Financial results: 3Q13

HIGHLIGHTS

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Conference-call/Webcast:

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Spanish telephone numbers:
+34.91.787.39.36
902.881.946

English telephone numbers:
+44(0) 207 1070685
+34. 91.789.51.25

www.enagas.es

- ✓ Growth in all lines of the income statement was shaped by the **changes in the consolidation scope** between 3Q12 and 3Q13.
- ✓ Figures for the third quarter of 2013 include the proportional consolidation of the 40% stake in Altamira LNG CV (9 months), the consolidation using the equity method of the contribution of 20% of GNL Quintero (9 months) and the full consolidation, from March, of Enagás Transporte del Norte (Naturgás). Figures for the third quarter of 2012 included the proportional consolidation for the first half of the 40% stake in the Altamira plant (Mexico).
- ✓ **Net profit** increased **7.9%** to 30 September 2013, standing at €303.6Mn.
- ✓ **Net profit growth in 2013 should converge towards the target of 5.5%**, resulting from a more comparable scope of consolidation in the last quarter of the year and the average cost of debt, in line with the budgeted target for 2013.
- ✓ **EBITDA** climbed **11.5%** year-on-year to €762.3Mn at 30 September.
- ✓ **Investment** amounted to **€450.3Mn**, while **€320.9Mn of assets** were put **into operation.** Enagás reiterated its objective to invest €650Mn and bring on stream €550Mn of assets by year-end 2013.
- ✓ **Net debt** at 30 September stood at **€3.5Bn,** with a gearing ratio of 62.4%.
- ✓ **Total demand for gas transported** in the system at the end of the third quarter was 294,836 GWh, **4.5% lower** than the 3Q12 figure.

KEY FIGURES

Key figures January-September (unaudited)

Income statement

(€ Mn)	January-September		
	2013	2012	% Chg
Regulated revenue	924.5	832.1	11.1%
EBITDA	762.3	683.5	11.5%
EBIT	510.7	454.5	12.4%
Net profit	303.6	281.4	7.9%

Balance sheet, financial ratios and average cost of debt

	January-September	
	2013	2012
Total assets (€ Mn)	8,368.7	7,936.1
Net debt (€ Mn)	3,554.2	3,417.8
Equity (€ Mn)	2,140.4	2,019.0
Net debt/Total assets (%)	42.4%	43.1%
Net debt/(net debt + equity) (%)	62.4%	62.8%

Other metrics

(€ Mn)	January-September		
	2013	2012	% Chg
Investment	450.3	647.9	-30.5%
Assets put into operation	320.9	895.3	-64.2%

Key indicators. July-September (unaudited)

(€ Mn)	3Q		
	2013	2012	% Chg
Regulated revenue	313.9	286.0	9.8%
EBITDA	258.0	234.1	10.2%
EBIT	173.2	156.0	11.0%
Net profit	101.5	95.8	5.9%

EARNINGS PERFORMANCE

9M13 earnings

Figures for the first nine months of 2013 include the proportional consolidation of the 40% stake in Altamira LNG CV (9 months), the consolidation using the equity method of the contribution of 20% of GNL Quintero (9 months) and the full consolidation, from March, of Enagás Transporte del Norte (Naturgás).

Figures for the same period in 2012 included the proportionate consolidation in the first half of the 40% stake in the Altamira plant (Mexico).

Net profit totalled **€303.6Mn at 30 September 2013, a 7.9% increase** on the figure of €281.4Mn reported in the same period the previous year.

Net finance expense (-€85.0Mn) increased compared to the figure of -€51.3Mn seen in 9M12, mainly due to higher debt levels, lower capitalised borrowing costs as a result of the slowdown in assets brought on stream and a slightly higher average cost of debt vs. 30 September 2012.

The depreciation and amortisation charge in the first three quarters was -€251.6Mn, 9.9% higher than at September 2012, and in line with the growth in asset volume over the past year and the acquisitions carried out. **EBIT** totalled **€510.7Mn in 9M13**, **12.4%** higher year-on-year.

EBITDA increased from €683.5Mn to **€762.3Mn** at the end of the first nine months of 2013, a **rise of 11.5%**.

Regulated revenue grew by **11.1%** compared with 9M12, boosted by the addition of new assets put into operation, especially the Yela underground storage facility and the contribution from Enagás Transporte del Norte (Naturgás) since March 2013.

EPS in the period was €1.27.

Quarterly results

3Q13 net profit was €101.5Mn, 5.9% higher than the €95.8Mn obtained in the same quarter of 2012.

EBIT and EBITDA increased by 10.2% and 11.0% respectively, compared to 3Q12.

As with the nine-month earnings, the comparison of quarterly results is skewed by the change in the scope of consolidation between the third quarter of 2012 and the **third quarter of 2013.**

INVESTMENT AND ASSETS PUT INTO OPERATION

In the first nine months of 2013 the value of **assets put into operation** totalled **€320.9Mn**, while **investment** totalled **€450.3Mn**.

Both figures include €245Mn stemming from the acquisition of a 90% stake in Naturgas Transporte, a transaction finalised on 15 February 2013.

This investment volume and the value of assets put into operation are in line with the Company's annual targets of €650Mn and €550Mn respectively.

FINANCIAL STRUCTURE

At 30 September 2013, **net debt** stood at **€3.5Bn,** up from €3.4Bn at 30 September 2012.

The **gearing ratio** (net debt/net debt + equity) was **62.4%** at 30 September 2013, compared to 62.9% at 9M12.

The **percentage of fixed-rate debt** at 30 September stood at **72%**, fully in line with the strategic target set by Enagás for its optimum debt structure, with an average maturity period of 6 years.

Net cash flows from operating activities totalled **€638.6Mn at 9M13**, used mainly to finance investment and acquisitions and to pay the final dividend against 2013 results.

The company reported a 3Q13 **net financial loss** including capitalised borrowing costs (€3.3Mn) of **€85Mn**, compared with the net expense of €51.3Mn recognised in 3Q12 (including €13.4Mn of capitalised borrowing costs).

In terms of untapped available financing, the Company had **liquidity** of **€2.5Bn at September 2013.**

OPERATING HIGHLIGHTS

Demand

Demand for gas transported up to 30 September 2013 totalled 294,836 GWh, -4.5% lower than at the end of the third quarter of 2012.

This figure includes 25,082 GWh of exports and 24,947 GWh in tanker loading operations.

	January-September		
(GWh)	2013	2012	% change 2013/2012
Conventional demand	202,267	202,793	-0.3%
Electricity generation	39,711	64,104	-38.1%
Exports and other	25,082	22,545	11.3 %
Tanker loading	24,947	17,467	42.8%
Gas for operations+minimum reserve	2,829	1,682	68.2%
Total gas demand transported	**294,836**	**308,591**	**-4.5%**

SIGNIFICANT EVENTS IN THE QUARTER

Enagás wins compressor station contract in Mexico

The consortium consisting of **Enagás (50%)** and **Mexican company Fermaca (50%)** won the tender run by the Mexican Federal Electricity Commission (CFE) to provide natural gas compression services through the construction, operation and maintenance, as owner, **of the Soto la Marina compressor station in the Mexican state of Tamaulipas,** for a period of at least 20 years.

The infrastructure will provide natural gas compression capacity of up to 19 bcm and, in order to increase its transmission capacity, will interconnect with the San Fernando-Cempoala gas pipeline owned by Petróleos Mexicanos (Pemex).

The project is expected to involve an **investment** of around **US$90Mn**, and to be funded with project finance.

The Soto la Marina compressor station is **in line with Enagás' international growth strategy** in stable countries such as Mexico, predicated on core business activities, while maintaining an optimal level of profitability, and entering into agreements with partners that provide local market know-how.

Enagás increases its stake in the Quintero LNG regasification terminal in Chile

Enagás has **increased its stake in the Quintero LNG regasification terminal** in Chile, through the acquisition of a second 20% tranche from the BG Group.

As part of the transaction, **Enagás brought in Oman Oil Company as a partner, holding 49% of the company Terminal de Valparaíso,** where it will remain the main shareholder. **This makes Enagás the primary shareholder in the terminal**.

The operation falls under the agreement signed by Enagás to acquire, in two tranches, BG Group's 40% shareholding in GNL Quintero in April 2012. Enagás incorporated the company Terminal de Valparaíso for the acquisition of the first tranche (20%), which was completed in September 2012.

The acquisition of the remaining 20% required an investment of US$176Mn from Terminal de Valparaíso (US$3.5Mn from Enagás).

The shareholding structure of the GNL Quintero now stands at: Terminal de Valparaíso (40%), ENAP (20%), Endesa Chile (20%) and Metrogas (20%).

The regasification plant is located in Quintero Bay in Chile. In operation since 2009, the plant has a total storage capacity of approximately 330,000m^3, total regasification capacity of around 10 million m^3/day and a truck loading capacity of 1,250m^3 of LNG.

In addition, work is currently underway to increase the regasification capacity to 15 million m^3/day and the tank truck loading station capacity to 2,500m^3 of LNG.

This transaction is **in line with the criteria laid out in Enagás' Strategic Update for 2013-2015** presented in February, as well as with the company's core business and its target profitability and debt-level figures.

CONSOLIDATED INCOME STATEMENT

9M13

€ Mn (unaudited)	Jan-Sep 2013	Jan-Sep 2012	% Chg
Revenues from regulated activities	924.5	832.1	11.1%
Other operating revenues	54.6	36.7	48.7%
Total revenues	**979.0**	**868.8**	**12.7%**
Personnel expenses	-62.4	-55.9	11.6%
Other operating expenses	-154.3	-129.4	19.2%
EBITDA	**762.3**	**683.5**	**11.5%**
Depreciation/amortisation charge	-251.6	-229.0	9.9%
Operating profit (EBIT)	**510.7**	**454.5**	**12.4%**
Net finance expense	-85.0	-51.3	65.6%
Results from equity accounted subsidiaries	5.0	0.0	-
Profit before tax	**425.7**	**403.2**	**5.6%**
Income tax	-126.6	-121.9	3.9%
Minority interests	-0.5	-	-
Net profit for the period	**303.6**	**281.4**	**7.9%**

3Q13

€ Mn (unaudited)	3Q 2013	3Q 2012	% Chg
Revenues from regulated activities	313.9	286.0	9.8%
Other operating revenues	15.6	14.7	6.3%
Total revenues	**329.5**	**300.7**	**9.6%**
Personnel expenses	-20.9	-18.9	10.6%
Other operating expenses	-50.6	-47.7	6.0%
EBITDA	**258.0**	**234.1**	**10.2%**
Depreciation/amortisation charge	-84.8	-78.0	8.8%
Operating profit (EBIT)	**173.2**	**156.0**	**11.0%**
Net finance expense	-31.6	-18.7	69.2%
Results from equity accounted subsidiaries	2.7	-	-
Profit before tax	**144.2**	**137.3**	**5.0%**
Income tax	-42.5	-41.5	2.5%
Minority interests	-0.2	0.0	-
Net profit for the period	**101.5**	**95.8**	**5.9%**

CONSOLIDATED BALANCE SHEET

€ Mn (unaudited)	30-Sep 2013	31-Dec 2012
Intangible assets, property, plant and equipment	5,923.1	5,753.8
Investments accounted for using the equity method	164.9	152.3
Non-current investments in group companies and associates	15.0	15.7
Other non-current financial investments	1.7	14.1
Deferred tax assets	67.0	42.0
Non-current assets	**6,171.6**	**5,977.9**
Inventories	16.3	13.8
Receivables	632.0	607.5
Other current financial assets	3.7	2.2
Other current assets	4.1	2.4
Cash and cash equivalents	1,541.0	1,479.6
Current assets	**2,197.1**	**2,105.6**
TOTAL ASSETS	**8,368.7**	**8,083.4**
Capital	358.1	358.1
Reserves	1,478.7	1,379.4
Profit for the period attributable to equity holders of the parent	303.6	379.5
Interim dividend capitalised	-	-102.2
Capital and reserves	**2,140.4**	**2,014.9**
Hedges	6.1	-13.7
Exchange differences	-2.0	3.6
Changes in fair value recognised in equity	**4.1**	**-10.1**
Results from equity accounted subsidiaries	**13.3**	**0.0**
Equity	**2,157.8**	**2,004.8**
Debentures and other marketable securities	1,847.1	1,818.4
Non-current financial liabilities	2,261.1	2,700.4
Non-current liabilities	32.5	19.4
Deferred tax liabilities	416.1	422.0
Provisions	184.7	175.39
Other non-current liabilities	79.0	74.5
Non-current liabilities	**4,820.5**	**5,210.2**
Debentures and other marketable securities	429.7	270.6
Current financial liabilities	536.4	286.9
Current liabilities payable	414.6	293.4
Trade and other payables	9.7	17.5
Current liabilities	**1,390.4**	**868.4**
EQUITY AND LIABILITIES	**8,368.7**	**8,083.4**

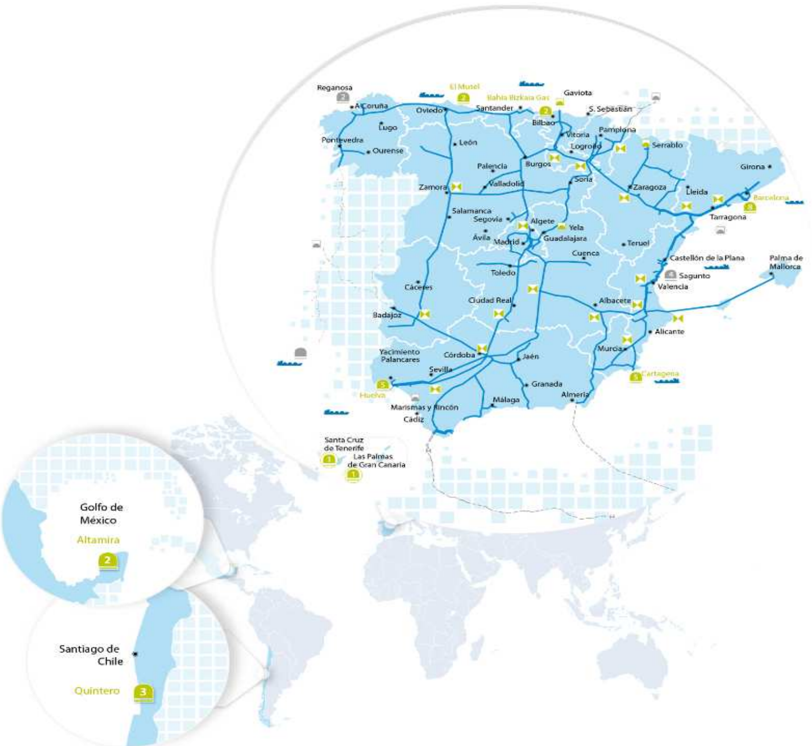
CONSOLIDATED CASH FLOW STATEMENT

€ Mn (unaudited)	Jan-Sep 2013	Jan-Sep 2012
(A) CONSOLIDATED PROFIT BEFORE TAX	**430.7**	**403.2**
Adjustments to profit (1)	**327.8**	**289.5**
Depreciation of PP&E	251.6	229.0
Other adjustments to profit	76.2	60.5
Changes in working capital (2)	**2.3**	**-107.4**
Inventories	-0.3	-9.1
Trade and other receivables	21.3	15.3
Other current assets	-5.0	-4.2
Trade and other payables	-13.8	-109.4
Other cash flows from operating activities (3)	**-122.2**	**-42.8**
Interest paid	-76.0	-93.4
Interest collected	15.2	36.2
Income tax received /(paid)	-61.4	14.4
(B) NET CASH FLOWS FROM OPERATING ACTIVITIES (A+1+2+3)	**638.6**	**542.5**
Capital expenditure (4)	**-429.4**	**-398.3**
Group companies and associates	-260.4	-161.4
Intangible assets, PP&E and investment property	-167.8	-236.9
Other financial assets	-1.2	0.0
Proceeds from disposals (5)	**9.7**	**3.8**
Group companies and associates	9.7	0.0
Intangible assets, PP&E and investment property	0.0	0.3
Other financial assets	0.0	3.5
Other cash flows for investment activities	**4.8**	**0.0**
Other cash flows for investment activities	4.8	0
(C) NET CASH FLOWS USED IN INVESTING ACTIVITIES (4+5)	**-414.9**	**-394.5**
Proceeds from/(payments on) financial liabilities (6)	**1.2**	**-57.1**
Issuance	1,149.5	2,061.9
Repayment	-1,148.3	-2,119.0
Dividends paid (7)	**-163.5**	**-146.1**
(D) NET CASH FLOWS FROM FINANCING ACTIVITIES (6+7)	**-162.3**	**-203.2**
(E) TOTAL NET CASH FLOWS (B+C+D)	**61.4**	**-55.2**
Cash and cash equivalents - opening balance (8)	1,479.6	1,427.3
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (E+8)	**1,541.0**	**1,372.2**

APPENDIX I: COMPANY ASSETS

Enagás' Gas System Assets 30/09/2013		
REGASIFICATION ASSETS	**Units**	**m^3 or m^3/h**
LNG tankers (number and capacity)	18	2,037,000
Nominal regasification capacity		4,650,000
Tank loaders	9	
TRANSPORT ASSETS	**Units**	**Km**
Km. of operational gas pipeline		10,132
Compressor stations	18	
Gas regulation and metering stations	486	
UNDERGROUND STORAGE ASSETS	**Units**	**Mm^3/day**
No. of storage facilities	3	
Max. injection		18.9
Max. output		27.4

Note: Enagás holds a 40% stake in the BBG regasification plant, which currently has two 150,000 m^3 LNG storage tanks and a nominal regasification capacity of 800,000 m^3(n)/h.



APPENDIX II: CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Indexes, certifications and assessment agencies

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 was also included in the Global Compact 100 index in 2013.

Enagás has been a member of the Dow Jones Sustainability World Index (DJSI) since 2008.

Enagás has been a member of the FTSE4Good index since 2006.

Enagás has been a member of the Ethibel Pioneer & Excellence index since 2009.

Enagás has been a member of the STOXX ESG Leaders index since 2011.

Enagás has been a Member of the Global 100 ranking since 2012.

Enagás is the only Spanish company to form part of the Vigeo World 120 index since 2012.

Oekom maintains its B Prime rating of Enagás, granted in 2010.

Enagás improved its ranking in the CDP Iberia 125 Report in 2012, achieving 85 points for Disclosure and maintaining a level B for Performance.

In 2012, Enagás' management model was awarded the EFQM 500+ European Seal of Excellence.

Enagás' 2012 Annual Report was prepared according to the integrated reporting principles of the International Integrated Reporting Council (IIRC).

As a standard-bearer in corporate social reporting, in 2011 Enagás adhered to the International Integrated Reporting Committee's (IIRC) initiative. The IIRC supports the preparation of a single integrated corporate report and shares its knowledge and best practices in this regard.

Enagás' 2012 Annual Report was verified, for the fourth year, under the AA1000APS standard, and prepared, for the fifth year, in accordance with the Global Reporting Initiative (GRI), with an A+ level of application.

In 2013, Enagás renewed its certification as a Family-Responsible Company first granted to it in 2007. Enagás maintains its "B+ Proactive" rating.

In 2012, Enagás renewed the "Equality at Work Seal" awarded by the Ministry for Health, Social Policy and Equality it first obtained in 2010. Enagás was expressly recognised for its equal opportunities and treatment policy.

In 2012/2013, Enagás was certified for the third year running as one of the Top Employers Spain, and was also identified as one of the best companies to work for.

Enagás has secured ISO 9001:2008 certification for its technical system (TSM) and third party network access (TPA) management processes, as well as its information systems management and infrastructure development systems.

Since 2011, Enagás has held SSAE 16 certification for its "System capacity management and viability analysis" and "System security of supply/technical management of underground storage" procedures.

APPENDIX III: Contact data

Corporate website:

www.enagas.es

Investor Relations:

Telephone: +34 91 709 9330
Email: investors@enagas.es
Address: Paseo de los Olmos 19. 28005 Madrid
Fax: +34 91 709 9328