

2019 Results

18th February 2020



Highlights	1
Main highlights	2
Earnings Performance	3
Cash Flow and Balance Sheet	6
Operating Highlights	9
Environmental , Social and Governance	9
Public dissemination of privilege information and other relevant information	10
Appendix	11

Conference-call/Webcast:

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Highlights

- ⚡ **Net profit** at 31 December 2019 stood at **€422.6 million**, higher than the target of the year (€417 million).
- ⚡ **The dividend for 2019**, which will be approved at the next General Shareholders' Meeting, will be **€1.60 gross per share, a 5% higher than the previous year**, according to the company's strategy.
- ⚡ **Results from affiliates** at 31 December 2019 rose to **€162.1 million** (€117.0 million in 2018). It should be noted the acquisition of Tallgrass (United States) in 1st April 2019 and Desfa (Greece) in December 2018.
- ⚡ **Operating Cash Flow (OCF)** at 31 December 2019 stood at **€877.2 million, +9.4% higher** than at the same date in 2018.
- ⚡ **Net investments** at the end of the year were **€704.7 million. This figure mainly includes** the investment in **Tallgrass Energy, in order to achieve an indirect stake of 12.6% in the company.**
- ⚡ At 16 December, Enagás, together with Blackstone Infrastructure Partners, GIC (a Singapore Sovereign Wealth Fund) and other minority shareholders, **announced an agreement to acquire the entire free float of Tallgrass Energy LP.** The operation, once the precedent conditions are met, will involve for **Enagás a cash outflow of \$836 million**, which will increase its **indirect stake in the capital stock of Tallgrass from the current 12.6% to approximately 30%.**
- ⚡ In order to finance the transaction mentioned above, at 19 December 2019, a **capital increase of €500 million** was successfully completed by issuing 23,255,814 new shares (€21.5 per share), which represents 8.88% of the share capital after this capital increase.
- ⚡ **Net debt** at 31 December 2019 was **€3,755 million**, a decrease of €520 million compared to 2018. This change is explained by the deconsolidation of GNL Quintero (-€645 million), the effect of IFRS 16 (€355 million) and funds from the capital increase (€500 million).
- ⚡ The **FFO/ND** ratio at December, 31, 2019, including the 2-month global consolidation of GNL Quintero, was **20.2%**. In pro forma terms, the ratio would stand at 20.1%. The average gross financial cost in 2019 was 2.2%. In pro forma terms, with GNL Quintero under the equity method, the **average gross financial cost would be 2.1%.**
- ⚡ **Stable Regulatory Framework 2021-2026:** the Circular on remuneration of transport activity and natural gas regasification was approved on December 12 by the CNMC on December 23. Additionally, the financial remuneration rate was approved on November 12. With these publications, a stable regulatory framework is established for these activities for the period 2021-2026.
- ⚡ The ratings established during the last two months by Fitch (BBB+, stable outlook) and Standard & Poors (BBB+, stable outlook), highlight the end of the uncertainty generated during the regulatory process.
- ⚡ The **demand for natural gas**, accumulated as of 31 December, is the **highest in the last decade** (398TWh), an increase of **+14% compared to the same period of 2018.**
- ⚡ Enagás maintains its leadership in the main sustainability indices, highlighting the **rating in the Dow Jones Sustainability Index World** (global leadership of Oil & Gas Storage & Transportation) and has been included in the CDP Climate Change A List after obtaining the highest rating in its sector (A). Enagás has defined an emission reduction path to reach carbon neutrality by 2050, in line with the EU commitments.

Main highlights

Income Statement

January-December (millions of €)	2018	2019	2018	2019	Var.18-19
	Real ¹	Real ²	Pro forma	Pro forma	Pro forma
Total revenue	1,342.2	1,182.8	1,168.7	1,151.1	-1.5%
EBITDA	1,060.7	1,016.4	943.5	994.8	+5.4%
EBIT	691.0	657.4	618.7	643.7	+4.1%
Net profit	442.6	422.6	441.9	422.6	-4.4%

Note¹: GNL Quintero reported under the global integration method

Note²: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method from 1 January 2018 to 31 December 2018, and from 1 January 2019 to 31 December 2019.

Balance sheet and leverage ratios

	Dec-2018	Dec-2019	Dec-2019
	Pro forma	Pro forma	Real ²
Net Debt (millions of €)	3,630	3,755	3,755
Net Debt / EBITDA ⁽¹⁾	3.8x	3.9x	3.8x
FFO / Net Debt	20.0%	20.1%	20.2%
Financial cost of debt	2.0%	2.1%	2.2%

(1) EBITDA adjusted for dividends obtained from affiliates

Note²: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method from 1 January 2018 to 31 December 2018, and from 1 January 2019 to 31 December 2019.

Cash flow and investments

January-December (millions of €)	2018	2019	2018	2019	Var.18-19
	Real ¹	Real ²	Pro forma	Pro forma	Pro forma
FFO	805.2	759.1	725.0	754.6	4.1%
Dividends received from affiliates	102.3	123.3	123.6	123.3	-0.2%
Net investment	262.8	-706.2	271.7	-704.7	-

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.

Note¹: GNL Quintero reported under the global integration method

Note²: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method from 1 January 2018 to 31 December 2018, and from 1 January 2019 to 31 December 2019.

Earnings Performance

Profit and loss account

Millions of euros (unaudited figures)	2018 Real ¹	2019 Real ²	2018 Pro forma	2019 Pro forma	Var.18-19 Pro forma
Income from regulated activities	1,084.1	1,086.6	1,084.1	1,086.6	0.2%
Other operating income	258.1	96.1	84.6	64.4	-23.9%
Total income	1,342.2	1,182.8	1,168.7	1,151.1	-1.5%
Personnel expenses	-131.2	-125.2	-123.0	-123.8	0.6%
Other operating expenses	-243.5	-198.4	-219.3	-194.5	-11.3%
Operating expenses	-374.7	-323.5	-342.3	-318.3	-7.0%
Results from affiliates	93.2	157.2	117.1	162.1	38.5%
EBITDA	1,060.7	1,016.4	943.5	994.8	5.4%
Amortisation and depreciation	-347.4	-322.8	-294.5	-313.7	6.5%
PPA	-22.2	-36.2	-30.3	-37.4	23.6%
EBIT	691.0	657.4	618.7	643.7	4.1%
Financial results	-104.6	-117.4	-66.0	-110.8	67.9%
Corporate income tax	-123.1	-112.1	-109.9	-109.3	-0.5%
Minority interests	-20.7	-5.3	-0.9	-1.0	9.7%
Net profit	442.6	422.6	441.9	422.6	-4.4%

Note¹: GNL Quintero reported under the global integration method

Note²: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method from 1 January 2018 to 31 December 2018, and from 1 January 2019 to 31 December 2019.

Operating income

Total revenues at 31 December 2019 stood at €1,151.1 million, which is -1.5% lower than the figure obtained in the same period of 2018.

Regulated revenues grow slightly compared to the same period of the previous year, as a result of the increase in the RCS (Remuneration for Continuity of Supply), due to the positive gas natural demand evolution in the year.

Other revenues includes a non-recurring billing of €12 million accounted for in 2018.

Operating expenses

Operating expenses at the end of the year 2019 were -€318.3 million, -7.0% lower than the previous year. This €24.0 million decrease compared to the same period of the previous year **is mainly due to the application of IFRS 16**.

Results from affiliates

At 31 December 2019, **results from affiliates stood at €162.1 million**, including the stake in GNL Quintero reported under the equity method since the beginning of the year.

Results from affiliates increased by +38.5% compared to the same period of 2018 and assuming the same accounting treatment for GNL Quintero. Main drivers that explain this increase are the following: The contribution of Tallgrass Energy (United States) since 1st April 2019 and Desfa (Greece) since December 2018, as well as a better contribution of GNL Quintero (Chile) and TGP (Peru).

EBITDA

EBITDA at 31 December 2019 stood at €994.8 million, +5.4% higher than the same period of 2018.

Amortization of fixed assets

Amortization of fixed assets have increased by +6.5% to €313.7 million. Mainly driven for the following:

- (i) The application of IFRS 16, which implies a higher amortization by -€27.4 million.
- (ii) Regularization of certain assets mainly associated with the Step project by -€48.3 million.
- (iii) The amortization during the first nine months of 2018 included a non-recurring effect of -€38.4 million.

Additionally, the PPA (purchase price allocation) increased versus 2018 due to the incorporation of Tallgrass since April 2019.

In this regard, **EBIT** at 31 December 2019 stood at **€643.7 million, +4.1% higher** than the same period of 2018.

Financial Results

The **financial results** at 31 December 2019 reported a **negative balance of -€110.8 million**, compared with the -€66.0 million at the end of the year 2018.

It should be noted that the 2018 Financial Result includes a capital gain from the sale of Swedegas, for an amount of +€24.5 million.

As of 31 December 2019, financial results included a higher financial expenses due to the application of IFRS 16 and the financial expenses associated with the debt issued for the acquisition of Tallgrass for €11.3 million.

Net profit

Net profit at 31 December 2019 stood at €422.6 million, higher than the target of the year (€417 million).

Cash flow and Balance Sheet

Consolidated cash flow statement

Millions of euros	2018	2019	2018	2019
(unaudited figures)	Real ¹	Real ²	Pro forma	Pro forma
EBITDA	1,060.7	1,016.4	943.5	994.8
Results from affiliates	-93.2	-157.2	-117.0	-162.1
Tax	-124.0	-101.7	-124.0	-101.7
Interest	-118.9	-104.3	-79.4	-82.2
Dividends received from affiliates	102.3	123.3	123.6	123.3
Adjustments	-21.7	-17.6	-21.6	-17.6
FUNDS FROM OPERATIONS (FFO)	805.2	759.1	725.0	754.6
Changes in working capital	78.7	122.3	76.7	122.6
OPERATING CASH FLOW (OCF)	883.9	881.3	801.7	877.2
Net investment	262.8	-706.2	271.7	-704.7
International business	322.8	-650.6	331.7	-649.1
Business in Spain	-60.0	-55.7	-60.0	-55.7
FREE CASH FLOW (FCF)	1,146.6	175.1	1,073.5	172.5
Dividends paid	-376.7	-371.9	-355.6	-371.9
Exchange rate effect	10.9	6.8	-1.2	4.8
DISCRETIONAL CASH FLOW (DCF)	780.8	-190.0	716.7	-194.6
Financing flows	-237.6	-27.7	-237.6	-27.7
Maturity of long-term debt	-157.0	-358.3	-157.0	-358.3
Long-term debt issues	0.0	404.4	0.0	404.4
Issue/maturity of policies and ECPS	-80.7	-73.8	-80.7	-73.8
Capital increase	0.0	500.0	0.0	500.0
Proceeds from/(payments for) equity instruments	0.3	-7.8	0.3	-7.8
Effect of changes in the consolidation method	0.4	-347.1	0.4	-0.3
NET CASH FLOWS	543.7	-72.6	479.7	269.6
Cash and cash equivalents at start of period	627.9	1,171.5	349.7	829.4
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,171.5	1,099.0	829.4	1,099.0

Note¹: GNL Quintero reported under the global integration method

Note²: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method from 1 January 2018 to 31 December 2018, and from 1 January 2019 to 31 December 2019.

Balance sheet

	Dec 2018	Dec 2019
ASSETS		
Total non-current assets	7,915.6	7,446.3
Intangible assets	944.7	73.7
<i>Goodwill</i>	188.4	25.8
<i>Other intangible assets</i>	756.2	47.9
Investment property	19.6	19.6
Property, plant and equipment	5,238.2	4,634.9
Equity-accounted investments	1,028.6	2,109.5
Other non-current financial assets	674.2	605.8
Deferred tax assets	10.4	2.9
Current assets	1,610.6	1,397.9
Non-current assets held for sale	0.0	5.0
Inventory	24.8	19.7
Trade and other receivables	390.7	260.8
Other current financial assets	12.8	7.9
Other current assets	10.7	5.6
Cash and cash equivalents	1,171.5	1,099.0
TOTAL	9,526.2	8,844.2
LIABILITIES		
Equity	3,039.4	3,168.8
Shareholders' equity	2,658.8	3,170.1
Subscribed share capital	358.1	393.0
Share premium	0.0	465.1
Reserves	2,006.1	2,052.2
Treasury shares	-8.2	-12.5
Profit for the period	442.6	422.6
Interim dividend	-145.9	-152.5
Other equity instruments	6.1	2.2
Valuation adjustments	6.6	-17.2
Non-controlling interests (external owners)	374.0	15.9
Non-current liabilities	5,911.1	5,205.2
Non-current provisions	176.5	248.3
Non-current financial liabilities	5,188.6	4,744.3
<i>Bank borrowings</i>	1,077.5	1,401.0
<i>Bonds and other marketable securities</i>	4,038.9	2,929.8
<i>Non-current payables to fixed asset suppliers</i>	0.0	0.3
<i>Derivatives</i>	51.2	74.4
<i>Other financial liabilities</i>	21.0	338.7
Deferred tax liabilities	476.8	171.9
Other non-current liabilities	69.2	40.8
Current liabilities	575.8	470.2
Current provisions	3.4	2.0
Current financial liabilities	364.4	234.1
<i>Bank borrowings</i>	285.5	133.1
<i>Bonds and other marketable securities</i>	50.6	31.3
<i>Derivatives</i>	14.4	13.9
<i>Other financial liabilities</i>	13.8	55.8
Trade and other payables	208.0	217.6
Other trade and other payables	0.0	16.5
TOTAL	9,526.2	8,844.2

Funds From Operations

Funds From Operations (FFO) at 31 December 2019 stood at **€754.6 million** (+4.1% compared to the same date of 2018).

The **Operating Cash Flow (OCF)** at 31 December 2019 stood at **€877.2 million**, **+9.4% higher** than the accounted in the same period of 2018.

Investments

Net investment increased to **€704.7 million at 31 December 2019**, mainly as a result of the investment in Tallgrass for €704.9 million and in TAP (Trans Adriatic Pipeline) for €18.5 million.

Enagás, together with Blackstone Infrastructure Partners, GIC (a Singapore Sovereign Wealth Fund) and other minority shareholders, announced an agreement to acquire the entire free float of Tallgrass Energy LP. The operation, once the precedent conditions are met, will involve for Enagás a cash outflow of \$836 million, which will increase its indirect stake in the capital stock of Tallgrass from the current 12.6% to approximately 30% stake in this company.

Free cash flow

Free Cash Flow (FCF) stood at **€172.5 million** at 31 December 2019 as a reflection of the investment made in the period.

Dividend

The dividend paid in 2019 was €371.9 million, **a 5% higher than the previous year**, in line with the dividend policy strategy until 2020.

On December 23, the interim dividend of €0.64 gross per share was paid against fiscal year 2019. The total amount for year 2019 (€1.60 per share) will be approved at the next General Shareholders' Meeting to be held in 2020.

Net Debt

Net debt at 31 December 2019 was €3,755 million, -€520 million lower than the reported at 31 December 2018 (€4,275 million). This change is explained by a solid cash flow generation in the period, the investment for the acquisition of Tallgrass for €704.9 million, the effect of IFRS 16 of €335 million, dividends paid in the year (+€372 million) and the deconsolidation of GNL Quintero (-€645 million).

Additionally, it should be taken into account the capital increase launched at the end of the year 2019, for an amount of €500 million, by issuing 23,255,814 new shares (€21.5 per share). This capital increase was made to finance part of the acquisition of Tallgrass Energy LP and reach approximately 30% stake in this company.

The new shares issued did not charge the dividend on account for 2019.

The **FFO/ND** ratio in the last 12 months, including the 2-month global consolidation of GNL Quintero as **20.2% at 31 December**. In pro forma terms, the ratio would stand at 20.1%.

As of 31th December 2019, debt structure is as follows: 17% as institutional debt, 61% was issued on the capital markets, 15% is commercial paper and the remaining 7% corresponding to financial leasing as a result of application of IFRS 16. 72% of the debt accounted for is issued in euros and 28% in USD.

More than 80% of debt at Enagás is arranged at a fixed rate without any significant maturities until 2022.

The financial cost at 31 December 2019 stood at 2.2%. In pro forma terms with GNL Quintero under the equity method, the **financial cost would be 2.1%**.

OPERATING HIGHLIGHTS

Demand

The **demand for natural gas** in Spain during 2019 has been the **highest in the last decade** (398TWh), **+14% higher than the reported in the same period of 2018**.

The **industrial demand** registered a **2% increase compared to the same period in 2018**, reaching 214TWh. **It is the highest value since historical data is available** and it has grown in almost all industrial sectors, especially in the services sector.

Natural gas demand for power generation increased by **+80%** due to lower hydropower generation and the decrease in the coal used in 2019, which has led natural gas to gain space to coal in the thermal gap.

The **replacement of coal by natural gas** has been the main factor that has led to a **25%** (-14 MMtCO₂) **reduction in CO₂ emissions** in the power generation mix with respect to the same period last year.

Since 2018, **the gas system has a net annual surplus due to the good evolution of the natural gas demand** and it is expected that the tariff deficit will be repaid earlier than previously estimated.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Sustainability

Enagás maintains its leadership in the main sustainability indices, highlighting the rating in the **Dow Jones Sustainability Index World** (global leadership of Oil & Gas Storage & Transportation).

In recognition of our role in the energy transition, Enagás has been included in the **CDP Climate Change A List**, after obtaining the highest rating in its sector (A).

Additionally, Enagás has increased its climate ambition and it is committed to setting goals aligned with science, according to the emission scenarios of 1.5°C. Enagás has defined an **emission reduction path to reach carbon neutrality by 2050**, in line with the EU commitments.

PUBLIC DISSEMINATION OF PRIVILEGED INFORMATION AND OTHER RELEVANT INFORMATION

For the purposes of Article 226 of Royal Legislative Decree 4/2015, of 23 October, which approves the consolidated text of the Securities Market Law, Enagás communicates to the Comisión Nacional del Mercado de Valores (CNMV), as soon as possible, the privileged information to directly concern to the Company to in Article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014.

In accordance with article 227 of Royal Legislative Decree 4/2015, of October 23, which approves the consolidated text of the Securities Market Law, Enagás also communicates to the CNMV the remaining information of a relative financial or corporate nature to 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 considers necessary, for its special interest, to disseminate among investors.

Enagás carries out the communications of privileged information and other relevant information, for public dissemination, through the specific communication and publication channels developed by the CNMV itself.

APPENDIX I: CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Indices, 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</p> <p>In collaboration with </p> <p> Sustainability Award Gold Class 2019</p> <p> Sustainability Award Industry mover 2019</p>	<p>Enagás has been a member of the Dow Jones Sustainability Index World (DJSI) since 2008. It has been recognised as a 2019 Gold Class and Industry Mover and, in the 2019 revision, the company was also identified as a leader entity in the Oil & Gas Storage & Transportation sector.</p>		<p>Since 2008, the content of Enagás' Annual Report has been externally verified and drawn up under the AA1000APS standard and in accordance with the Global Reporting Initiative (GRI). The 2017 Annual Report has been submitted for the GRI Content Index Service: Exhaustive Conformity Option. Since 2012, it has been prepared under the integrated reporting principles of the International Integrated Reporting Council (IIRC).</p>
	<p>Enagás has been a member of the FTSE4Good index since 2006.</p>		<p>Enagás renewed its presence on the Euronext Vigeo Europe 120 and European indices in 2019.</p>
	<p>Enagás has been a member of the Ethibel Pioneer and Ethibel Excellence Investment Registers since 2009.</p>		<p>Enagás has been rated "B Prime" by Oekom since 2010, and in 2014 joined the Global Challenges Indexes for the first time.</p>
	<p>Enagás has been a constituent of the MSCI Global Sustainability Indices since 2010 with an AA rating.</p>		<p>Enagás has been participating in the CDP Climate Change programme since 2009 and the CDP Water programme since 2015. In 2019 has been included in the A List of leader companies.</p>
	<p>Enagás has been certified as a Family-Responsible Company since 2007, in the 2019 revision, the company was identified with an A Excellent rating.</p>		<p>Enagás has been one of the Top Employers Spain since 2009, one of the best companies to work for.</p>
	<p>Enagás holds ISO 14001:2004 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 9001:2008 certification for its technical system (TSM), 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 has been a member of the STOXX Global ESG Leaders index since 2011.</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 OHSAS 18001:2007 certified.</p> <p>Enagás has been certified as a healthy workplace since 2015 and secured 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 Enagás awarded the Bequal Plus award.</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 is part of the Bloomberg gender equality since 2019.</p>		<p>Enagás was included among the 100 leading global companies in promoting gender equality in the workplace.</p>

APPENDIX II: CONTACT INFORMATION

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