3rd Quarter Results 2014

21 October 2014

Considerations for the interpretation of the results Jan-Sept 2014

1

Since July 4, 2014, the Company's results are affected by the measures contained in the Royal Decree 8/2014, in which the new methodology for calculating the remuneration of the regulated activities of transport, regasification and underground storage is established. The impact on regulated revenues is in line with the figures announced by Enagas.

2

The results for the first nine months include the positive contribution of TGP (Peru) in the results accounted by the equity method and the investments done in the third quarter of the year in Gasoducto del Sur Peruano and TAP (Trans Adriatic Pipeline).

3

In 2014 and in accordance with IFRS 11 (for which the option to apply the proportional consolidation method is eliminated for businesses that have joint control), BBG and Altamira became consolidated by the equity method, contributing to net profit only.

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Jan-Sept 2014 main figures

Proforma data, integrating BBG and Altamira in 2013 by the equity method

Income statement (mill€)	Jan-Sep 2013	Jan-Sep 2014	Var%
Total revenue	979.0	929.7	-5.0%
EBITDA	762.6	733.0	-3.9%
EBIT	510.8	496.1	-2.9%
Net profit	303.6	308.1	1.5%

Income statement Proforma (mill€)	Jan-Sep 2013	Jan-Sep 2014	Var%
Total revenue	944.6	929.7	-1.6%
EBITDA	737.6	733.0	-0.6%
EBIT	495.8	496.1	0.1%
Net profit	303.6	308.1	1.5%

Balance (mill€)	30 Sept 2013	30 Sept 2014
Total assets	8,368.7	7,967.8
Equity	2,140.4	2,244.2
Net debt	3,554.2	3,910.5
Liquidity	2,491	2,347

Other figures (mill€)	Jan-Sep 2013	jan-Sep 2014	Var%
Investments	450.3	546.3	21.3%

Note: The investment in TGP, Gasoducto del Sur Peruano and TAP are included in 2014 figures.

Operating figures (GWh)	Jan-Sep 2013	Jan-Sep 2014	Var%
Transported gas demand	290,512	289,028	-0.5%

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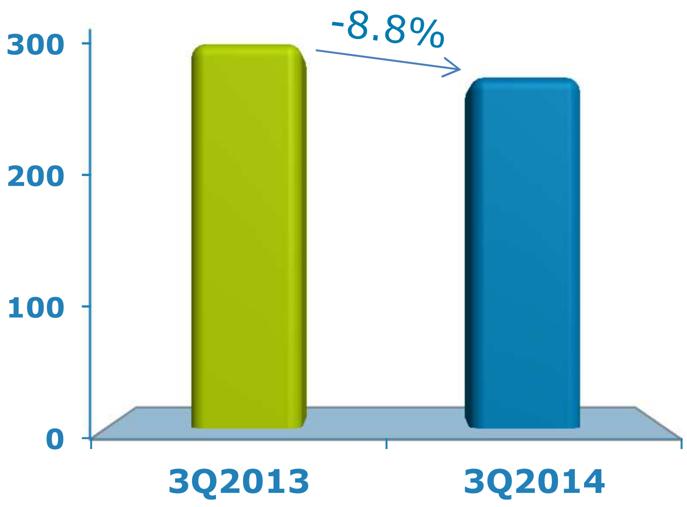
Results analysis June-Sept 2014

Proforma data, integrating BBG in 2013 by the equity method

Regulated revenues (M€)



Impact of gas reform in 3Q2014 regulated revenues (-27M €)

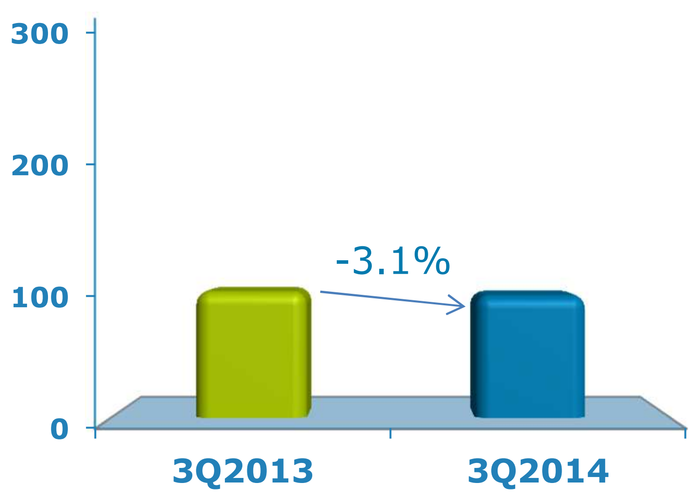
Adopted measures 3Q

Boosting efficiency plan that will allow operating costs reduction of €5M in 2H2014

€13M of lower amortization (Due to the extension of regulatory life for pre 2008 transport assets)

Additional contribution of international investments by the equity method

Net profit (M€)



The impact on regulated revenues in the third quarter is in line with the regulatory impact on revenues announced -120M € / year average for the first regulatory period 2014-2020

2014 January – September investments

Spain

- **Investments in Spain €99.6M**

International

- **International investments (Equity) €446.7M**

The Company has fulfilled the investment target for 2014

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Trans Adriatic Pipeline (TAP): Criteria fulfillment

Trans Adriatic Pipeline

Acquisition details:

- **Enagas stake: 16%**
- **Greenfield project**
- **Beginning of the construction:2016**
- **Coming into operation in 2020 and contribution from that year on Enagás accounts by the equity method**

Criteria	Details
✓ **Core Business**	• 871 km pipeline that will connect Greece, Albania and Italy. • Designed to supply natural gas from the Caspian Sea to Europe, the project is part of the Southern Gas Corridor, key to European energy security • 115 km offshore pipeline across the Adriatic Sea.
✓ **Governance**	• Shareholders: BP (20%), Socar (20%), Statoil (20%), Fluxys (19%), Enagas (16%) and Axpo (5%) • Enagas participation in decision-making
✓ **Risk profile**	• Offtakers, including high credit rating TAP partners • Included as a Project of Common Interest (PCI) of the European Union in October 2013 as it is key for the integration of European gas market • Agreements with countries of transit (Greece, Albania and Italy)
✓ **Returns**	• In line with the required returns on international investments
✓ **Partners**	FLUXYS, bp, SOCAR, Statoil, axpo

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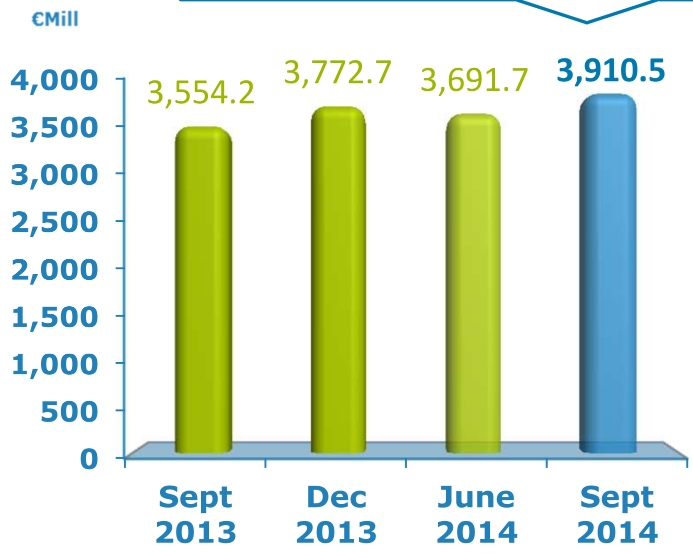
Enagas announced its participation in the project on September 30, 2014

Financial structure and liquidity

Net Debt

Increase in debt due to investments in Gasoducto del Sur, TAP and the dividend paid in July.

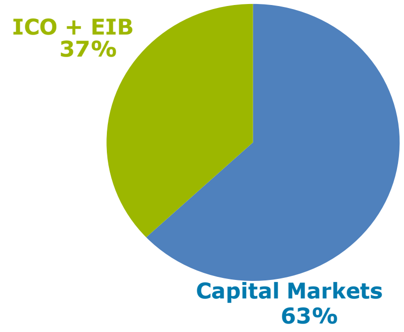


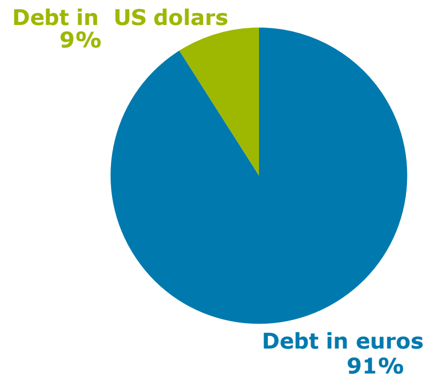
Leverage & Liquidity

	September 2013	September 2014
Net debt/Ebitda* adjusted (Last 12 months)	3.5x	3.8x
Net cost of debt	3.0%	3.1%
Leverage ratio	62.4%	63.5%
Liquidity	€2,491M	€2,347M
Available lines	€950M	€1,597M
Cash	€1,541M	€750M

(*) EBITDA adjusted by dividends received from subsidiary companies

Type of debt





In September, Standard & Poor's affirmed the rating of the Company (BBB) and its stable outlook

January-September 2014 natural gas demand

National demand

Conventional	*-9.7% vs Jan-Sept 2013*
Electricity sector	*-6.7% vs Jan-Sept 2013*
TOTAL	**-9.2% vs Jan-Sept 2013**

Transit through the Gas System

Exports	*-45.6% vs Jan-Sept 2013*
LNG Ship loading	*+93.8% vs Jan-Sept 2013*
Portugal Transit	*+19.6% Jan-Sept 2013*
TOTAL	**+42.9% vs Jan-Sept2013**

Transported gas demand **-0.5 % vs Jan-Sept 2013**

Royal Decree Law 13/2014 in relation with the underground storage of natural gas "Castor"

1

The Royal Decree declares null the Castor exploitation concession and establishes the hibernation of the facilities. Besides its administration is assigned to Enagas for its maintenance during the hibernation. **In no case the concession has been assigned to Enagas.**

2

Enagas will receive a remuneration from the Gas System for the performance of this maintenance work at the gas storage facility which is currently in hibernation and suspended.

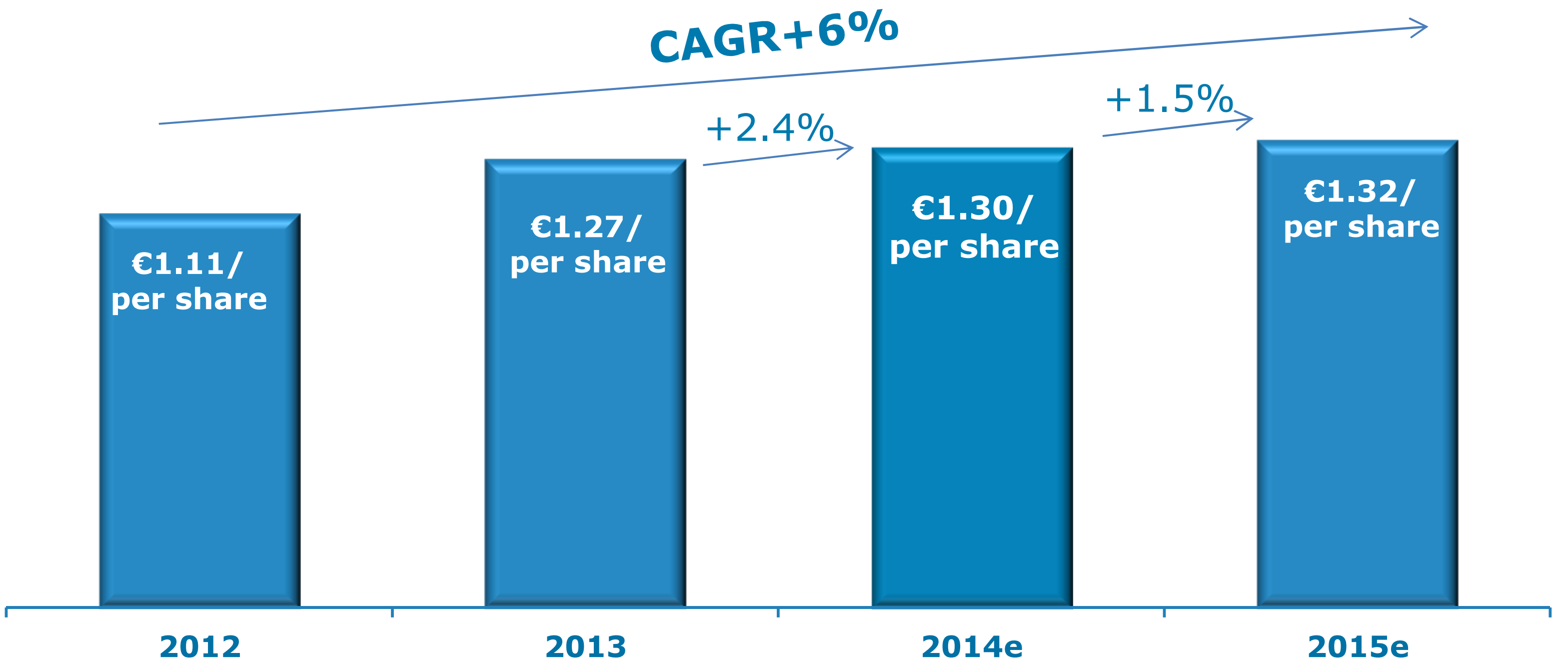
3

To Enagas this operation has a neutral financial impact: **no effect on the accounts**, does not increase the debt level and does not alter the investment targets.
Standard & Poor's and Fitch Ratings have published in their reports that there is **no impact on the ratings of the Company.**

4

The measures adopted in the Castor storage will bring significant **cost savings for the Spanish gas system** over the next 30 years while ensuring the safety of persons, property and the environment

Dividends



Maintaining annual dividend growth target in 2014 (+2.4%) and meeting the target set in the 2013-2015 strategic update

Note: The dividend per share aproved by the Company should be reatified by the Annual Shareholders Meeting, in accordance with Spanish Legislation.

Conclusion

1. Third quarter results are the first ones affected by the new regulatory framework and the impact on regulated revenues is in line with the expected average annual cut announced by the Company.

2. This impact on regulated revenues, as announced, has been buffered in net profit by the operating costs control, extension of the useful life of the assets and by the results from international investments.

3. The Company has fulfilled the investment target of 2014.

4. Enagas maintains the dividend growth target set in the 2013-2015 strategic update.

5. Enagas will present an update of the strategic plan once all the regulatory developments are in place.

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