certain external events.

The Group has identified the following significant operational risks: incidents affecting its infrastructure, equipment and systems, business practices, poor quality or interruption of service, employee conduct, workplace health and safety and operational risks on the part of suppliers and counterparties.

The Enagás Group mitigates these risks by making the necessary investments, applying operation and maintenance procedures and programmes, underpinned by quality systems and planning for a level of adequate training and skill management, combined with an adequate level of insurance coverage.

5. Criminal liability risk

Article 31 *bis* of Organic Law 5/2010 of 22 June 2010, which reforms Spain's Criminal Code, introduces criminal liability on the part of legal entities.

In this regard, the Enagás Group could be held liable in Spain for crimes committed by its officers and staff in the course of their work and in their own interests if the Group is found to have failed to have exercised sufficient control.

To prevent this risk from materialising, the Group has approved a Criminal Liability Risk Model and is in the process of implementing the measures needed to prevent corporate crime.

6. Reputational risk

Reputational risk refers to any action, event or circumstance that could have either a harmful or beneficial effect on Enagás' reputation among its stakeholders.

The Group has implemented a reputational risk self-assessment procedure which uses qualitative measurement techniques.

This process contemplates the potential reputational impact that materialisation of any of the risks listed in the model (operational, business, financial and counterparty) could have as a result of failing to meet stakeholder expectations and as a result of strictly reputational events arising from the action, interest or opinion of a third party.

The Group has identified as relevant any Reputational Risk arising in the aftermath of the materialisation of certain risks: operational (service interruption, bad business practice, errors and/or delays in information disclosure and internal and external communication, damage caused to third party persons and/or assets, etc.), regulatory and liquidity risk.

The management of certain risks strictly defined as reputational stemming from third-party action has also been considered key on account of its significance.

III.- Use of financial instruments

In February 2008, the Board of Directors approved an interest rate hedging policy devised to align the Group's financial cost with the target rate structure set under its Strategic Plan.

In compliance with this policy, the Group entered into a series of interest rate hedges in the course of 2012. As a result, at year end, 82% of total gross debt was hedged against interest rate increases.

IV.- Outlook

The natural gas market is mature. The Spanish gas sector is dependent on the stream of regulations emanating from the European Union. The Enagás Group, which generates most of its revenue from the

regulated business in Spain, is committed to Europe's new energy policy objectives. To this end, it is working intensively to help make sure that these regulatory developments prove as effective as possible, factoring in the characteristics of the internal market, and that they are properly integrated into the Spanish framework.

The Group has earmarked capital expenditure of 645 million euros for 2013 and plans to bring 570 million euros worth of assets online during the year.

Management expects to repeat net profit of 380 million euros in 2013. Likewise, the Group has reiterated the growth targets set out under its 2010-2014 Strategic Plan.

V.- Research and development

The technological innovation initiatives carried out by the Group in 2012 comprised assessing, developing and testing new gas technologies with the aim of increasing and improving the competitiveness of natural gas in various applications, focusing particularly on projects of strategic value for the Group.

The most significant activities carried out by area in 2012 area were:

a) **Production (LNG).** Further work was carried out on upgrading and rolling out the "MOLAS" application, aimed at learning about how LNG ages and how its properties change during shipping. Development of a reliability model for plant equipment and installations was completed. In this area, the Group is implementing improvements to its LNG sampling system to more accurately gauge the quality of the LNG unloaded at the regasification plants. It is drawing up the engineering plans for a facility to generate electricity by leveraging the spikes in pressure in the course of gas emission at the Barcelona plant. Work has also begun on a study to learn about new developments in the small-scale LNG distribution field.

b) **Transmission:** Work has begun on a study into the operating repercussions deriving from overall transport of natural gas and moderate amounts of hydrogen in the gas pipelines. The techniques needed to eliminate the iron sludge building up at the Serrablo facility have been studied. As part of a European study, the Group is studying ways to prevent third-party interference with the network using unmanned flights.

c) **Operation.** A logistics planning and optimisation application (SPOL) was implemented that enables centralised management of the network facilities, enhancing system performance in general. A study was begun to determine the quality of the gas transmitted through the gas pipeline network by means of simulation.

d) **Safety.** Work proceeded on various projects and studies related to the analysis of gas pipeline risks.

e) **Metering.** A new system was developed for verifying the metering units and preventing problems deriving from the breakage of metering turbine blades. The characteristics were defined for a new application for the centralised management of metering unit verification, updating and upgrading the related application. A number of initiatives are underway to enhance the chromatographic and metering techniques of various parts of the natural gas system. Work has begun on a number of initiatives for the measurement and determination of the dew points of water and hydrocarbons in natural gas.

f) **Projects of general interest**. Work is ongoing on the tri-generation project at the Zaragoza Technology Centre to enable the supply of heat, cooling and electricity to the various areas of the new data processing centre, control centre, laboratories and offices.

g) **Other matters**: The Group is carrying out a campaign to contact other energy companies and associations with the aim of spearheading the joint development of R&D activities in order to share know-how.

VI.- Transactions with treasury shares

The Group did not buy or sell treasury shares in 2012.

VII.- Additional information

This additional disclosure is included to comply with article 116 bis of Spain's Securities Market Act (Law 24/1988 of 28 July).

a) The structure of capital, including securities which are not admitted to trading on a regulated market in a member state, indicating, where appropriate, the different classes of shares and, for each class of shares, the rights and obligations attaching thereto and the percentage of total share capital represented

Capital structure of the parent company:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
03-05-02	358,101,390.00	238,734,260	238,734,260

All the shares are of the same class.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

c) Significant direct and indirect shareholdings

Significant shareholdings (excluding directors):

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
OMAN OIL COMPANY, S.A.O.C.	0	11,936,702	5
KUTXABANK, S.A.	0	11,936,713	5

(*) Through:

Name or company name of the shareholder	Number of direct voting rights	% of total voting rights
OMAN OIL HOLDINGS ESPAÑA, S.L.U.	11,936,702	5
KARTERA 1, S.L.	11,936,713	5
Total	**23,873,415**	**10**

Significant shareholdings of directors holding voting shares in the parent company:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
ANTONIO LLARDÉN CARRATALÁ [1]	56,396	0	0.024
MARCELINO OREJA ARBURÚA	10		
TERESA GARCÍA MILÁ LLOVERAS	1,500	0	0.001
SULTAN HAMED KHAMIS AL BURTAMANI	1	0	0
DIONISIO MARTÍNEZ MARTÍNEZ	2,010	0	0.001
LUIS JAVIER NAVARRO VIGIL	10	7,075	0.003
MARTÍ PARELLADA SABATA	910	0	0
RAMÓN PÉREZ SIMARRO	100	0	0
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	11,936,713	0	5
TOTAL	**11,997,650**	**7,075**	**5.029**

[1] As notified to the CNMV, during the Annual General Meeting of Enagás, S.A. of 30 March 2012, Mr. Llardén was proxy holder for 91,124,560 voting rights, equivalent to 38.170% of total voting rights, representing 5,537 shareholders.

(*) Through:

Name or company name of the shareholder	Number of direct voting rights	% of total voting rights
NEWCOMER 2000, S.L.U.	7,075	0.003
Total	**7,075**	**0.003**

d) Any restrictions on voting rights

Additional provision thirty-one of Spain's Hydrocarbon Act (Law 34/1998, of 7 October 1998), in effect since enactment of Law 12/2011, of 27 May 2011, regarding civil liability for nuclear damage and damage caused by radioactive waste, stipulates that:

> "No natural person or corporate body may hold, directly or indirectly, an interest in the parent company (Enagás, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Such shares may in no event be syndicated. Parties operating in the gas industry or natural persons or corporate bodies that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise voting rights at the parent company in excess of 1%. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises. The shareholdings may in no event be syndicated.
>
> In addition, the sum of direct and indirect shareholdings held by parties operating in the natural gas industry may not exceed 40%.
>
> To calculate the shareholding, the same individual or legal entity will be attributed, in addition to the shares and other securities held or acquired by companies belonging to its group, as defined in article 4 of the Law 24/1988, of 28 July 1988, regarding securities markets, those whose ownership corresponds to:
>
> > a) Any person acting on his own behalf but on account of the aforesaid, in concert or constituting a decision-making unit. Unless proven otherwise, the members of a governing body shall be presumed to act on account of or in concert with that governing body.

b) Partners with those with which one of them exercises control over a dominant company in accordance with article 4 of Securities Market Law 24/1988.

In any event, regard shall be had to the proprietary ownership of the shares and other securities and the voting rights attached to each.

Breach of the restrictions on interests in share capital prescribed by this article shall be treated as a very serious infringement for the purposes of article 109 of this Law, and liability shall attach to any natural person or body corporate found to be holders of the securities or to any person to whom there may be attributed the excess interest in share capital or voting rights pursuant to the above sub-paragraphs. In any event, the regime of penalties laid down in the law shall be applied".

In accordance with the aforementioned legal provision, article 6 bis ("Limitations on holdings in share capital") of Enagás, S.A.'s bylaws sets forth the following:

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

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

For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply.

Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical systems management, which are regulated businesses under Hydrocarbons legislation."

Additional provision twenty of Spain's Hydrocarbon Act (Law 34/1998, of 7 October 1998) was amended by Law 12/2011, of 27 May 2011, regarding civil liability for nuclear damage and damage caused by radioactive waste, which establishes the said limitations on shareholdings and on the exercise of voting rights stipulated in the currently prevailing additional provision thirty-one of the Hydrocarbon Act:

e) Agreements between shareholders

There is no record of any agreements among the Company's shareholders.

f) The rules governing the appointment and replacement of board members and the amendment of the articles of association

Bylaw provisions affecting the appointment and replacement of board members:

ARTICLE 35. – COMPOSITION OF THE BOARD.

The Company shall be governed and managed by the Board of Directors, which shall represent the company collegiately, both in and out of court. Its representation shall extend, without any limitation of power, to all acts embodied in the corporate purpose.

The Board of Directors shall be composed of a minimum of six members and a maximum of fifteen, appointed at the General Shareholders' Meeting.

Directors shall be elected by vote. For this purpose, the shares that are voluntarily pooled, to make a share capital that is equal to or greater than the result of dividing the latter by the number of directors, shall be entitled to appoint a number of directors equal to the integer number resulting from that proportion. If this power is exercised, the shares pooled in this fashion shall not take part in the voting for the appointment of the remaining Directors.

A director need not be a shareholder, may step down from office, may have his appointment revoked, and may be re-elected on one or more occasions.

Appointment as director shall take effect upon acceptance of the post.

The following cannot be directors or, if applicable, natural person representatives of a legal person director:

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

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

ARTICLE 37.- POSTS.

The Board of Directors shall appoint its Chairman.

The Board of Directors may appoint an Independent Director, on the proposal of the Appointments, Remuneration and Corporate Responsibility Committee, to perform the following duties, under the title of Lead Independent Director:

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

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

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

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

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

The Chairman and the Secretary to the Board of Directors and the Deputy Secretary, if any, if re-elected to the Board by a resolution of the General Meeting, shall continue to perform the offices hitherto held on the Board without need of being freshly elected, subject to the power of revocation of such offices that rests with the Board of Directors.

Provisions of the organisational and operational regulations of the Board of Directors (adopted by the Board of Directors on 20 February 2012):

ARTICLE 3.- QUANTITATIVE AND QUALITATIVE COMPOSITION

1. Within the minimum and maximum limits set forth under article 35 of the Company's current bylaws, notwithstanding the powers of proposal enjoyed by shareholders, the Board of Directors shall propose to the General Shareholders' Meeting the number of directors that at each stage it deems appropriate in the interest of the company. The General Shareholders' Meeting shall decide on the final number.

2. The Board of Directors shall be composed of directors that belong to the categories stated below:

   a) Internal or executive directors: directors who perform senior management functions or are employed by the company or its Group. If a director performs senior management functions and, at the same time, is or represents a significant shareholder or one that is represented on the Board of Directors, he/she shall be considered internal or executive for purposes of the present Regulations.

      No more than 20% of the total number of members of the Board of Directors may belong to this category.

   b) External directors: These directors shall in turn fall into three categories:

      b1) Proprietary directors: directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than said amount, as well as those who represent said shareholders.

      b2) Independent directors: directors of acknowledged professional prestige are able to contribute their experience and knowledge to corporate governance and, since they do not belong to either of the two preceding categories, meet the conditions set forth under article 9 of the present Regulations. The number of independent directors shall represent at least one third of all directors.

      b3) Other external directors: external directors who are not proprietary directors and cannot be classified as independent directors in accordance with article 9 of the present Regulations.

In exercising its powers of co-option and proposal to the General Shareholders' Meeting to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, independent directors represent a broad majority over executive directors and that among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the Company's capital.

The following cannot be Directors or, if applicable, natural person representatives of a legal person Director:

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

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

ARTICLE 8.- APPOINTMENT OF DIRECTORS

1. Directors shall be appointed at the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions contained in the Spanish Corporate Enterprises Act and the Company's Bylaws.

2. Those appointed to directorship must be people who, in addition to meeting the legal and bylaw-stipulated requirements, have acknowledged prestige and the appropriate professional knowledge and experience to perform their tasks efficiently.

   Proposals for the appointment of directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a report from the Appointments, Remuneration and Corporate Responsibility Committee. When the Board of Directors

does not agree with the Committee's recommendations, it must explain its reasons and duly record them in the minutes.

3. The process of filling board vacancies shall have no implicit bias against women candidates. The Company shall make an effort to include women with the target profile among the candidates for Board positions.

ARTICLE 9.- APPOINTMENT OF INDEPENDENT DIRECTORS.

Independent directors are defined as directors appointed for their personal and professional qualities who are in a position to perform their duties without being influenced by any connection with the company, its significant shareholders or its management. As such, the following shall in no circumstances qualify as independent directors:

a) Past employees or executive directors of Group companies, unless three or five years have elapsed, respectively, from the end of the employment relationship.

b) Those who have received some payment or other form of compensation from the Company or its Group on top of their directors' fees, unless the amount involved is not significant. Payment shall not include for the purposes of the provisions of this article, dividends or pension top-ups paid to the director in connection with his or her former professional or employment relationship, so long as their settlement is unconditional in nature and the Company paying them cannot arbitrarily choose to suspend, modify or revoke their payment, unless the director is in breach of his or her obligations.

c) Partners, now or in the past three years, in the external auditor or the firm responsible for the audit report, during the said period, of Enagás, S.A. or any other within its Group.

d) Executive directors or senior officers of another company where an executive director or senior officer of Enagás, S.A. is an external director.

e) Those having material business dealings with Enagás, S.A. or some other in its Group or who have had such dealings in the preceding year, either on their own account or as the significant shareholder, director or senior officer of a company that has or has had such dealings. Business dealings are considered those with suppliers of goods or services, including financial advisory and consultancy services.

f) Significant shareholders, executive directors or senior officers of an entity that receives significant donations from Enagás, S.A. or its Group, or has done so in the past three years. Mere sponsors of a foundation receiving donations are not included here.

g) Spouses, or partners maintaining an analogous affective relationship, or close relatives of one of the company's executive directors or senior officers.

h) Any person not proposed for appointment or renewal by the Appointments, Remuneration and Corporate Responsibility Committee.

i) Those standing in some of the situations listed in a), e), f) or g) above in relation to a significant shareholder or a shareholder with board representation. In the case of the family relations set out in letter g), the limitation shall apply not only in connection with the shareholder but also with his or her proprietary directors in the investee company. Proprietary directors disqualified as such and obliged to resign due to the disposal of shares by the shareholder they represent may only be re-elected as independents once the said shareholder has sold all remaining shares in the company.

A director with shares in the company may qualify as independent, provided he or she meets all the conditions stated in this article and the holding in question is not significant.

ARTICLE 10.- TENURE AND CO-OPTION

Directors may hold their post for a period of four years, and may be re-elected. Directors appointed by co-option will perform their functions until the date of the next General Shareholders' Meeting.

ARTICLE 11.- RE-APPOINTMENT OF DIRECTORS

The Appointments, Remuneration and Corporate Responsibility Committee, responsible for evaluating the quality of work and dedication to the post of the directors proposed during the previous term of office, shall provide information required to assess proposal for re-appointment of directors presented by the Board of Directors to the General Shareholders' Meeting.

As a general rule, appropriate rotation of independent directors should be endeavoured. For this reason, when one is proposed for re-election, the circumstances making his/her continuity in the post advisable must be justified. Independent directors should not stay on as such for a continuous period of more than 12 years.

ARTICLE 12.- REMOVAL OF DIRECTORS.

1. Directors shall leave their post after the first General Shareholders' Meeting following the end of their tenure and in all other cases in accordance with law, the company's bylaws and the present Regulations.

2. Directors must place their office at the Board of Directors' disposal, and tender, if the Board deems this appropriate, their resignation in the following cases:

   a) When they are involved in any of the legally stipulated circumstances of incompatibility or prohibition.

   b) When they are in serious breach of their obligations as directors.

   c) When they may put the interests of the company at risk or harm its name and reputation. If a director is indicted or an order is issued to initiate a trial against him/her for a crime specified under article 213 of the Spanish Corporate Enterprises Act, the Board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide where or not the director should be called on to resign.

   d) When the circumstances motivating their appointment as directors no longer exist.

   e) When independent directors no longer fulfil the criteria required under article 9.

   f) When the shareholders represented by proprietary directors dispose of their ownership interests. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced proportionately.

   Should the Board of Directors not deem it advisable to have a director tender his/her resignation in the cases specified under letters d), e) and f), the latter must

be included in the category that, in accordance with the present Regulations, is most appropriate based on his/her new circumstances.

3.- The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a report from the Appointments and Remuneration Committee.

4.- After a director has been removed from his/her post, he/she may not work for a competitor company for a period of two years, unless the Board of Directors exempts him/her from this obligation or shortens its duration.

Bylaw provisions affecting the amendment of the bylaws:

ARTICLE 26. – SPECIAL QUORUM.

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

At second call, attendance of at least twenty-five percent of the paid up voting capital shall be sufficient.

g) The powers of board members and in particular the power to issue or buy back shares

The only members of the Board of Directors who have the power to represent the Company are its Chairman, Antonio Llardén Carratalá (the Board of Directors granted him the powers that appear in the public deed executed on 9 February 2007 before Notary of Madrid Pedro de la Herrán Matorras under number 324 of his protocol and as recorded in the Companies Registry of Madrid, Volume 20,090; Book 0; Folio 172, Section 8; Page M-6113; Record 668) and Chief Executive Officer, Marcelino Oreja Arburúa (in whom the Board has vested the powers listed in the public deed executed on 5 December 2012 before Notary of Madrid Pedro de la Herrán Matorras under number 2,680 of his protocol and as recorded in the Companies Registry of Madrid, Volume 20,601; Book 194; Folio 194, Section 8; Page M-6113; Record 739). Although said powers encompass broad powers of representation, they do not include the ability to issue or buy back shares of the Company.

Regardless of the foregoing, the tenth resolution adopted at the General Shareholders' Meeting held on 30 March 2012 is currently in force. Its terms are:

"To grant the Board of Directors the broadest powers required by law to increase the Company's share capital, once or several times, within a maximum period of five years from the date of the Meeting, under the terms of article 297.b) of the Spanish Corporate Enterprises Act, up to a maximum of 179 million euros, by issuing new shares, with or without voting rights, with or without a share premium, in exchange for cash, and to establish the terms and conditions of the capital increase and the features of the shares, with the possibility of offering freely new shares unsubscribed within the pre-emptive subscription period(s) and determine, if the shares are not fully subscribed, that capital will be increased only by the amount of the subscriptions made and, accordingly, to redraft the article of the Company bylaws regarding share capital."

h) Significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company arising from a takeover bid and the effects thereof except where such disclosure could pose a serious risk to the company. This exception is not applicable when the company is legally obliged to disclose the information.

No agreements of this kind exist.

i) Agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment relation ends following a takeover bid.

The Company has an agreement with the Executive Chairman, the Chief Executive Officer and seven of its officers that include express severance pay clauses.

The clauses in each case are applicable in cases of company termination of the contract, unfair disciplinary dismissal, dismissal for the reasons outlined under article 52 of the Workers' Statute or as decided by the manager citing one of the reasons outlined under article 50 of the Workers' Statute provided the resolution is certified by means of conciliation between the parties, legal judgement, arbitration award, or resolution by a competent administrative body. They are not applicable if the resolution is the result of a unilateral decision made by the manager without just cause.

The termination benefits envisaged for the Chairman are equivalent to three years' pay, while those provided for the Chief Executive Officer are equivalent to two years' pay.

The termination benefits to which the seven officers are entitled depend on their length of service at the Company and their age.

All such contracts have been approved by the Board of Directors.

VIII.- Events after the balance sheet date

The purchase agreement for the acquisition of 90% of Naturgas Energía Transporte S.A.U by Enagás Transporte S.A.U. from the Naturgas Group for 245 million euros was executed on 15 February 2013. Ente Vasco de la Energía continues to hold a 10% interest in the target. This company will be renamed Enagás Transporte del Norte.

No events having a material impact on the Group's financial statements have occurred between 31 December 2012 and the date of authorising the accompanying consolidated financial statements for issue.