

3Q2021 Results

26th October 2021



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Conference-call/Webcast:

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Highlights

2021 Third quarter results

- ⚡ The regulated revenues for 2021 and their comparison with those recorded in 2020 are influenced by the entry into force of the new **retributive framework 2021-2026, closed after the publication of Circular 8/2020**.
- ⚡ **Net income** at 30 September 2021 amounted to **307.3 million euros**. The target set for the year is 380 million euros.
- ⚡ The **results from affiliates at 30 September 2021 amounted to 163.8 million euros** (118.0 million euros in 2020), giving a **contribution to the net profit of 40.1% in the first nine months of 2021**.
- ⚡ **Funds from operations (FFO)** at 30 September 2021 was **553.2 million euros, +3.0% higher** to that obtained in 2020.
- ⚡ The **increase in FFO** is explained, among other effects, by the **dividends received from affiliates, which at 30 September 2021 amounted to 114.8 million euros**. Of this amount, 22.8 million euros correspond to the distribution of a dividend by Tallgrass Energy charged to the 2020 financial year.

In addition, the cash flow generation includes the **true-up at TAP after reaching the Financial Completion Date on 31 March, in the amount of 20.5 million euros**, as well as 8.8 million euros in debt repayments by affiliates.

- ⚡ The **strong free cash generation** during the first nine months of 2021 (646.2 million euros), has allowed to **pay in July the complementary dividend for 2020** (amounting to 265.3 million euros) and to reduce the **net debt**, which at 30 September 2021 stood at **4,127 million euros**. The debt developments in the third quarter includes an increase of 143 million euros due to the IFRS 16 update as a result of the renewal of the fibre optic lease contract.
- ⚡ The **financial cost** of debt at 30 September 2021 was **1.7%**. The **FFO/ND ratio at 30 September 2021** stood **at 17.0%**.
- ⚡ The Company has a **solid liquidity situation**, which at the end of the third quarter amounted to **2,953 million euros** between treasury and undrawn lines of credit.
- ⚡ **Natural gas demand** shows a **positive increase of +2.7%** at 30 September 2021 compared to the same period of the previous year. This is mainly due to the increase in residential demand (+11.2% vs Q3 2020).
- ⚡ On 8 July, following approval at the General Shareholders' Meeting, a complementary **dividend** for 2020 of 1.008 euros gross per share was paid, in line with the annual commitment for 2020 to distribute **1.68 euros gross per share**, which represents an **annual increase of 5%**, in line with the company's strategy.

- Enagás is a leader in the main sustainability indices, particularly the **Dow Jones Sustainability Index World, (world leader in Gas Utilities)** in which it attained **Gold Class** classification and is included in the **A List of CDP Climate Change**. In addition, it has achieved the **highest ESG rating in its sector in the FTSE4Good sustainability index**.

Main figures

Income Statement

January - September (millions of €)	9M2020	9M2021	Var. 20-21
Total income	831.0	722.3	-13.1%
EBITDA	727.4	670.1	-7.9%
EBIT	486.6	439.0	-9.8%
Net income	348.9	307.3	-11.9%

Balance sheet and leverage ratios

	Dec-2020	Sept-2021
Net Debt (millions of €)	4,288	4,127
Net Debt / EBITDA ⁽¹⁾	4.8x	4.8x
FFO/Net Debt	16.0%	17.0%
Financial cost of debt	1.9%	1.7%

(1) EBITDA adjusted for dividends obtained from affiliates

Cash flow and investments

January - September (millions of €)	9M2020	9M2021	Var. 20-21
Funds From Operations	537.3	553.2	3.0%
Dividends received from affiliates	41.9	114.8	174.0%
Net investment	-819.7	-52.5	-93.6%

Following the Guidelines on alternative performance measures published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es), the corporate website contains a glossary of definitions and a reconciliation with the items presented in the financial statements for certain alternative financial measures used in this document.

Earnings Performance

Income Statement

Millions of euros (unaudited figures)	9M2020	9M2021	Var. 20-21
Income from regulated activity	781.9	704.2	-9.9%
Other operating income	49.1	18.1	-63.1%
Total revenue	831.0	722.3	-13.1%
Personnel expenses	-91.5	-95.5	4.5%
Other operating expenses	-130.1	-120.4	-7.4%
Operating Expenses	-221.6	-216.0	-2.5%
Results from affiliates	118.0	163.8	38.8%
EBITDA	727.4	670.1	-7.9%
Amortisation and depreciation	-202.4	-190.7	-5.8%
PPA	-38.4	-40.4	5.3%
EBIT	486.6	439.0	-9.8%
Financial result	-52.1	-66.1	26.9%
Corporate income tax	-84.9	-64.9	-23.5%
Profit attributed to non-controlling interests	-0.8	-0.6	-17.7%
Net income	348.9	307.3	-11.9%

Operating income

Total revenues at 30 September 2021 reached 722.3 million euros, which represents a decrease of -13.1% with respect to the same period in 2020. Said variation is mainly a consequence of the entry into force of the new regulatory framework 2021-2026 and the termination of the Al-Andalus and Extremadura contract.

Operating expenses

The **operating expenses at the end of the first nine months of 2021** reached -216.0 million euros, **2.5% lower than the accumulated amount in the same period the previous year.**

Results from affiliates

The results from affiliates as at 30 September 2021 amounts to 163.8 million euros (2020: 118.0 million euros), giving a **contribution to the net profit of 40.1% in the first nine months of 2021.**

EBITDA

EBITDA at 30 September 2021 reached **670.1 million euros, -7.9% lower** than that obtained on the same date of the 2020 financial year.

Amortisation of fixed assets

Amortisation of fixed assets has decreased by -5.8% compared to the same period the previous year.

The amortisation line of the PPA (*purchase price allocation*) has increased compared to 2020 (+5.3%), as a consequence of acquisition of the second phase of Tallgrass Energy in April 2020.

Thus, **EBIT** at 30 September 2021 was **439.0 million euros, -9.8% less** than that registered in the same period of 2020.

Financial Result

The financial result obtained at 30 September 2021, registered a negative balance of -**66.1 million euros**, compared to the -52.1 million euros recorded at the end of the first nine months of 2020. The financial result for the first quarter of 2020 included a non-recurring effect of 18.4 million euros originated by positive exchange differences generated by the purchase of dollars made for the Take Private of Tallgrass Energy.

Net income

Net income at 30 September 2021 amounted to **307.3 million euros**. The target set for the year is 380 million euros.

Cash flow and balance sheet

Consolidated cash flow statement

Millions of euros (unaudited figures)	9M2020	9M2021
EBITDA	727.4	670.1
Results from affiliates	-118.0	-163.8
Tax	-33.2	-12.1
Interest	-70.8	-55.7
Dividends received from affiliates	41.9	114.8
Adjustments	-10.0	-0.1
FUNDS FROM OPERATIONS (FFO)	537.3	553.2
Changes in working capital	149.9	145.5
OPERATING CASH FLOW (OCF)	687.3	698.7
Net investment	-819.7	-52.5
International business	-768.4	21.4
Business in Spain	-51.3	-73.9
FREE CASH FLOW (FCF)	-132.5	646.2
Dividends paid	-251.4	-265.3
Exchange rate effect	1.0	-1.8
DISCRETIONAL CASH FLOW (DCF)	-382.9	379.1
Financing flows	89.4	-78.5
Maturity of long-term debt	-74.3	-105.5
Debt issues	200.0	0.1
Issue/maturity of policies and ECPs	-36.2	26.9
Capital increase	0.0	0.0
Proceeds from/(payments for) equity instruments	0.0	0.0
Effect of changes in the consolidation method	0.0	0.0
NET CASH FLOWS	-293.5	300.6
Cash and cash equivalents at start of period	1,099.0	863.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	805.5	1,164.2

Balance sheet

<u>ASSETS</u>	Dec. 2020	Sept. 2021
Total non-current assets	7,786.3	7,961.0
Intangible assets	74.6	77.0
<i>Goodwill</i>	23.2	23.2
<i>Other intangible assets</i>	51.4	53.8
Investment property	19.0	19.0
Property, plant and equipment	4,430.4	4,439.6
Equity-accounted investments	2,658.4	2,797.2
Other non-current financial assets	602.5	624.2
Deferred tax assets	1.4	3.9
Current assets	1,222.6	1,488.7
Total non-current assets held for sale	1.8	1.8
Inventories	21.4	20.7
Trade debtors and other short-term debts	322.6	293.8
Short-term financial investment	7.5	1.6
Other current assets	5.8	6.6
Cash and cash equivalents	863.7	1,164.2
GRAND TOTAL	9,008.9	9,449.7
<u>EQUITY AND LIABILITIES</u>		
Equity	3,007.0	3,147.1
Total equity	3,192.7	3,239.9
Share capital	393.0	393.0
Share premium	465.1	465.1
Reserves	2,074.4	2,081.1
Treasury shares	-12.5	-12.5
Profit for the period	444.0	307.3
Interim dividend	-175.7	0.0
Other equity instruments	4.4	5.9
Valuation adjustments	-202.7	-108.6
Non-controlling interests (external owners)	17.0	15.8
Non-current liabilities	5,416.7	4,542.1
Non-current provisions	253.9	251.6
Non-current financial liabilities	4,962.0	4,090.3
<i>Bank loans</i>	1,165.6	933.2
<i>Bonds and other marketable securities</i>	3,432.3	2,695.6
<i>Non-current payables to fixed asset suppliers</i>	0.3	0.3
<i>Derivatives</i>	44.1	0.0
<i>Other long-term loans</i>	319.8	461.2
Deferred tax liabilities	160.9	161.2
Other non-current liabilities	39.9	39.0
Current liabilities	585.3	1,760.5
Current provisions	2.2	0.5
Current financial liabilities	289.1	1,307.1
<i>Bank loans</i>	172.7	404.8
<i>Bonds and other marketable securities</i>	41.7	775.6
<i>Derivatives</i>	11.2	80.9
<i>Other long-term loans</i>	63.5	45.8
Trade and other payables	293.9	452.8
GRAND TOTAL	9,008.9	9,449.7

Operating cash flow

Funds from operations (FFO) at 30 September 2021 was 553.2 million euros, 3.0% higher than that obtained in the first nine months of 2020. This increase is explained, among other effects, by a higher volume of dividends received from affiliates, which at 30 September 2021 amounted to 114.8 million euros. This figure includes the 22.8 million euros of the Tallgrass Energy dividend corresponding to the 2020 financial year and collected in February 2021.

Investments

Net investment at the end of the third quarter of 2021 amounted to **52.5 million euros**, and mainly includes investment in the domestic business.

Net of the investment amount, this includes the true-up of TAP after reaching the Financial Completion Date on 31 March, amounting to 20.5 million euros, as well as 8.8 million euros as debt repayment by the affiliates.

Net Debt

The strong free cash generation during the first nine months of 2021 (646.2 million euros), has allowed to pay in July the complementary dividend for 2020 (amounting to €265.3 million euros) and to reduce the net debt, which at 30 September 2021 stood at 4,127 million euros.

The debt developments in the third quarter includes an increase of 143 million euros due to the IFRS 16 update as a result of the renewal of the fibre optic lease contract.

FFO/ND at the close of the third quarter 2021 was 17.0%, while the Net Debt/EBITDA ratio adjusted for dividends received from affiliates increased to 4.8x.

The debt type at 30 September 2021 was as follows: 12% is institutional debt, 66% was issued in capital markets, 13% is commercial bank borrowings and the remaining 9% is leases (IFRS 16). 74% of the debt accounted for is issued in euros and the remaining 26% in dollars (USD).

Over 80% of debt is fixed rate.

The financial cost at 30 September 2021 was 1.7%.

Liquidity

The Company has a sound liquidity situation, which at the end of the third quarter 2021 amounted to 2,953 million euros between cash and undrawn lines of credit.

Liquidity	Sept.2021	Dec.2020	Current maturity
Treasury	€1,164M	€864M	
Club Deal	€1,500M	€1,500M	December 2025
USD Lines	€289M	€109M	July 2024
TOTAL	€2,953M	€2,473M	

OPERATING HIGHLIGHTS

Demand

Very positive performance of total natural gas demand, supported by conventional demand, which represents 78.3% of total demand in the country. **Natural gas demand** at 30 September 2021 reached 270.1 TWh, 2.7% higher than the same period the previous year.

The demand for conventional natural gas (industrial and residential demand), which represents 78.3% of the demand for natural gas in Spain, reached **211.6 TWh at the end of the third quarter of 2021, + 9.0% higher than in the same period in 2020.**

Residential demand grew **+11.2%** at the end of the third quarter of the year compared to the same period of the previous year, mainly due to the impact of Storm Filomena during the first fortnight of 2021.

Industrial demand has grown by +8.4%, compared to the third quarter of 2020.

Natural gas demand for power generation at the end of the third quarter of 2021 decreased by -15.3% vs the same period of the previous year, due to higher generation with renewable energy (wind, solar and hydro).

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Sustainability

Enagás maintains its leadership in the main sustainability indices, notably the **Dow Jones Sustainability Index World** (world leader in Gas Utilities), in which it has obtained the Gold Class classification and the **highest ESG rating in its sector in the FTSE4Good sustainability index**.

Enagás has been recognised for its people management and gender equality model, with its position in 20th place and in the top 10 in the **Corporate Social Responsibility category in the Actualidad Económica ranking of the 100 best companies to work for** as well as in the **Merco's ranking of the 100 Most Talented Companies**, in which the company remains in **5th place in the "Energy, Water and Gas" sector ranking**. Enagás has also renewed its membership of the Diversity Charter, promoted by the Diversity Foundation, and participates in the United Nations Global Compact's Target Gender Equality accelerator programme.

In terms of climate action, Enagás is included in the **'A List' of CDP Climate Change**. Enagás is one of the companies that has set out its climate action commitments in the **European Climate Pact**, an initiative that forms part of the **European Green Deal**. It also participates in the **United Nations Global Compact's Climate Ambition accelerator programme** and has joined the **OGMP 2.0 initiative, led by UNEP**, on methane emissions, in which it hopes to officially obtain the "Gold Standard" in the coming months. The company is committed to achieving **carbon neutrality by 2040** and by 2020 it reduced emissions by **63%** compared to 2018.

PUBLIC DISSEMINATION OF INSIDE INFORMATION AND OTHER RELEVANT INFORMATION

In accordance with article 226 of Royal Legislative Decree 4/2015 of 23 October, which approves the revised text of the Securities Market Law, Enagás communicates to the CNMV, as soon as possible, the inside information that concerns it directly referred to in Article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014.

In accordance with article 227 of Royal Legislative Decree 4/2015 of 23 October, which approves the revised text of the Securities Market Law, Enagás also communicates to the CNMV the other financial or corporate information regarding the company itself or its securities or financial instruments that any legal or regulatory provision requires it to make public in Spain or that it deems necessary, due to its special interest, to spread among investors.

Enagás carries out inside information and other relevant information communications, for public dissemination, through the specific communication and publication channels developed by the CNMV for this purpose.

APPENDIX I: CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Indexes, certifications and assessment agencies

	<p>Enagás has been a member of the United Nations Global Compact since 2003. Since 2011, the Progress Report has met all the criteria for the GC Advanced level. It has also been included in the Global Compact 100 index since 2013.</p>		<p>Enagás' management model has borne the European Seal of Excellence 500+ EFQM since 2012.</p> <p>Enagás was recognised as an Ambassador of European Excellence in 2016.</p>
<p>Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA</p> <p>Sustainability Award Gold Class 2021</p> <p>S&P Global</p>	<p>Enagás has been a member of the Dow Jones Sustainability Index World (DJSI) since 2008. It has a Gold Class rating, and was also named leader of the Gas Utilities sector in 2020.</p>		<p>Since 2008, the content of Enagás' Annual Report has been externally verified and drawn up under the AA1000APS standard and the Global Reporting Initiative (GRI) reporting framework. Since 2012, it has been prepared under the integrated reporting principles of the International Integrated Reporting Council (IIRC). From 2020 it will be prepared according to SASB (Sustainability Accounting Standards Board) standards for the Oil & Gas - Midstream sector.</p>
	<p>Enagás has been a member of the FTSE4Good index since 2006.</p>		<p>Enagás renewed its presence on the Euronext Vigeo Eurozone 120 index in 2021.</p>
	<p>Enagás has been a member of the Ethibel Sustainability Index Excellence Europe since 2009.</p>		<p>ISS upheld its B Prime rating of Enagás, issued in 2010.</p>
<p>MSCI ESG RATINGS AA</p>	<p>Enagás has been a constituent of the MSCI Global Sustainability Indices since 2010 and has a AA rating.</p>		<p>Enagás has been participating in the CDP Climate Change programme since 2009 and the CDP Water programme since 2015. In 2020 it was included in the A List of leading companies in climate change management and recognised as one of the leading companies for its commitment to suppliers.</p>
	<p>Enagás has been certified as a Family Responsible Company (FRC) since 2007 and obtained the Excellence A level in the 2019 recertification process.</p>		<p>Enagás has been one of the Top Employers Spain since 2010.</p>
	<p>Enagás holds ISO14001 certification for management of gas transmission and storage infrastructure processes, asset management, central laboratory and corporate headquarters. In addition, it holds ISO50001 certification for management of gas transmission and storage infrastructure processes, asset management, central laboratory and corporate headquarters. The Company's Huelva and Barcelona plants and storage facilities at Serrablo and Yela have secured EMAS certification.</p>		<p>Enagás holds ISO 9001:2015 certification for its technical management of the system (GTS), asset management, infrastructure development and information systems management processes. The company is also SSAE 18 certified for its Security of Supply in the System / Technical Management of Underground Storage processes.</p>
	<p>Enagás certifies its carbon footprint yearly according to the ISO14064 standard and has the Calculo+Compenso+Reduzco seal by annually registering its carbon footprint with the Ministry for the ecological transition. In addition, it has voluntary emission offset certificates for its regasification plants, corporate headquarters and fleet.</p>		<p>The Occupational Risk Prevention Management System of the companies Enagás GTS, S.A.U., Enagás Internacional S.L.U., Enagás S.A. and Enagás Transporte S.A.U. belonging to the Enagás Group is ISO 45001 certified. Enagás has also been certified as a healthy workplace since 2015 and has ISO certification for road safety (ISO 39001) and information security (ISO 27001).</p>
	<p>In 2015, Enagás was awarded the Bequal seal for its commitment to the inclusion of people with disabilities. In 2019 it obtained Bequal Plus recognition.</p>		<p>Enagás holds the "Equality at Work Seal" from the Spanish Ministry of Health, Social Policy and Equality, first issued in 2010.</p>
	<p>Enagás has been a member of the Bloomberg gender equality index since 2019. In 2020, it was ranked third among the 325 leading companies worldwide in gender equality and promoting equality.</p>		<p>In 2020 Enagás received the "Certification of the Action Protocol against COVID-19" from AENOR, which recognises the effort made by the company to protect the health and safety of its professionals against the pandemic.</p>

APPENDIX II: CONTACT DATA

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