Report on Limited Review

ENAGÁS, S.A. AND SUBSIDIARIES
Interim Condensed Consolidated Financial Statements
and Interim Management Report
for the six-month month period ended
June 30, 2017

Building a better working world

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REPORT ON LIMITED REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Enagás, S.A. at the request of the Company's directors

Report on the interim condensed consolidated financial statements

Introduction

We have carried out a limited review of the accompanying interim condensed consolidated financial statements (hereinafter the interim financial statements) of Enagás, S.A. (hereinafter the parent) and subsidiaries (hereinafter the Group), which comprise the balance sheet at June 30, 2017, the income statement, the statement of total changes in equity, the cash flow statement, the statement of recognized income and expense and the notes thereto, all of which have been condensed and consolidated, for the six-month period then ended. The parent's directors are responsible for the preparation of said interim financial statements in accordance with the requirements established by IAS 34, "Interim Financial Reporting," adopted by the European Union for the preparation of interim condensed financial reporting as per article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope

We have performed our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit carried out in accordance with regulations on the auditing of accounts in force in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

During the course of our limited review, which under no circumstances can be considered an audit of accounts, no matter came to our attention which would cause us to believe that the accompanying interim financial statements for the six-month period ended June 30, 2017 have not been prepared, in all material respects, in accordance with the requirements established in International Accounting Standard (IAS) 34, "Interim Financial Reporting," as adopted by the European Union in conformity with article 12 of Royal Decree 1362/2007 for the preparation of interim condensed financial statements.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Emphasis of matter paragraphs

We draw attention to the circumstances described in Note 8.1 of the accompanying explanatory notes related to the investee Gasoducto Sur Peruano, S.A. This matter does not modify our conclusion.

We draw attention to the matter described in Note 2.1 of the accompanying explanatory notes, which indicates that the abovementioned accompanying interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. Therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2016. This matter does not modify our conclusion.

Report on other legal and regulatory requirements

The accompanying interim consolidated management report for the six-month period ended June 30, 2017 contains such explanations as the parent's directors consider necessary regarding significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended on June 30, 2017. Our work is limited to verifying the interim consolidated management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of Enagás S.A. and its subsidiaries.

Paragraph on other issues

This report has been prepared at the request of the management of the parent, Enagás, S.A., with regard to the publication of the half yearly financial report required by article 119 of Royal Legislative Decree 4/2015, of October 23, approving the consolidated text of the Securities Market Law enacted by Royal Decree 1362/2007 of October 19.

ERNST & YOUNG, S.L.

David Ruiz-Roso Moyano

July 17, 2017

Interim Condensed Consolidated Financial Statements at June 30, 2017

Translation of financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain. In the event of a discrepancy, the Spanish-language version prevails.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT JUNE 30, 2017
(Thousands of euros)

Assets	Notes	06.30.2017	12.31.2016
NON-CURRENT ASSETS		**8,961,035**	**7,960,994**
Intangible assets	4 and 7	978,947	76,419
Goodwill		188,403	25,812
Other intangible assets		790,544	50,607
Investment property	5	24,900	24,900
Property, plant, and equipment	6	5,678,632	5,002,887
Investments accounted for using the equity method	8	1,219,075	1,870,973
Other non-current financial assets	8	965,975	916,225
Deferred tax assets		93,506	69,590
CURRENT ASSETS		**1,524,871**	**1,286,973**
Inventories	10	27,158	18,217
Trade and other receivables	9	398,263	474,257
Other financial assets	8	4,379	4,808
Other current assets		9,732	4,237
Cash and cash equivalents	11	1,085,339	785,454
TOTAL		**10,485,906**	**9,247,967**

Liabilities	Notes	06.30.2017	12.31.2016
EQUITY		**2,860,505**	**2,462,936**
CAPITAL AND RESERVES	12	**2,485,698**	**2,373,681**
Share capital		358,101	358,101
Reserves		1,863,527	1,737,183
Treasury shares	12	(8,219)	(8,219)
Profit for the year		269,074	417,222
Interim dividend		-	(132,565)
Other equity instruments	18	3,215	1,959
UNREALIZED GAINS (LOSSES) RESERVE		**(12,994)**	**74,559**
MINORITY INTERESTS (EXTERNAL PARTNERS)	12	**387,801**	**14,696**
NON-CURRENT LIABILITIES		**6,148,048**	**5,416,795**
Provisions	13	180,107	184,367
Non-current financial liabilities	14	5,346,443	4,888,749
Deferred tax liabilities		576,996	297,471
Other non-current liabilities		44,502	46,208
CURRENT LIABILITIES		**1,477,353**	**1,368,236**
Current financial liabilities	14	1,238,888	1,194,239
Trade and other payables		238,465	173,997
TOTAL		**10,485,906**	**9,247,967**

Notes 1 to 22 to the Interim Condensed Consolidated
Financial Statements constitute an integral part of the Consolidated Balance Sheet at June 30, 2017.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT AT JUNE 30, 2017
(Thousands of euros)

	Notes	06.30.2017	06.30.2016 (*)
Net turnover	15	676,124	571,765
Income from regulated activities		565,960	566,710
Income from non-regulated activities		110,164	5,055
Other operating income	15	11,910	34,615
Employee benefits expense		(64,347)	(54,166)
Other operating expenses		(126,023)	(112,275)
Amortization/depreciation allowances	4 and 6	(161,679)	(137,373)
Impairment and gains (losses) on disposal of assets	4 and 6	(31)	(13)
Profit (loss) from investments accounted for using the equity method	8	25,905	26,288
OPERATING PROFIT (LOSS)		**361,859**	**328,841**
Finance income and similar		67,352	4,611
Finance and similar expenses		(85,149)	(50,999)
Translation differences (net)		923	(272)
Change in fair value of financial instruments		(930)	(1,914)
Impairment and gains (losses) on disposal of financial instruments		-	(804)
NET FINANCIAL PROFIT (LOSS)		**(17,804)**	**(49,378)**
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**344,055**	**279,463**
Income tax expense		(66,044)	(64,833)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**278,011**	**214,630**
Profit attributable to minority interest	12	(8,937)	(477)
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT		**269,074**	**214,153**
Attributable to:			
Parent		**269,074**	**214,153**
EARNINGS PER SHARE	3	**1.13**	**0.90**
DILUTED EARNINGS PER SHARE	3	**1.13**	**0.90**

Notes 1 to 22 to the Interim Condensed Consolidated Financial Statements constitute an integral part of the Consolidated Income Statement at June 30, 2017.

(*) The Interim Consolidated Income Statement at 30.06.2016 has been restated, in accordance with the change in presentation described in Note 2.5 to the accompanying Interim Condensed Consolidated Financial Statements.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY AT JUNE 30, 2017
(Thousands of euros)

	Notes	Share capital	Share premium and reserves	Other equity instruments	Treasury shares	Profit for the year	Interim dividend	Valuation adjustments	Interest paid to minority interest	Total equity
OPENING BALANCE 2016		**358,101**	**1,674,200**	**-**	**-**	**412,662**	**(126,052)**	**58,226**	**14,435**	**2,391,572**
Total recognized income and expense		**-**	**-**	**-**	**-**	**214,153**	**-**	**(29,546)**	**477**	**185,084**
Transactions with shareholders		**-**	**-**	**-**	**-**	**(189,077)**	**-**	**-**	**(766)**	**(189,843)**
- Distribution of dividends		-	-	-	-	(189,077)	-	-	(766)	(189,843)
Transactions with treasury shares		-	-	-	(8,219)	-	-	-	-	(8,219)
Other changes in equity		**-**	**100,868**	**959**	**-**	**(223,585)**	**126,052**	**(3,335)**	**-**	**959**
- Incentive plans		-	-	959	-	-	-	-	-	959
- Transfers between equity accounts		-	-	-	-	(223,585)	-	(3,335)	-	(226,920)
- Other changes		-	100,868	-	-	-	126,052	-	-	226,920
CLOSING BALANCE AT JUNE 30, 2016		**358,101**	**1,775,068**	**959**	**(8,219)**	**214,153**	**-**	**25,345**	**14,146**	**2,379,553**
OPENING BALANCE 2017		**358,101**	**1,737,183**	**1,959**	**(8,219)**	**417,222**	**(132,565)**	**74,559**	**14,696**	**2,462,936**
Total recognized income and expense		**-**	**-**	**-**	**-**	**269,074**	**-**	**(87,553)**	**8,937**	**190,458**
Transactions with shareholders		**-**	**-**	**-**	**-**	**(199,104)**	**-**	**-**	**(2,763)**	**(201,867)**
- Distribution of dividends		-	-	-	-	(199,104)	-	-	(2,763)	(201,867)
Transactions with treasury shares		-	-	-	-	-	-	-	-	-
Other changes in equity		**-**	**126,344**	**1,256**	**-**	**(218,118)**	**132,565**	**-**	**366,931**	**408,978**
- Incentive plans		-	-	1,256	-	-	-	-	-	1,256
- Transfers between equity accounts		-	-	-	-	(218,118)	-	-	-	(218,118)
- Other changes		-	86,683	-	-	-	132,565	-	-	219,248
- Differences due to changes in consolidation scope	7 and 12.3	-	39,661	-	-	-	-	-	366,931	406,592
CLOSING BALANCE AT JUNE 30, 2017		**358,101**	**1,863,527**	**3,215**	**(8,219)**	**269,074**	**-**	**(12,994)**	**387,801**	**2,860,505**

Notes 1 to 22 to the Interim Condensed Consolidated
Financial Statements Constitute an integral part of the Consolidated Statement of total changes in equity at June 30, 2017

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES AT JUNE 30, 2017
(Thousands of euros)

	Notes	06.30.2017	06.30.2016
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**278,011**	**214,630**
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY:		**(77,193)**	**(40,279)**
Items that may be reclassified to profit or loss			
From companies accounted for using the full consolidation method		**(2,858)**	**(6,621)**
Cash flow hedges		(17,817)	(20,897)
Currency translation differences		10,505	9,052
Tax effect		4,454	5,224
From companies accounted for using the equity method		**(74,335)**	**(33,658)**
Cash flow hedges		(2,804)	(18,881)
Currency translation differences		(72,253)	(19,427)
Tax effect		722	4,650
AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		**(10,360)**	**10,733**
From companies accounted for using the full consolidation method		**(12,588)**	**6,041**
Cash flow hedges		7,972	8,054
Currency translation differences	7	(18,575)	-
Tax effect		(1,985)	(2,013)
From companies accounted for using the equity method		**2,228**	**4,692**
Cash flow hedges		2,953	6,306
Tax effect		(725)	(1,614)
TOTAL COMPREHENSIVE INCOME (EXPENSES)		**190,458**	**185,084**
Attributed to minority interest		8,937	477
Attributable to the parent		181,521	184,607

Notes 1 to 22 to the Interim Condensed Consolidated Financial Statements constitute an integral part of the Consolidated Statement of Recognized Income and Expenses at June 30, 2017

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT AT JUNE 30, 2017
(Thousands of euros)

		06.30.2017	06.30.2016
PROFIT BEFORE TAX		**344,055**	**279,463**
Adjustments to consolidated profit		**157,818**	**149,821**
Amortization/depreciation of fixed assets	4 and 6	161,679	137,373
Other adjustments to profit		(3,861)	12,448
Change in operating working capital		**123,721**	**(25,822)**
Inventories	10	(514)	(1,235)
Trade and other receivables	9	135,319	19,604
Other current assets and liabilities		(15,140)	2,516
Other non-current assets and liabilities		4,356	35
Trade and other payables		(300)	(46,742)
Other cash flows from operating activities		**(103,673)**	**(62,225)**
Interest paid		(97,843)	(52,434)
Interest received		15,666	12,593
Income tax receipts (payments)		(31,483)	(21,711)
Other proceeds (payments)		9,987	(673)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**521,921**	**341,237**
Payments for investments		**(343,995)**	**(194,919)**
Group companies and associates		(94,044)	(165,229)
PP&E and property investments		(23,053)	(29,679)
Non-current assets held for sale		-	-
Other financial assets		(226,898)	(11)
Proceeds from disposals		**141,966**	**1,771**
Group companies and associates		141,966	1,771
Other cash flows from investing activities		**82,963**	**47,124**
Other receipts (payments) from investing activities	8	82,963	47,124
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(119,066)**	**(146,024)**
Proceeds from and payments on equity instruments		**-**	**(8,219)**
Acquisition of equity instruments	12	-	(8,219)
Proceeds from and payments on financial liabilities		**(309,194)**	**544,521**
Issues		4,590,718	1,536,516
Repayment and redemption		(4,899,912)	(991,995)
Dividends paid		**(2,455)**	**-**
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(311,649)**	**536,302**
EFFECT OF CHANGES IN CONSOLIDATION METHOD		**243,092**	**-**
Net foreign translation difference		(34,413)	103
TOTAL NET CASH FLOWS		**299,885**	**731,618**
Cash and cash equivalents at beginning of period		785,454	224,628
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,085,339**	**956,246**

Notes 1 to 22 to the Interim Condensed Consolidated Financial Statements constitute an integral part of the Consolidated Statement of Recognized Income and Expenses at June 30, 2017

Explanatory notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2017.

1. Group activity

The Parent company, Enagás, S.A. was incorporated in Spain on July 13, 1972 in accordance with the Corporate Enterprises Act. Its corporate purpose comprises:

- Regasification, basic and secondary transport as well as storage of natural gas, via the corresponding gas infrastructure or installations, of its own or of third parties, and also the performance of auxiliary activities or others related to the aforementioned activities

- Design, construction, start up, exploitation, operation, and maintenance of all types of complementary gas infrastructure and installations, including telecommunications networks, remote control and control of any nature, and electricity networks, whether its own or of third parties

- Development of all functions relating to technical management of the gas system

- Transport and storage activities for carbon dioxide, hydrogen, biogas, and other energy-related fluids, via the corresponding installations, of its own or of third parties, as well as the design, construction, start up, exploitation, operation, and maintenance of all types of complementary infrastructure and installations necessary for said activities

- Activities for making use of heat, cold, and energies associated with its main activities or arising from them

- Rendering of services of a diverse nature, amongst them, engineering, construction, advisory, and consultancy services in connection with the activities relating to its corporate purpose as well as participation in natural gas markets management activities to the extent they are compatible with the activities permitted for the Company by law

The above activities can be carried out by Enagás, S.A. itself or through companies with an identical or analogous corporate purpose in which it holds interest, provided they remain within the scope and limitations established by legislation applicable to the hydrocarbons sector. In accordance with said legislation, the activities related to transport and technical management of the system which are of a regulated nature must be carried out by two subsidiaries entirely owned by Enagás, S.A. (Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., respectively). Consequently, the corporate purpose includes:

- Management of the corporate group comprised of the interest held in share capital of companies belonging to the group

- Rendering of assistance or support services to the investee companies, including the provision of appropriate guarantees and reinforcement for them

Its registered address is located at Paseo de los Olmos, 19, 28005, Madrid. Its by-laws and other public information on the Company and its Group and be consulted on its website, www.enagas.es, and at its registered address.

Enagás, S.A. is the parent of a group of entities which includes interest held in subsidiaries, associates, joint operations and joint ventures, dedicated to natural gas transport, storage, and regasification activities, and which, together with Enagás, S.A., comprise the Enagás Group ("the Group"). Consequently, Enagás, S.A. is obliged to prepare the consolidated financial statements of the Group together with its own financial statements, with the former including interest held in subsidiaries, associates, joint operations and joint ventures.

The Group's consolidated annual financial statements for 2016 were approved by the general shareholder meeting held on March 31, 2017.

These Interim Condensed Consolidated Financial Statements are presented in thousands of euros (unless otherwise stated).

2. Basis of presentation of the Interim Condensed Consolidated Financial Statements and consolidation principles

2.1 Basis of presentation

The Group's 2016 consolidated financial statements were prepared by the Company's directors in accordance with the International Financial Reporting Standards as adopted by the European Union, applying the consolidation, accounting and measurement principles, policies and bases set forth in Notes 2 and 3 to those consolidated financial statements, so that they present fairly the Group's consolidated equity and financial position at December 31, 2016 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended.

The accompanying Interim Condensed Consolidated Financial Statements are presented in accordance with IAS 34 Interim Financial Reporting and were authorized for issue by the Group's Board of Directors on July 17, 2017, in accordance with article 12 of Royal Decree 1362/2007.

In accordance with IAS 34, the interim financial report is solely intended to provide an update on the Group's latest set of consolidated annual financial statements, focusing on new activities, events, and circumstances that occurred in the first half of the year, and does not duplicate information previously reported in the 2016 consolidated financial statements. Therefore, for a proper understanding of the information included in these consolidated condensed interim financial statements, they should be read in conjunction with the Group's annual financial statements at 31 December 2016.

The accounting policies and methods used in the preparation of the accompanying consolidated condensed interim financial statements are the same as those applied for the consolidated financial statements for the year ended December 31, 2016, except for the standards and interpretations which became effective in 2017 (described in Note 2.6), and which, if applicable, were applied by the Group in the preparation of the accompanying consolidated condensed interim financial statements).

2.2 Responsibility for the information and estimates made

The information contained in these consolidated condensed interim financial statements is the responsibility of the directors of the Parent, Enagás, S.A.

The main accounting policies and principles as well as measurement bases are indicated in Notes 2 and 3 to the consolidated financial statements for the year ended December 31, 2016.

In the Group's consolidated condensed interim financial statements for the six-month period ended June 30, 2017, estimates were occasionally made by the senior executives of the Group and of the consolidated companies, and later ratified by their directors, in order to quantify certain assets, liabilities, income, expenses, and commitments reported therein. These estimates basically relate to:

- The useful lives recognized for intangible assets and PP&E items
- Provisions for dismantling and abandonment costs
- The measurement of non-financial assets to determine the possible existence of impairment losses
- Recognition of investments accounted for by the equity method
- The fair value of financial instruments
- The recognition of provisions and contingencies
- Corporate income tax expense which, in accordance with IAS 34, is recognized in interim periods based on the best estimate of the weighted average annual income tax rate the Group expects for the full financial year

- The fair value of equity instruments granted under the long-term incentive plan ("LTI") (Note 18).

Although these estimates were made on the basis of the best information available at June 30, 2017, future events may require these estimates to be modified prospectively in coming months (upwards or downwards), in accordance with IAS 8. The effects of any change would be recognized in the corresponding consolidated income statement.

During the six-month period ended June 30, 2017, there were no significant changes to the estimates made at 2016 year end.

2.3 Changes in the consolidation scope

The following changes in the consolidation scope of the Enagás Group occurred during the six-month period ended June 30, 2017:

- On March 21, 2017, Scale Gas Solutions, S.L. was incorporated for 216 thousand euros. This company, domiciled in Spain, is directly controlled by Enagás Emprende, S.L.U. through a 90% stake. Thus, it is fully consolidated together with recognition of the 10% stake corresponding to external partners under "Minority interest" in equity.

- On March 21, 2017, Efficiency For LNG Applications, S.L. was incorporated for 300 thousand euros. This company, domiciled in Spain, is directly controlled by Enagás Emprende, S.L.U. through a 92% stake. Thus, it is also fully consolidated together with recognition of the 8% stake corresponding to external partners under "Minority interest" in equity.

- On April 24, 2017, the joint acquisition by Enagás Internacional, S.L.U. and Carmen Corporation (Canada Pension Plan Investment Board - CPPIB -) of the entire shareholding package which Graña y Montero S.A.A. held in Compañia Operadora de Gas del Amazonas, S.A.C. (COGA) became effective, with 21% of the acquisition corresponding to Enagás Internacional, S.L.U. for a total amount of 8,862 thousand US dollars (8,166 thousand euros). Taking into account that Enagás Internacional, S.L.U. already held a 30% stake in COGA, after the transaction this stake was increased to 51%, with the remaining 49% corresponding to CPPIB. As a consequence of the above, and based on the current shareholder agreements, a situation representing joint control has arisen and consolidation will therefore continue to be performed under the equity method.

- In 2016, in the context of the acquisition of an additional 40% of interest in GNL Quintero, S.A. ("GNL Quintero") (see Note 2.3 to the consolidated financial statements for the year ended December 31, 2016), the Enagás Group increased its total interest in said company to 60.40%. In addition, and also in the context of the acquisition, a purchase and a sales option were granted to Empresa Nacional del Petróleo, S.A. (ENAP) and Sumhuram Energy Chile II Limitada (OOC) (see Note 15 and Note 33 to the consolidated financial statements at December 31, 2016), and the shareholders of GNL Quintero agreed to modify the shareholder agreement prevailing then, with the changes to become effective on January 1, 2017. The modifications introduced in said shareholder agreement grant Enagás Chile, SpA. control over GNL Quintero from January 1, 2017, thus enabling the former to unilaterally adopt relevant decisions for the latter. This resulted in changing the consolidation method based on equity to the full consolidation method.

  On April 11, 2017, the call and put options were exercised by ENAP (which cedes its rights to OMERS Infrastructure Holdings II SpA - hereinafter "OMERS") and OCC, respectively. As a result of these transactions, the Enagás Group decreases its interest by 15% and acquires control over GNL Quintero with a stake of 45.40% via two companies (for more detail on the call and put options exercised, see Note 7 on "Business combinations and subsequent transactions"):

- Terminal de Valparaíso, S.A., of which Enagás Chile acquired 49% for 191 million US dollars (which indirectly represents 19.6% of GNL Quintero share capital) after OOC exercised its sales option, and which together with the 51% of interest held previously, reached 100% of interest. Thus, as Terminal de Valparaíso owns 40% of direct interest in GNL Quintero, Enagás Chile controls said interest.

- Terminal Bahía de Quintero, SpA., incorporated on April 7, 2017 by Enagás Chile and OMERS for an amount of 5.2 thousand US dollars and a 51.9% and 48.1% stake, respectively. Via this company, Enagás Chile SpA together with OMERS, contribute 5.4% and 5%, respectively, of the indirect interest held by both in GNL Quintero to Terminal Bahía de Quintero SpA. With the prevailing shareholders agreement, Enagás Chile controls this company, consolidating its assets and liabilities under the full consolidation method, with the recognition of the corresponding minority interest.

Thus, the shareholder structure of GNL Quintero is as follows: ENAP 20%, Terminal de Valparaíso, S.A. 40% (100% of Enagás Chile), OMERS 29.6%, and Terminal Bahía de Quintero SpA 10.4% (51.9% Enagás Chile and 48.1% OMERS). As a result of the previous transactions, Enagás Chile SpA holds a stake of 45.40% through two companies over which it exercises control, and by virtue of the prevailing shareholders agreements, it maintains its control over GNL Quintero, and therefore continues to consolidate its assets and liabilities under the full consolidation method, recognizing the 54.60% interest under "Minority interest" in the consolidated balance sheet (Note 12.3).

The accounting effects arising from the combination of transactions described above are detailed in Note 7 on "Business combinations and subsequent transactions."

2.4 Consolidation principles

The Condensed Consolidated Financial Statements include the interim financial statements of the Parent, Enagás, S.A. and its subsidiaries, associates, joint ventures, and joint operations at June 30, 2017.

The principles of consolidation applied in the preparation of the Condensed Consolidated Financial Statements at June 30, 2017 agree with those applied in the preparation of the annual consolidated financial statements for 2016, and are described in Note 2.4 to said financial statements.

The exchange rates with respect to the euro of the main currencies used by the Group during 2017 were as follows:

Currency	Average exchange rate 2017	Exchange rate at closing of June 30, 2017
US dollar	1.0826	1.1439
Peruvian nuevo sol	3.6606	3.7260
Swedish krona	9.5980	9.6773

The exchange rates of the main currencies used by the Group with respect to the euro at December 31, 2016 and June 30, 2016 were as follows:

Currency	Exchange rate at closing of December 31, 2016	Exchange rate at closing of June 30, 2016	Average exchange rate at June 30, 2016
US dollar	1.0567	1.1073	1.1161
Peruvian nuevo sol	3.6010	3.8170	3.9122
Swedish krona	9.5847	9.4039	9.3021

2.5 Comparative information

The comparison of the Condensed Consolidated Financial Statements is referenced to the six-month periods ended June 30, 2017 and 2016, except for the consolidated balance sheet, which compares June 30, 2017 to December 31, 2016.

At June 30, 2017, the Group reclassified profits for the period generated by the companies consolidated under the equity method, amounting to 25,905 thousand euros (26,288 thousand euros at June 30, 2016) and recognized under "Results of investments accounted for under the equity method," as part of the Group's operating profit.

The directors of the Company consider the fact that the investees carry out the same activity as the Enagás Group, the corporate purpose of which is described in Note 1, together with the increasing contribution in the Group's consolidated income statement, justify the need for this change in the presentation of the consolidated financial statements, with a view to reflecting more faithfully the financial information contained in the Group's annual consolidated financial statements, in accordance with Decision EECS/0114-06 – "Change of Presentation of the Share in the Profit or Loss of Associates and Joint Ventures Accounted for Using the Equity Method" of the European Securities and Markets Authority (ESMA).

The Group applied this Decision in the presentation of its financial statements retroactively, thus modifying the figures relating to the period ended June 30, 2017 of the accompanying Condensed Consolidated Financial Statements.

The effect of the applying the above to the consolidated income statement is shown below:

CONSOLIDATED INCOME STATEMENT AT JUNE 30, 2016
(Thousands of euros)

	Consolidated financial statements restated at 06.30.2016	Interim financial statements at 06.30.2016
Net turnover	571,765	571,765
Income from regulated activities	566,710	566,710
Income from non-regulated activities	5,055	5,055
Other operating income	34,615	34,615
Employee benefits expense	(54,166)	(54,166)
Other operating expenses	(112,275)	(112,275)
Amortization/depreciation allowances	(137,373)	(137,373)
Impairment and gains (losses) on disposal of assets	(13)	(13)
Profit (loss) from investments accounted for using the equity method	26,288	-
OPERATING PROFIT (LOSS)	**328,841**	**302,553**
Finance income and similar	4,611	4,611
Finance and similar expenses	(50,999)	(50,999)
Translation differences (net)	(272)	(272)
Change in fair value of financial instruments	(1,914)	(1,914)
Impairment and gains (losses) on disposal of financial instruments	(804)	(804)
NET FINANCIAL PROFIT (LOSS)	**(49,378)**	**(49,378)**
Profit (loss) from investments accounted for using the equity method	-	26,288
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**279,463**	**279,463**
Income tax expense	(64,833)	(64,833)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**214,630**	**214,630**
Profit attributable to minority interest	(477)	(477)
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT	**214,153**	**214,153**

The effect on the consolidated balance sheet at December 31, 2016 or the consolidated cash flow statement, consolidated statement of recognized income and expense, and consolidated statement of total changes in equity at June 30, 2016 is not included as they were not affected.

2.6. Accounting standards and interpretations

The Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2017 were prepared applying the same accounting policies as those applied for the consolidated financial statements for the year ended December 31, 2016.

For the six-month period ended June 30, 2017, there were no new or modified accounting standards or interpretations adopted by the European Union which effectively became obligatory subsequent to the date of the last consolidated financial statements at December 31, 2016 or that are mandatory for the consolidated condensed interim financial statements at June 30, 2017.

Likewise, the standards or modifications with a possible impact on the Enagás Group which, once approved by the IASB, are still pending approval by the European Union, or that having been approved by the EU, are not mandatory until periods subsequent to the six-month period ended
June 30, 2017, are as follows:

Approved for use in the European Union		
Standards, amendments, and interpretations	**Content**	**Mandatory application for periods beginning on or after:**
IFRS 15 – "Revenue from Contracts with Customers"	IFRS 15 establishes the new model of recognizing revenue arising from contracts with clients. Presents all the applicable requirements in an integrated manner and substitutes the current standards for revenue recognition, IAS 18 *Measurement of Revenue* and IAS 11 *Construction Contracts*, as well as other related interpretations (IFRICs 13,15, and 18, and SIC 31).	Annual periods beginning on or after January 01, 2018.
IFRS 9 - Financial Instruments	This standard will substitute the current IAS 39 "*Financial Instruments: Recognition and Measurement.*" The conceptual changes are important in all sections of the standard, changing the classification and measurement model for financial assets, adapted to the entity's business model and refocusing the accounting model for hedges to align it more with the economic management of risk, as well as modifying the current model used for impairment based on losses incurred to a model based on expected losses.	Annual periods beginning on or after January 01, 2018.

Not approved for use in the European Union		
Standards, amendments, and Interpretations	**Content**	**Mandatory application for annual periods beginning on or after:**
Amendment to IAS 7: Disclosure initiative	Introduces additional disclosure requirements with a view to improving the information provided to users.	Annual periods beginning on or after January 01, 2017.
Amendment to IAS 12: Recognition of deferred tax assets for unrealized losses	Clarification of the principles established with respect to the recognition of deferred tax assets for unrealized losses.	Annual periods beginning on or after January 01, 2017.
Clarifications to IFRS 15	Identification of performance obligations, principal versus agent considerations, licensing, and transferral of licenses at a point in time or over time, as well as certain clarifications to the transition rules.	Annual periods beginning on or after January 01, 2018
Amendment to IFRS 2: Classification and measurement of share-based payment transactions	The modifications are limited and clarify specific questions such as the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, classification of a share-based payment transaction with net settlement clauses, and certain features of modifications to the classification of a share-based payment transaction.	Annual periods beginning on or after January 01, 2018.
Amendment to IFRS 4: Insurance contracts	Allows entities within the scope of IFRS 4 the option of applying IFRS 9 or its temporary exemption.	Annual periods beginning on or after January 01, 2018.
Amendment to IFRS 40: Reclassification of investment properties	The modification clarifies when a reclassification of a property from or to an investment property is permitted, stipulating that this is only permitted when there is evidence of a change in use.	Annual periods beginning on or after January 01, 2018.
Improvements to IFRSs 2014-2016 Cycle.	Minor amendments to a number of standards.	Annual periods beginning on or after January 01, 2018.
IFRIC 22 – Foreign currency transactions and advance consideration	Establishes the date of the transaction for purposes of determining the exchange rate applicable for transactions involving advance payments in foreign currency	Annual periods beginning on or after January 01, 2018.
IFRS 16 – Leases	New standard for leases substituting IAS 17. The main novelty of the new standard involves a single lessee accounting model, which includes all leases (with certain exceptions) in the balance sheet with a similar effect to finance leases (there will be amortization of assets for right-of-use and a finance expense for the amortized cost of the liability).	Annual periods beginning on or after Tuesday, January 01, 2019.
IFRIC 23 - interpretation on treatment of income tax	Applies to the determination of a tax gain or loss, tax bases, unused tax loss carryforwards, unused tax credits, and tax rates, when there is uncertainty regarding the treatment of income tax as per IAS 12.	Annual periods beginning on or after Tuesday, January 01, 2019.
IFRS 17 - Insurance contracts	Standard foreseen for insurance entities and other entities that provide insurance services.	Annual periods beginning on or after January 01, 2021.
Amendment of IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture	Clarification regarding the results of such transactions if they involve businesses or assets.	Without a defined date

Below we provide a brief description of each of the standards that have been approved for subsequent periods commencing from January 1, 2017, as well as the current status of diagnostic work and analysis being carried out by the Enagás Group to identify the potential impact of their future application:

IFRS 15: Revenue from Contracts with Customers

Said standard was finally approved by the European Union via the corresponding publication in the Official Journal of the European Union on October 29, 2016, stipulating its mandatory application for annual periods starting from January 1, 2018.

As summarized in the table above, IFRS 15 regulates recognition of revenue from customers, substituting IAS 18 *Revenue*, IAS 11 *Construction contracts*, as well as all related interpretations (IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers, and* SIC *31 Revenue – Barter transactions involving advertising services).*

The model for ordinary revenue is applicable to all contracts with customers, except those that are within the scope of other IFRSs, such as leases, insurance agreements, and financial instruments. Transfers of assets that do not correspond to the ordinary activities of the entity (such as the sale of PP&E items, real estate, or intangible assets) are also subject to some of the recognition and measurement requirements of the new model established by IFRS 15. However, the recognition of interest and revenue from dividends is beyond the scope of this standard.

With respect to the specific risks relating to revenue for the Enagás Group, an analysis was performed to determine the possible effects which may arise from future implementation of said standard and the following was identified (without it giving rise to significant effects):

- Income arising from regulated activities: no significant differences were detected with respect to this income, which is the most representative for the Group, in connection with applying IFRS 15 instead of the standards it substitutes, and therefore no significant impact is expected when recognizing this type of income.

- Income from non-regulated activities: the Group is determining the effect corresponding to the execution of projects relating to basic network infrastructure connections of Enagás Transporte, S.A.U. and Enagás Transporte del Norte, S.L. with networks of secondary transport distribution companies, gas suppliers, and qualified clients, as well as deferred income corresponding to "gas transportation rights" contracts signed by Enagás Transporte, S.A.U. with the subsidiaries Gasoducto de Extremadura, S.A. and Gasoducto Al-Andalus, S.A. Both types of contract are initially recognized as deferred revenue, to be applied subsequently to results based on the useful life of the assigned installations. Additional analysis is being carried out with a view to identifying whether there is an implicit financial component which may require separate recognition based on the application of IFRS 15. At any rate, and considering the frequency of this type of income, no significant effect is expected in connection with application of this standard.

- Likewise, with respect to companies accounted for under the equity method, the diagnostic analysis carried out did not indicate any significant effects arising from application of IFRS as compared to the current treatment under applicable standards.

IFRS 9: Financial instruments

As in the previous case, this standard was approved by the European Union during 2016, via publication in its official journal on November 29, 2016, stipulating that its application would be obligatory for yearly periods starting from January 1, 2018.

This standard will substitute the current IAS 39 *Financial Instruments: Recognition and Measurement*. The conceptual changes are important in all sections of the standard, changing the classification and measurement model for financial assets, adapted to the entity's business model and refocusing the accounting model for hedges to align it more with the economic management of risk, as well as modifying the current model used for impairment based on losses incurred to a model based on expected losses.

At present, the Enagás Group is determining the future effects that may arise from adoption of this standard, though the preliminary results do not show any material effects:

- Initial recognition of expected losses on financial assets. As indicated above, IFRS 9 substitutes the current focus on recognition of impairment losses based on a model of incurred losses as established in IAS 39 with a new approach based on expected losses. Given the nature of financial assets recognized in the consolidated balance sheet of the Enagás Group and the credit quality of the related clients and third parties, it is expected that the effect to be recognized in the consolidated income statements is not representative.

- Classification and measurement of financial assets and liabilities. The Group does not expect any relevant impact as the majority of its financial assets and liabilities will continue to be measured at amortized cost.

  Hedge accounting. The main objective of the new hedge accounting model established in IFRS 9 is to bring hedge accounting in line with the risk management activities of an entity. The evaluation of efficacy is aligned with risk management via qualitative principles instead of the current quantitative rules, which are eliminated. In addition, retrospective evaluation is no longer a requisite though it will continue to be used to measure ineffectiveness. However, and like in IAS 39, application of hedge accounting remains optional. Given the structure of derivative financial instruments contracted by the Enagás Group (Note 14.2), substantial modifications, either quantitative or qualitative, are not expected in their treatment once IFRS 9 becomes applicable.

- Interpretation of the treatment of refinancing transactions which do not involve derecognition of a financial liability. In March 2017 IASB issued an interpretation of the treatment of refinancing transactions in IFRS 9 which is currently being revised. The Enagás Group is carrying out its preliminary analysis with a view to evaluating its possible future application in the Group, which in any case would still depend on the definitive approval of said interpretation by the IASB.

- Similarly to the case of IFRS 15, preliminary results obtained from the analyses carried out by the companies accounted for under the equity method, and which are still ongoing, discount any significant effect from application of IFRS 9.

Furthermore, the preparation of these Interim Condensed Consolidated Financial Statements did not include early application of any standards or amendments that were not obligatory.

2.7. Regulatory framework

Note 4 to the Group's consolidated financial statements for the year ended December 31, 2016 establishes the prevailing regulatory framework at that date. The most significant changes made to standards during the first half of 2017 were the following:

Correction of errors (January 18) of Order ETU/1977/2016, of December 23, 2016, establishing the tolls and fees for third-party access to gas facilities and remuneration of regulated gas sector activities for 2017.

Resolution of January 20 of the Directorate General for Energy Policy and Mining (DGEPM), awarding the role of market maker in the organized natural gas market to "GUNVOR INTERNATIONAL B.V. AMSTERDAM, GENEVA BRAND."

Announcement of January 24 of the Sub-directorate General of Hydrocarbons, publishing the Agreement of the DGEPM by virtue of which the debarment procedure was initiated with respect to Investigación, Criogenia y Gas, S.A. in connection with the activity of supplying natural gas; and another Agreement by virtue of which the transfer procedure was initiated with the respect to the clients of said company to a last resort supplier as well as determining the supply terms for said clients.

Resolution of January 30, 2017 of the DGEPM, establishing the assigned and available capacity for basic underground storage of natural gas for the period from April 01, 2017 to March 31, 2018.

Resolution of February 15, 2017 of the DGEPM, by virtue of which Investigación, Criogenia y Gas, S.A. was disqualified from performing natural gas supply activities.

Order ETU/175/2017, of February 24, determining the transfer of clients from Investigación Criogenia y Gas, S.A. to a last resort supplier and establishing the supply terms for said clients.

Resolution of March 15, 2017 of the DGEPM, establishing operating gas volume and the volume of gas required for minimum levels in gas pipelines and basic underground storage facilities for the period 2017-2018.

Order IET/359/2016, of March 17, establishing the contribution obligations for the National Fund for Energy Efficiency in 2016.

Resolution of March 24, 2017 of the DGEPM, publishing the last resort tariff for natural gas.

Resolution of March 30, 2017, of the Secretariat of Energy, establishing the procedure for awarding capacity in basic underground storage facilities, as well as injection and extraction rights.

Resolution of the DGEPM, establishing the parameters for auctioning capacity in basic underground storage facilities (not published in the Official State Gazette - BOE in Spanish).

Resolution of April 20, 2017 of the National Markets and Competition Commission ("CNMC"), modifying Appendix IV "instructions for filling out forms" of Circular 1/2015, of July 22, of the CNMC, on the regulatory information regarding costs for regulated transport, regasification, storage, and technical system management activities for natural gas, as well as transportation and operation of the electricity system.

Resolution of June 16, 2017, of the DGEPM, modifying Resolution of July 25, 2006, by virtue of which the conditions for assigning and the procedure applied for the interruptibility of the gas system are regulated.

Resolution of June 28, 2017 of the DGEPM, publishing the tariff of last resort for natural gas.

Commission Regulation (EU) 2017/459 of March 16, 2017, establishing a network code for assignment mechanisms with respect to capacity in the natural gas transportation networks and repealing Regulation (EU) nº 984/2013.

Commission Regulation (EU) 2017/460 of March 16, 2017, establishing a network code in connection with the harmonization of tariff structures for gas transportation.

2.8. Assets and contingent liabilities

Note 14.2 to the Group's consolidated financial statements for the year ended December 31, 2016 provides information on contingent liabilities at that date (Note 13.2).

2.9. Correction of misstatements

It was not necessary to include any corrections of misstatements in the Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2017.

2.10. Seasonal nature of Group transactions

In view of the activity in which the Group companies engage, their transactions are not cyclical or seasonal in nature. Therefore, no specific disclosures are provided in these explanatory notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2017.

2.11. Relative importance

In determining the information to be disclosed in the accompanying Interim Condensed Consolidated Financial Statements regarding the various line items included in them, or other matters, the Group, in accordance with IAS 34, has taken their relative importance into account in relation to the interim period financial data for the first six months of the year.

3. Earnings per share and dividends paid by the Company

a) Dividends paid by the Company

The distribution of the complementary dividend in the gross amount of 0.834 euros per share, approved by the general shareholders meeting held on March 31, 2017, was carried out on July 5, 2017 (Note 21). The total paid for the complementary dividend amounted to 198,848 thousand euros (Note 14.1).

b) Earnings per share from ordinary and discontinued activities

i. Basic earnings per share

Basic earnings per share are calculated by dividing net profit (loss) attributable to the Group by the weighted average number of shares outstanding during the period, excluding the average number of treasury shares held during the same period. Therefore:

	06.30.2017	06.30.2016	Change
Profit for the year (Thousands of euros)	269,074	214,153	25.65%
Weighted average number of shares outstanding (Thousands of shares)	238,426	238,426	0.00%
Basic earnings per share (euros)	**1.1285**	**0.8982**	

ii. Diluted earnings per share

Diluted earnings per share are calculated by dividing the profit attributable to ordinary shareholders adjusted by the impact of dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding during the period adjusted by the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares of the Company. As there were no dilutive potential ordinary shares at June 30, 2017, basic and diluted earnings per share are equivalent.

4. Intangible assets

The breakdown and movements of intangible assets and their amortization during 2016 and the first six months of 2017 were as follows:

2017

Cost	Balance at January 1	Increases due to changes in consolidation scope	Additions	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Balance at June 30
Goodwill	25,812	184,950	-	-	-	(22,359)	188,403
Other intangible assets							
Development	7,418	-	409	-	(13)	-	7,814
Concessions and other rights	5,871	835,441	-	-	-	(67,639)	773,673
Computer software	198,009	3,848	3,473	-	-	(312)	205,018
Other intangible assets	7,837	10,096	-	-	-	(818)	17,115
Total cost	**244,947**	**1,034,335**	**3,882**	**-**	**(13)**	**(91,128)**	**1,192,023**
Amortization	**Balance at January 1**	**Increases due to changes in consolidation scope**	**Amounts provisioned**	**Increases or decreases due to transfers**	**Decreases, disposals or reductions**	**Translation differences**	**Balance at June 30**
Other intangible assets							
Development	(2,798)	-	(280)	-	-	-	(3,078)
Concessions and other rights	(3,912)	-	(12,011)	(20,405)	-	2,295	(34,033)
Computer software	(154,127)	(2,447)	(9,816)	-	-	212	(166,178)
Other intangible assets	(7,691)	(2,093)	(180)	-	-	177	(9,787)
Total amortization	**(168,528)**	**(4,540)**	**(22,287)**	**(20,405)**	**-**	**2,684**	**(213,076)**
Net value	**Balance at January 1**	**Increases due to changes in consolidation scope**	**Increases or provisions**	**Increases or decreases due to transfers**	**Decreases, disposals or reductions**	**Translation differences**	**Balance at June 30**
Total goodwill	25,812	184,950	-	-	-	(22,359)	188,403
Total other intangible assets	50,607	844,845	(18,405)	(20,405)	(13)	(66,085)	790,544
Total intangible assets	**76,419**	**1,029,795**	**(18,405)**	**(20,405)**	**(13)**	**(88,444)**	**978,947**

2016

Cost	Balance at January 1	Additions	Increases or decreases due to transfers	Decreases, disposals or reductions	Balance at December 31
Goodwill	25,812	-	-	-	25,812
Other intangible assets					
Development	6,640	778	-	-	7,418
Concessions and other rights	5,871	-	-	-	5,871
Computer software	181,618	16,391	-	-	198,009
Other intangible assets	7,835	2	-	-	7,837
Total cost	**227,776**	**17,171**	**-**	**-**	**244,947**
Amortization	**Balance at January 1**	**Amounts provisioned**	**Increases or decreases due to transfers**	**Decreases, disposals or reductions**	**Balance at December 31**
Other intangible assets					
Development	(2,228)	(570)	-	-	(2,798)
Concessions and other rights	(3,862)	(50)	-	-	(3,912)
Computer software	(133,824)	(20,303)	-	-	(154,127)
Other intangible assets	(7,576)	(115)	-	-	(7,691)
Total amortization	**(147,490)**	**(21,038)**	**-**	**-**	**(168,528)**
Net value	**Balance at January 1**	**Increases or provisions**	**Increases or decreases due to transfers**	**Decreases, disposals or reductions**	**Balance at December 31**
Total goodwill	25,812	-	-	-	25,812
Total other intangible assets	54,474	(3,867)	-	-	50,607
Total intangible assets	**80,286**	**(3,867)**	**-**	**-**	**76,419**

The additions accumulated during the first half of 2017 amounted to 3,882 thousand euros, the most noteworthy of which were those corresponding to computer software in connection with updating the SW servers for a cost of 908 thousand euros and the implementation of the Regulatory Cost Information System for 528 thousand euros.

In addition, "Increases due to changes in consolidation scope" for 2017 reflects the effect of consolidating the interest held in GNL Quintero under the full consolidation method as a consequence of acquiring control over the company from January 1, 2017, as well as the goodwill that arose in the allocation process, amounting to 184,950 thousand euros (194,438 thousand US dollars) (Note 7).

5. Investment property

The amount recognized under "Investment properties" in the accompanying consolidated balance sheet at June 30, 2017 fully corresponds to a plot located at km. 18 of the A-6 in Las Rozas (Madrid), a property owned by Enagás, S.A.

There are no mortgages or encumbrances of any type on said property. In addition, the Group has contracted the corresponding insurance policies to cover third party civil liabilities.

At June 30, 2017 there were no substantial modifications to the estimates made at 2016 year end or any indications of impairment, and consequently, no impairment losses were recognized for the first six months of 2017.

6. Property, plant, and equipment

The composition and movements of this heading during the first six months of 2017 and the year ended December 31, 2016, and the corresponding depreciation, were as follows:

2017

Cost	Balance at January 1	Increases due to changes in consolidation scope	Additions	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Balance at June 30
Land and buildings	165,309	87,258	791	4,266	(992)	(7,068)	249,564
Plant and machinery	8,801,625	1,009,932	4,926	3,776	(49)	(81,809)	9,738,401
Other installations, tools, and furniture	87,107	4,753	992	145	(257)	(387)	92,353
Prepayments and work in progress	559,003	6,657	8,947	(8,187)	(4,674)	(336)	561,410
Capital grants	(600,387)	-	-	-	-	-	(600,387)
Total cost	**9,012,657**	**1,108,600**	**15,656**	**-**	**(5,972)**	**(89,600)**	**10,041,341**

Depreciation	Balance at January 1	Increases due to changes in consolidation scope	Amounts provisioned	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Balance at June 30
Land and buildings	(67,494)	(20,297)	(3,420)	-	856	1,719	(88,636)
Plant and machinery	(4,244,269)	(210,915)	(140,326)	-	49	17,875	(4,577,586)
Other installations, tools, and furniture	(61,045)	(3,374)	(2,251)	-	257	283	(66,130)
Capital grants	394,851	-	6,605	-	-	-	401,456
Total depreciation	**(3,977,957)**	**(234,586)**	**(139,392)**	**-**	**1,162**	**19,877**	**(4,330,896)**

Impairment	Balance at January 1	Increases due to changes in consolidation scope	Amounts provisioned	Increases or decreases due to transfers	Reversals, decreases or disposals	Translation differences	Balance at June 30
Plant and machinery	(31,813)	-	-	-	-	-	(31,813)
Other installations, tools, and furniture	-	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-	-
Total impairment	**(31,813)**	**-**	**-**	**-**	**-**	**-**	**(31,813)**

Net value	Balance at January 1	Increases due to changes in consolidation scope	Increases or provisions Amounts provisioned	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Balance at June 30
Land and buildings	97,815	66,961	(2,629)	4,266	(136)	(5,349)	160,928
Plant and machinery	4,525,543	799,017	(135,400)	3,776	-	(63,934)	5,129,002
Other installations, tools, and furniture	26,062	1,379	(1,259)	145	-	(104)	26,223
Prepayments and work in progress	559,003	6,657	8,947	(8,187)	(4,674)	(336)	561,410
Capital grants	(205,536)	-	6,605	-	-	-	(198,931)
Total property, plant, and equipment	**5,002,887**	**874,014**	**(123,736)**	**-**	**(4,810)**	**(69,723)**	**5,678,632**

2016

Cost	Balance at January 1	Additions	Increases or decreases due to transfers	Decreases, disposals or reductions	Balance at December 31
Land and buildings	165,675	1,764	58	(2,188)	165,309
Plant and machinery	8,724,985	28,925	48,087	(372)	8,801,625
Other installations, tools, and furniture	82,385	2,776	1,957	(11)	87,107
Prepayments and work in progress	570,367	39,507	(50,102)	(769)	559,003
Capital grants	(600,456)	(591)	-	660	(600,387)
Total cost	**8,942,956**	**72,381**	**-**	**(2,680)**	**9,012,657**
Depreciation	**Balance at January 1**	**Amounts provisioned**	**Increases or decreases due to transfers**	**Decreases, disposals or reductions**	**Balance at June 30**
Land and buildings	(63,492)	(3,995)	(7)	-	(67,494)
Plant and machinery	(3,989,173)	(255,096)	-	-	(4,244,269)
Other installations, tools, and furniture	(56,212)	(4,840)	7	-	(61,045)
Capital grants	381,398	13,453	-	-	394,851
Total depreciation	**(3,727,479)**	**(250,478)**	**-**	**-**	**(3,977,957)**
Impairment	**Balance at January 1**	**Amounts provisioned**	**Increases or decreases due to transfers**	**Reversals, decreases or disposals**	**Balance at December 31**
Plant and machinery	(32,077)	-	-	264	(31,813)
Other installations, tools, and furniture	-	-	-	-	-
Capital grants	-	-	-	-	-
Total impairment	**(32,077)**	**-**	**-**	**264**	**(31,813)**
Net value	**Balance at January 1**	**Increases or allowances**	**Increases or decreases due to transfers**	**Decreases, disposals or reductions**	**Balance at December 31**
Land and buildings	102,183	(2,231)	51	(2,188)	97,815
Plant and machinery	4,703,735	(226,171)	48,087	(108)	4,525,543
Other installations, tools, and furniture	26,173	(2,064)	1,964	(11)	26,062
Prepayments and work in progress	570,367	39,507	(50,102)	(769)	559,003
Capital grants	(219,058)	12,862	-	660	(205,536)
Total property, plant, and equipment	**5,183,400**	**(178,097)**	**-**	**(2,416)**	**5,002,887**

The additions under "Plant and machinery" accumulated during the first half of 2017 amount to 4,926 thousand euros. Of this amount, the investment in Estación de Compresión de Euskadour is noteworthy, totaling 1,383 thousand euros, as well as the replacement of the tower and Workover of the G-6 well in the underground storage of Gaviota, totaling 1,378 thousand euros.

During the first six months of 2017, there were additions to "Prepayments and work in progress" amounting to 8,947 thousand euros. The most noteworthy items included correspond to the cushion gas for underground storage at the Yela facility totaling 2,291 thousand euros and the migration of the network access totaling 702 thousand euros.

"Increases due to changes in the consolidation scope" reflects the effect of consolidating the interest held in GNL Quintero under the full consolidation method as a consequence of acquiring control over the company on January 1, 2017 (Note 7).

Further, the transfers carried out under "Prepayments and work in progress" at June 30, 2017 correspond to increases in installations readied for their intended use.

The disposals accumulated during 2017 mainly correspond to the sale of the old Centro de Trabajo de Villafranca, having derecognized both the land, machinery, and items recorded under "Other installations, tools, and furniture."

The finance costs applied during the period to the infrastructure projects in their construction phase amounted to 1,753 thousand euros in the first half of 2017.

The impact of work performed by the company on PP&E items represented an increase in investment amounting to 2,154 thousand euros in the first half of 2017.

There are no mortgages or encumbrances of any type on PP&E items.

It is Group policy to insure its assets so that no significant losses on equity may occur, based on the best market practices and taking into account the nature and characteristics of the PP&E items. In addition, the Group has contracted the corresponding insurance policies to cover third party civil liabilities.

The capital grants taken to the consolidated income statement for the first six months of 2017 amount to 6,605 thousand euros.

There were no significant changes to the technical-economic situation of the Musel port regasification plant with respect to the disclosure of Note 6 to the consolidated financial statements for the year ended December 31, 2016 with an impact on the Interim Condensed Consolidated Financial Statements at June 30, 2017.

Likewise, with respect to the current situation of the Granadilla (Tenerife) regasification plant, no changes arose relating to those described in Note 6 to the consolidated annual financial statements of 2016.

As there were no substantial modifications to the estimates made at 2016 year end or any indications of impairment since then, no impairment losses were recognized in connection with PP&E items for the first six months of 2017.

7. GNL Quintero S.A. business combinations and subsequent transactions

7.1. GNL Quintero, S.A. business combinations by stages

During 2016 the Enagás Group acquired a 40% stake in addition to the 20.4% it already held in GNL Quinero, which resulted in total interest of 60.40% (see Note 2.3 to the consolidated financial statements for the year ended December 31, 2016). By virtue of the shareholder agreements in place at December 31, 2016, and the system of increased majorities for decision-making, joint control over GNL Quintero was maintained and thus, consolidation continued under the equity method. In the context of this additional acquisition of interest, and the granting of a purchase and a sales option to Empresa Nacional del Petróleo, S.A. (ENAP) and Sumhuram Energy Chile II Limitada (OOC) (see Notes 15 and 33 to the consolidated financial statements at December 31, 2016), the shareholders of GNL Quintero agreed to modify the shareholder agreement then prevailing, with the changes to become effective on January 1, 2017.

The modifications introduced in said shareholder agreement grant Enagás Chile, SpA. control over GNL Quintero from January 1, 2017, given that it can unilaterally adopt relevant decisions for the latter. This results in a change in the consolidation method from the equity method to the full consolidation method with recognition of the corresponding minority interest.

In accordance with IFRS 3, this acquisition of control represents a business combination carried out in stages, which requires measuring the interest formerly held in the equity of the acquired company at its fair value at the date of acquiring control. On January 1, 2017, the fair value of assets and liabilities acquired in the business combination were determined by the Enagás Group using the acquisition price in 2016 (400 million US dollars for 40%) as a reference value, resulting in 1,000 million US dollars for 100% of GNL Quintero. Revaluation of the previous interest (60.40%) resulted in a positive impact of 33,831 thousand euros and cancellation of the translation differences accumulated in equity at the date of acquiring control amounted to 18,575 thousand euros of income, both effects recognized under "Finance income and similar" in the consolidated income statement. The breakdown of the calculation for the gains generated by the revaluation and the cancellation of translation differences is as follows:

	Thousands of euros
Fair value of previous net assets (60.40%) [(1)]	574,527
Net carrying amount of previous interest at 12.31.2016 (60.40%) [(2)]	540,696
Total revaluation of initial net carrying amount	**33,831**
Cancellation of translation differences accumulated in equity at 12.31.2016	18,575
Impact on profit and loss	**52,406**

(1) Taking 1,000 million US dollars for the full 100% stake as a reference value (951 million euros at the exchange rate of January 1, 2017).
(2) Investment accounted for at 12.31.2016 under the equity method for 60.40% of GNL Quintero.

The full integration of the assets and liabilities of GNL Quintero in the financial statements of the Enagás Group, in accordance with the accounting standard relating to IFRS 3 "Business combinations," was carried out based on estimating the fair values of the assets acquired and liabilities assumed at the acquisition date through the purchase price allocation process. The revaluation of assets and liabilities as a consequence of this process affects:

- Intangible assets, specifically the "Terminal Use Agreement" (TUA), in the amount of 835,442 thousand euros and for which the corresponding cash flow projections were considered (Note 4).
- Non-current financial liabilities in the amount of 5,573 thousand euros, reflecting the quoted market price in the underlying bond.
- With the allocation of the purchase price, deferred tax liabilities in the amount of 227,074 thousand euros arise.

The allocation process for the purchase price was carried out with respect to 100% of the interest held in the assets and liabilities of GNL Quintero, and the recognition of minority interest (external partners) was for 39.60% of the fair value, amounting to 255,418 thousand euros.

The Enagás Group contracted Duff & Phelps, an independent valuation company, for determining the fair value of the GNL Quintero assets and liabilities. The company's conclusions are in line with those reached by the Enagás Group. However, the accounting treatment of this business combination by stages and the accounting restatement of assets and liabilities, given that the twelve-month period subsequent to acquiring control has not elapsed yet, will be revised in accordance with IFRS 3 on business combinations.

The breakdown of net assets acquired and goodwill generated after acquiring control at January 1, 2017 is as follows:

Thousands of euros [4]	Fair value	Carrying amount at date of acquiring control [1]
Intangible assets	844,845	9,404
Property, plant, and equipment	874,014	874,014
Other non-current assets	76	76
Other current assets	23,500	23,500
Cash and cash equivalents	244,337	244,337
Total assets	**1,986,772**	**1,151,331**
Non-current financial liabilities	(1,018,056)	(1,023,629)
Deferred tax liabilities [2]	(287,318)	(60,244)
Other non-current liabilities	(2,640)	(2,640)
Current financial liabilities	(20,203)	(20,203)
Other current liabilities	(13,561)	(13,561)
Total liabilities	**(1,341,778)**	**(1,120,277)**
Net accounting assets acquired [5]	389,577	31,054
Acquisition cost	574,527	-
Goodwill [3]	**184,950**	
Goodwill	47,842	-
Tax effect of allocation	137,108	-
Minority interest	**(255,418)**	**(12,297)**

(1) Financial statements of GNL Quintero at 12.31.2016.

(2) Includes the tax effect relating to the asset revaluation applying a 27% rate.

(3) Goodwill at the percentage of ownership interest held by the Enagás Group in GNL Quintero, which was 60.40% at January 1, 2017.

(4) At the exchange rates on the date of acquiring control (January 1, 2017).

(5) Net accounting assets at the percentage of ownership interest (60.40%) which was held by the Enagás Group at the date of the business combination (January 1, 2017).

Goodwill (47,842 thousand euros) was measured as the difference between the acquisition price and the fair value of assets and liabilities which are recognized, and the consequent tax effect associated with the adjustments made to reflect the difference between fair value and tax value at the percentage of ownership interest in the company, amounting to 60.40% (137,108 thousand euros). The resulting goodwill, before considering deferred taxes, is justified considering that the excess capacity not sold by TUA will be offered in the market at the end of said contract. Said goodwill under IFRS is not amortized but is subjected annually to an impairment test to evaluate its recoverability.

The result corresponding to the Parent company attributable to the business combination from the date of effective acquisition until June 30, 2017 amounted to a total of 7,259 thousand euros after taxes.

7.2. Subsequent changes in the consolidation of Quintero

In the context of the acquisition of 40% of GNL Quintero in addition to the 20.40% already held by the Enagás Group (see Notes 2.3 and 15 to the consolidated financial statements at December 31, 2016) a purchase and a sales option were granted, over different percentages of interest held in said company.

- Purchase option (call option) for Empresa Nacional del Petróleo S.A. ("ENAP"): Enagás Chile and ENAP reached an agreement by virtue of which the latter would not exercise its preferential acquisition rights within the framework of the acquisitions relating to Endesa Chile, Spa. and Aprovisionadora Global de Energía S.A. ("AGESA"), in exchange for receiving a call option on 15% of GNL Quintero shares with an exercise price equal to the share price at which Enagás Chile Spa. carried out both transactions.

- Sales option ("put option") for Sumhuram Energy Chile II Limitada ("OCC"): Enagás Chile granted a put option on the totality of the interest held by the latter in Terminal de Valparaíso (49% held directly and 19.6% indirectly in GNL Quintero). In this case, the exercise price was fixed taking the share price paid by Enagás Chile SpA in the acquisition of the additional 40% as a reference, albeit adjusted by the dividends distributed since the signature date. Said put option can only be exercised should Enagás Chile decrease its interest in GNL Quintero to below 60.4%, considering both direct interest and indirect interest held via Terminal de Valparaíso. The option is exercisable for a period of approximately 20 days from the moment said circumstances arise.

Thus, on April 11, 2017 both options were exercised on the following terms:

- ENAP exercises its purchase right via cession to OMERS Infrastrutures Holdings II SpA ("OMERS") which acquires the 34.60% of share capital held directly by Enagás Chile SpA in GNL Quintero for 341 million US dollars.

- In addition, OOC exercises its sales right and for 191 million US dollars Enagás Chile SpA acquires 19.60% of the share capital of GNL Quintero that OOC held indirectly via Terminal de Valparaíso, S.A.

- Further, Enagás Chile SpA. together with OMERS contribute 5.40% and 5%, respectively, of the direct interest they held in GNL Quintero to Terminal de Bahía de Quintero SpA, a company incorporated on April 7, 2017 (Note 2.3). With respect to the 5% contributed by OMERS, Enagás Chile reached an agreement for a purchase option exercisable over a period of one year and whose valuation at June 30, 2017 represented 2,799 thousand euros of income recognized under "Finance income and similar" in the consolidated income statement, charged against equity.

In this manner, the shareholding structure of GNL Quintero is comprised of ENAP 20%, Terminal de Valparaíso, S.A. 40% (100% of Enagás Chile), OMERS 29.60%, and Terminal Bahía de Quintero SpA 10.40% (51.90% Enagás Chile and 48.10% OMERS). As a result of the above transactions, Enagás Chile SpA holds a stake of 45.40% via two companies over which it exercises control, and by virtue of the current shareholders agreements, it also exercises control over GNL Quintero, which will thus continue to be consolidated under the full consolidation method, recognizing the 54.60% under "Minority interest" in the consolidated balance sheet (Note 12.3).

The effect of the purchase and sales transactions described above resulted in a net inflow of 150,000 thousand euros (140,613 thousand US dollars) to the Enagás Group, derecognition of the financial liability and a net impact on reserves in consolidated companies amounting to 41,345 thousand US dollars (39,059 thousand euros) for cancellation of both the put and call options. In addition, the differences recognized between the net carrying amount of the stakes purchased and sold increased reserves in consolidated companies by 3,401 thousand euros in accordance with the stipulations of IFRS "Consolidated Financial Statements."

8. Financial assets

8.1 Composition and disclosure

Class / Categories	Non-current financial assets							
	Equity instruments		Debt securities		Loans, derivatives, and other		Total	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016
Investments accounted for using the equity method	1,219,075	1,870,973	-	-	-	-	1,219,075	1,870,973
Other non-current financial assets	9,783	8 13	-	-	935,404	898,742	945,187	899,555
Loans	-	-	-	-	358,059	289,142	358,059	289,142
Trade and other receivables	-	-			385,876	397,351	385,876	397,351
Other	9,783	813	-	-	191,469	212,249	201,252	213,062
Derivatives	-	-	-	-	20,788	16,670	20,788	16,670
Total	1,228,858	1,871,786	-	-	956,192	915,412	2,185,050	2,787,198

Categories \ Class	Current financial assets							
	Equity instruments		Debt securities		Loans, derivatives, and other		Total	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016	**06.30.2017**	**12.31.2016**
Other non-current financial assets	-	-	-	-	**346,425**	**479,065**	**346,425**	**454,458**
Loans	-	-	-	-	4,379	4,808	4,379	4,808
Trade and other receivables (Note 9*)	-	-	-	-	342,046	449,650	342,046	449,650
Total	-	-	-	-	**346,425**	**479,065**	**346,425**	**454,458**

** The heading "Trade and other receivables" under current assets does not include receivables from the tax authorities in the amount of 56,217 thousand euros at June 30, 2017 (December 31, 2016: 24,607 thousand euros).*

Disclosure of the Group's financial assets at June 30, 2017 and December 31, 2016, by nature and classification for measurement purposes, is as follows:

Equity instruments

The movements in investments accounted for using the equity method at June 30, 2017 and December 31, 2016, is as follows:

2017

	Balance at January 1	New Acquisitions	Change in consolidation method	Dividends	Shareholders' equity	Valuation adjustments		Other adjustments	Balance at June 30
					Profit for the period	Translation differences	Hedging transactions		
Investments accounted for using the equity method	**1,870,973**	18,781	(540,695)	(82,963)	25,905	(72,253)	146	(819)	**1,219,075**

2016

	Balance at January 1	New Acquisitions	Change in consolidation method	Dividends	Shareholders' equity	Valuation adjustments		Other adjustments	Balance at December 31
					Profit for the period	Translation differences	Hedging transactions		
Investments accounted for using the equity method	**1,191,105**	678,511	-	(86,262)	41,205	50,940	(2,753)	(1,773)	**1,870,973**

The main changes in "Investments accounted for using the equity method" during the first six months of 2017 are due to:

- The acquisition of an additional 21% of COGA for 8,166 thousand euros (Note 2.3).
- The change in the consolidation method for the interest in GNL Quintero from the equity method to the full consolidation method (Notes 2.3 and 7).
- Likewise, during the first half of 2017, the Enagás Group carried out capital contributions to Estación de compresión Soto La Marina, S.A.P.I. de C.V. and Trans Adriatic Pipeline AG ("TAP") amounting to 162 thousand euros and 10,371 thousand euros, respectively.

During the first six months of 2017 dividends distributed by Transportadora de Gas del Perú, S.A. ("TGP"), Bahía De Bizkaia Gas, S.L. ("BBG"), the Altamira Group, the Swedegas Group, and Planta de Regasificación de Sagunto, S.A. ("Saggas"), amounting to 48,600 thousand euros, 4,000 thousand euros, 3,248 thousand euros, 7,540 thousand euros, and 19,575 thousand euros, respectively, were collected.

With respect to the stake in Gasoducto del Sur Peruano, S.A. ("GSP"), and the situation relating to the termination of the concession on January 24, 2017 disclosed in Note 33 to the consolidated financial statements for the year ended December 31, 2016, no new events or changes occurred in connection with the situation of GSP in the first six months of 2017. Thus, the financial investment was recognized under the equity method in the consolidated balance sheet of the Enagás Group at the recoverable value via the procedure for net carrying amounts as established in the Concession Agreement in case of termination (see Note 8 to the consolidated financial statements of 2016).

In addition, the situation described in Note 8.1 to the financial statements of the Enagás Group for 2016 is ongoing in connection with the agreement reached by the US Department of Justice and the Attorney General of New York with Odebrecht, signed in 2016, as well as the actions of the Attorney General of Peru relating to the preliminary collaboration agreement with Odebrecht by virtue of which a commitment was established for collaboration with said Attorney General in the investigation of its activities in Peru and other investigations being carried out by various organs of the Peruvian Attorney General's office, the results of which cannot be anticipated at present, in connection with offenses that may somehow be related to the project for "Improvements to the energy security of the country and development of Gasoducto Sur Peruano." In accordance with the opinion of GSP's legal advisors for Peruvian legislation, GSP will not be affected by any economic liabilities arising from the alleged offenses committed prior to being awarded the concession in July 2014, given that at that date GSP had not been incorporated.

Based on the above, it is worth noting that the conclusions reached in the consolidated financial statements of the Enagás Group
at December 31, 2016 have not changed with respect to the procedure for recovery via net carrying amounts, the methodology and estimation of the net carrying amounts considered, and the three-year maximum time schedule foreseen for recovery.

In addition, on February 13, 2017, the Peruvian authorities published Urgency Decree No. 0032017 "Urgency Decree which ensures the continuity of investment projects for the rendering of public services and establishes the payment of civil liabilities in favor of the State in cases of corruption" as well as different interpretations, without any negative effect arising which may require modification of the aforementioned conclusions.

Thus, the directors, based on the procedures of the concession agreement, and by virtue of the subordinating contracts and cession of loans held amongst GSP shareholders, as well as in accordance with the opinion of its external and internal legal advisors, consider that the estimates for recoverability of the entire investment in GSP and the accounts receivable that arose subsequent to execution of the guarantees granted by Enagás, S.A. are not affected.

Loans

The heading "Loans," both current and non-current, mainly reflects the loans granted by Enagás S.A., Enagás Internacional, S.L.U., and Enagás Transporte S.A.U. to Group companies consolidated under the equity method, and which are therefore not eliminated during the consolidation process: Gasoducto de Morelos, SAPI de C.V., Estación de Compresión Soto La Marina SAPI de C.V., TAP, and Saggas in the amount of 362,417 thousand euros (December 31, 2016: 293,929 thousand euros). This amount is broken down into 358,038 thousand euros for non-current loans and 4,379 thousand euros for current loans and accrued interest. In addition, this heading includes 21 thousand euros for other items (December 31, 2016: 21 thousand euros).

The increase with respect to the previous year mainly corresponds to the drawdowns carried out by TAP in connection with the credit facility granted by Enagás Internacional, S.L.U. in the amount of 74,400 thousand euros and the interest capitalized on said loan in the amount of 2,128 thousand euros.

The breakdown of loans granted to these consolidated companies accounted for by the equity method is as follows:

Thousands of euros	Interest rate	Maturity date	06.30.2017	12.31.2016
Non-current loans to related parties (Note 17)			**358,038**	**289,121**
Trans Adriatic Pipeline AG	ASF + spread	July-2043	245,121	168,593
Estacion de Compresión Soto La Marina S.A.P.I. de C.V.	5.90%	December-2032	56,403	62,471
Gasoducto de Morelos, S.A.P.I. de C.V.	7.50%	September-2033	29,749	31,292
Planta de Regasificación de Sagunto, S.A.	EUR 6M + spread	June-2025	26,765	26,765
Current loans to related parties (Note 17)			**4,379**	**4,808**
Estacion de Compresión Soto La Marina S.A.P.I. de C.V.	5.90%	December-2032	2,539	2,672
Trans Adriatic Pipeline AG	ASF + spread	July-2043	1,829	2,128
Planta de Regasificación de Sagunto, S.A.	EUR 6M + spread	June-2025	11	8
Total			**362,417**	**293,929**

Derivatives

The classification of the financial assets recognized in the Interim Condensed Consolidated Financial Statements at fair value, broken down into the 3-level fair value hierarchy by calculation method used, is as follows:

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	20,788	-	20,788
Total	**-**	**20,788**	**-**	**20,788**

Level 1: Valuations based on a quoted price in an active market for an identical instrument.

Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market variables.

Level 3: Valuations based on inputs that are not directly observable in the market.

The information relating to derivative financial instruments under financial liabilities is disclosed in Note 14.

Trade and other receivables

The heading for trade and other receivables under non-current financial assets, mainly reflects the deficit in regulated activities and related long-term collection rights, in the amount of 359,528 thousand euros, in accordance with Royal Decree-Law 8/2014 and Law 18/2014 of October 15 (December 31, 2016: 373,464 thousand euros), of which 351,229 thousand euros (December 31, 2016: 364,775 thousand euros) correspond to Enagás Transporte, S.A.U. and 8,237 thousand euros (December 31, 2016: 8,627 thousand euros) to Enagás Transporte del Norte, S.L.

The breakdown of the items recognized under "Trade and other receivables" in current financial assets was described in detail in Note 9, where the accounts receivable from the tax authorities are included.

In addition, this heading also includes the long-term receivable from the CNMC for dismantling costs which will be reimbursed in the future in the amount of 23,753 thousand euros (December 31, 2016: 21,293 thousand euros).

In addition, with respect to the Castor natural gas underground storage installation, no changes had occurred with respect to 2015 year end in connection with the agreement of October 4, 2014 between Enagás Transporte, S.A.U. and various financial entities, by virtue of Royal Decree Law 13/2014, of October 3.

At June 30, 2017, none of the financial assets held by the Enagás Group were in default.

Other

Other non-current financial assets include an amount of 9,693 thousand euros (December 31, 2016: 714 thousand euros) corresponding to the investment made by the Group in Economic Interest Groups (EIG) whose activity is the leasing of assets managed by another entity unrelated to the Group and which retains both the majority of profits as well as the risks related to the activities, with the Group only availing itself of the regulated tax incentives in Spanish legislation. The Company attributes the tax loss carryforwards generated by these EIGs against shares and by difference with the debt registered with the tax authorities, the corresponding finance income. The main change with respect to 2016 is due to the disbursement of pending contributions by Enagás Financiaciones during 2017.

Likewise, this heading also includes the accounts receivable for the two guarantees executed by the Enagás Group as a consequence of the GSP concession agreement being terminated (see Note 8.1 to the consolidated financial statements of the Enagás Group at December 31, 2016): the corporate guarantee granted in connection with GSP financial debt as well as the guarantee for full compliance with respect to the concession agreement. Both guarantees are considered to be recoverable via the procedure for net carrying amounts. The accounts receivable for both items, financially discounted over the 3 year recovery period, amounts to 189,884 thousand euros at June 30, 2017.

8.2 Impairment losses

During the first six months of 2017, there were no movements with respect to the provisions which cover impairment losses of assets held by the Group.

9. Trade and other receivables and current tax assets

The breakdown of current trade and other receivables at the consolidated balance sheet date is as follows:

	06.30.2017	12.31.2016
Trade receivables	64,915	42,259
Accounts receivable, group companies	12,762	16,321
Other receivables	264,368	391,069
Current tax assets	56,218	24,608
Total	**398,263**	**474,257**

The balance under "Accounts receivable, group companies" mainly corresponds to:

- Services rendered by Enagás Transporte, S.A.U. to Gasoducto Al-Andalus, S.A. and Gasoducto de Extremadura, S.A., amounting to 4,682 thousand euros and 1,542 thousand euros, respectively, corresponding to the percentage of ownership interest held by Galp Gas Natural, S.A. in both companies.

- The sale of operating gas and imbalances billed by Enagás GTS to Mibgas amounting to 659 thousand euros.

- The services rendered by Enagás, S.A. to Gasoducto de Morelos, S.A.P.I. de C.V. and E.C. Soto La Marina EPC, S.A.P.I. de C.V., amounting to 2,914 thousand euros and 632 thousand euros, respectively.

- The services rendered by Enagás Internacional, S.L.U. to Gasoducto del Sur Peruano, S.A. and E.C. Soto La Marina EPC, S.A.P.I. de C.V., amounting to 1,225 thousand euros and 251 thousand euros, respectively.

"Other receivables" mainly reflects the balance pending settlement and corresponding to the remuneration for regulated regasification, transport, and storage activities of the Enagás Group as transporter in the amount of 249,393 thousand euros (December 31, 2016: 371,887 thousand euros), as well as a balance pending settlement corresponding to the remuneration for Technical Manager activities in the amount of 4,602 thousand euros (December 31, 2016: 6,915 thousand euros), totaling an amount of 251,600 thousand euros to be collected (December 31, 2016: 375,472 thousand euros). The trade receivables related to regulated activities follow the settlement system established in Order ECO/2692/2002, of October 28, which regulates the settlement procedures for remuneration of regulated natural gas activities and fees for specific purposes.

In addition, under the heading "Other receivables," Enagás Transporte, S.A.U. recognized the balances pending collection from the gas marketing entities for the duties on merchandise, regulated by article 211 of Royal Legislative Decree 2/2011, of September 5, which approves the Revised Text of Spain's Port Act, amounting to 331 thousand euros (December 31, 2016: 458 thousand euros). Said duties apply to the natural gas unloaded at the regasification plants, amongst others, that Enagás Transporte, S.A.U. owns since 2012 at the ports of Barcelona, Cartagena, and Huelva.

On November 27, 2014 and December 10, 2014, the Supreme Court handed down a sentence in connection with the marketing companies and payment of said duties, definitively confirming the situation with respect to the right to an option and the settlements of the Barcelona and Huelva Port Authorities arising from said option, recognizing Enagás Transporte, S.A.U.'s collection rights with respect to the marketers. The dispute regarding the option exercised in connection with the Cartagena Port Authority is still pending resolution at the Central Tax Court. However, the doctrine expressed in the sentences of the Supreme Court make the outcome of the dispute predictable. The Murcia Supreme Court of Justice is resolving the dispute in favor of Enagás Transporte, S.A.U. and the General Attorney is upholding the lawsuits filed by the Enagás Group before said Supreme Court (all disputes were settled in the sentence handed down by the Murcia High Court on January 26, 2016). Thus, the Company considers the risk of not recovering these receivables as remote at Friday, June 30, 2017.

Current tax assets at June 30, 2017 mainly reflects the balance for payments on account made by Enagás, S.A. as parent of the tax consolidation group 493/12 during 2017, which amounted to a total of 30,336 thousand euros. In addition, this heading also includes the balance receivable for Group VAT, as more VAT was paid than recovered, due in part to Enagás Transporte, S.A.U. operating as tax warehouse.

The directors consider that the carrying amount of trade and other receivables is similar to the fair value.

10. Inventories

As established in Order IET/2736/2015 of December 17, from October 1, 2016 the amount of working gas is zero. At June 30, 2017, the Enagás Group, as Technical Systems Manager, maintained approximately 522 GWh of working gas necessary for enabling operation of the gas system as established in the fifth additional provision to Order ITC/3863/2007 of December 28. This gas is not reflected in the Interim Condensed Consolidated Financial Statements as it is gas available for the System and therefore not owned by the Enagás Group.

Further, at June 30, 2017, the Group recognized 27,158 thousand euros (December 31, 2016: 18,217 thousand euros) corresponding to inventories unrelated to natural gas, and which include, amongst other items, high-rotation spare parts.

11. Cash and cash equivalents

The breakdown of this heading at June 30, 2017 and December 31, 2016 was as follows:

	06.30.2017	12.31.2016
Cash	1,085,339	765,453
Other cash equivalents	-	20,001
Total	**1,085,339**	**785,454**

"Cash equivalents" includes those deposits which mature in the short term and accrue interest at the going market rates. The main change with respect to the 2016 closing is due to the global integration of GNL Quintero.

In order to guarantee liquidity, the Enagás Group has arranged loans and credit facilities which it has not drawn down (Note 14.2). Thus, liquidity available to the Enagás Group at June 30, 2017 and December 31, 2016 is broken down as follows:

Available funds	06.30.2017	12.31.2016
Cash and cash equivalents	1,085,339	785,454
Other available financing (Note 14)	1,813,349	1,623,755
Total available funds	**2,898,688**	**2,409,209**

Generally, the banked cash accrues interest at rates similar to daily market rates. The deposits mature in the short term, are easily convertible, and accrue interest at the going market rates. There are no significant restrictions regarding availability of cash.

In the opinion of the directors of the Company, its situation allows for sufficient funding to meet possible liquidity requirements in the short term considering its current obligations.

12. Equity

12.1 Share capital

The breakdown and movements in this heading for the Enagás Group at June 30, 2017 and December 31, 2016 are disclosed in the consolidated statement of total changes in equity.

At June 30, 2017 and at December 31, 2016, the share capital of the Parent amounted to 358,101 thousand euros, represented by 238,734,260 ordinary bearer shares at a nominal value of 1.5 euros each, all of the same class and series and fully paid in. The totality of Enagás, S.A. shares are listed on the four official Spanish exchanges as well as on the electronic trading market.

At June 30, 2017, no company held more than 5% interest in the share capital of Enagás, S.A.

At June 30, 2017 and December 31, 2016, the most significant interest held in the share capital of Enagás, S.A. was broken down as follows (data obtained from the website of the Spanish Securities Exchange Commission - CNMV): www.cnmv.es):

	Interest in share capital (%)	
Company	06.30.2017	12.31.2016
Sociedad Estatal de Participaciones Industriales	5.000	5.000
Bank of America Corporation	3.614	3.614
State Street Boston Corporation	3.017	-
Fidelity International Limited	2.119	-
Retail Oeics Aggregate	1.010	1.010

The shareholder structure of Enagás, S.A. saw the following changes during 2017:

- On March 9, 2017, Fidelity International Limited notified the CNMV that it had increased its interest up to 2.119%, thus once again becoming a new significant shareholder in Enagás, S.A.

- On June 23, 2017, State Street Boston Corporation became a significant shareholder in Enagás, S.A., holding 3.017% interest.

12.2 Treasury shares

On May 25, 2016, Enagás, S.A. finalized the acquisition process for 307,643 treasury shares for an amount of 8,219 thousand euros, representing 0.13% of the entire Group share capital. Said acquisition falls within the "Temporary program for the repurchase of treasury shares," the sole objective of which is to comply with the share delivery obligations with respect to Enagás Group executive directors and senior management in connection with the remuneration system in place and based on the terms and conditions established in both the long-term incentive plan as well as the remuneration policy for the period 2016-2018 approved by the shareholders in general meeting. The share purchase was in compliance with the requirements established in article 5 of Commission Regulation CE 2273/2003 and was subject to the terms authorized by the shareholders in general meeting on March 18, 2016. Management of the temporary treasury share repurchase programme was delegated to Banco Bilbao Vizcaya Argentaria (BBVA), which carried out the acquisition on account of Enagás, S.A independently and without any influence of the latter (Note 18). There were no more acquisitions of treasury shares during 2017.

12.3 Minority interest (external partners)

The Enagás Group holds interest in companies which consolidate their assets and liabilities under the full consolidation method, with the recognition of the percentage of minority interest in equity. The breakdown by company of the minority interest held at June 30, 2017 is as follows:

Company	06.30.2017	12.31.2016
GNL Quintero, S.A.	373,262	-
Enagas Transporte del Norte, S.L.	14,407	14,618
Infraestructuras del Gas, S.A.	89	78
Efficiency for LNG Applications, S.L.	22	-
Scale Gas Solutions	21	-
Total	**387,801**	**14,696**

The main change is fundamentally due to the full consolidation of the assets and liabilities corresponding to GNL Quintero (Notes 2.3 and 7) after acquiring control at January 1, 2017.

13. Provisions and contingent liabilities

13.1 Provisions

The directors of the Enagás Group consider that the provisions recognized in the accompanying consolidated balance sheet at June 30, 2017 for litigation and arbitration risk as well as other risks described in this note are adequate, and they do not expect any additional liabilities to arise in this respect other than those already recorded. Given the nature of the risks covered by these provisions, it is not possible to determine a reliable schedule of potential payments, if any.

The movements in items recognized under this heading of the Interim Condensed Consolidated Financial Statements during the first six months of 2017 were as follows:

Non-current provisions	Balance at January 1	Amounts provisioned	Revaluation/ re-estimation	Amounts used	Balance at June 30
Staff remuneration	7,421	4,471	(7,346)	-	4,546
Other responsibilities	10,323	-	-	(3,737)	6,586
Dismantling	166,623	-	2,352	-	168,975
Total non-current provisions	**184,367**	**4,471**	**(4,994)**	**(3,737)**	**180,107**

This heading reflects the provisions for dismantling the underground storage facilities of Gaviota, Yela, and Serrablo, as well as the regasification plants of Barcelona, Cartagena, Huelva, and Gijón, in accordance with the prevailing regulatory framework (see Note 4 of the consolidated annual financial statements at December 31, 2016). The movements in 2017 mainly resulted from discounting said provision to present value, the restatement on June 30, 2017 of the possible changes in the time schedule and amount of estimated cash flows to settle the obligation associated with the dismantling of said assets, and the discount rate used to determine the present value of the provision.

"Staff remuneration" includes a total of 552 thousand euros corresponding to the portion accrued by the long-term bonus plan payable in cash (December 31, 2016: 800 thousand euros) (Note 18) as well as the bonus payable every three years for contribution to results for the remaining staff of the Group.

The financial discounting of the dismantling provisions is mainly recognized with a charge to "Finance and similar expenses" in the accompanying consolidated income statement, and corresponds to the discounting of dismantling costs in connection with the underground storage facilities and regasification plants.

In addition, a provision totaling 191 thousand euros was applied in connection with the recognition, in accordance with IAS 28, by Enagás Internacional, S.L.U., of a liability arising from the losses of certain investee companies exceeding the shareholding, due to an improvement in the results of the affected companies.

13.2 Financial liabilities

At June 30, 2017, no circumstances had arisen in the Enagás Group that may give rise to contingent liabilities.

14. Financial liabilities

14.1 Non-current and current financial liabilities

The breakdown of these headings for the six-month period ended June 30, 2017 and the year ended December 31, 2016 is as follows:

Class / Categories	Non-Current financial liabilities							
	Bank borrowings and finance leases		Bonds and other marketable securities		Derivatives and other financial liabilities		Total	Total
	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	31.12.2016	**06.30.2017**	**12.31.2016**
Non-current financial liabilities	1,210,594	1,657,307	4,046,060	3,106,757	23,991	21,613	**5,280,645**	**4,785,677**
Accounts payable	-	-	-	-	51	103	**51**	**103**
Derivatives (Note 14.2)	-	-	-	-	65,747	102,969	**65,747**	**102,969**
Total	**1,210,594**	**1,657,307**	**4,046,060**	**3,106,757**	**89,789**	**124,685**	**5,346,443**	**4,88,749**

Class / Categories	Current financial liabilities							
	Bank borrowings and finance leases		Bonds and other marketable securities		Derivatives and other financial liabilities		Total	Total
	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	31.12.2016	**06.30.2017**	**12.31.2016**
Current financial liabilities	499,507	399,439	514,339	504,985	211,128	272,535	**1,224,974**	**1,176,959**
Accounts payable(*)	-	-	-	-	238,465	173,997	**238,465**	**173,997**
Derivatives (Note 14.2)	-	-	-	-	13,914	17,280	**13,914**	**17,280**
Total	**499,507**	**399,439**	**514,339**	**504,985**	**463,507**	**463,812**	**1,477,353**	**1,368,236**

(*) current accounts payable includes amounts payable to the tax authorities amounting to 84,099 thousand euros at June 30, 2017 (December 31, 2016: 41,823 thousand euros).

At June 30, 2017, the Group had access to credit lines in the amount of 2,280,799 thousand euros (December 31, 2016: 2,067,816 thousand euros), of which 1,813,349 thousand euros had not been drawn down (December 31, 2016: 1,623,755 thousand euros).

In the opinion of the directors of the Company, its situation allows for sufficient funding to meet possible liquidity requirements in the short term considering its current obligations.

Current financial liabilities includes the complementary dividend distributed by the parent Enagás, S.A., charged against 2016 results. The amount which was paid on July 5, 2017 totaled 198,848 thousand euros (Note 21).

The average annual interest rate until June 30, 2017 for the Group's net financial debt amounted to 2.8% (December 31, 2016: 2.4%). More than 80% of net debt accrued fixed interest rates at June 30, 2017, while the average maturity period at that date amounted to 6.6 years. The increase in both the average annual interest rate for the Group's net financial debt and the increase in the average maturity with respect to 2016 is a consequence of the global integration of GNL Quintero.
During the first half of 2017, two loans granted by the European Bank of Investments to Enagás, S.A. were canceled early with a payment of 275,000 thousand euros. In June 2017 Enagás Financiaciones, S.A.U. signed a credit policy for 300,000 thousand euros.

The directors consider that the fair value of debts owed to credit entities and other obligations at June 30, 2017 does not differ significantly from their carrying amounts. At December 31, 2016, a liability of 221,150 thousand euros was recognized in connection with the GSP project, of which 154,093 thousand euros correspond to the corporate guarantee granted with respect to company debt and 67,057 thousand euros to the guarantee for full compliance with the concession agreement. As indicated in Note 8, during the month of January 2017 the financial liability relating to the GSP guarantees was canceled in the amount of 216,519 thousand euros (Note 20).

As indicated in Notes 2.3 and 7, in the context of the acquisitions of 40% of GNL Quintero, in addition to the 20.40% stake already held by the Enagás Group, a sales option and a purchase option were granted on different percentages of ownership in said company. Said options were exercised on April 11, 2017 based on the terms described in Note 7.

14.2 Derivative financial instruments

The Enagás Group uses derivative financial instruments to hedge against the risks to which its activities, operations, and projected cash flows are exposed. These instruments are offset and settled in accordance with net differences, so that the real risk exposure of the Enagás Group is on the resulting net amounts, not the notional amounts contracted.

The fair value at June 30, 2017 and December 31, 2016 of the hedging derivatives is as follows:

						Fair value (thousands of euros)			
						06.30.2017		12.31.2016	
Category	Classification	Type	Amount contracted	Currency	Maturity date	Assets	Liabilities	Assets	Liabilities
Interest rate swap	Cash flow hedges	Variable to fixed	475,000	Euros	January-2017	-	-	-	(681)
Interest rate swap	Cash flow hedges	Variable to fixed	100,000	Euros	May-2017	-	-	-	(217)
Interest rate swap	Cash flow hedges	Variable to fixed	150,000	Euros	December-2019	-	(1,404)	-	(1,992)
Interest rate swap	Cash flow hedges	Variable to fixed	150,000	Euros	January-2020	-	(891)	-	(1,270)
Interest rate swap	Cash flow hedges	Variable to fixed	65,000	Euros	March-2020	-	(763)	-	(986)
Cross Currency Swap	Hedging of net investment	Fixed to fixed	400,291	Euros	April-2022	-	(72,399)	-	(102,684)
Cross currency swap	Hedging of net investment	Fixed to fixed	237,499	Euros	May - 2028	6,492	(4,204)	-	(12,419)
Cross currency swap	Fair value hedges	Fixed to variable	147,514	Euros	September-2039	14,296	-	16,670	-
Total			**1,725,304**			**20,788**	**(79,661)**	**16,670**	**(120,249)**

The classification of the financial liabilities recognized in the Interim Condensed Consolidated Financial Statements at fair value, broken down into the 3-level fair value hierarchy by calculation method used, is as follows:

	Level 1	Level 2	Level 3	Total
Hedging derivatives	-	79,661	-	79,661
Total	**-**	**79,661**	**-**	**79,661**

Level 1: Valuations based on a quoted price in an active market for an identical instrument.

Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market variables.

Level 3: Valuations based on inputs that are not directly observable in the market.

15. Revenue

The breakdown for this heading at June 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	06.30.2017	06.30.2016
Revenue	**676,124**	**571,765**
Income from regulated activities	565,960	566,710
Income from non-regulated activities	110,164	5,055
Other income	**11,910**	**34,615**
Ancillary income	11,910	34,608
Subsidies	-	7
Total	**688,034**	**606,380**

"Revenue" is mainly comprised of income from Enagás Transporte, S.A.U. arising from regulated activities, as well as income from the remaining companies arising from non-regulated activities. The services rendered are broken down as follows:

Thousands of euros	06.30.2017	06.30.2016
Regulated activities:	**565,960**	**566,710**
Enagás Transporte, S.A.U.	540,087	540,817
Enagás GTS, S.A.U.	11,885	11,885
Enagás Transporte del Norte, S.L.	13,988	14,008
Non-regulated activities:	**110,164**	**5,055**
Enagás, S.A.	22	3,781
Enagás Transporte, S.A.U.	16,159	42
Enagás Transporte del Norte, S.L.	142	-
Enagás Mexico, S.A. de C.V.	309	215
Enagás Perú, S.A.C.	837	-
Enagás Internacional, S.L.U.	771	1,017
GNL Quintero, S.A.	91,924	-
Total	**676,124**	**571,765**

Based on the full consolidation method used for GNL Quintero, the income arising from its usage of the plant is recognized as income from non-regulated activities, which at June 30, 2017 amounted to 91,924 thousand euros.

16. Business and geographical segments

16.1 Basis of segmentation

Segment reporting is structured by the Group's various business lines (main business segments). The Group identifies its operating segments based on internal reports relating to the companies comprising the Group which are regularly reviewed, discussed, and evaluated in the decision-making process.

16.2 Segments by geographical information

The majority of companies in the Enagás Group operating outside Europe were consolidated under the equity method, with the corresponding expenses and income thus recognized under "Profit (loss) from investments accounted for using the equity method" in the consolidated income statement. In view of this, the information relating to geographical markets is based on both revenue and net profit.

The distribution of consolidated revenue and net profit at June 30, 2017 and December 31, 2016, broken down by geographical markets, is as follows:

Revenue	**06.30.2017**	**06.30.2016**
Europe	583,054	571,549
Americas	93,070	216
Total	**676,124**	**571,765**

Net profit (loss)	**06.30.2017**	**06.30.2016**
Europe	189,724	202,319
Americas	79,350	11,834
Total	**269,074**	**214,153**

6.3 Primary business segments

The business lines that are described below were established based on the classifications contained in Law 34/1998 of October 7, of the Hydrocarbon Sector, and in accordance with the structural organization of the Enagás Group based on the nature of the services and products offered.

a) **Infrastructure activity (includes transport, regasification, and storage of gas):**

- **Gas transport**: represents the main activity, consisting in the delivery of gas via its transport network, comprised of primary transport pipelines (with maximum design pressure equal to or greater than 60 bars) and secondary transport pipelines (with maximum design pressure ranging from 16 to 60 bars) up to the distribution points, as owner of most of the gas transportation network in Spain.

- **Regasification:** The gas is transported from the producing countries in methane tankers at 160°C below zero in its liquid state (LNG) and is unloaded at the regasification plants where it is stored in cryogenic tanks. At these installations, via a physical process which normally uses vaporizers with sea water, the temperature of the liquefied gas is increased until it is transformed into its gaseous state. The natural gas is injected into the gas pipelines for transportation to the whole peninsula.

- **Storage**: the Enagás Group operates three underground storage facilities: Serrablo, located between Jaca and Sabiñánigo (Huesca), Yela (Guadalajara), and Gaviota (off-shore storage), located near Bermeo (Vizcaya).

b) **Technical Systems Manager Activity**

The Enagás Group continued carrying out its functions as Technical Systems Manager in 2016 in compliance with Law 34/1998 of October 7, of the Hydrocarbons Sector, and Royal Decree 949/2001, of August 3, with a view to guaranteeing supply continuity and safety, as well as the correct coordination amongst the access, storage, transportation, and distribution points.

c) Non-regulated activities

These include all non-regulated activities as well as those transactions related to the international companies of the Group.

16.4 Basis and methodology for business segment reporting

The segment information below is based on monthly reports prepared by General Finance Management and generated using a computer application that disaggregates financial statements by activities.

The structure of this information is designed as if each business line were an autonomous business and had independent own resources distributed based on the assets assigned to each line in accordance with an internal cost distribution system by percentages.

Information by segment about these activities is presented below:

	Thousands of euros									
	Infrastructures		Technical Systems Management		Non-regulated activities (***)		Adjustments (*)		**Total Group**	
INCOME STATEMENT	06.30.2017	06.30.2016	06.30.2017	06.30.2016	06.30.2017	06.30.2016	06.30.2017	06.30.2016	**06.30.2017**	**06.30.2016**
Operating income	578,381	585,673	13,000	12,844	131,583	46,223	(34,930)	(38,360)	**688,034**	**606,380**
Depreciation and amortization allowances	(123,394)	(126,860)	(4,609)	(4,919)	(33,744)	(5,732)	68	138	**(161,679)**	**(137,373)**
Operating profit (***)	320,495	323,652	(1,212)	(2,124)	42,762	7,672	(186)	(359)	**361,859**	**328,841**
Finance income	6,510	1,007	-	-	88,007	27,899	(27,165)	(24,295)	**67,352**	**4,611**
Finance cost	(27,778)	(4,215)	(146)	(37)	(84,391)	(49,628)	27,166	2,881	**(85,149)**	**(50,999)**
Income tax	(73,756)	(72,590)	340	540	7,327	7,126	45	91	**(66,044)**	**(64,833)**
After tax profit	225,059	223,874	(1,019)	(1,621)	45,173	(7,831)	(139)	(269)	**269,074**	**214,153**
BALANCE SHEET	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016	**06.30.2017**	**12.31.2016**
Total Assets	6,649,936	6,887,426	69,890	59,092	9,106,821	8,105,135	(5,340,741)	(5,566,195)	**10,485,906**	**9,485,458**
Acquisition of assets	15,368	71,584	1,056	8,993	3,845	9,789	(731)	(814)	**19,538**	**89,552**
Non-current liabilities (**)	498,457	505,255	351	555	303,063	22,439	(266)	(203)	**801,605**	**528,046**
-Deferred tax liabilities	282,945	289,801	-	-	294,317	7,873	(266)	(203)	576,996	297,471
-Provisions	171,010	169,246	351	555	8,746	14,566	-	-	180,107	184,367
-Other non-current liabilities	44,502	46,208	-	-	-	-	-	-	44,502	46,208
Current liabilities (**)	115,412	94,623	38,773	31,853	94,406	51,424	(10,126)	(3,903)	**238,465**	**173,997**
-Trade and other payables	115,412	94,623	38,773	31,853	94,406	51,424	(10,126)	(3,903)	**238,465**	**173,997**

(*) "Adjustments" includes the eliminations of inter-company transactions (rendering of services and credit granted) as well as the elimination of Investments - Own Funds.

(**) Financial liabilities are not included.

(***) From January 1, 2017 GNL Quintero, S.A. is consolidated under the full consolidation method.

(****) The consolidated income statement at 30.06.2017 has been restated, in accordance with the change in presentation described in Note 2.5 to the accompanying Interim Condensed Consolidated Financial Statements.

17. Related-party transactions and balances

In addition to subsidiaries, associates, and jointly controlled entities, the Group's "related parties" are considered to include "key management personnel" (members of the Board of Directors and executives, along with their close relatives), as well as the entities over which key management personnel may exercise significant influence or control as established by Order EHA/3050/2004, of September 15, and Circular 1/2008 of January 30 of the CNMV.

The balances with Group companies that have not been eliminated upon consolidation correspond to the following:

- Accounts receivable in the amount of 12,762 thousand euros at June 30, 2017 (December 31, 2016: 16,321 thousand euros) (Note 9).

- Accounts payable in the amount of 3,296 thousand euros at June 30, 2017 (December 31, 2016: 2,736 thousand euros).

- Loans to group companies in the amount of 362,417 thousand euros at June 30, 2017 (December 31, 2016: 293,929 thousand euros) (Note 8).

- Long-term receivables from GSP totaling 189,884 thousand euros at June 30, 2017 (December 31, 2016: 207,865 thousand euros).

The transactions carried out by the Group with related parties in the first six months of 2017 and the year 2016, distinguishing between significant shareholders, members of the Company's Board of Directors and executives and other related parties, are indicated below. The terms of transactions with related parties are equivalent to those made on an arm's length basis and the corresponding remuneration in kind has been recorded.

2017

Income and expenses	Thousands of euros				
	06.30.2017				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	**Total**
Expenses:					
Finance cost	-	-	-	4,186	**4,186**
Receipt of services	-	-	25,996	86	**26,082**
Losses on the sale or derecognition of assets	-	-			**-**
Other expenses	-	998	-	-	**998**
Total Expenses	**-**	**998**	**25,996**	**4,272**	**31,266**
Income:					
Finance income			4,698		**4,698**
Provision of services	-	-	3,908	-	**3,908**
Gains on the sale or derecognition of assets	-	-	-	-	**-**
Other income	-	-	1,553	-	**1,553**
Total income	**-**	**-**	**10,159**	**-**	**10,159**

2016

Income and expenses	Thousands of euros				
	06.30.2016				
	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	**Total**
Expenses:					
Finance cost	-	-	-	1,595	**1,595**
Receipt of services	-	-	14,429	131	**14,560**
Losses on the sale or derecognition of assets	-	-	-	-	**-**
Other expenses	-	784	-	-	**784**
Total Expenses	**-**	**784**	**14,429**	**1,726**	**16,939**
Income:					
Finance income			3,635	4	**3,639**
Provision of services	-	-	8,079	-	**8,079**
Gains on the sale or derecognition of assets	-	-	3	-	**3**
Other income	-	-	1,553	-	**1,553**
Total income	**-**	**-**	**13,270**	**4**	**13,274**

2017

Other transactions	Thousands of euros			
	06.30.2017			
	Significant shareholders	Group employees, companies or entities	Other related parties	**Total**
Guarantees for related party debts (Note 20)	-	24,542	-	**24,542**
Guarantees granted - other	-	8,742	130,903	**139,645**
Investment commitments	-	137,687	-	**137,687**
Dividends and other earnings distributed	29,387	-	-	**29,387**

2016

Other transactions	Thousands of euros			
	12.31.2016			
	Significant shareholders	Group employees, companies or entities	Other related parties	Total
Guarantees for related party debts (Note 20)	-	24,779	-	**24,779**
Guarantees granted - other	-	9,464	144,175	**153,639**
Investment commitments	-	218,289	-	**218,289**
Dividends and other earnings distributed	30,970	-	-	**30,970**

During the first six months of 2017 and during 2016, the Banco Santander group fulfilled the aforementioned criteria for consideration as a related party.

Of the transactions disclosed in the above table, 4,186 thousand euros of finance expenses correspond to this entity for the first six months of 2017 (during the year 2016: 3,853 thousand euros), including finance expenses arising out of the interest rate hedging contracts, and 130,903 thousand euros of guarantees granted at June 30, 2017 (December 31, 2016: 144,175 thousand euros).

In addition, this banking entity carried out the following transactions with the Enagás Group:

- The Enagás Group maintains a multi-currency club deal for financing purposes, in which the related party represents 9.63% of all banks participating in this financing source.

- In February 2017, Enagás, S.A. arranged a credit line denominated in US dollars in the amount of 150,000 thousand US dollars.

The directors consider that no additional significant liabilities will arise in connection with the transactions disclosed in this note other than those already recognized in the accompanying consolidated balance sheet.

18. Compensation of the members of the Board of Directors and Senior Management

Note 29 to the Group's consolidated financial statements for the year ended December 31, 2016 details the existing agreements regarding remuneration and other benefits paid to members of the Board of Directors and senior management of the Company.

The most significant data corresponding to remuneration and other benefits for the six-month periods ended June 30, 2017 and June 30, 2016 are summarized below. Said remuneration is a consequence of the "Director compensation policy for the years 2016, 2017, and 2018" approved by the shareholders in general meeting on March 18, 2016:

	06.30.2017	06.30.2016
Members of the Board of Directors:		
Type of remuneration:		
Fixed remuneration	730	685
Variable remuneration	755	751
Remuneration for Board membership	998	784
Other	522	372
Other benefits		
Pension plans and funds: contributions	-	-
Total Board of Directors	**3,005**	**2,592**
Executives:		
Remuneration received	2,844	2,115
Total executives	**2,844**	**2,115**

In execution of the long-term incentive plan for the period 2016-2018 approved by the shareholders in their general meeting held on March 18, 2016, a maximum number of 97,455 performance shares were assigned to the two executive Board members. Members of the Management Committee were assigned a maximum number of 95,102 performance shares and a maximum incentive target of 835 thousand euros payable in cash.

18.1 Share-based payments

As indicated in Note 29.1 to the consolidated annual financial statements for 2016, on March 18, 2016, the Enagás, S.A. shareholders in general meeting approved a long-term incentive plan aimed at executive directors and senior management of the Company and its Group, with a view to maximizing motivation and loyalty as well as promoting the good results achieved by the Enagás Group, aligning its interests with the long term value of shareholders.

The portion of said plan to be settled in Enagás, S.A. shares (see Note 29.1 to the 2016 consolidated annual financial statements) is considered a share-based transaction payable in equity instruments in accordance with IFRS 2 and, in keeping with said standard, the fair value of services received, as consideration for the equity instruments granted, is included in the consolidated income statement at June 30, 2017, under "Employee benefits expense" in the amount of 1,256 thousand euros and a credit to "Other equity instruments" in the consolidated balance sheet at June 30, 2017. The Enagás Group estimates fair value of the equity instruments granted on an accrual basis over the corresponding plan period (from January 1, 2016 to December 31, 2018) plus the loyalty period of approximately four months for full disbursement.

With respect to that part of the bonus payable in cash, the Enagás Group recognized the rendering of services corresponding to this plan as an employee benefits expense amounting to 552 thousand euros, with a credit to "Provisions" under non-current liabilities in the consolidated balance sheet at June 30, 2017. As for that part of the plan payable in shares, the Enagás Group estimates the fair value of the amount payable in cash on an accrual basis over the plan period (January 1, 2016 to December 31, 2018) plus the loyalty period of approximately four months for full disbursement.

At June 30, 2017, the estimate is made assuming that all the objectives relating to the plan have been fully achieved.

19. Average number of employees

The average number of employees by gender at June 30, 2017 and 2016 is as follows:

Categories	06.30.2017	06.30.2016
Male	966	985
Female	351	359
Total	**1,317**	**1,344**

20. Commitments assumed and guarantees granted

2017

Commitments assumed and guarantees granted	Thousands of euros			
	06.30.2017			
	Group employees, companies or entities	Other related parties	Third parties	Total
Guarantees for related party debts (Note 17)	24,542	-	-	**24,542**
Guarantees granted - other	8,742	130,903	316,934	**456,579**
Investment commitments	137,687	-	11,775	**149,461**

2016

Commitments assumed and guarantees granted	Thousands of euros 12-31-2016 Group employees, companies or entities	Other related parties	Third parties	Total
Guarantees for related party debts (Note 17)	24,779	-	-	**24,779**
Guarantees granted - other	9,464	144,175	333,103	**486,742**
Investment commitments	218,289	-	25,708	**243,997**

"Guarantees for related party debts" includes 24,542 thousand euros at June 30, 2017 (December 31, 2016: 24,779 thousand euros), corresponding to the obligation acquired in the financing contract relating to Knubbsäl Topholding AB, by virtue of which the Enagás Group commits to granting a corporate guarantee in favor of the financing entities if said contract has not been canceled or refinanced six months before it matures in July 2022. The maximum commitment relating to this possible guarantee amounts to 24,542 thousand euros (237,500 thousand SEK), and in accordance with the above, said corporate guarantee will not be granted before the month of January in 2022. Should the guarantee have to be provided, the financing entities could only avail themselves of it in the case of non-payment by Knubbsäl Topholding AB at the maturity date of the financing contract.

In addition, "Guarantees granted - other" includes 456,579 thousand euros at June 30, 2017 (December 31, 2016: 486,742 thousand euros) corresponding to the following items:

- "Group employees, companies or entities" in the amount of 8,742 thousand euros at June 30, 2017 (December 31, 2016: 9,464 thousand euros), which correspond to guarantees for full compliance granted to group entities in connection with concessions, counter-guaranteed by Enagás, S.A.

- "Other related parties" in the amount of 130,903 thousand euros at June 30, 2017 (December 31, 2016: 144,175 thousand euros). This heading includes:
  - The guarantees granted before the Federal Electricity Commission ("FEC") in connection with the service contracts relating to the Morelos and Estación de Compresión Soto La Marina gas pipeline projects in the amount of 8,742 thousand and 7,750 thousand euros, respectively, granted by the related party Banco Santander.
  - Financial guarantees granted by the related party Banco Santander as a guarantee for loans granted by the European Investment Band to Enagás, S.A. in the amount of 108,000 thousand euros (120,000 thousand euros during 2016).
  - Technical guarantees granted by the related party Banco Santander to third parties in the amount of 6,411 thousand euros (6,321 thousand euros in 2016) to cover certain responsibilities which may arise during execution of the contracts constituting the activity of Enagás, S.A.

- "Third parties" in the amount of 316,934 thousand euros at June 30, 2017 (December 31, 2016: 333,103 thousand euros). This heading includes:
  - Financial guarantees granted by financial entities to cover the loans granted by the European Investment Bank to Enagás, S.A. in the amount of 258,667 thousand euros (290,000 thousand euros in 2016).
  - Technical guarantees granted by financial entities to third parties in the amount of 58,267 thousand euros (42,228 thousand euros in 2016) to cover certain responsibilities which may arise during execution of the contracts constituting the activity of Enagás, S.A.

- At June 30, 2017 no guarantees had been granted to cover litigation processes (December 31, 2016: 875 thousand euros).

The 149,461 thousand euros recognized under "Investment commitments" at June 30, 2017 (December 31, 2016: 243,997 thousand euros), mainly includes the following items:

- The Enagás Group has investment commitments amounting to 134,223 thousand euros relating to the TAP project and corresponding to the capital contributions to be disbursed as shareholder up to the financial closing. In this manner, the shareholders fulfill their obligation to continue financing the project until obtaining bank financing, which is currently being negotiated. In the context of said negotiations, it is expected that the financial entities will demand guarantees from the shareholders.

  Once said financing has been arranged, and taking into account the repayment of funds to the shareholders by the banks in order to balance the debt to equity ratio, the investment made by Enagás will amount to approximately 277,000 thousand euros, and it is expected that guarantees will be granted in the amount of approximately 599,000 thousand euros in connection with the banking debt to the extent the subsidiary draws down the available facilities.

- As indicated in Note 8 to the accompanying Interim Condensed Consolidated Financial Statements, the Enagás Group maintains investments in Economic Interest Groups (EIG) whose activity is the leasing of assets managed by another entity unrelated to the Group and which retains both the majority of profits as well as the risks related to the activities, with the Group only availing itself of the regulated tax incentives in Spanish legislation. The Enagás Group attributes the tax loss carryforwards generated by these EIGs against shares and by difference with the debt registered with the tax authorities, the corresponding finance income. Thus, the Enagás Group has firm investment commitments in connection with this item amounting to 11,775 thousand euros, which will be disbursed during 2017 and 2018.

The directors consider that no additional significant liabilities will arise in connection with the transactions disclosed in this note other than those already recognized in the accompanying consolidated balance sheet.

21. Subsequent events

On July 5, 2017, Enagás, S.A. paid a gross dividend per share of 0.834 euros, complementary to the gross dividend of 0.556 euros per share already settled in December 2016, charged against 2016 results. Thus, the total gross dividend corresponding to 2016 amounted to 1.39 euros per share.

22. Explanation added for translation to English

There abridged financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2.1). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

INTERIM MANAGEMENT REPORT OF THE ENAGÁS GROUP

Performance of the Group during the first half of 2017

Net profits amounted to 269,074 thousand euros, representing an increase of 25.6% with respect to the previous year. The change in the consolidation scope in connection with full consolidation of GNL Quintero, S.A. represents a 24% increase with respect to the previous year. The increase in net profit without taking this effect into account amounts to 1.6%.

Total income for the Group at June 30, 2017 amounted to 688,034 thousand euros; with net turnover totaling 676,124 thousand euros.

Enagás Group investments during the first half of 2017 amounted to 202 million euros, of which 35 million were allocated to domestic investments. The remaining 82.7%,167 million euros, were invested internationally and mainly correspond to the acquisition of the additional stake in Compañía del Gas del Amazonas, S.A.C. (see point 2 on main investments) as well as the additional contributions to Trans Adriatic Pipeline AG.

In addition, on January 1, 2017, and in the context of acquiring interest in GNL Quintero, S.A. during 2017 as well as the pertinent modifications to shareholder agreements, the Enagás Group acquired control over the company, which was subsequently consolidated under the full consolidation method (Note 2.3).

The share capital of Enagás S.A. amounts to 358,101 thousand euros, representing 238,734,260 shares at a nominal value of 1.5 euros each, all of the same class and fully paid in. The shares are listed on the official Spanish stock exchange and the electronic trading market.

On December 17, 2015, the Official State Gazette (Boletín Oficial del Estado in Spanish - B.O.E.) published Order IET/2736/2015, which establishes tolls and fees for third-party access to the gas installations, remuneration for regulated activities, the fixed costs to be disbursed to each company for transport, regasification, storage, and distribution activities, as well as the parameters for calculating variable remuneration.

During the first half of 2017, expansion and improvement of the regasification, transport, and storage installations continued in order to adapt them to the needs anticipated for future demand.

Thus, at June 30, 2017, the Enagás Group's gas infrastructure comprised of the Natural Gas Basic Network is broken down as follows:

- Close to 11,000 kilometers of pipelines all over Spanish territory

- Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara), and Gaviota (Vizcaya)

- Four regasification plants in Cartagena, Huelva, Barcelona, and Gijón

- In addition, the Group owns 50% of Planta de Regasificación de BBG (Bilbao) and 40% of Planta de Altamira (Mexico). The interest held by the Group in GNL Quintero at June 30, 2017 amounted to 45.40%. Further, at June 30, 2017, the Group holds a 72.5% stake in Planta de Sagunto (Valencia).

- Likewise, the Enagás Group owns 28.94% of Transportadora de gas del Peru (TgP), the assets of which comprise the natural gas transport system via pipelines from Camisea to Lurin and the transportation system of liquefied natural gas via pipelines from Camisea to Costa.

- On April 24, 2017, the Enagás Internacional, S.L.U. acquisition of a 21% additional stake in Compañía del Gas del Amazonas, S.A.C. (COGA) became effective. The latter company is responsible for the operation and maintenance of Transportadora de gas del Peru infrastructure. Taking into account that Enagás Internacional, S.L.U. already held a stake of 30%, the total interest held by the Group in COGA after the transaction amounted to 51%.

- The Enagás Group holds a 50% stake in Knubbsäl Topholding AB, indirect owner of a 100% stake in Swedegas AB, a company which owns the entire high pressure gas system network in Sweden and is the only operator in Sweden with European TSO certification (Transmission System Operator).

<u>**Significant matters for the period**</u>

1. <u>Operating highlights</u>

Domestic demand for gas reached 169.1 TWh, 6.5% more than during the first half of 2016, mainly due to more electricity being generated as a result of increased demand in cogeneration plants.

It is important to stress that industrial demand, which represents more than half of consumption in Spain, remained robust, growing 4.3% with respect to the first half of 2016.

The development of industrial demand is in line with the development of the Spanish economy and Spanish GDP predictions for the end of 2017.

2. <u>Main investments</u>

On March 21, 2017, Scale Gas Solutions, S.L. was incorporated for 216 thousand euros. This company, domiciled in Spain, is directly controlled by Enagás Emprende, S.L.U. through a 90% stake. Thus, it is also fully consolidated together with recognition of the 10% stake corresponding to external partners under "Minority interest" in equity. In addition, on March 21, 2017, Efficiency For LNG Applications, S.L. was incorporated for 300 thousand euros. This company, domiciled in Spain, is directly controlled by Enagás Emprende, S.L.U. through a 92% stake. Thus, it is also fully consolidated together with recognition of the 8% stake corresponding to external partners under "Minority interest" in equity.

On April 24, 2017, the acquisition by Enagás Internacional, S.L.U. of an additional 21% interest in Compañía del Gas del Amazonas, S.A.C. (COGA) from Graña y Montero, S.A.A., amounting to 8,862 thousand US dollars (8,166 thousand euros), became effective. Taking into account that Enagás Internacional, S.L.U. already held a 30% stake, the total interest held by the Group in COGA after the transaction amounted to 51%, thus maintaining its significant influence over the investee, and consequently continuing to consolidate COGA under the equity method.

In the context of the additional acquisition of 40% interest in GNL Quintero, S.A. (GNL Quintero) in 2016 (see Note 2.3 to the consolidated annual financial statements at December 31, 2016), with the Enagás Group thus holding a 60.40% stake in said company, and the granting of a purchase and a sales option to Empresa Nacional del Petróleo, S.A. (ENAP) and Sumhuram Energy Chile II Limitada (OOC) (see Notes 15 and 33 to the consolidated annual financial statements at December 31, 2016), the shareholders of GNL Quintero agreed to modify the shareholder agreement then prevailing, with the changes to become effective on January 1, 2017. The modifications introduced in said shareholders agreement grant Enagás Chile, SpA control over GNL Quintero from January 1, 2017, as it can unilaterally adopt the relevant decisions for the company, which also results in a change to the consolidation method from the equity method to the full consolidation method with the corresponding recognition of minority interest.

On April 11, 2017, the call and put options were exercised by ENAP (which cedes its right to OMERS Infrastructure Holdings II SpA - hereinafter OMERS) and OOC, respectively. As a result of these transactions, the Enagás Group decreases its interest by 15%, while controlling GNL Quintero with a 45.40% stake via two companies (for more detail on the exercising of said call and put options, see Note 7 on business combinations and subsequent transactions):

- Terminal de Valparaíso, S.A., which after OOC exercised its sales option, Enagás Chile acquired 49% of for 191 million US dollars (which indirectly represents 19.6% of GNL Quintero share capital), and which together with the 51% of interest held previously, reached 100% of interest. In this manner, as Terminal de Valparaíso holds 40% of direct interest in GNL Quintero, Enagás Chile controls said interest.

- Terminal Bahía de Quintero, SpA., incorporated on April 7, 2017 by Enagás Chile and OMERS for an amount of 5.2 thousand US dollars and a 51.9% and 48.1% stake, respectively. Via this company, Enagás Chile SpA. together with OMERS, contribute 5.40% and 5%, respectively, of the direct interest both hold in GNL Quintero to Terminal Bahía de Quintero SpA. Under the prevailing share agreement, Enagás Chile controls this company, consolidating its assets and liabilities under the full consolidation method with the corresponding recognition of minority interest.

In this manner, the shareholder structure of GNL Quintero is comprised of ENAP 20%, Terminal de Valparaíso, S.A. 40% (100% of Enagás Chile), OMERS 29.6%, and Terminal Bahía de Quintero SpA 10.4% (51.9% Enagás Chile and 48.1% OMERS). As a result of the above transactions, Enagás Chile SpA holds a stake of 45.40% via two companies over which it exercises control, and by virtue of the current shareholders agreements, it also maintains control over GNL Quintero, which will thus continue to be consolidated under the full consolidation method, recognizing the 54.60% under "Minority interest" in the consolidated balance sheet (Note 12.3).

3. <u>General Shareholders' Meeting 2016</u>

The General Shareholders Meeting of Enagás was held on March 31, 2017. At said meeting, the annual financial statements and management report corresponding to the year ended December 31, 2016 of both Enagás, S.A. and its Consolidated Group were approved together with the appropriation of 2016 Enagás, S.A. results, which included payment of a gross complementary dividend of 0.834 euros per share.

4. <u>Long-term incentive plan</u>

On May 25, 2016, Enagás, S.A. finalized the treasury share acquisition process for an amount of 8,219 thousand euros. Said acquisition falls within the "Temporary program for the repurchase of treasury shares," the sole objective of which is to comply with the share delivery obligations with respect to Enagás Group executive directors and senior management in connection with the remuneration system in place and based on the terms and conditions established in both the long-term incentive plan as well as the remuneration policy for the period 2016-2018 approved by the shareholders in general meeting. The share purchase was in compliance with the requirements established in article 5 of Commission Regulation CE 2273/2003 and was subject to the terms authorized by the shareholders in general meeting on March 18, 2016. Management of the temporary treasury share repurchase program was delegated to Banco Bilbao Vizcaya Argentaria (BBVA), which carried out the acquisition on account of Enagás, S.A independently and without any influence of the latter.

<u>Events after the reporting period</u>

On July 05, 2017, Enagás, S.A. paid a gross dividend per share of 0.834 euros, complementary to the gross dividend of 0.556 euros per share already settled in December 2016, charged against 2016 results. Thus, the total gross dividend corresponding to 2016 amounted to 1.39 euros per share.

ENAGAS GROUP

On July 17, 2017, the Board of Directors of Enagás, S.A., for purposes of article 119 of the revised text of the Securities Market Law, approved by Royal Legislative Decree 4/2015, of October 23, prepared the Interim Condensed Consolidated Financial Statement and Interim Management Report at June 30, 2017, consisting of the accompanying documents and duly signed on all pages by the Secretary and stamped with the Company seal.

DECLARATION OF PERSONS RESPONSIBLE For purposes of the stipulations in number 3 of said article 119 of the Securities Market Law and article 11 of Royal Decree 1362/2007, of October 19, the signing directors declare that, to the best of their knowledge, the Interim Condensed Consolidated Financial Statement, prepared in accordance with the applicable accounting principles, provide a fair view of the Group's equity, financial situation, and results, and that the interim management report includes a fair analysis of the business results, performance, and position of the Group, together with a description of the main risks and uncertainties to which it is exposed. In addition, the signing directors declare that to the best of their knowledge, the directors who did not sign did not manifest their disagreement with the Interim Condensed Consolidated Financial Statement and Interim Management Report.

President

(Signed the original in Spanish)

Mr. Antonio Llardén Carratalá

CEO

(Signed the original in Spanish)

Mr. Marcelino Oreja Arburúa

Board Members

(Signed the original in Spanish)

Sociedad Estatal de Participaciones Industriales-SEPI

(Represented by Mr. Federico Ferrer Delso)

(Signed the original in Spanish)

Mr. Antonio Hernández Mancha

(Signed the original in Spanish)

Mr. Luis Javier Navarro Vigil

(Signed the original in Spanish)

Ms. Ana Palacio Vallelersundi

(Signed the original in Spanish)

Mr. Martí Parellada Sabata

(Signed the original in Spanish)

Mr. Jesús Máximo Pedrosa Ortega

(Signed the original in Spanish)

Mr. Luis García del Río

(Signed the original in Spanish)

Ms. Rosa Rodríguez Diaz

(Signed the original in Spanish)

Mr. Gonzalo Solana González

(Signed the original in Spanish)

Ms. Isabel Tocino Biscarolasaga

(Signed the original in Spanish)

Mr. Luis Valero Artola

(Signed the original in Spanish)

Secretary to the Board

(Signed the original in Spanish)

Mr. Rafael Piqueras Bautista