1H2015 Results

21-July-2015
www.enagas.es

1H2015 Key figures

- Investments **€280.3M**
- Net Profit **€213.1M** (+1.5%)
- Net Debt **€3,850.8M**
- FFO(last 12 months)/Net Debt **16.1%**
- Cost of net debt **3.0%**
- National gas demand **+5.3%**

Income Statement

€M	1H2014	1H2015	Change%
Total Revenues	638.4	609.0	-4.6%
Operating Expenses	-131.1	-150.2	+14.6%
EBITDA	507.3	458.8	-9.6%
EBIT	338.9	311.9	-7.9%
Equity Results	12.9	24.3	+88.3%
Net Profit	209.9	213.1	+1.5%

Operating Expenses:

- In homogeneus terms, operating expenses are in line with 1H2014 figures

Equity Results:

- Higher contribution of TgP (an additional quarter) and Coga that did not appear in 1H2014.
- Positive contribution by the margin of Morelos project based on the level of progress.

The Equity Results and therefore the Net Profit reflects the effect of PPA *(purchase price allocation)* of brownfield acquisitions that at 30 June amounted to €8.2M

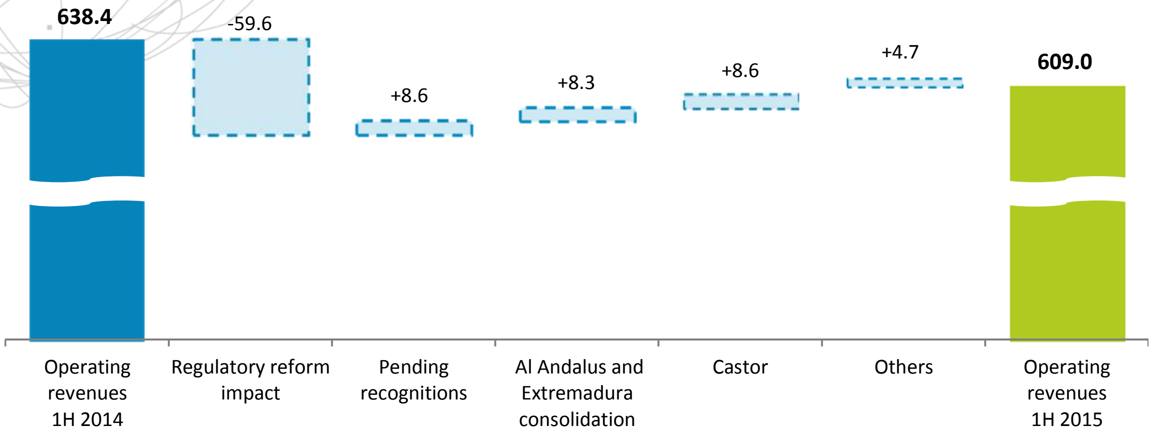
Notes:

(i) The results of the first half of 2015 include the effect of the measures contained in Royal Decree-Law 8/201, in which the new methodology for calculating the remuneration of regulated activities in transport, regasification and underground storage is set, while the results for the first half of 2014 are not affected by this regulatory change.

(ii) Equity results can not be extrapolated to the second half mainly due to the allocation of PPA of new acquisitions (primarily due to the inclusion of Swedegas PPA in the second half) and the contribution of Greenfields as the works progresses

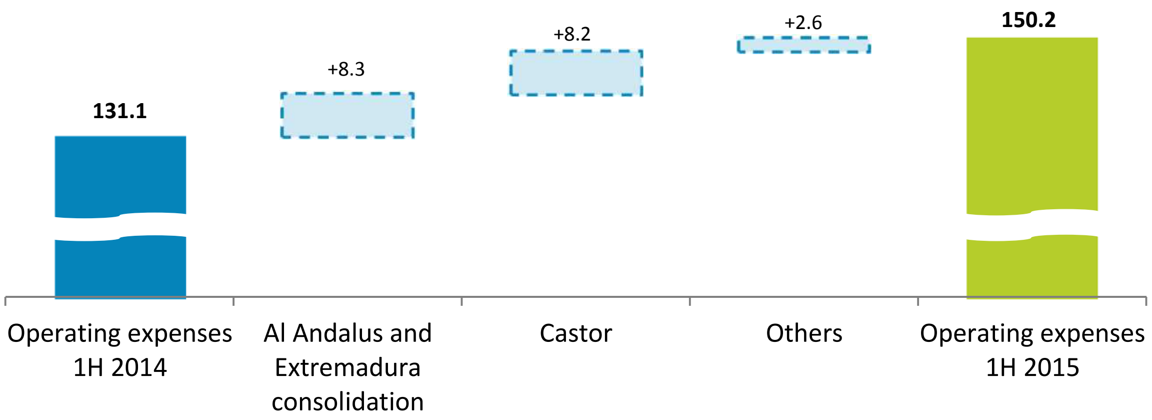
Operating results analysis

Operating Revenues Evolution (€M)



- Impact of regulatory reform, partially offset by revenues from pending recognitions
- Changes linked to the new accounting of revenues and expenses of the Al-Andalus and Extremadura subsidiaries (with no impact on EBITDA)
- Revenues from the operation and maintenance of the hibernated Castor storage as established by Royal Decree Law 13/2014

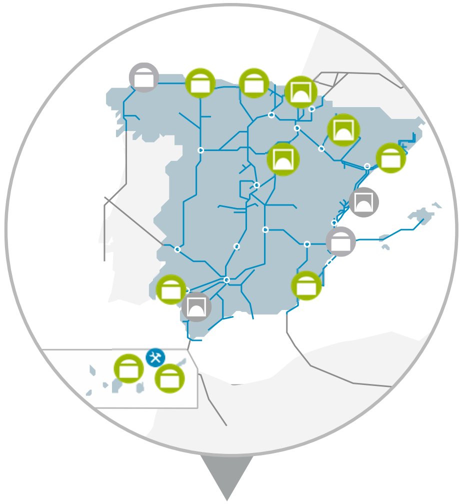
Operating Expenses Evolution (€M)



- In homogeneus terms, operating expenses are in line with 1H2014 figures

Investments

Spain **€280.3M** International



€137.7M

- ✓ Organic investment
- ✓ BBG 10% additional acquisition (€11.6M)
- ✓ Saggas 30% acquisition (€60.9M)

€142.6M

- ✓ International investment in progress
  - ✓ TAP €16.0M
  - ✓ GSP €30.1M
- ✓ Swedegas acquisition (€96.5M)

In line with the annual investment target

Note:
On June 2 Enagas announced the acquisition of an **additional 4.34% of TgP for $97.4 million**, amount that has been disbursed in July, so **the effect of this acquisition is not reflected in the results for the first half of the year.**

2015 First half acquisitions

Swedegas (50%)

Investment	€96.5M
Final stake	50%
Location	Sweden
Contribution since:	May 2015

Company owner and operator (TSO) of the entire network of high-pressure pipelines of Sweden (AAA by S & P): ~ 600 km of gas pipelines

BBG (10%) Saggas (30%)

Investment	€72,5M
Final stake	50% BBG and 30% Saggas
Location	Spain
Contribution since:	March / June 2015

Regasification plants located in Bilbao and Sagunto (Spain). This operation has led to strengthen the participation of Enagas in BBG to 50% and to enter the capital of Saggas

Perfect fit with the five strategic criteria

Acquisitions post 1H2015 closing

TGP (4.34%)

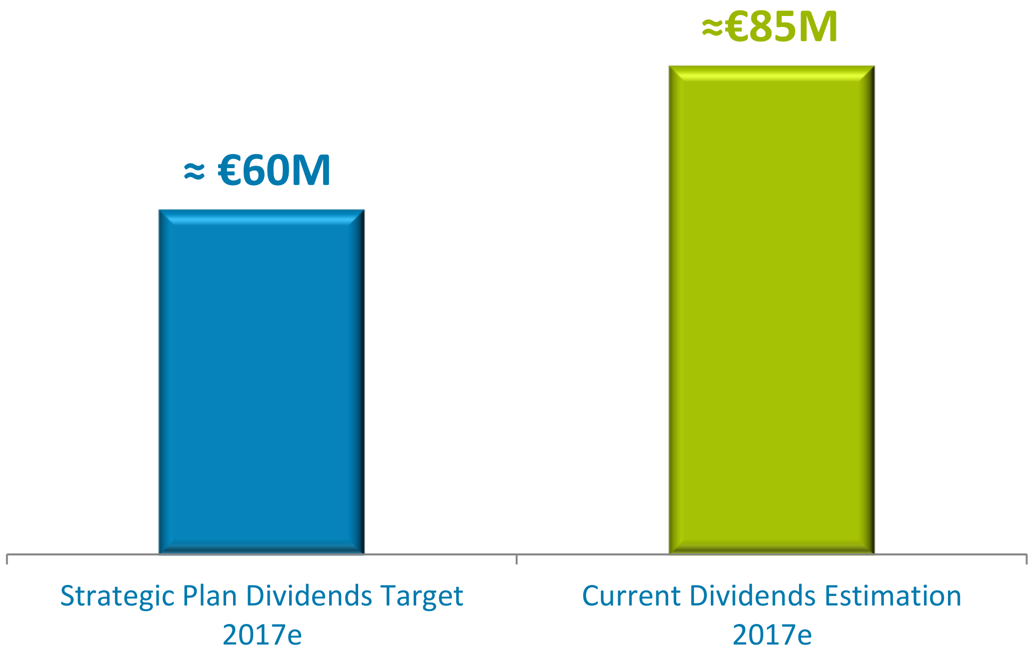
Investment	$97.4M
Final stake	24.34%
Location	Peru
Contribution since:	July 2015

Company owner of a 729km gas pipeline and 571km poliduct connecting the Camisea gas fields (85% of Peruvian reserves) with the industrial centers of Lima and Pisco

The effects of this acquisition are not reflected in the results of the first half of the year

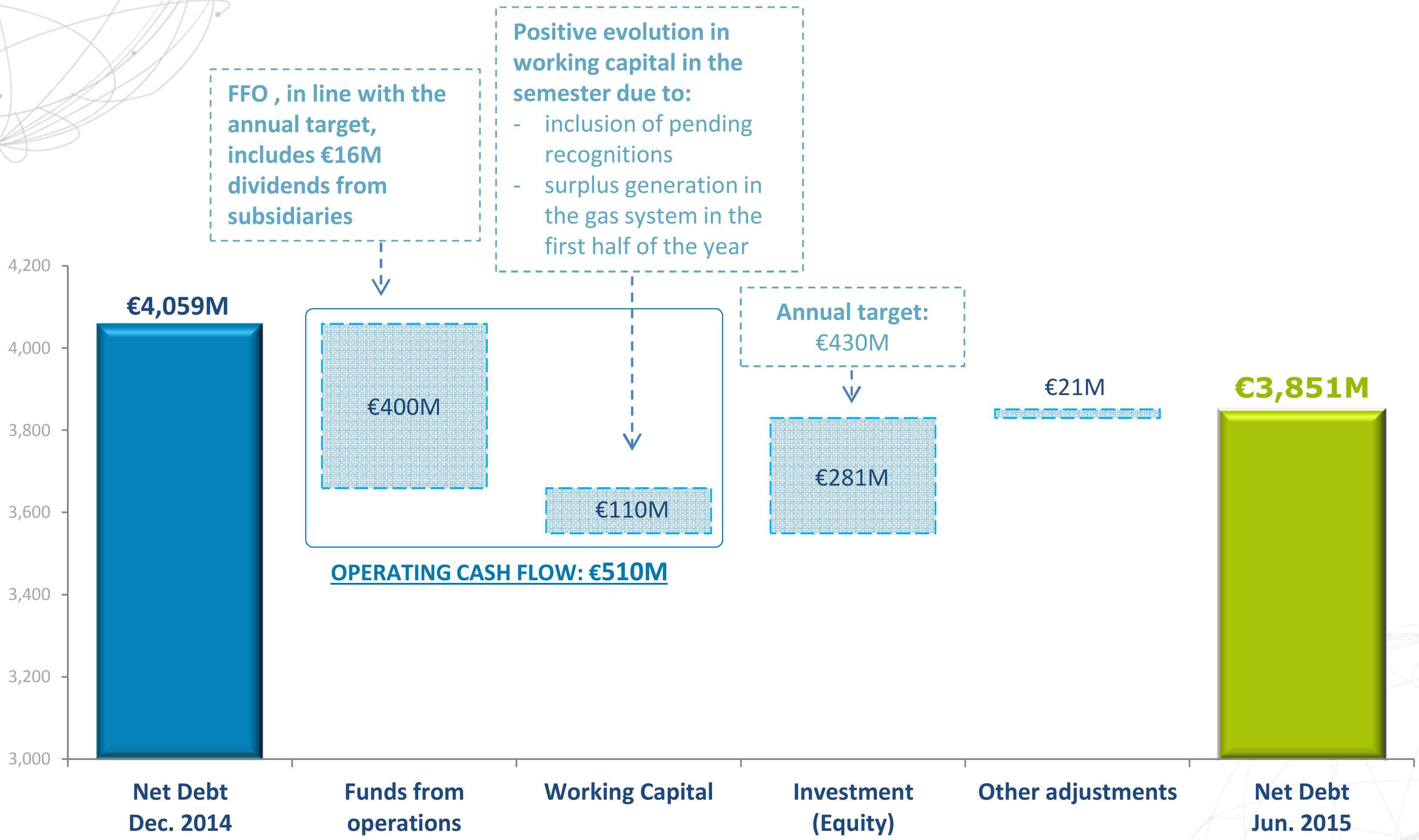
Expected dividends of committed investments in 2017

Dividends received from subsidiaries (€M)



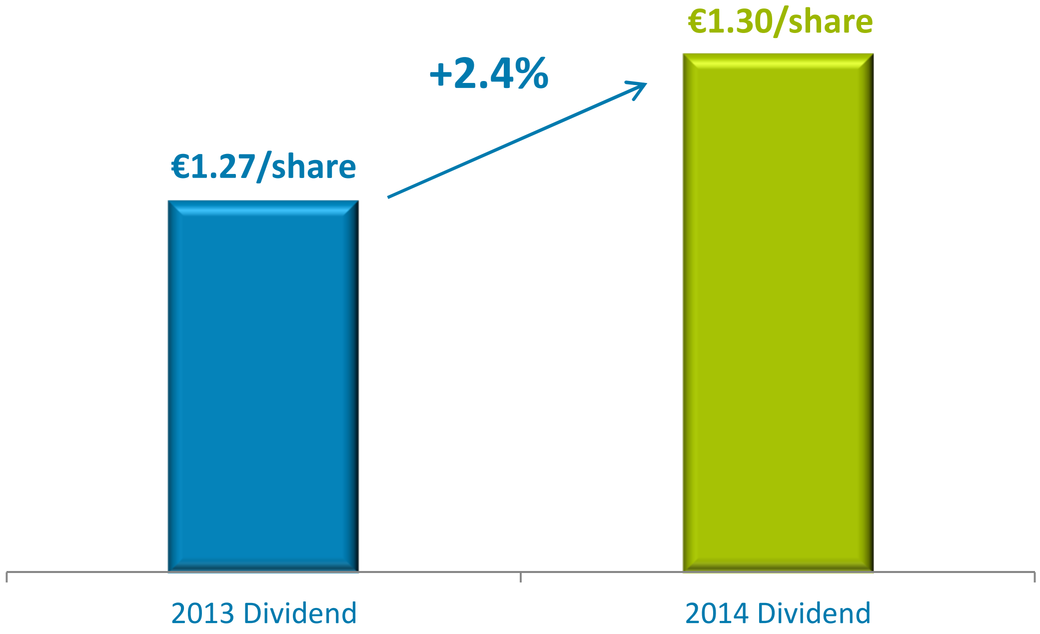
Committed investments in new assets will provide future growth and will offset the loss of remuneration of regulated business in Spain

Net debt evolution



Strong cash flow generation
FFO / Net Debt (last 12 months) = 16.1%

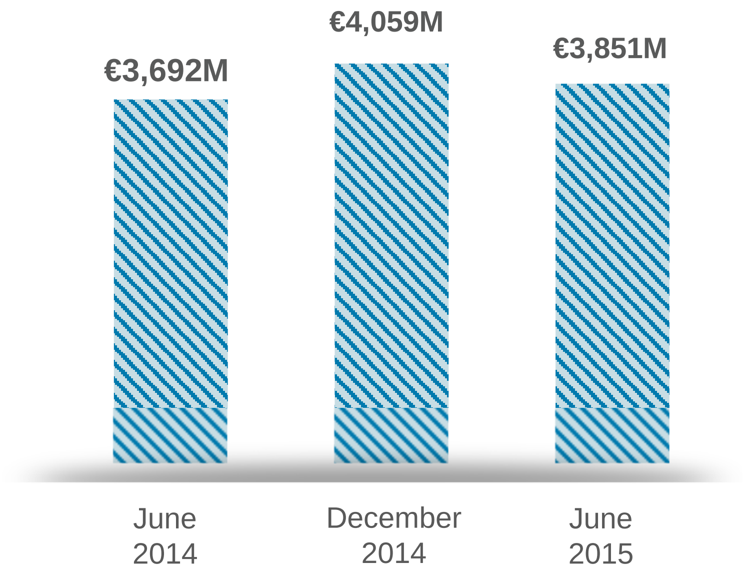
2014 Dividend



On July 2nd, 2015, Enagás paid the 2014 final dividend of € 0.78 / share, representing a total dividend of € 1.30 for the 2014 financial year

Net debt evolution

Net debt evolution



Debt data and liquidity

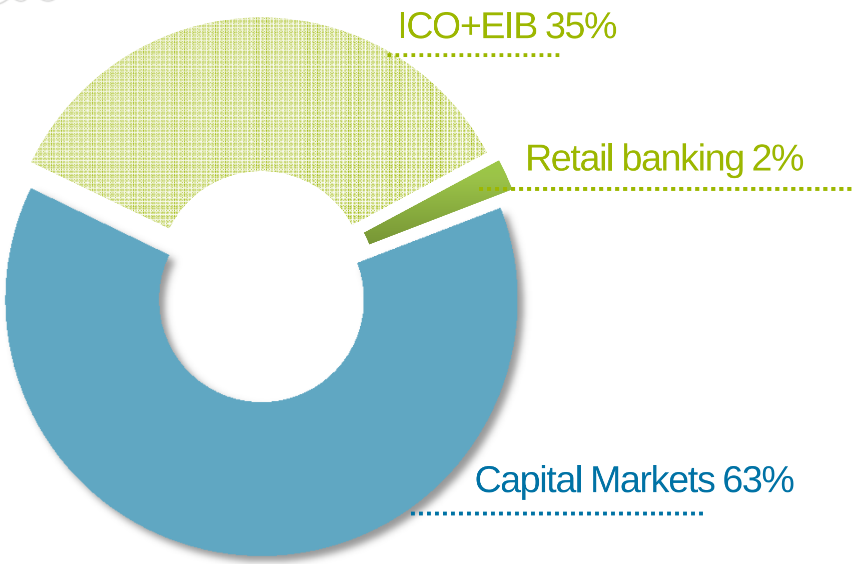
	June 2014	June 2015
Net Debt/EBITDA* adjusted (last 12 months) (1)	3.6x	4.2x
FFO/ND (last 12 months) (1)	19.1%	16.1%
Cost of net debt	3.1%	3.0%
Liquidity	€2,475M	€2,933M
Average debt maturity	5.8 years	6.4 years
Ratings	BBB (S&P) A- (Fitch)	BBB+ (S&P) A- (Fitch)

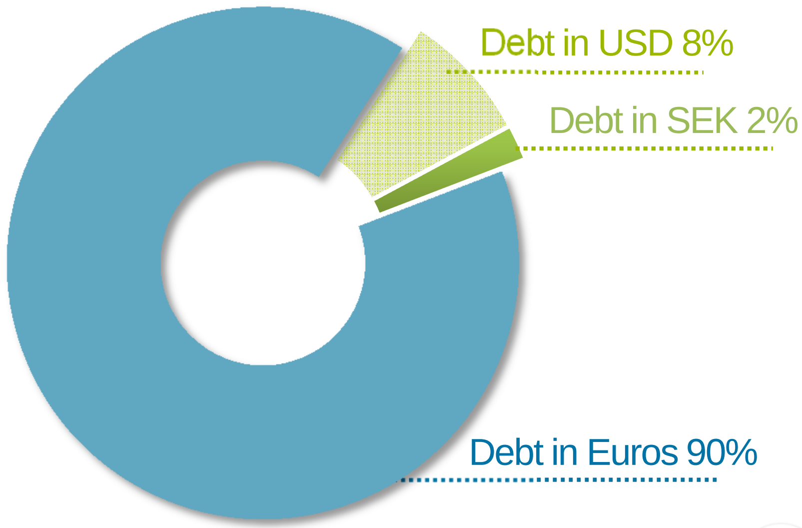
(*) EBITDA adjusted by dividends from subsidiaries

S&P has upgraded the rating of Enagas from BBB to BBB + (stable outlook)

(1) The variation of the FFO/ND and ND/EBITDA adjusted June 2015-June 2014 is mainly explained by the impact of regulatory reform

Efficient financial structure

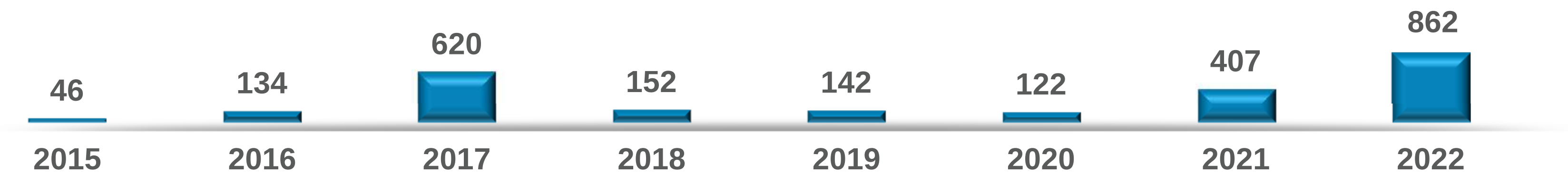




Fixed Debt above 80%

Comfortable debt maturity profile

Debt maturities at July 7, 2015 (€M) *



* 6th of July. €500M Bond Payment

- **2015 and 2016** financial needs covered
- No significant maturities until **2022**
- Average debt maturity **6.4** years

71% of the debt matures from 2021 onwards

Liquidity available as on June 30th, 2015

	Limit	Disposed	Available
Credit facilities	400	11	389
Club Deal	1,500	0	1,500
Total Credit lines available	**1,900**	**11**	**1,889**
Cash and temporary investments			1,044*
TOTAL LIQUIDITY			2,933

Liquidity ratio (30/06/2015 – 30/06/2016) **2.4x**

* €686M of cash were used to pay the dividend on July 2nd (€186M) and the Bond due in July 6th, 2015 (€500M)

Standard and Poor's upgrades Enagás rating

- Improved rating of the company from BBB to **BBB+ with stable outlook**

- Stand-alone rating according to S&P criteria: **A-**
  (the rating of Enagás can not be more than one notch above the sovereign rating, currently BBB, reason why despite the stand -alone rating of Enagás being A-, the final rating of the company is BBB +)

- Improved Business risk profile from "strong" to **"excellent"**

-- Business risk profile --
1 (excellent)
2 (strong)
3 (satisfactory)
4 (fair)
5 (weak)
6 (vulnerable)

After improving the rating, Enagás is committed to maintain its current credit ratings, BBB+(S&P) / A- (Fitch)

Key considerations from S&P to upgrade our rating

Prudent international diversification strategy

“ The rating also factors in the group's strategy to expand into international midstream operations, through stakes in large greenfield and brownfield projects in relatively favorable markets (Sweden and Peru, for instance), which could represent up to 25% of group net income and 25% of total assets by 2020. We consider this international diversification as prudently managed, well-diversified in terms of markets, project maturity, and schedule of cash outflows and inflows. Combined, these factors should provide generally stable and predictable cash flow in the coming years. In addition, although these projects are not regulated, we think they have solid credit fundamentals, will remain contained in terms of size, and will likely lead toonly marginal deterioration the group's business risk profile, compared with regulated business. We also consider that this international expansion should provide some hedging against any regulatory pressure, albeit currently unforeseen, in Spain.”

Regulatory stability

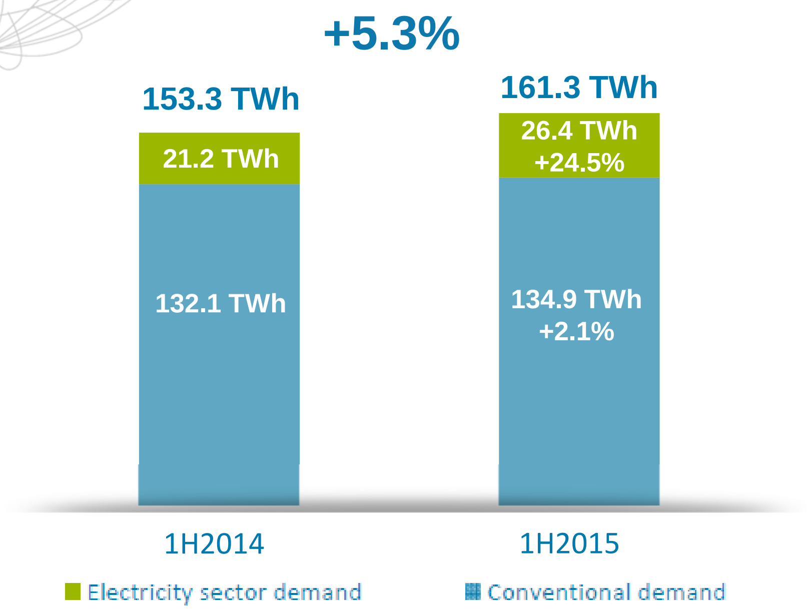
“The new remuneration framework implemented in 2014 will maintain a high degree of predictability and stability for Enagas' revenues, in our opinion. The stable outlook reflects our expectation that the new gas sector reform will provide good visibility on Enagas' cash flows and credit metrics”

Operational efficiency and low business risk

“ We also view Enagas' robust operating performance, including its tight grip on controllable costs, consistently high and stable EBITDA margins, and track record of realizing capital expenditures at cost and on time as supportive of its business risk profile.”

1H2015 Demand evolution and annual estimate

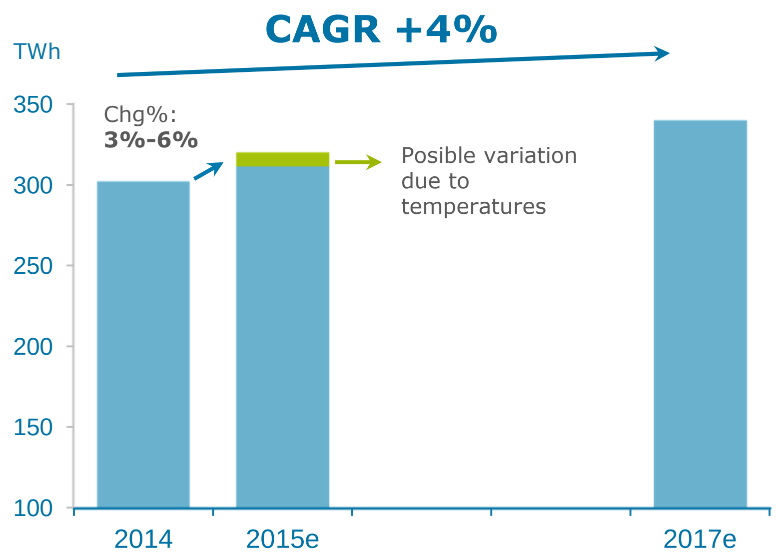
1H2015 National gas demand evolution



Conventional demand increased by 2,8TWh as a result of cooler temperatures in 2015 compared to 2014

Increased consumption of gas for the electricity sector of +5.2 TWh , mainly due to lower hydro output

2014 – 2017 Demand estimate



2015 demand in line with estimates

Stable and sustainable regulatory framework

- The application of the current regulatory framework, stable until 2020, is already accomplishing the two objectives pursued: phase out the mismatch between expenses and revenues in the gas system and reduce the final price of energy in Spain.

- The forecast of the Company is that the gas system will be completely balanced in 2020.

- This balance involves cash generation to Enagás due to the improvement of working capital in 2015-2020.

2015 Targets

- Dividend **€1.32/share**
- Net Profit **+0.5%**
- Investments **€430mill**
- After the rating upgrade by S&P, Enagás reaffirms the commitment to maintain its current credit ratings **BBB+**(S&P) **/ A-**(Fitch)

Prudent net profit growth target

Conclusions

Based on the results achieved by mid-year, despite the current volatile international markets, Enagás is on track to meet 2015 targets.

- The acquisitions realized by date fit perfectly with the five investment criteria set by the company.
- Comfortable financial situation without significant debt maturities until 2022.
- The expected balance of the gas system in 2020 involves an additional cash generation to Enagas due to a working capital improvement in the period.

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