1H 2016 Results

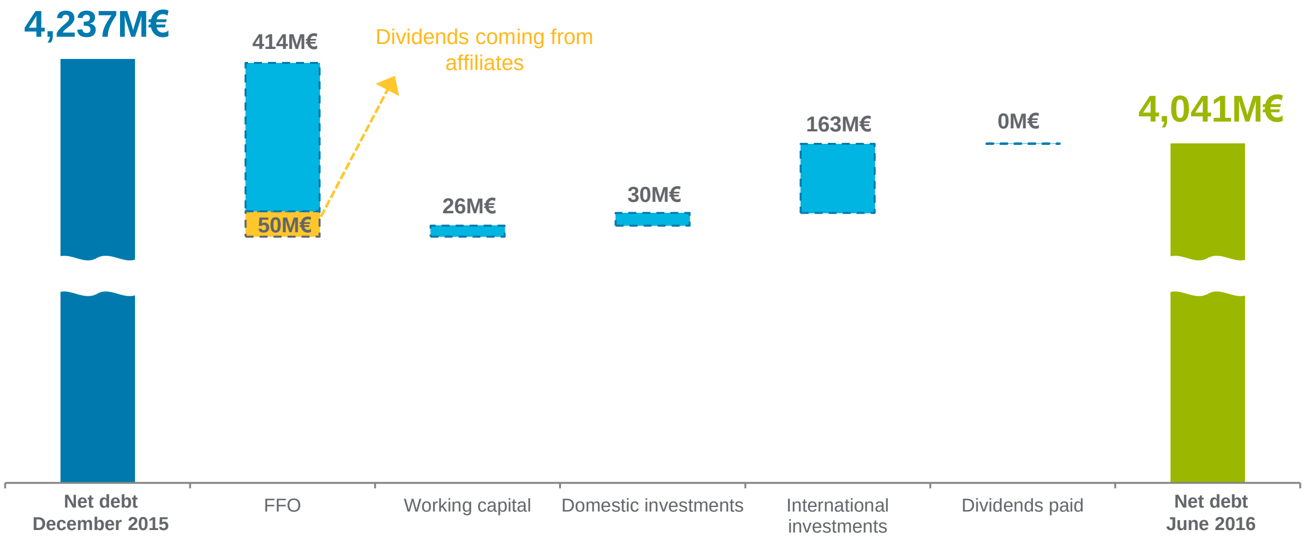
19 july 2016

1H 2016 Key figures

- Investments **193.1M€**
- Net Profit **214.2M€** (+0.5%)
- Funds from Operations **414.3M€** (+3.7%)
- Net Debt **4,041M€**
- FFO/ Net debt (last 12 months) **17.6%**
- Cost of Net Debt **2.3%**
- National Gas Demand **-1.3%**

Cash flow

Solid cash flow generation due to the business in Spain and the growing contribution of international activity.



FFO / Net Debt (12 last months)

16.4%

FFO / Net Debt (12 last months)

17.6%

P&L statement

Key figures in line with the targets set for 2016

M€	1H 2016	1H 2015	Chg %
Total revenues	606.5	609.0	-0.4%
Operating expenses	-166.5	-150.2	+10.8%
EBITDA	**440.0**	**458.8**	**-4.1%**
EBIT	**302.6**	**311.9**	**-3.0%**
Net Result from Equity Affiliates*	26.3	24.3	**+8.2%**
Net Profit	**214.2**	**213.1**	**+0.5%**

Comments

Operating expenses: Increase in operating expenses due to:

- Increase in personnel expenses due to the consolidation of the staff as a result of higher international activity
- Different “other expenses” accrual compared to 2015
- Compatible with the annual target (~335M€)

EBITDA: Compatible with the annual target (~880M€)

Net Result from Equity Affiliates: Higher income from equity affiliates mainly due to the contribution of 30% Saggas, BBG 10% additional stake, Swedegas (because they were integrated in Q2 2015) and additional 1.64% in TgP

* The result from equity affiliates can not be extrapolated over the year due to the contribution of Greenfield projects (mainly TAP and GSP) which results are related to the degree of progress of the projects.

Net Result from Equity Affiliates breakdown

Brownfield contribution	**31.1M€**
PPA amortization	- 10.8M€
Greenfield contribution	+6.0M€

Accounting effect with no impact on cash flow

Result from Equity Affiliates **26,3M€**

Note: The result from equity affiliates can not be extrapolated over the year due to the contribution of Greenfield projects (mainly TAP and GSP) which results are related to the degree of progress of the projects.

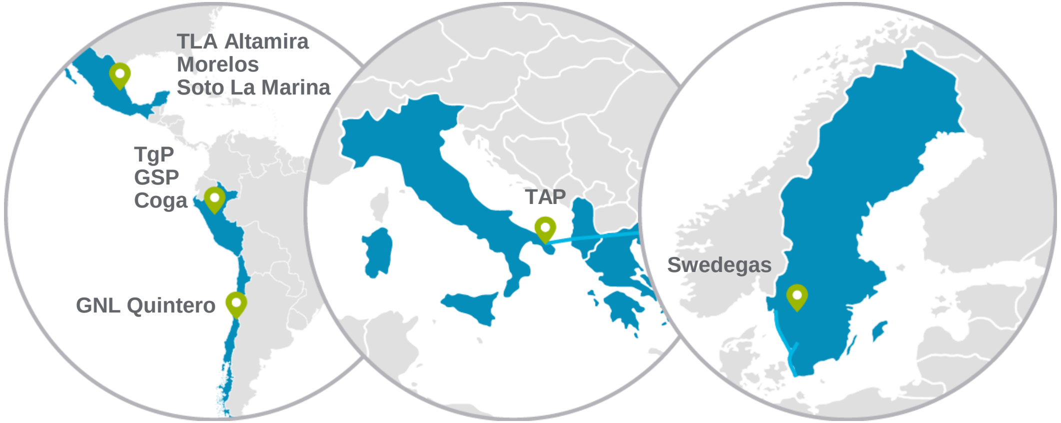
Investments

Total 193.1M€

Spain

30.1M€

International



163.0M€

International investments in progress:
- GSP 73.2M€
- TAP 54.4M€

1.64% additional in TgP 28.3M€

Morelos 7.1M€

2016 First half acquisitions

	TGP +1.64% adicional	Saggas +42.5% additional	GNL Quintero +40% additional
Transaction date	**21 April 2016**	**29 June 2016**	**20% - 9 June 2016** **20% - 29 June 2016**
Investment	**31.9M$**	**106M€**	**400M$**
Total stake	**25.98%**	**72.5%**	**60.4%**
Location	**Peru**	**Spain**	**Chile**
Seller	**Graña y Montero**	**Unión Fenosa Gas**	**20% Endesa Chile** **20% Metrogas**
Contribution since:	**April 2016**	*aprox:* **4Q2016**	*aprox:* **4Q2016**

Acquisitions, subject to the conditions of these type of transactions

The effects of these acquisitions are not reflected in the results of the first half of the year

TGP

During the first semester, Enagas has signed an agreement to increase its stake in Transportadora de Gas del Peru (TGP) from 24.34% to 25.98%.

Peru

- Enagas has acquired**1.64%** of TgP to the Peruvian company Graña y Montero for a total amount of **$31.9M.**
- This participation (1.64%) has started to contribute to our results, **consolidated through equity method from April 2016.**
- **Total equity** invested in TgP and COGA reaches **$610M**.
- **Current** shareholding structure: CPPIB (44.77%), **Enagas (25.98%)**, Sonatrach (21.18%) and Engie (8.07%).

* Under construction/planned

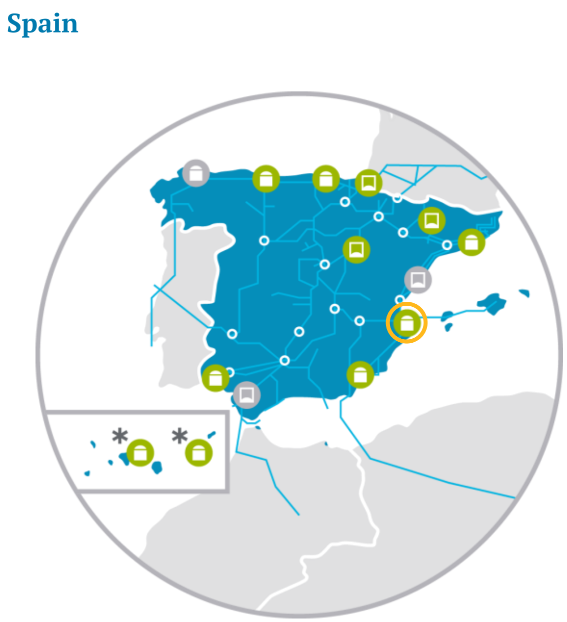
GNL Quintero

During the first half of the year, Enagas reached two agreements to increase its stake in GNL Quintero from 20.4% to 60.4%.

- The transaction is subject to possible exercise of the right of first refusal of the other partners.
- **The agreements would imply to acquire 40.0% of GNLQ** (20% Endesa Chile and 20% Metrogas) for a total amount of **$400M.**
- The operation will be integrated **since the transaction closing** (approx. 4Q2016).
- **Total equity** invested in GNL Quintero would reach **$576M**.
- Shareholding **structure if the agreement is confirmed**: ENAP 20%, Terminal de Valparaíso (51% Enagás Chile and 49% Oman Oil Company) 40% and Enagás Chile 40%.
- Capacity expansion of the plant (third LNG tank and increased vaporization capacity by 33%) expected for 2021, with an estimated investment of $ 300M.

Saggas

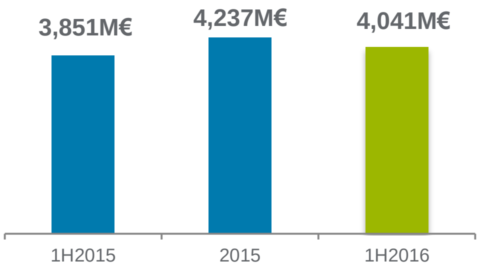
On June 29, Enagas signed an agreement to increase its stake in the Sagunto regasification plant



- The transaction is subject to the approvals from regulatory authorities as well as to the specific conditions of this type of operations.
- The agreement would imply to acquire **42.5%** of Saggas to the company Union Fenosa Gas, S.A. for a total amount of **€106M**.
- If the agreement occurs Enagás Transporte will increase its **total stake in the plant** to **72.5%.** The additional stake (42.5%) will be integrated **since the purchase becomes effective** (approx. 4Q 2016).
- **Total equity** invested in Saggas would reach **€166.9 M.**
- If the agreement is confirmed, the shareholder structure would be composed by two companies, each of which owns 50%: Infraestructuras de Gas, formed by Enagas (85%) and Oman Oil Company (15%), Iniciativas de Gas, composed by Enagas (60%) and Osaka Gas (40%).

Financial structure

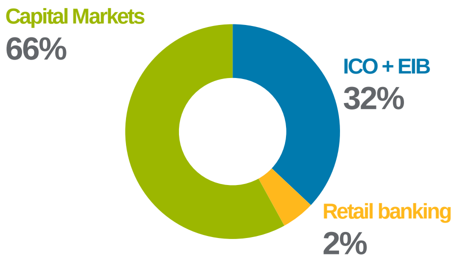
Net debt

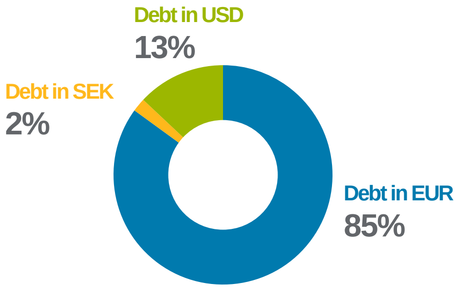


Leverage and liquidity	1H 2016	1H 2015
Net Debt / EBITDA adjusted * (12 last months)	4.2x	4.2x
FFO) /Net debt (12 last months)	17.6%	16.1%
Cost of net debt	2.3%	3.0%
Liquidity	2,857M€	2,933M€

* EBITDA adjusted by dividends received from affiliates

Net Debt structure





Fixed debt above 80%

Last bond issued

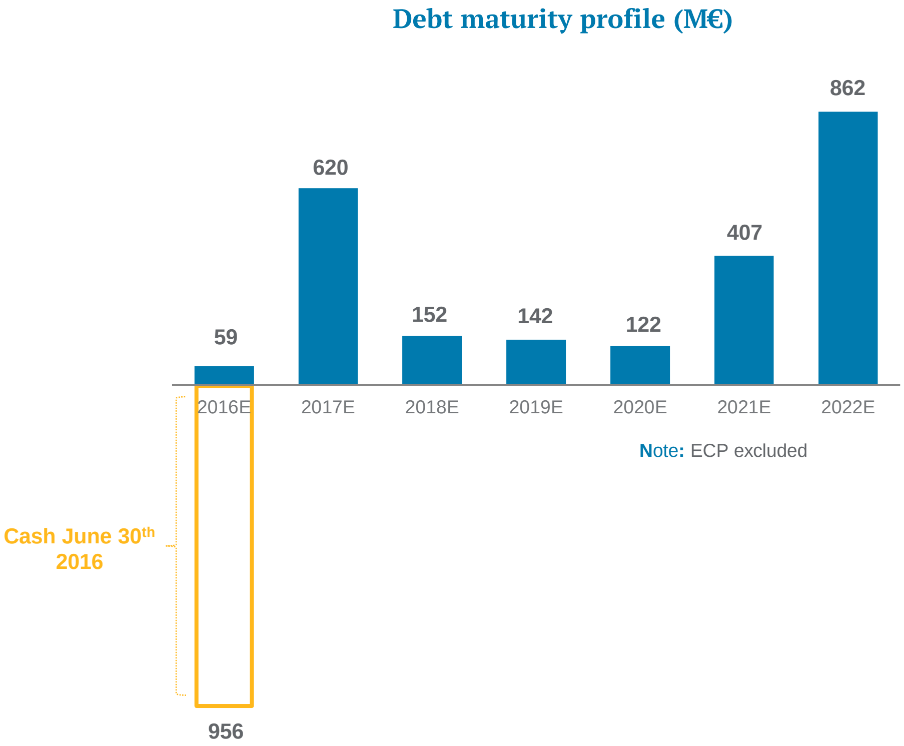
Bond April 2016

Tenor	12 years
Amount	750M€
Annual coupon	1.375%
Oversubscription	5x

- 750 mililons euros of emission
- Maturity 2028
- Issue under the Guaranteed Euro Medium Term Note Programme
- Final demand by bondholders above 3,750 million euros (Oversubscription 5x)
- Increase of the average life in 7.3 years

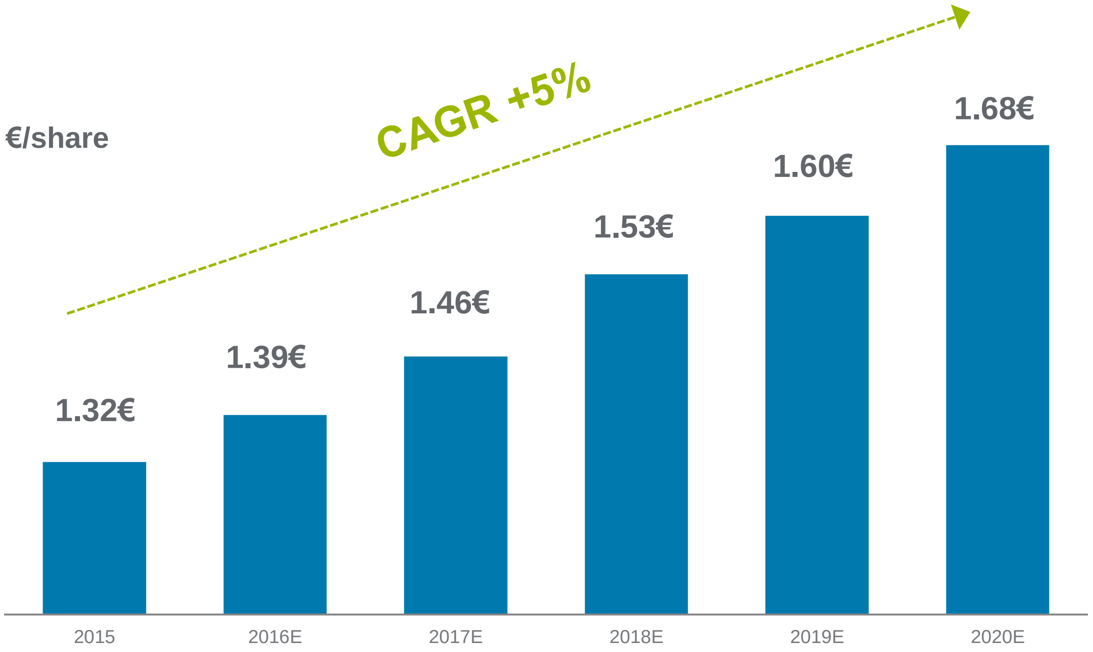
Debt maturity profile

- Without significant maturities until 2022*
- Average life of debt 7.3 years
- 77% of the debt matures from year 2021 onwards
- Rating A- (S&P/Fitch)



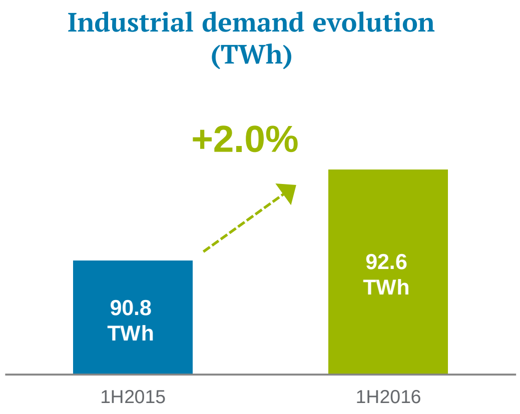
* Current liquidity position (€ 2,857M) enough to meet the upcoming debt maturities

Dividend Policy



On July 5, 2016, Enagas paid the 2015 final dividend amounting 0.792€ /share, representing a total dividend of 1.32 €/share charged to 2015 fiscal year.

Natural gas demand



The evolution of industrial demand is **consistent with the evolution of the Spanish economy and with the Spanish official GDP forecast** for 2016

- **Industrial demand remains robust and grew by + 2.0%** versus the first half of 2015
- The **commercial-domestic** sector remains at 2015 levels
- Natural gas demand for power generation decreases mainly due to increased hydro generation (+ 42%)

Source: Enagás GTS

Sustainability

- Enagas **is leader in the development of gas infrastructures** that allow **efficient and sustainable supply of energy**, contributing to the **reduction of CO_2 emissions** (COP 21 Paris Agreement) and **local pollution** (NOx, SOx, solid particles, etc.)
- **In addition, gas infrastructures** facilitate **the development of renewable energy acting as back up**, **penetration of biogas**, and the development of efficient solutions for **decarbonisation** of the transport sector, such as bunkering and small scaling.
- Enagas coordinates the development of the **Project CORE LNGas hive** funded by the European Commission, which aims to develop an integrated, safe and efficient logistic chain for the supply of Liquefied Natural Gas (LNG) as fuel in the transport sector, particularly maritime chain in the Iberian Peninsula.
- The **use of LNG in maritime transport** allows **eliminating** the emission of **particles** and **SOx** into the atmosphere, and reduce **80% of NOx** emissions and **25% of CO_2** emissions compared to other marine fuels, which will meet the demanding environmental legislation in the maritime sector, improving air quality in port environments.
- **Enagas's commitment to sustainability**, reinforced in its strategy, and the **commitment to innovation** and continuous improvement in all areas of management of the company, have placed the company as an industry leader in the most important sustainability indexes (Global100, DJSI, etc.).

Enagas strategy reflects its **commitment to sustainable business models that help provide cleaner and more competitive energy.**

Main recognitions

Most sustainable world **leading company in its sector** according to the Global 100 index presented in Davos

Top Employer 2016 certification (sixth consecutive year)

Ambassador of **Excelencia Europea 2016** of the Excellence in Management Club

Enagas has received honorable mention at the ***Premios a la Transparencia Empresarial*** of AECA and a runner-up prize at the *Escolástico Zaldívar* awards for the commitment of the company with the **Workplace Risk Prevention.**

It has also been recognized with the **'Best gas company' Award** granted by the *CEO* Insight magazine, the *Liderazgo* award of the *Ejecutivos* magazine and an award **for the cheapest long-term bond issuance of 2015** granted by *El Economista* newspaper. Enagas also received a bonus from **the Ministry of Employment and Social Security** for the company contribution to **reducing workplace accidents** and the accreditation **of 'Green Fleet'.**

2016 Targets

- Growth in net profit **+0.5%**
- Dividends coming from affiliates **~65M€***
- Investments **~465M€****
  (In line with the announced plan of €1,290 CAPEX in 2015-2017)
- Dividend **1.39€share** (+5%)
- Cost of net debt **~2.7%**

* 1€ = 1.11 USD

** €465M considering 1 € = $ 1.11; data in line with the average of 430M € (1 € = 1.35 USD) announced in our strategic Update 2015 - 2017E

Conclusions

- Based on the results achieved in the first semester, Enagas **is in line with the targets set for 2016 and on track to meet the objectives set in our strategic plan**

- National and international **acquisitions in the first half, reinforce our position on assets where the company was already present and fit perfectly with the five investment criteria established by the company**

- **Sound financial and liquidity** position with no significant debt maturities until 2022 and with the commitment to maintain our current individual credit ratings *(stand alone rating)*

- Good performance of the industrial sector demand (+2.0%)

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