1H 2014 Results

22 July 2014

2014 first half main figures

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

Income statement (mill€)	Jan-June 2013	Jan-June 2014	Var%
Total revenue	649.5	**638.4**	**-1.7%**
EBITDA	504.5	**507.3**	**0.6%**
EBIT	337.6	**338.9**	**0.4%**
Net profit	202.1	**209.9**	**3.9%**

Income statement Proforma (mill€)	Jan-Jun 2013	Jan-Jun 2014	Var%
Total revenue	626.6	**638.4**	**1.9%**
EBITDA	488.1	**507.3**	**3.9%**
EBIT	327.8	**338.9**	**3.4%**
Net profit	202.1	**209.9**	**3.9%**

Balance (mill€)	31 Dec 2013	30 June 2014
Total assets	7,210.6	**7,889.5**
Equity	2,118.4	**2,146.1**
Net debt	3,772.7	**3,691.7**
Liquidity	2,114	**2,475**

Other figures(mill€)	Jan-Jun 2013	Jan-Jun 2014	Var%
Investments	**356.8**	**419.1**	**17.5%**

Note: The figures of 2014 include TGP.

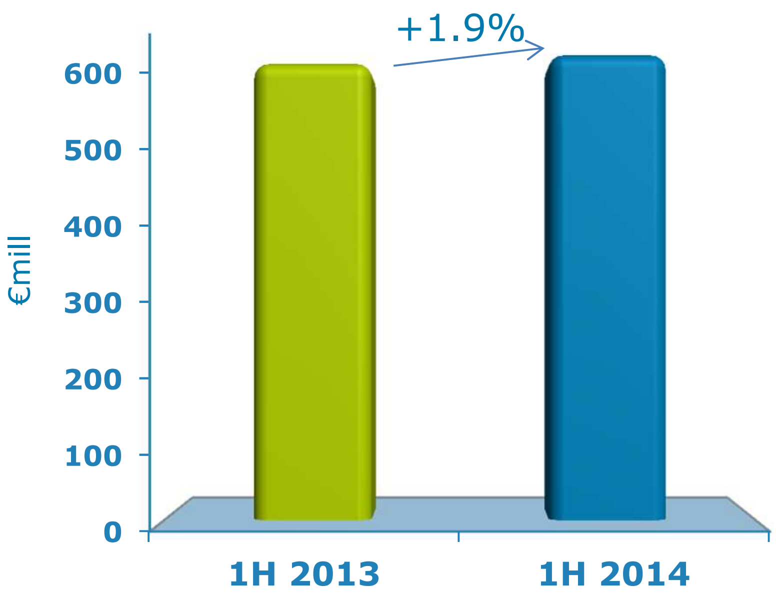
Operating figures (GWh)	Jan-Jun 2013	Jan-Jun 2014	Var%
Transported gas demand	201,342	**201,048**	**-0.1%**

Note: 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.

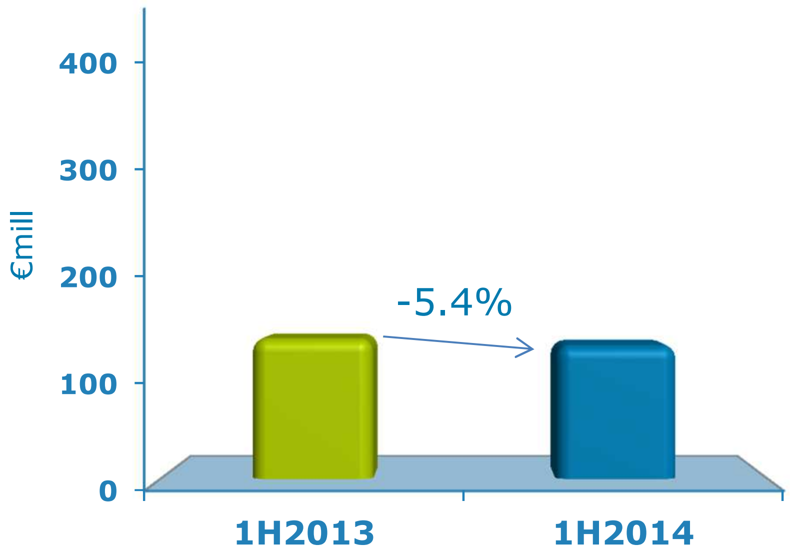
Operating efficiency first half 2014

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

Total revenue



Operating costs



Enagas is working on a set of measures to enhance the efficiency and cost savings

2014 January-June Investments

Spain

- **Investments in Spain: €36mill**

International

- **International investments: (Equity) €383mill**

TgP acquisition, amounting € 376M, along with the rest of the investments done this semester, implies meeting the investment objective for 2014

TgP & COGA acquisitions : Criteria fulfillment

Acquisition details:

- **22.38% of TgP: 373M€**
- **Agreement with CPPIB for the subsequent sale of 2.38% and acquisition of the 30% of COGA (responsible for the operation and maintenance of the Transport System of TgP)**

Core Business	• TGP connects the Camisea gas fields (85% of Peruvian reserves) with the industrial centers of Lima and Pisco • Strategic Pipeline 729 Km+ Strategic poliduct 557 Km (Carries 95% of gas in Peru)
Governance	• Board • Management/Operation • Veto • Joint control
Risk Profile	• Ship or pay long-term contracts with high credit rating clients. (Perú LNG, Calidda, Edegel, Kallpa y Enersur) • Net debt/ EBITDA 2013: 2.6x • TgP debt is mainly composed of $ 850m bond with a coupon of 4.25% maturing in 2028. Rating: BBB + (S&P) / BBB (Fitch).
Returns	• In line with the required returns on international investments • Cash flows in dollars • Sales guaranteed by ship or pay contract
Partners	CPP Investment Board, SK energy, Sonatrach, Gaz de France Suez

The TgP acquisition will contribute positively to Enagas P&L from April.

Gasoducto del Sur Peruano: Criteria fulfillment

Acquisition details:

- **Enagas participation: 25%**
- **Equity: 250M$ to be paid in 5 years**
- **Greenfield project 56 months of construction and 34 years of concession**

✓ Core Business

- GSP will transport natural gas from the Camisea field in Cuzco to the coast of the country in Ilo, so it will cover the regions of Cuzco, Puno, Arequipa, Moquegua and Tacna
- Strategic pipeline 1,000 kilometers and a diameter of 24-32 inches
- Enagas will perform the operate and maintenance works.

✓ Governance

- Shareholders: Enagás 25% Odebrecht 75%
- Board
- Veto
- Position of significant influence
- Enagás will appoint the COO and the responsible for control and management of the concessionaire

✓ Risk profile

- Revenue with guarantee mechanisms
- Ship or pay contract under regulated long-term tariffs with high credit quality offtakers .
- Turnkey contract. Enagás has no risk in the EPC

✓ Returns

- In line with the required returns on international investments
- Cash flows in dollars

✓ Partners

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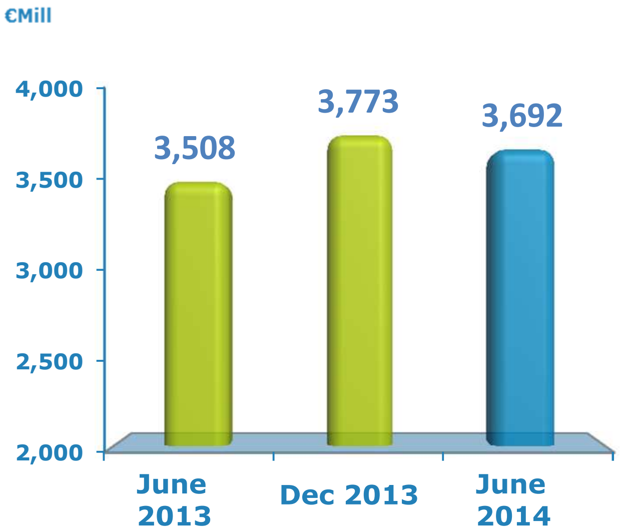
Project awarded on June 30, 2014

Financial structure and liquidity

Net debt

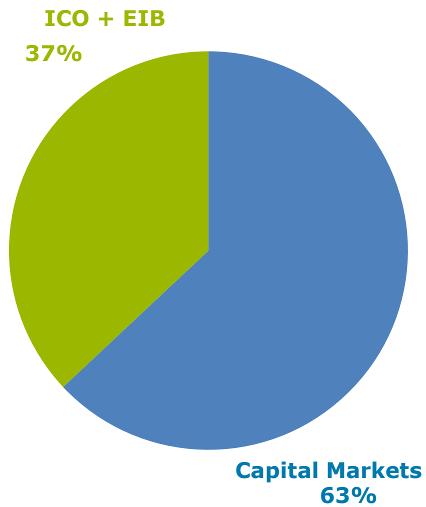


Leverage & Liquidity

	June 2013	June 2014
Net Debt/EBITDA (Last 12 months)	3.5x(*)	3.6x
Net cost of debt	2.9%	3.1%
Leverage ratio	63.2%	63.2%
Liquidity	€2,575 mill	€2,475 mill
Available lines	€959 mill	€1,570mill
Cash	€1,615 mill	€905 mill

(*) Net debt / EBITDA 2013 proforma (without BBG and Altamira) is 3.6 x

Type of debt



First semester gas demand

National demand

Conventional	*-12% vs 1H2013*
Electricity sector	*-12% vs 1H2013*
TOTAL	**-12% vs 1H2013**

Transit through the Gas System

Exports	*-41% vs 1H2013*
LNG Ship loading	*+191% vs 1H2013*
Portugal Transit	*+19% vs 1H2013*
TOTAL	**+72% vs 1H2013**

Transported gas demand **-0.1% vs 1H 2013**

Rational of the natural gas reform

1

Stability and Predictability

✓ New regulatory framework solves the incipient tariff deficit issue
✓ 6-year regulatory periods. First ends in 2020

2

Transparency

The new Royal Decree establishes a new remuneration methodology unique for all gas transmission assets

3

Sustainability

✓ Mechanisms have been established to minimize differences between income and expenses
✓ Introduces the principles of economic and financial sustainability

4

Adapted to current economic environment and maturity Spanish Gas System

✓ Focus on increasing use of current infrastructure
✓ Lower focus on investments, more on system quality
✓ Provide enough returns

5

Eficiency and competitiveness

Main goal to reduce the final energy price in Spain, increasing competitiveness of Spanish companies

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Enagas measures to reduce impact on Net Profit

Operational efficiency

- Continue with the efficiency plan 2014-2020
- Value creation through operating efficiency

Investment plan

- New investments in Spain (Gascan, international connections)
- International development focused in our five strategic criteria
- Profits from international investments will start to grow significantly in 2015-2016

Amortization

- Lower A&D (extension of regulatory life pre 2008 transport assets)

Financial discipline

- Commitment to maintain strong investment grade
- Average debt maturity of at least 5y
- 70% of fixed/protected interest rates
- Strong liquidity profile

Tax reform

- Potential positive impact

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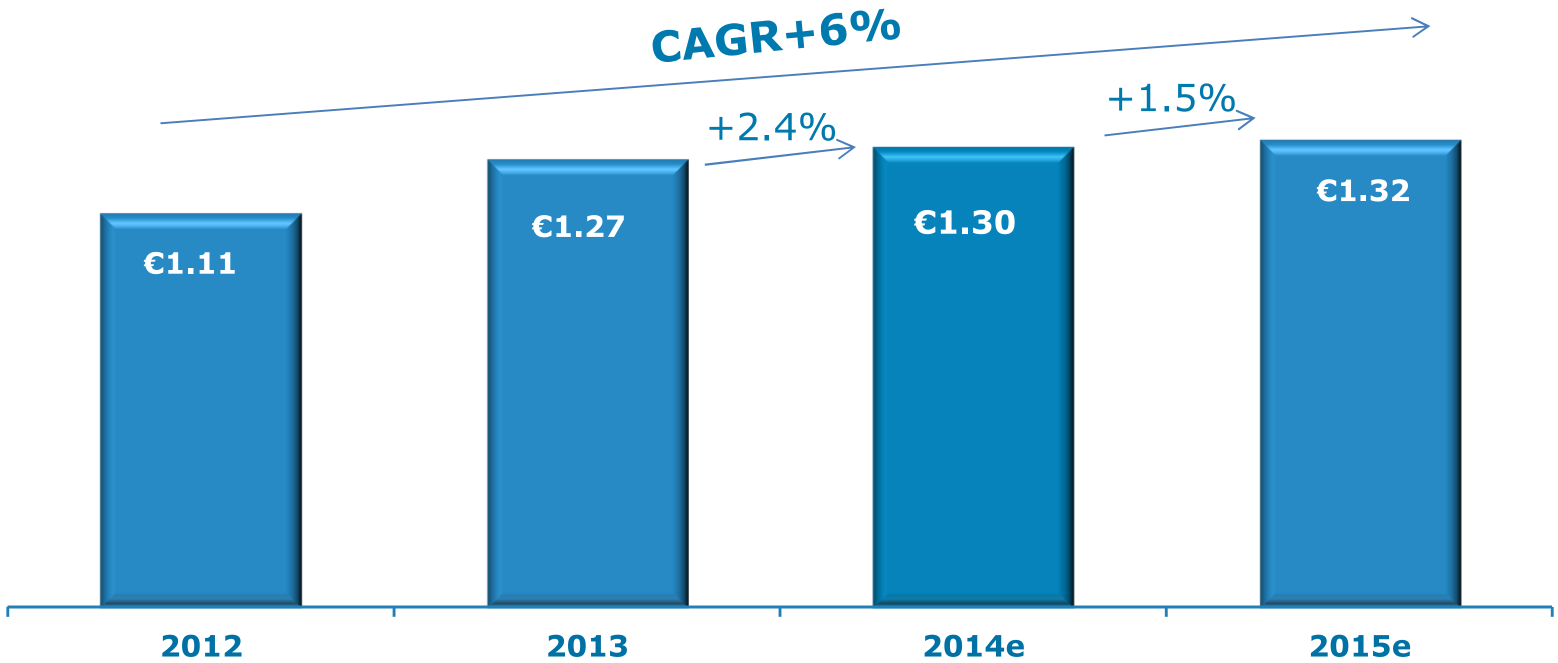
Regulatory impact on revenues (€-120mill) will be buffered in Net Profit through opex control, lower D&A and profits from international investments

Dividend per share evolution



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

After the analysis of the natural gas reform, both rating agencies, S&P and Fitch, reaffirmed the ratings of the Company (BBB/A-)

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Note: The estimated dividend per share by the Company shall be submitted for approval at the General Meeting, in accordance with the Spanish corporate law.

Conclusion

1. New regulatory framework provides stability and predictability to the system solving the incipient tariff deficit issue

2. Regulatory impact on revenues (€-120mill) will be buffered in Net Profit through opex control, lower D&A, international results…..

3. The Company maintains the dividend growth target set in the 2013-2015 strategic update

4. Enagas will present an update of the 2013-2015 strategic plan in 4Q2014 once all the regulatory developments are in place

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