1H2018 Results

17 July 2018

1H2018 Key Figures

Key figures
P&L (G. Integration)

- *EBITDA* **€545.2M (+1.7%)**
- Net Income **€219.8M** (+1% without including the accounting effect of the revaluation of Quintero in 2017)
- Contribution to net profit from equity affiliates **21.2%** (including GNL Quintero)

Key figures
Cash Flow (G. Integration)

- *Operating Cash Flow* **€556.3M (-8.0%)**
- Investments **€102.1M** (87% international investments, mainly from TAP 35.2M€)
- *Free Cash Flow* **€454.2M (+12.8%)**

Key figures
Balance Sheet & leverage ratios

- Net Debt (G. Integration) **€4,554M** (Net cost of debt 2.7%; 454M€ of deleveraging regarding December 31, 2017)
- Net Debt (Stand Alone) **€3,899M** (Net cost of debt 2.2%)
- FFO/ Net Debt (Int. Global) **17.7%**
- FFO/ Net Debt (Stand Alone) **18.6 %**

National gas demand

- National natural gas demand as of June 30, 2018 **+5.9%**
- Conventional demand (Industrial + residential & commercial demand) **+7.8%**

Results in line to reach the annual target

Growth in line to reach the targets set for 2018 (G. Integration)

Income Statement

€Mn	1H 2017	1H 2018	Var%
Total revenues	**688.0**	**683.2**	**-0.7%**
Operating expenses	-190.4	-188.3	-1.1%
Results from Affiliates	38.6	50.3	+30.6%
EBITDA	**536.2**	**545.2**	**+1.7%**
Amortization	-174.4	-185.3	+6.2%
EBIT	**361.9**	**360.0**	**-0.5%**
Financial results	-17.8	-65.8	+269.4%
Corporate Income tax	-66.0	-64.0	-3.1%
Minority interests	-8.9	-10.4	+15.9%
Net profit	**269.1**	**219.8**	**-18.3%**

Net profit growth stand alone
1H2017/1H2018 +1%

1H2018 EBITDA in line to reach the expected annual target set 1,073M€

EBITDA increase due to higher operating revenues that offset regulated revenues reduction.

Lower operating expenses impacted by expenditure control and different scheduling that will have no impact in the full year results.

"Amortization" includes the effect of valuation of certain assets that have been reclassified as "non-current assets held for sale", as explained 1Q2018.

1H2017 financial results include 52.4M€ for the revaluation of the holdings in GNL Quintero

Affiliate business contribution (Global Integration)

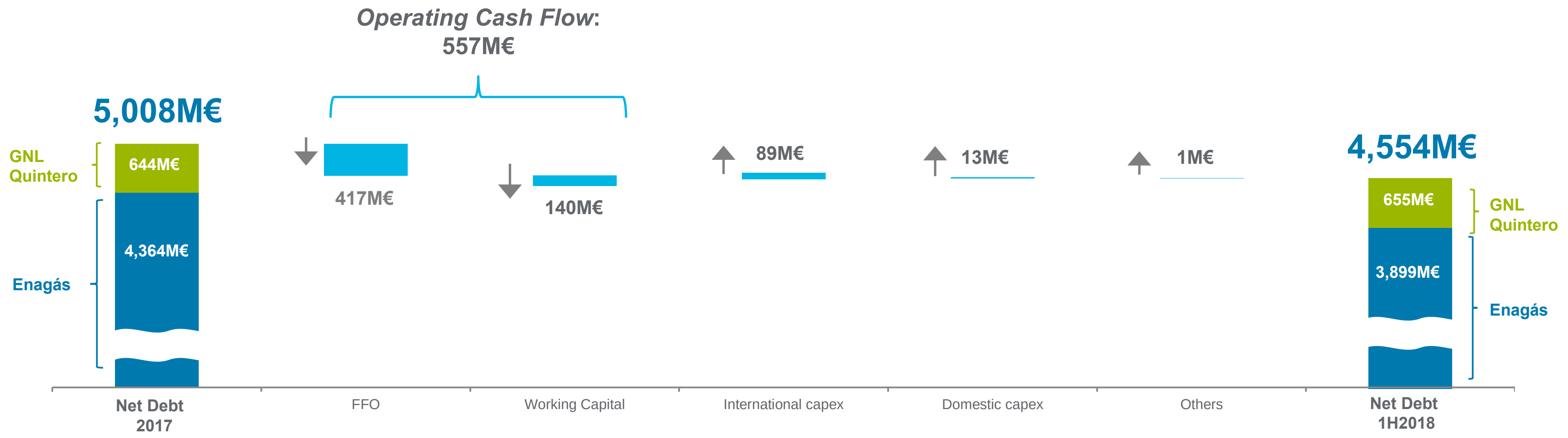
enagas

Contribution to Net Profit (€Mn)	1H 2017	1H 2018	Var.%
Brownfield contribution to EBITDA	41.7	51.5	+23.5%
Greenfield contribution to EBITDA	-3.1	-1.2	+61.3%
Results from Affiliates (Contribution to EBITDA)	**38.6**	**50.3**	**+30.6%**
PPA amortization	-12.7	-11.4	-10.2%
Results from Affiliates (Contribution to Net Profit)	**25.9**	**38.9**	**+50.2%**
GNL Quintero and Affiliates contribution to Net Profit	**12.6%**	**21.2%**	

44.3M€ Dividends from equity affiliates contribution to Global Integration FFO

Dividends from Affiliates in line to reach the 2018 target set **~120M€ (considering GNL Quintero)**

1H2018 Net debt evolution



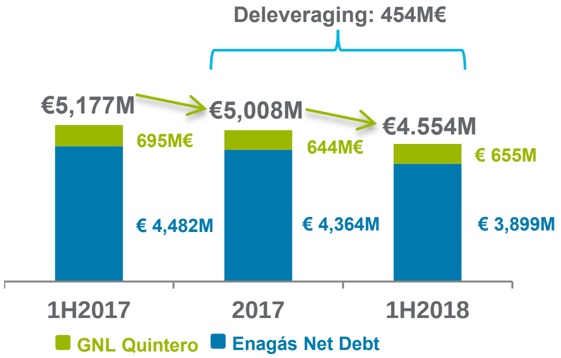
FFO / DN (I.G.): 17.4%

FFO / DN: 17.7%

1H2018 net debt reduction of **~ 454M€**

Financial structure

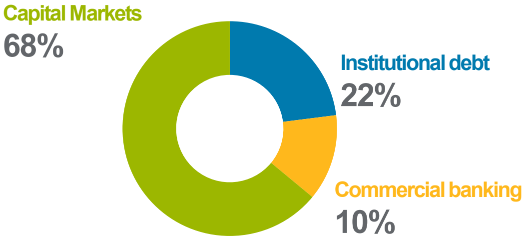
Net Debt (GNL Quintero included)

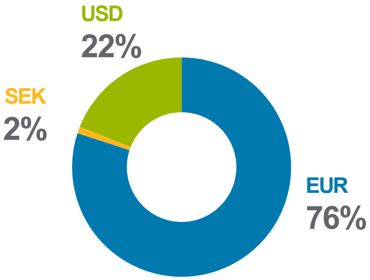


Leverage and liquidity	1H2017	2017	1H2018
Net Debt/Adjusted EBITDA (*) G. Integration	4.9x	4.4x	4.2x
Net Debt/Adjusted EBITDA (*) Stand Alone	4.5x	4.4x	4.1x
FFO/Net Debt G. Integration	15.9%	17.4%	17.7%
FFO/Net Debt Stand Alone	17.2%	17.8%	18.6%
Net cost of debt G. Integration	2.8%	2.7%	2.7%
Net cost of debt Stand Alone	2.3%	2.2%	2.2%
Liquidity G. Integration	€2,899M	€2,484M	€2,850M

(*) EBITDA adjusted for dividends received from affiliates

Types of debt (stand alone)

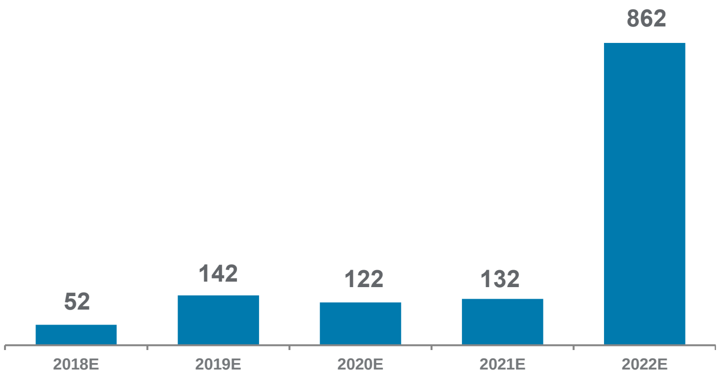




Fixed-rate debt higher than 80%

Financial policy

Enagás debt maturity profile stand alone (€Mn):



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

GNL Quintero Debt ($Mn)

	GNL Quintero Bond
Rating S&P	BBB (*Strong Business Risk Profile*)
Issue	Bono 144A *unsecured* **without recourse to shareholders**
Amount and coupon	1,100M$ (4.634%)
Maturity	July 2029
Amortization	Half-yearly depreciation, beginning in July 2021
GNL Quintero Cash 30 June 2018	373M$

No significant maturities until 2022

Trans Adriatic Pipeline (TAP)

- Progress currently exceeds 74%, without any deviations from the schedule (roll-out planned for 1Q2020).
- All the necessary permits have been obtained in Albania and Greece.
- Permits required for the construction of the micro-tunnel and the onshore section in Italy have been obtained.
- TAP maintains highly advanced contacts with the Italian government to obtain the last permits.
- The European Bank for Reconstruction and Development has approved granting €500 million financing to the project. A few months ago, The European Investment Bank also approved some 1,500 million financing to the project. Both decisions, EBRD and the EIB, are important milestones in TAP's financing process, whose financial closure is expected to be reached in 2018.
- As of 30 june 2018, Enagás had invested €524 million in the TAP project. Enagás' final investment in TAP will be aproximaly €270 million.
- TANAP, the gas pipeline that precedes TAP, is already in operation and currently supplying natural gas to the Turkist Market.

Gasoducto del Sur Peruano (GSP)

- On the 2nd July last, Enagas has filed a request for arbitration against the Republic of Peru before the ICSID, regarding a dispute involving its investment in GSP, under the terms of the Agreement for the Promotion and Reciprocal Protection of Investments signed between the Republic of Peru and the Kingdom of Spain ("APPRI Peru-Spain").

- After (6) six months of direct negotiation, prior to an arbitration, without having been reached an amicable agreement about the existing dispute, it has led the Company's decision to start an international arbitration.

- The Company is still confident that an agreement will be reached to end the arbitration started and to this purpose, it remains at the disposal of the Republic of Peru to enter the necessary negotiations to reach an amicable solution.

- Based on expert reports and analyses performed by its legal and financial external advisors, the Company currently believes it would recover its investment in GSP within an estimated period of 3 years.

International investments

Rating agencies are analysing Enagas´ business risk profile and the contribution of the international business to the Group´s risk profile. About this, S&P evaluates Group´s business risk as "Excellent".

2011-2017 Track record

- *Brownfield investment:* **~ 1,300M€** (including GNL Quintero)
- *Brownfield dividends 2017* (including GNL Quintero): **125.1M€** (Dividend yield ~10%)
- *Equity Affiliates contribution* to Net Income 2017 **19.6%** (including GNL Quintero)

1H2018 Results

- *Equity Affiliates contribution to* Net Income **21.2%** (including GNL Quintero)
- *Dividends from equity affiliates in line to reach the planned 2018 target* **~ 120M€** (including GNL Quintero)

International investments

- Those investments made in the international field and the acquisition of assets in 2016 and 2017 have almost reached the total amount established as target in the Strategic Plan.
- International investments have slowed down due to the high price of the assets.
- Enagas has continued analysing new investment opportunities in those countries where the Company is already investing, taking into account the investment criteria established.
- Nowadays, Enagas is studying different projects in Morocco, although they are all in an initial phase.
- If new investments were accomplished, the earnings growth target established to reach in 2020 would be increased.

Rating agencies

S&P and Fitch have reaffirmed Enagás' "A-" rating, confirming the high credit quality of the Company, which has one of the best ratings in the Spanish market.

FitchRatings

- Last 7 of June, Fitch rating agency, in its annual review, has reaffirmed the long term rating of Enagás, currently at “A-“ with Stable Outlook.
- The “F2” short-term corporate credit rating was also affirmed.
- The rating agency highlighted in its report the strength of our business, the growth in gas demand and the balance in the Gas System, which are in favor on the stability of the current regulatory framework 2014-2020.

STANDARD & POOR’S

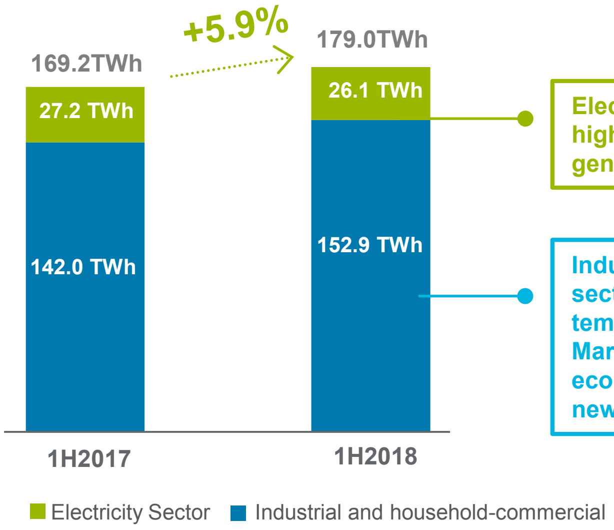
- On 19 June 2018, Standard & Poor’s Agency, in its annual review, has reaffirmed the long term rating of Enagás, currently at “A-“ with Negative Outlook.
- The “A-2” short-term corporate credit rating was also affirmed.
- The rating agency highlighted in its report the financial discipline and the commitment to maintain the credit quality of the Company. It also mentions the predictability of the cash flows (FFO), as well as the rigorous control of operating and financial costs.
- S&P comments on the positive evolution of the demand for natural gas in Spain and the sustainability of the Spanish gas system.
- The rating agency awarded the highest rating (Excellent) to the quality of Enagás' business and highlighted the Company's solid liquidity position.

Natural Gas Demand

Gas demand for the industry represents around 60% of the total natural gas demand in Spain

At present, this energy is irreplaceable for its power (high calorific value) and versatility.

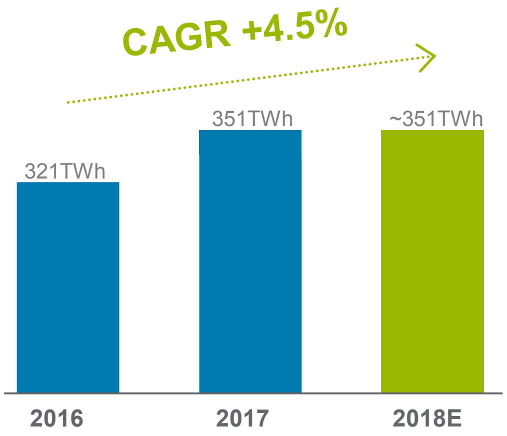
1H2018 natural gas demand trend



Electricity sector: -4.0% due to a higher renewable sources generation in 2018

Industrial and household-comercial sector: +7.8% caused by colder temperatures during February and March, growth of the Spanish economy and the incorporation of new clients.

Natural gas demand growth



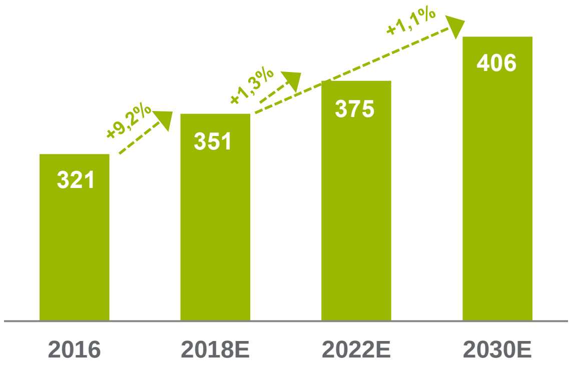
Source: Enagás GTS

LNG cisterns included in the industrial demand

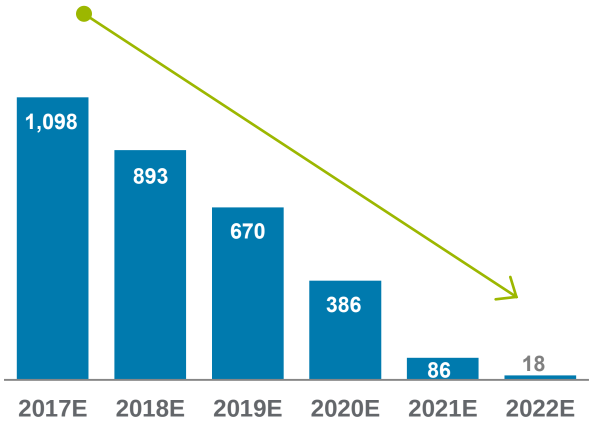
Gas System Balance

Since 2014, natural gas demand in Spain is growing above 5% in annual terms

Gas demand evolution (TWh)



System debt recovery (€Mn)



From 2018 onwards, the System will have a net annual surplus that allows to pay the outstanding debt earlier than expected

Source: Enagás GTS

Energy transition and decarbonization contribution

Enagás is working on non-electric renewable energy projects, developing energy efficient solutions and promoting the use of natural gas in vehicular transport with the aim of contributing to an improvement of air quality, moving towards a low carbon economy and reducing the cost of the energy transition.

RENEWABLE GAS
hydrogen, biogas and biomethane

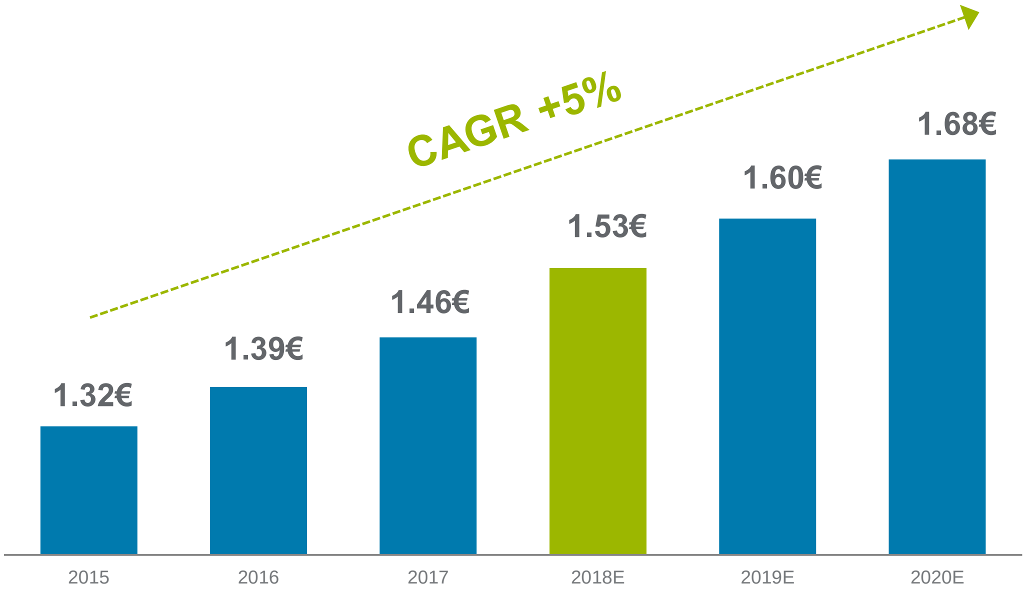
VEHICULAR NATURAL GAS
maritime and heavy transport

ENERGY EFFICIENCY
cold use

Spanish gas system infrastructures are already prepared for transport renewable gas without requiring further investment

Shareholder remuneration

The company's financial strength guarantees our dividend growth commitment +5% CAGR 2016-2020



On July 5, 2017, Enagás paid the 2017 complementary dividend of €0.876/share, representing a total dividend of €1.46/share charged to 2017

Sustainability

Enagás maintains its leadership in the main sustainability indexes, having received the following updates:

Enagás has been reconfirmed as a constituent of **MSCI ACWI ESG Leaders Index**, maintaining its **rating AA**

Enagás has been reconfirmed as a constituent of **Euronext Vigeo Eiris Europe 120** and **Euronext Vigeo Eiris Eurozone 120**

Enagás has signed the following commitments:

Enagás has joined the global gender equality campaign **Equal by 30** to promote **women leadership** in the clean energy sector

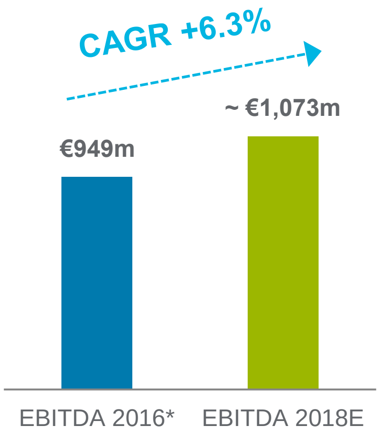
Enagás has signed the commitment to adopt the **Guiding principles for reducing methane emissions across the natural gas value chain**

Enagás has obtained the following awards

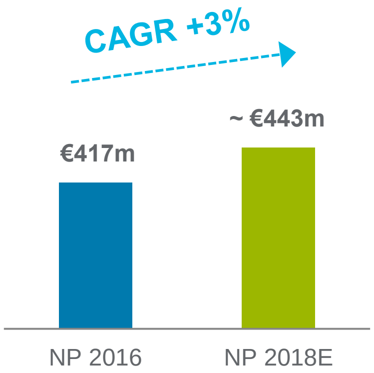
- Enagás has received the **'Top 100 Global Energy Leaders'** award from Thomson Reuters
- Enagás commitment with innovation and environmental respect has been awarded by economic media **Merca2** and **Bloomberg**
- **Cartagena Port Authority** has provided Enagás with its VII Environmental Award, recognizing its energy efficiency plan

2018 Targets

EBITDA growth

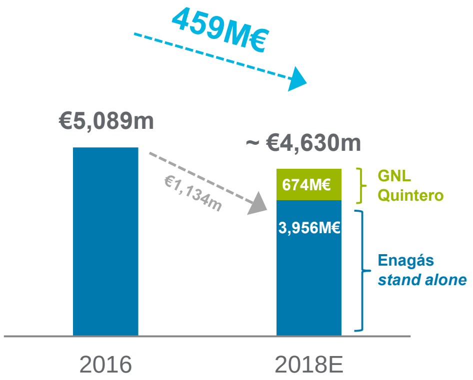


Net profit growth in line with 2016-2020 target



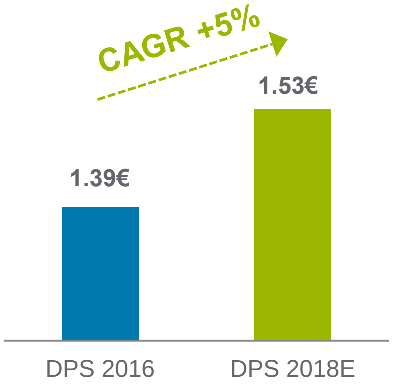
Net profit Growth stand alone 2017/2018 +1%

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
Note: 1€ = 1,13USD
(*) 2016 EBITDA adjusted by the new reporting criteria, including the contribution of affiliates in the operating profit.

Conclusions

- 1H2018 results are in line with the targets set for the period and the year 2018
- Solid cash flow generation and continuity of deleveraging of the company
- 1H2018 contribution to net profit from equity affiliates and GNL Quintero up to 21.2% from 12.6% reach at the first half of 2017
- Natural gas demand growth in the first half of 2018 was +5.9%
- From 2018 onwards, the gas system will generate an accumulated operating surplus. Therefore, no additional debt will be generated and the debt will be paid year by year
- Fixed net debt above 80%, with no significant debt maturities until 2022
- In its 2018 anual review, Fitch and S&P have reaffirmed Enagás rating “A-”
- Strong commitment to decarbonisation and energy transition objectives

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