2017 Results

February 2018

Contents

01

Results 2017

Change in the equity method reporting criteria

This measure does not affect either the Net Profit, the Balance Sheet or the Cash Flow of the Company.

- According to the standards and requirements established by the International Financial Reporting Standards (IFRS), and in agreement with the the Company´s auditors, from these semi-annual financial statements the equithy method reporting criteria has been changed, so it can be included in the Operating Result and the EBITDA, in as much as equity affiliates are performing the same activity as Enagas Group´s social objective.
- As set out in those accounting standards , the change has been done due to the fact that the weight of the contribution of these equity affiliates (result from equity method), on the Company's Net Profit is gaining relevance, and that this change improves the fair view of the Enagás Group.
- Equity Method will be reported within the Operating Result, in a single line (net of tax effect). For the purpose of this presentation, the PPA (Purchase Price Allocation) will be included in the amortization line of the P&L statement.
- This measure does not affect either the Net Profit, the Balance Sheet or the Cash Flow of the Company.

The results from 2017 exceeded the targets set for the year

- Net profit growth with LNG Quintero consolidated by global integration **+17.6%,** above the target **~12%**
- Net profit growth *stand alone* : **~ 5.0%** (growth would be +16% without the effect of non-recurring charges in the year: impairments and financial discounts from GSP recovery)
- FFO/ND **17.4%** (LNG Quintero consolidated by global integration) and FFO/ND **17.8%** (*stand alone*), higher than the target of **15%**
- Dividends of affiliates **~€125.1m** higher than target of ~ **€120m**
- Dividend **€1.46/share** (+5%)
- Net cost of debt *stand alone* **~2.2%** lower than target of **~ 2.4%**

2017 Key figures

Global consolidation of LNG Quintero as of 1 January 2017.

Key figures (Enagás *stand alone*: LNG Quintero pro-forma by the equity method) (45.4%)

- FFO **€778.9m (+2.9%)**
- *Operating Cash Flow* (OCF) **€1,104.6m (+75.9%)**
- FFO/ Net Debt **17.8%**
- Net profit **€437.7m (+4.9%).** Contribution of affiliates to net profit **19.6%**
- Net Debt **€4,364m** Net cost of debt **2.2%**

Key figures (LNG Quintero global integration)

- FFO **€871.2m (+15.1%)**
- *Operating Cash Flow* **€1,192.4m (+89.9%)**
- Investments **€328.5m***
- Net profit **€490.8m (+17.6%)** [including the effect of the accounting revaluation of the cost of the first acquisition of LNG Quintero (2012) at the cost of the acquisitions made in 2016 and the conversion differences]
- Net Debt **€5,008m**

National gas demand

- National natural gas demand as of 31 December 2017 **+9.2%**
- Conventional demand **+5.1%;** Electricity sector demand **+26.7%**

(*) Including guarantees provided in GSP (€213m) and the sale of 15% in LNG Quintero (-€140.6m).

Income statement

The results are in line with the targets set for 2017.

Millions of Euros	2016 Proforma	2017 G.Integration	% change 2017 /2016	Comments
Total revenue	1,218.3	1,384.6	+13.7%	RD revenue in line with the expected budget Higher revenue from Remuneration for Continuity of Supply (RSC) (+€19m) GNL Quintero Contribution (€174m)
Operating expenses	-335.6	-371.5	+10.7%	Including one full year of GNL Quintero (€32m)
Results from Affiliates	66.2	97.2	+46.9%	Greater contribution of *greenfield* projects and Soto La Marina, and increased in holdings in TGP and Saggas
EBITDA	**948.8**	**1,110.3**	**+17.0%**	Greater than annual targets for greater regulated revenue due to demand growth (+9.2%) ✓
EBIT	**651.7**	**732.1**	**+12.3%**	Greater depreciation from asset impairment
Financial results	-113.4	-100.9	-11.0%	Includes: (i) -€48m from GNL Quintero financial results (ii) +€52.4m from revaluation of the holdings in GNL Quintero, including conversion differences and (iii) +€8m from non-recurring effects
Minority interests	-0.9	-14.2	n/a	
Net profit	**417.2**	**490.8**	**+17.6%**	Greater than the annual growth target of +12% net profit ✓

Net profit growth *stand alone* +4.9% ✓

Affiliate business contribution *stand alone*

Income Statement Contribution	2016	2017
EBITDA without results contribution from affiliates	**€882.6m**	**€871.9m**
Brownfield contribution to EBITDA	€90.2m	€123.1m
Greenfield contribution to EBITDA	-€24.0m	-€4.8m
EBITDA	**€948.8m**	**€990.2m**
Depreciation	-€272.1m	-€298.7m
PPA depreciation	-€25.0m	-€32.8m
EBIT	**€651.7m**	**€658.8m**

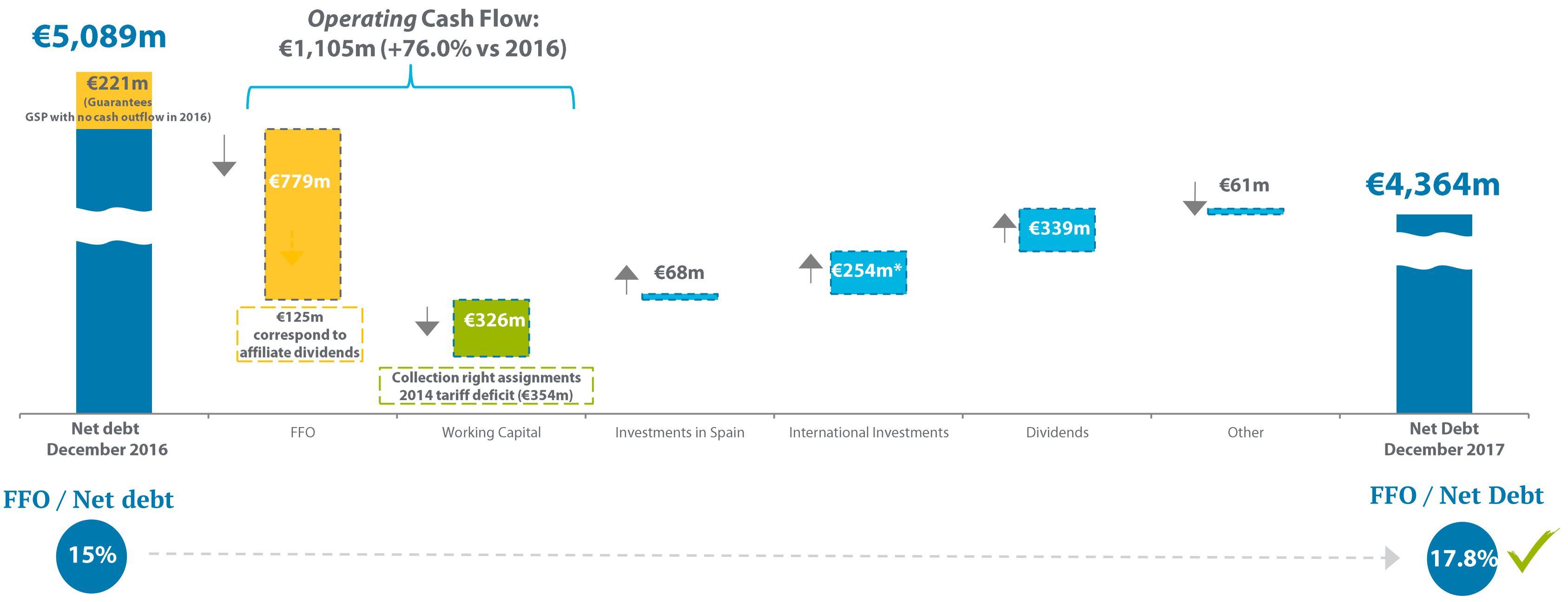
Cash Flow *Contribution*

€125.1m contribution of affiliate dividends to FFO *stand alone*

The dividends **of affiliates €125.1m** higher than the **annual target (€120m)**

Note: 45.4% contribution from GNL Quintero by equity method

Cash flows *stand alone*



Strong deleveraging: net debt reduction of **€725m** by the solid generation of *operating cash flow* , improved working capital by the assignment of collection rights regarding the 2014 tariff deficit, and less-than-expected investments in the period (Gascan delay)

(*) Including guarantees of €213m paid by GSP and the sale of 15% of GNL Quintero.

Investments

Spain

International

Total
€328.5m

€68.5m

€259.9m

Main international investments underway,
- TAP: €174.8m
- COGA: €8.3m
- GSP(*): €213.0m
- GNL Quintero €5.8m
- Sale of 15% of GNL Quintero: -€140.6m

(*) GSP guarantee payment

Gasoducto del Sur Peruano (GSP)

- On 19 December, Enagás requested the Peruvian State to **initiate a direct negotiation prior to international arbitration** with the **aim** of **reaching an amicable agreement** in relation to the existing controversy regarding the investment made by the Company in the Gasoducto del Sur Peruano, S.A. project. ("GSP").

- The **controversy** is based on the **disagreement of the Peruvian Administration to recognise the validity** of clause 20 of the **GSP concession agreement** , the application of which gives Enagás the right to recover the investment made in the project. In particular, the Peruvian Administration has not made sufficient progress in the procedures required to calculate the NAV and call for the tenders referred to in clause 20 of the concession agreement within the term established 24 January 2018 .

- **Enagás** is confident that it will be able to reach an amicable settlement and **undertakes to exert its best efforts** for said purpose, expecting the same commitment from the Peruvian State. In this regard, the Company believes that on the basis of expert reports and analyses performed by internal and external legal and financial external advisors, **it will recover its investment (€511m)**.

- Bearing in mind that no auctions were made at the end of 2017, a maximum term of 4 years is estimated to recover the investment (2021) from notification of the controversy (19 December 2017) in accordance with the conclusions of the legal counsel.

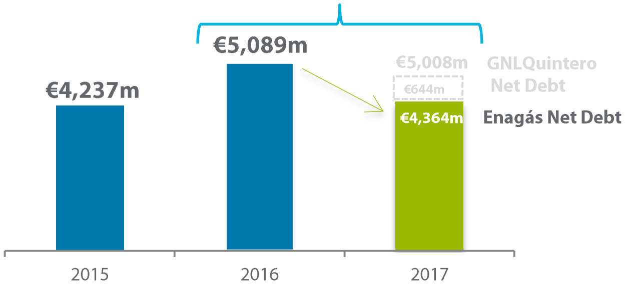
- The financial update recorded in the 2017 results affected the 2017 profit and loss account by -€18.4 million.

Trans Adriatic Pipeline (TAP)

- TAP is part of the **"Southern Gas Corridor", a project designed to supply Europe with natural gas from the Caspian Sea**. The TAP pipeline runs 878 km through Greece, Albania, the Adriatic Sea and Italy.
- The **cost of the project is approximately €4,500 million**, and the shareholders seek to fund the project through a combination of capital and debt.
- **Current progress has exceeded 65% without deviations in the planning**. The expected start date for the pipeline is 2020.
- As of 31 December 2017, **Enagás has invested €439 million in the TAP project**. TAP partners will continue making contributions until the financial closure, date on which it will receive the *true-up*. Thus, **Enagás' final investment in TAP will be approximately €270 million**.
- The **European Investment Bank** has recently approved the granting of a **€1,500 million loan for the project**. This decision from the EIB is a relevant milestone in the TAP funding process, whose **financial closure is expected to occur in 2018.**

Financial structure

Net debt



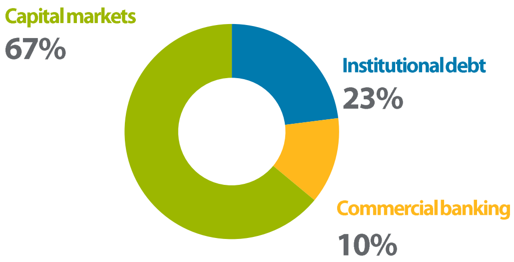
Note: the 2016 Net Debt excludes the debt of GNL Quintero, upon beginning to consolidate by global integration on 1 January 2017

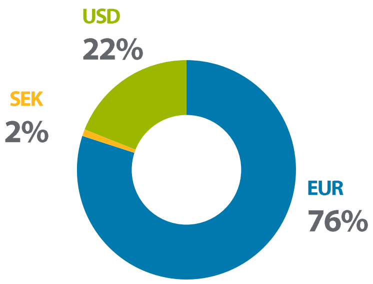
Leverage and liquidity

	2016	2017 *Stand alone*	2017 Global I.
Net debt/Adjusted EBITDA*	5.2x	4.4x	4.4x
FFO/Net debt	15%	17.8%	17.4%
Net debt cost	2.4%	2.2%	2.7%
Liquidity	€2,409m	€2,206m	€2,484m

* EBITDA adjusted for dividends received from affiliates

Types of debt (*stand alone*)



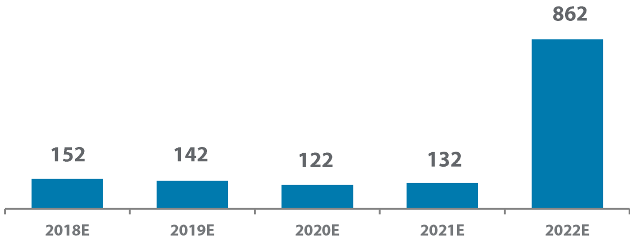


Fixed-rate debt higher than 80%

Financial policy

Enagás debt maturity profile *stand alone* (millions of euros):

No significant maturities until 2022



Note: Excluding ECP and withdrawn short-term credit facilities.

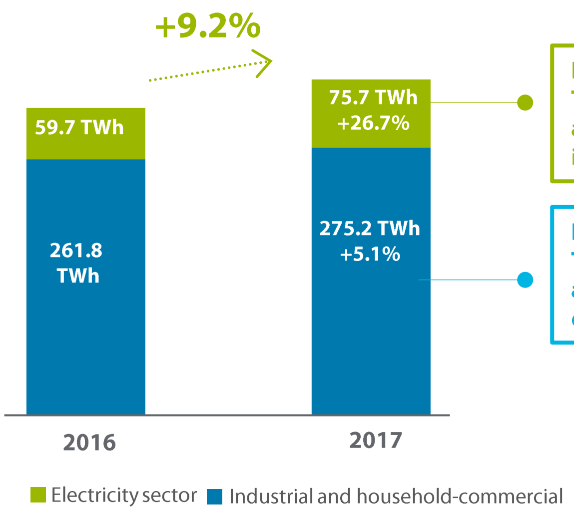
GNL Quintero Debt
(millions of $)

	GNL Quintero Bond
S&P Rating	BBB (*Strong Business Risk Profile*)
Issue	Bond 144A *unsecured* **without recourse to shareholders**
Amount and coupon	$1,100m (4.634%)
Maturity	July 2029
Depreciation	Half-yearly depreciation, beginning in July 2021
GNL Quintero Cash 31 December 2017	$332m

In its 2017 annual review, S&P and Fitch reaffirmed Enagás' rating: "A-"

Natural gas demand

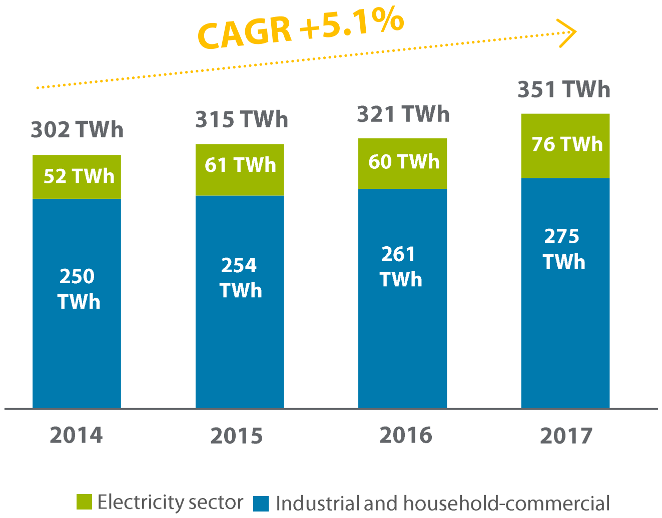
2017 natural gas demand trend



Electricity sector: An increase of +16.0 TWh due to a decline in hydroelectric and wind power generation and an increase in electricity demand

Industrial sector: Increase of +13.4 TWh due to the generalised increase in all sectors and incorporation of new customers

Demand growth for the third consecutive year



The gas demand growth in 2017 (+9.2%) was much higher than the forecasted estimate (+2%)

Source: Enagás GTS

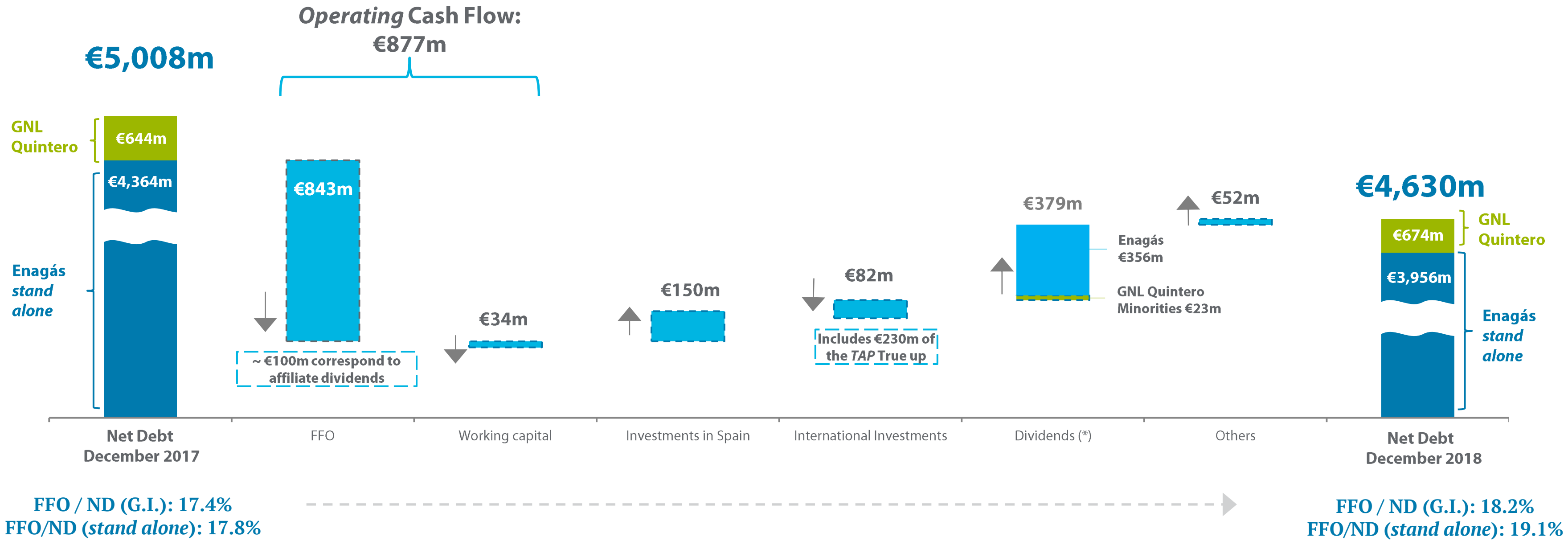
LNG cisterns included in the industrial demand

Conclusions on 2017 results

- The 2017 results exceeded **the targets set for the year**.
- The **gas system's financial stability** has contributed to the **successful assignment of collection rights** for the 2014 tariff deficit, eliminating the risk from our balance sheet.
- **Solid generation of cash flows** and **strong deleveraging** (Net Debt Reduction of €725m).
- Enagás is managing the recovery of the investment in GSP with the **necessary diligence** and **appropriate management**.
- Our **affiliates'** contribution **to the net profit** reached **19.6%**.
- **Natural gas demand growth** in 2017 (+9.2%).
- The credit rating agencies **Fitch** and **S&P** reconfirmed Enagás' rating as **"A-"**.
- **Fixed rate net debt above 80%** with no significant debt maturities until 2022.

02
2018 Targets

2018E Cash Flow Global Integration

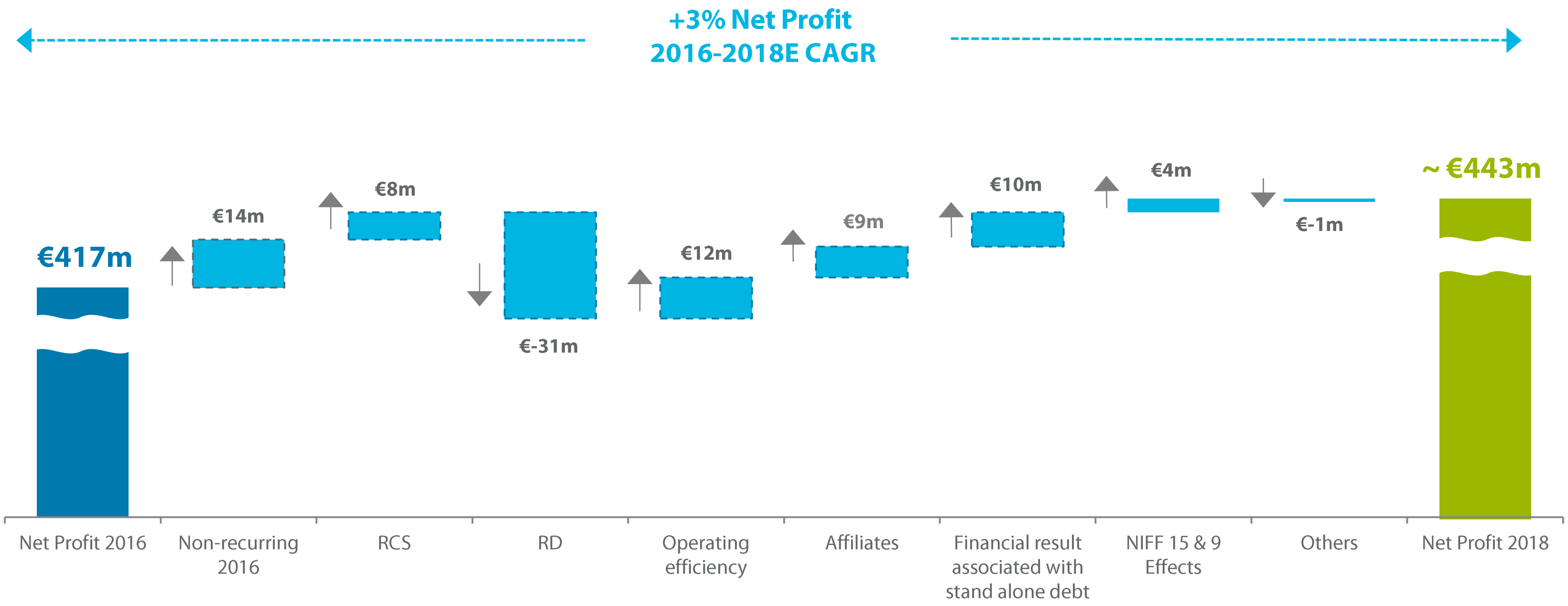


Strong deleveraging : reduction of the net debt by **~ €380m** from the generation of cash flows and TAP *true up* after closing project funding.

Reduction of the indebtedness between Dec 2016-2018 by **~ €1,100m**.

Note: 1€=1.13 USD
Note: Data with GNL Quintero due to Global Integration
(*): Includes dividend payment to GNL Quintero minority shareholders

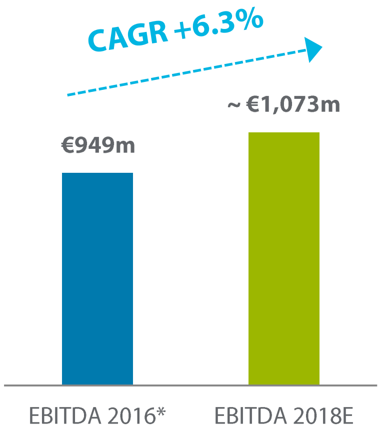
Net profit growth trend for 2016-2018E



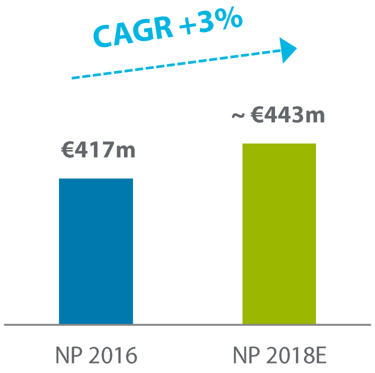
Sustainable net profit growth in line with the growth target announced to the market for 2016-2020 (CAGR +3%)

2018 Targets

EBITDA growth

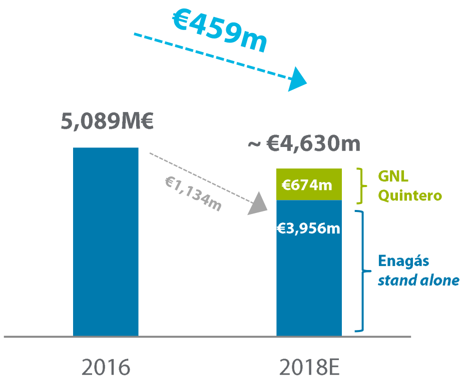


Net profit growth in line with 2016-2020 target



Net profit Growth *stand alone* 2017/2018 +1%

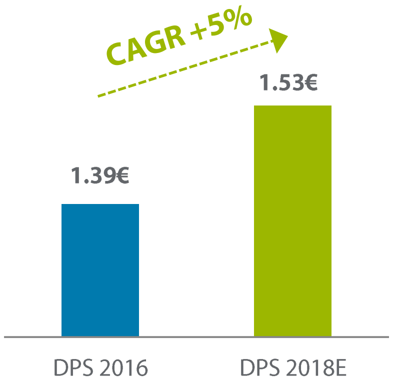
Net Debt Reduction



FFO/ND: 15%

FFO/ND: ~ 18.2%

Dividend growth per share +5% 2016-2020 CAGR



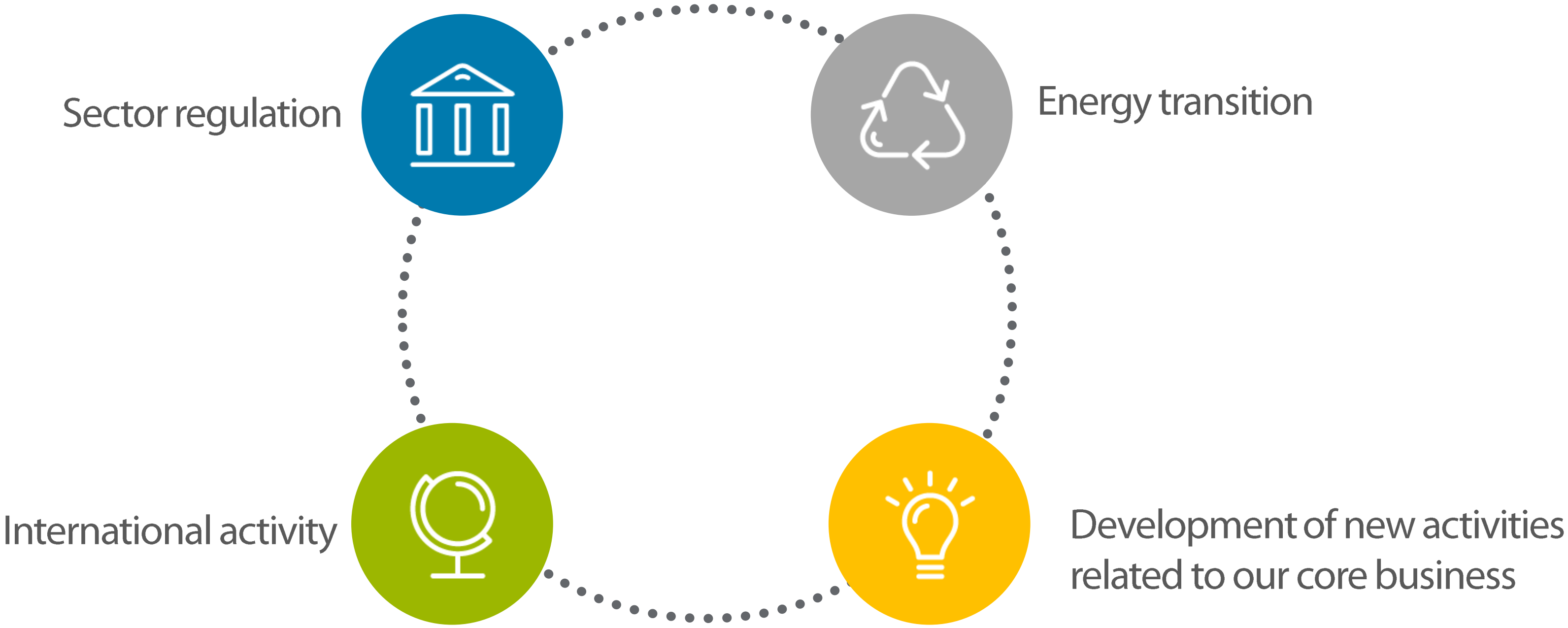
Sustainable net profit growth, reduction in the debt levels from the expected cash flow generation and strong commitment to the communicated dividend policy until 2020

Note: GNL Quintero contribution by Global Integration since 01/01/2017
(*) 2016 EBITDA adjusted by the new reporting criteria, including the contribution of affiliates in the operating profit.

03

Future challenges and operating environment 2018-2020

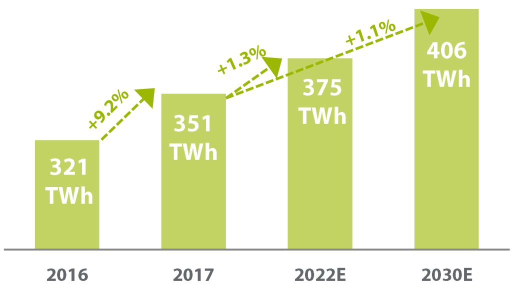
Future challenges and operating environment 2018-2020



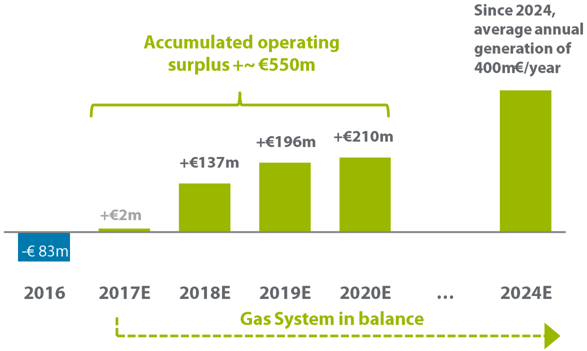
Sector regulation: Gas System Balance

- The application of the current regulatory framework is already **fulfilling its main goal** , i.e., to eliminate the imbalance between revenue and expenditure.
- During 2017-2020, the gas system will generate an **accumulated operating surplus** (balance before annual system debt depreciation) of approximately **€550m.**
- From 2018 forwards, the system will have a **net annual surplus** (after annual system debt depreciation). Therefore, no additional debt will be generated and the debt will be paid year to year.
- With the estimated demand growth, the **accumulated debt will be completely absorbed in 2023**.

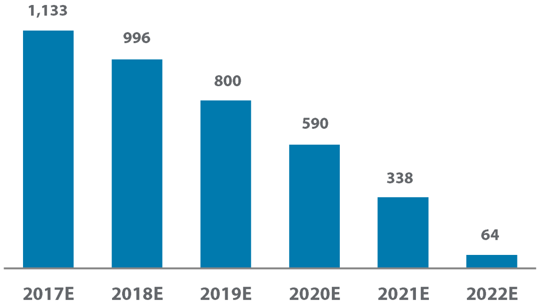
Gas demand growth (TWh)



Gas system operating balance (before annual debt depreciation)



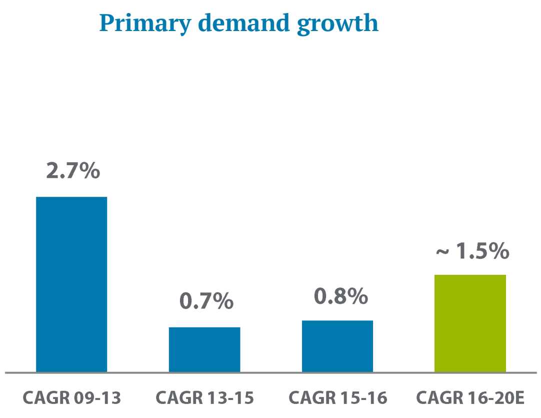
System debt recovery (millions of euros)

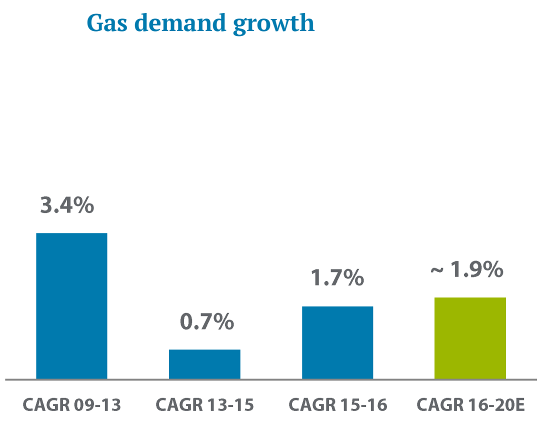


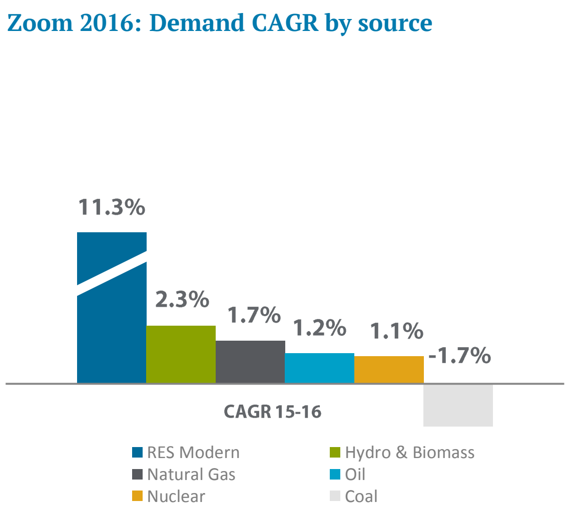
Source: Enagás GTS
Note: Excluding new payments of Castor annuities from the November 2017 liquidation according to the Constitutional Court ruling

Energy transition

Gas market trends







The improved economic outlook, favourable competitiveness of gas versus coal and new environmental policies are driving the global growth in gas demand

Sources: In-house based on data and IHS and EIA outlooks
Note: Modern RES: Wind, solar, geothermal, marine

International activity

With the investments made and projects underway, Enagás has laid the foundation to fulfil its commitments acquired to 2020. Additionally, Enagás monitors new opportunities for growth with a focus on:

Generate new opportunities in our *core business*

- Benefit from the positive outlook in the European gas market.
- Solidify presence in Latam.
- Continue leading the development of LNG infrastructures with strict application of our strategic criteria in terms of profitability and risk.

Diversify in new businesses based on Enagás' capabilities

- Explore lines of diversification to utilize the capabilities of Enagás.
- Promote entrepreneurship and innovation in new energies (H2, synthetic methane, bio methane, etc.), which will prove to be critical in a low-carbon economy.

Analyse potential asset turnover

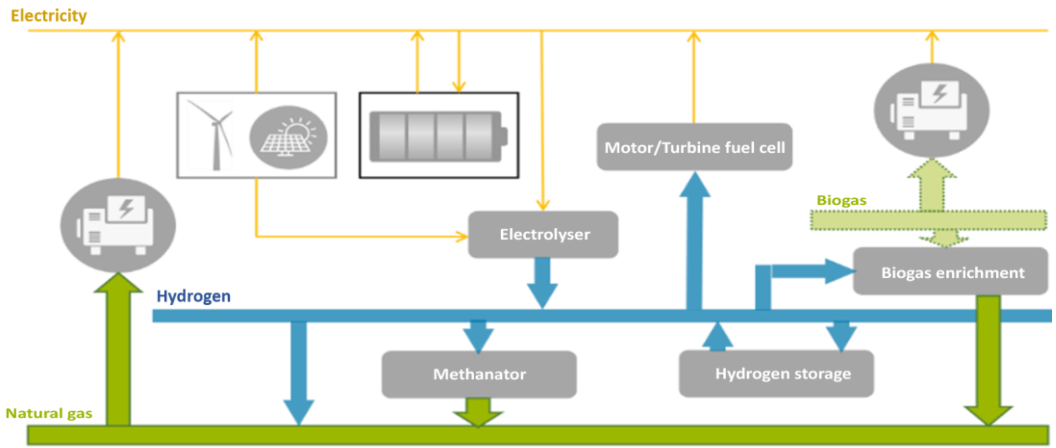
- Contemplating asset rotation in an environment with a large appetite for low-risk assets, to undertake potential new investments

Innovation and entrepreneurship

Diversify and generate new business models for Enagás. It reinforces Enagás' commitment to a low-carbon economy through new business models linked to its core business.

Renewable hydrogen – Power to Gas

- Hydrogen is identified as a new global energy vector in the low-carbon economy.
- It can be applied using the same business model as natural gas.



enagas emprende

Next steps

Develop a company with a viable business model to position Enagás in the development of hydrogen and knowledge of its technology in collaboration with companies in the sector.

Renewable hydrogen uses:

- Industrial
- Mobility
- Energy storage
- Power to Gas production (renewable gas)

Innovation and entrepreneurship

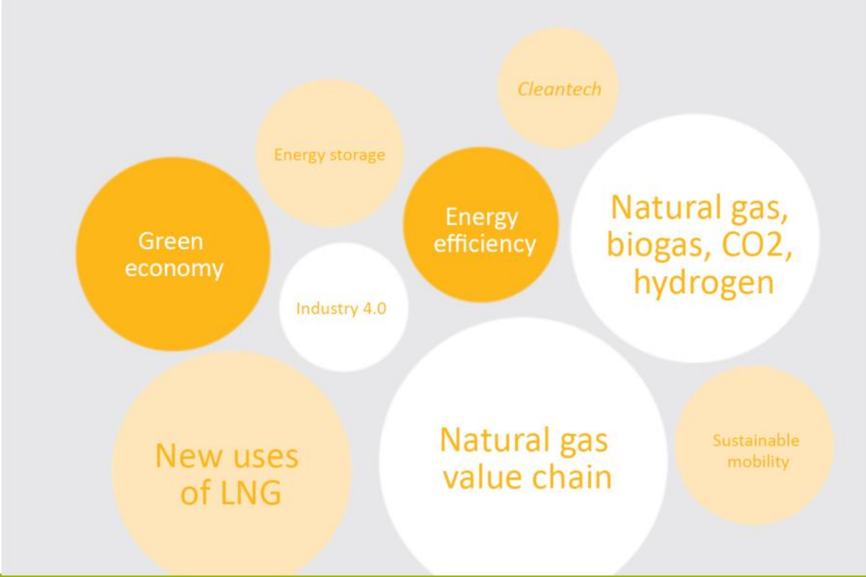
As a tool for implementing the future strategy of Enagás.

enagas emprende

Mission

"To promote the Culture of Entrepreneurship and Diversify the business portfolio at Enagás by generating new business models and incorporating new capabilities in accordance with the company's strategy."

Enagás fields of strategic interest



Entrepreneur support initiatives

Intrapreneurship

ingenia Business

Enagás Fab

Open Innovation and *Venture Building*

Achieved milestones

- Examined **107 internal ideas** from 113 internal entrepreneurs and **66 *start-ups*** / external projects.
- 4 ***start-ups*** created:

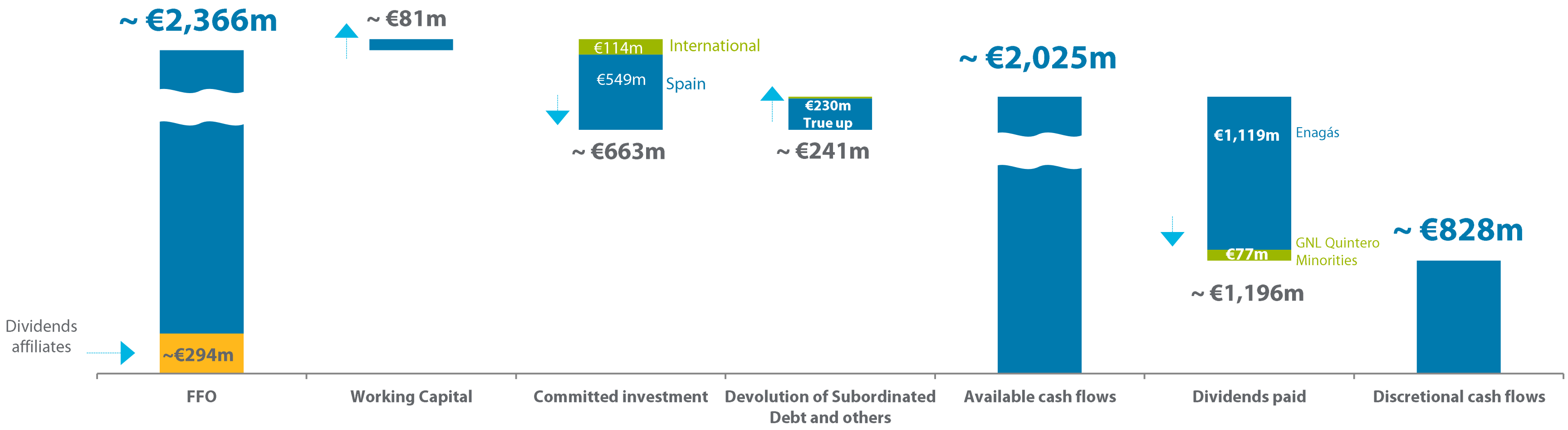
  VIRA GAS IMAGING · efficiency · SCALE GAS Scaling LNG markets · gas2MOVE

- 2 ***start-ups*** being built 1 pilot under development.
- *Selected as a **Good Practice according to the CISE** "Centro Internacional Santander Emprendimiento" (Santander International Entrepreneurship Centre) report. 2017*

04
2018-2020 Targets

2018E-2020E Solid cash flow generation

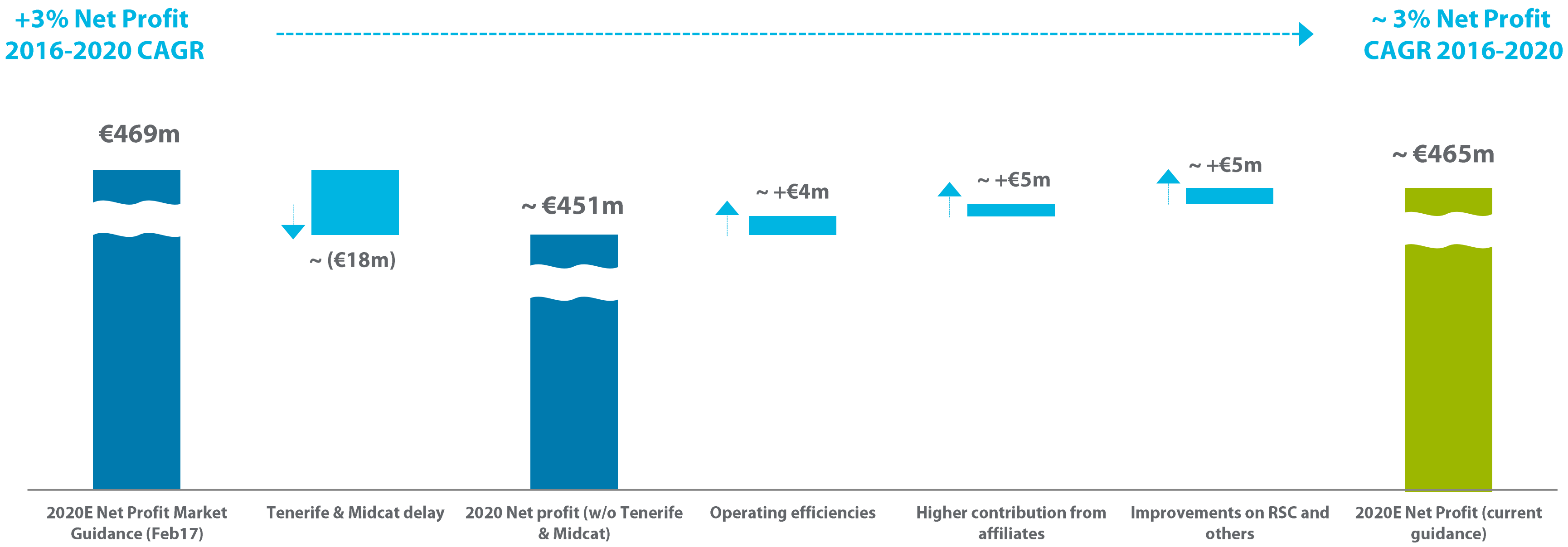
Total (millions of euros)
2018E–2020E



FFO/ND with GNL Quintero via global consolidation above 15%

Note: 1€=1.13 USD
Note: Data with GNL Quintero by Global Integration

2016-2020E Net profit Growth: CAGR +3%

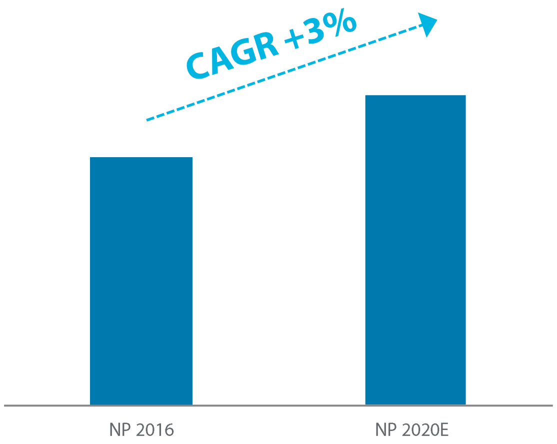


Sustainable net profit growth of +3% CAGR without considering new investments

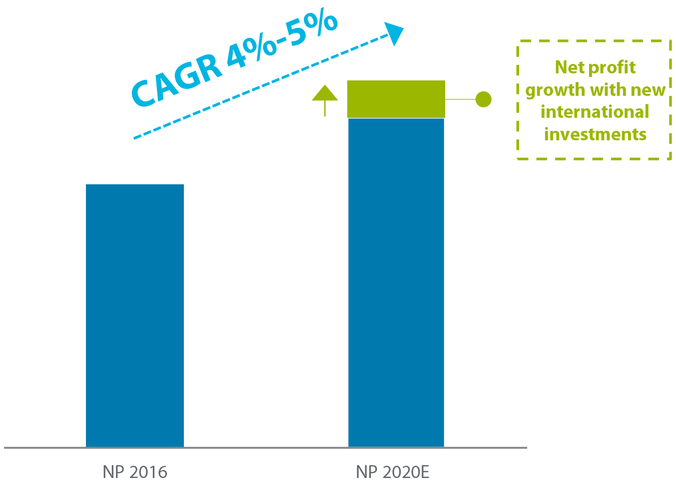
Note: 1€=1.13 USD

2016-2020E Sustainable growth

Net profit: 2016-2020 CAGR +3% sustainable growth



Net profit growth with new international investments

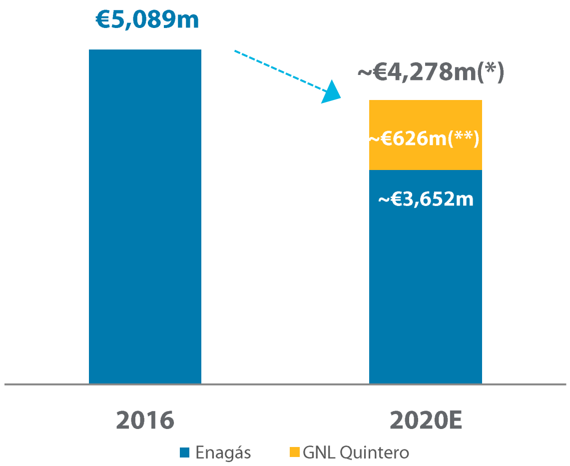


New investments would improve net profit growth from +3% to +4% CAGR in 2016-2020 and the contribution of affiliates to cash flow (€120m) in 2020

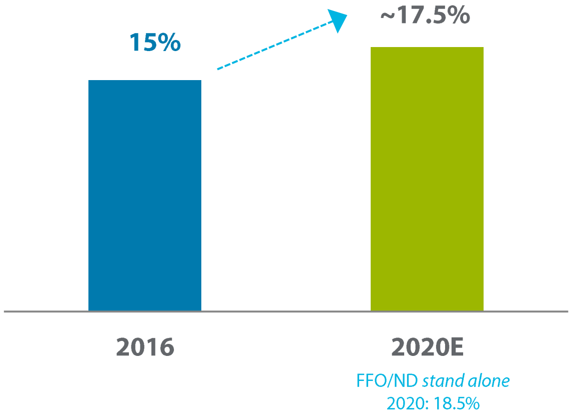
Note: 1€=1.13 USD

Financial strength

2016-2020E Net Debt Evolution



FFO/Net Debt Evolution

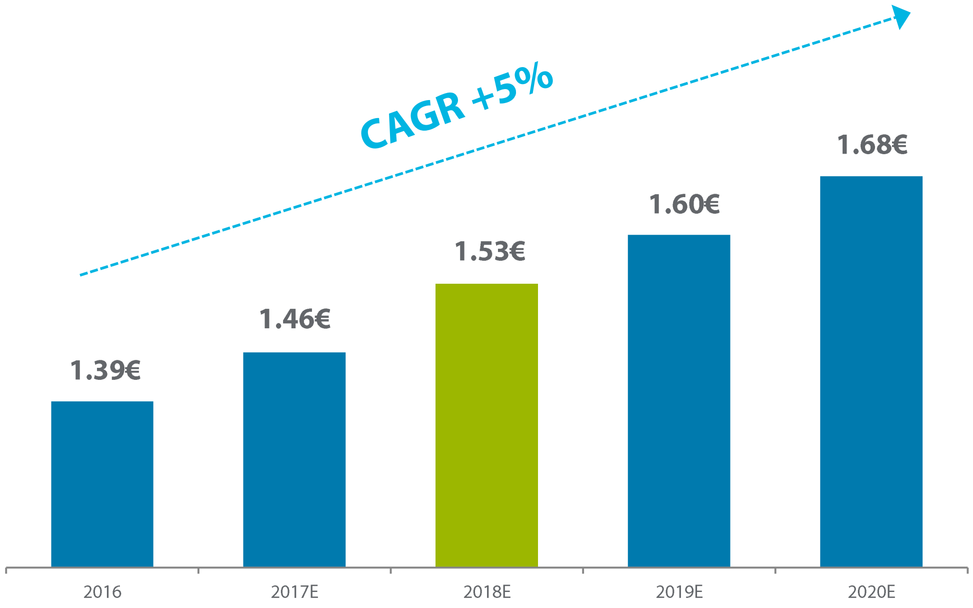


Improved leveraging ratios, enabling new international investments

(*) The net debt could be adjusted according to the criteria used by rating agencies because of the potential performance bonds granted to TAP lenders

(**) GNL Quintero Net Debt

2016-2020E Dividend growth



The company's financial strength is a guarantee for our commitment to dividend growth +5% CAGR 2016-2020

Note: 1€=1.13 USD

06
Sustainability

Sustainability

Climate change

Our climate change management model helps us minimise CO_2 emissions. 2017 Progress:

COMMITMENT

- Adoption of the commitment to implement the recommendations of the *Task Force for Climate Change Financial Reporting* (TCFD).

OFFSETTING EMISSIONS

- Offsetting emissions from regasification plants, fleet and corporate offices (19,673 t CO_2) in projects aiming to improve the environmental and social impacts on local communities.

RESULTS

- The energy efficiency measures launched in 2017 entailed savings of 5 GWh in electricity and 1.22 GWh in natural gas, and avoided the release of over 2,000 t of CO_2 into the atmosphere.

Transparency

The Enagás 2017 Annual Report complies with Spanish RDL 18/2017, which transposes the European Directive on the disclosure of non-financial information and diversity:

- The Enagás Annual Report was drawn up according to the GRI standard and following the Integrated Reporting framework.
- It also follows the principles of the UN Global Compact and includes the company's contribution to achieving the Sustainable Development Goals
- Starting in 2017, the Enagás Annual Report is approved by the Board of Directors (previously non-financial information was approved by the Management Committee).

Positioning in indices

ROBECOSAM Sustainability Award Gold Class 2017

MSCI 2017 Constituent MSCI Global Sustainability Indexes

FTSE4Good

EURONEXT vigeo eiris INDICES EUROZONE 120

ETHIBEL SUSTAINABILITY INDEX EXCELLENCE Europe

CDP DISCLOSURE INSIGHT ACTION

STOXX ESG LEADERS INDICES Member 2016/2017

06 Conclusions

Conclusions

- Shareholder remuneration, with a minimum annual growth of 5%, remains our strategic priority.
- The estimated cash generation in the period will enable us to honour our dividend commitment and strengthen our balance sheet, reducing debt levels.
- The estimated CAGR net profit growth for 2016-2020 is +3%.
- Debt structure with over 80% fixed, limiting the risk of interest rates.
- International strategy based on consolidation and development of investments already made and the recovery of the investment in GSP.
- Maintaining and reinforcing the leadership of Enagás in sustainability as a cornerstone of the company's strategy.
- Financial stability of the gas system and supply security in an environment of increasing demand.

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