enagas

9M2019 Results

22 October 2019

Index

Key aspects from 9M2019 Results

9M2019 Results better than expected

Good performance from affiliates, which at the end of September represented 29.5% of net profit

Record of natural gas demand in the last decade:

294TWh (+16.9%)

9M2019 Main Highlights vs 9M2018

Main highlights P&L

- EBITDA **€767.1M (+6.9%)**
- Net Profit **€333.1M (+2.3%)**
- Affiliates' contribution to net profit **€125.5M** (representing 29.5% of the net profit)

Main highlights Cash Flow

- Funds from Operations (FFO) **€636.2M (+12.0%)**
- Net investments **€756.5M** (mainly in Tallgrass)

Net Debt

- Net Debt **4,234M€**
- Financial cost **2.1%**
- Fixed-rate debt higher than **80%**
- Non significant debt **maturities** until **2022**

Domestic gas demand

- National natural gas demand at 30 September 2019 **+16.9%**
- Industrial demand at 30 September 2019 **+3.0%**
- Electric generation demand at 30 September 2019 **+98.8%**

Income statement

M€	9M2018(1)	9M2019(2)	Pro forma GNL Quintero by Equity method 9M2018	Pro forma GNL Quintero by Equity method 9M2019	Var. %
Total revenue	**1,012.5**	**904.1**	**884.0**	**872.4**	**-1.3%**
Operating expenses	-278.6	-236.1	-254.8	-230.9	-9.4%
Results from affiliates	70.5	120.6	88.1	125.5	+42.4%
EBITDA	**804.4**	**788.6**	**717.4**	**767.1**	**+6.9%**
Amortisation and depreciation	-251.4	-240.9	-212.2	-231.7	+9.2%
PPA	-17.0	-25.9	-23.0	-27.2	+18.1%
EBIT	**536.0**	**521.9**	**482.1**	**508.2**	**+5.4%**
Financial results	-98.5	-95.9	-69.6	-89.4	+28.4%
Corporate income tax	-96.3	-87.7	-86.5	-84.9	-1.8%
Minority interest	-15.5	-5.1	-0.8	-0.7	-7.0%
Net profit	**325.7**	**333.1**	**325.2**	**333.1**	**+2.3%**

Decrease in operating expenses (€25.9M) due to impact of the IRFS 16 accounting standard.

(i) Tallgrass contribution from April 2019
(ii) Positive impact from the purchase of Desfa in December 2018
(iii) Better contribution of GNLQ and TGP

9M2018 includes a non-recurring effect on depreciation and amortization of € 19M.

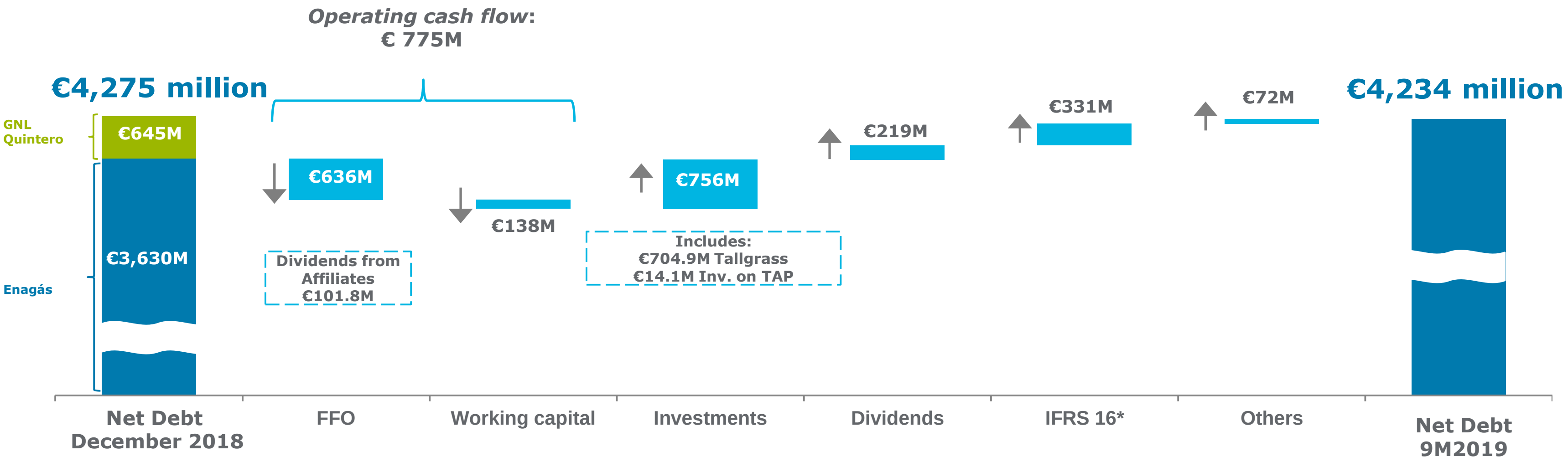
9M2019 includes the impact of applying the IFRS 16, which represents an increase on depreciation and amortization of €20.6M, as well as a non-recurring impact of € 26.7M.

9M2019 mainly includes higher financial expenses of €4.5M upon IFRS 16 and the financial expense associated with Tallgrass financiation of € 8.3M.

9M2019 results better than expected.

(1) GNL Quintero reported under the global integration method
(2) GNL Quintero reported according to the global integration method until February 2019 and has been reporting under the equity method since March.

Cash Flow and net debt evolution



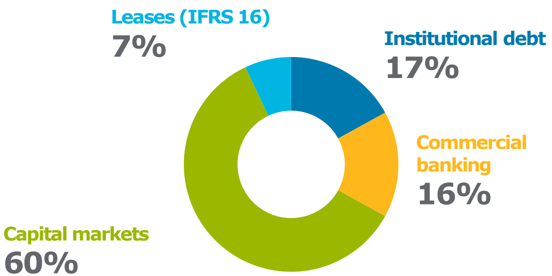
* Accounting effect of the application of IFRS 16 since January 2019

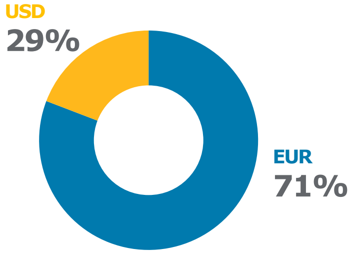
Financial structure

Leverage and liquidity	9M2018	2018	9M2019	9M2019 (1)
	Pro forma GNL Quintero by Equity method			
Net debt (*)	4,021M€	3,630M€	4,234M€	4,234M€
Net debt/Adjusted EBITDA (**)	4.0x	3.8x	4.3x	4.0x
FFO/net debt	17.5%	20.0%	18.7%	19.6%
Financial cost of debt	1.9%	2.0%	2.1%	2.2%
Liquidity	2,406M€	2,467M€	2,268M€	2,268M€

1) Includes two-month global consolidation of GNL Quintero
(*) 2018 Stand-alone net debt
(**) EBITDA adjusted for dividends received from affiliates

Debt type





Fixed-rate debt higher than 80% and without significant debt maturities until 2022

Current ratings (S&P: BBB+ Fitch: A-)

Index

Trans Adriatic Pipeline (TAP)

The overall progress of the project reached 89.3% and commercial operation is expected to begin in 2020

- The project's progress is currently **89.3%** and therefore on schedule.
- **Permits in Italy:** On 6 September, the approval to the extension of the Environmental Impact Statement of the Project was obtained by the new Italian government, pending the permits associated with the laying of the offshore pipeline.
- **Gas commissioning activities** are expected to begin in **Greece and Albania** during Q4 2019.
- The **positive result** of the non-binding phase of the **"market test"** launched by TAP on 1 July, shows the market interest in this infrastructure in view of an eventual expansion of its capacity up to 20 bcm, from the current capacity of 10 bcm.
- Until the project commissioning, Enagás will contribute a further €24 million in capital to TAP.

Gas commissioning activities are expected to begin in Greece and Albania during Q4 2019

Gasoducto del Sur Peruano (GSP)

- On 2 July 2018, Enagás lodged a request with the ICSID for arbitration against the Peruvian State concerning the dispute related to its investment in GSP, under the terms of the agreement on marketing and mutual protection of investments as entered into between the Republic of Peru and the Kingdom of Spain (APPRI Peru-Spain).

- Once the ICSID admitted the arbitration request for processing, the procedure follows its ordinary course. **The arbitration panel is currently constituted and the first hearing with the parties took place in September in Washington.**

- **The arbitration panel has issued the First Procedural Order in which a precise procedural calendar is established** for the different phases of the procedure: (i) statements of complaint and answer to the complaint, (ii) reply, (iii) rejoinder, (iv) taking of evidence and (v) hearing. At present, the procedure is in the phase of preparation by the parties of the statements of complaint and answer to the complaint.

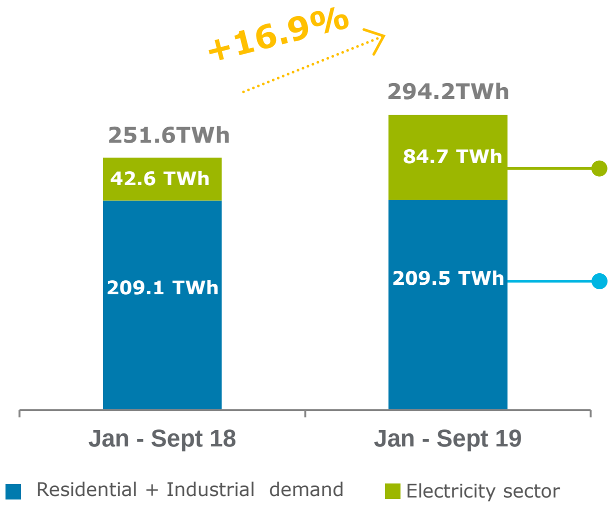
- **According to the procedural calendar** approved by the arbitration panel, the legal advisors consider that the arbitration award that ends the arbitration procedure **should be issued in 2022.**

- The Company hopes to reach an agreement that terminates the arbitration procedure and thus remains available to the Peruvian State to initiate the necessary contacts aimed at reaching an amicable settlement.

Index

Natural gas demand

2019 natural gas demand evolution

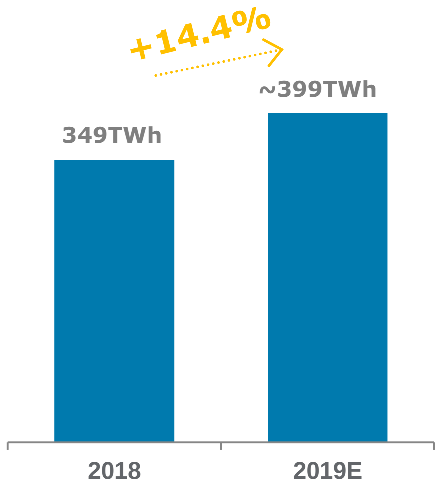


Electricity sector: +98.8%
Lower hydropower generation and greater share of the combined cycles in the thermal gap

Residential + Industrial demand:
Industrial demand, **+3%** due to the good performance of the Spanish economy

Source: Enagás GTS

2019 natural gas demand estimation

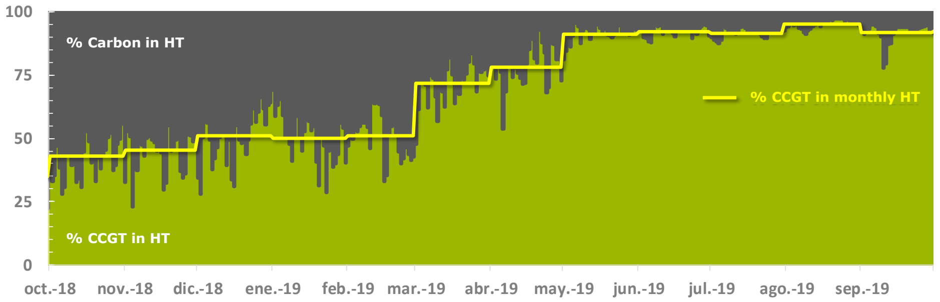


The natural gas demand in Spain this year so far is the highest in the last decade

Reduction of CO_2 emissions

The decline of international natural gas prices and the increase of the price of CO2 emission rights has leaded to a competitive advantage situation for natural gas against coal in electricity generation.

Thermal gap



% of Combined Cycles in the thermal gap

	Gas	Coal
2018	44%	56%
2019	80%	20%

The replacement of coal by natural gas has been the main factor that has led to a 20% (-7 MMtCO2) reduction in CO2 emissions in the power generation mix with respect to the same period last year

Higher contracting and use of infrastructure

The current price and liquidity situation of the global natural gas market is boosting the use of Enagás' infrastructure and highlighting the flexibility of the Spanish Gas System

- 9M2019 regasification levels are +71% higher than the average for the last 5 years.
- LNG stocks in tanks will reach the system's technical maximum by October.
- Storage capacity contracts currently stand at 93%.

Guaranteed security of supply
Supply of natural gas in the system at competitive prices

Index

Processing of the transport and regasification remuneration circulars

- Enagás has submitted the allegations which include reasonable and constructive technical measures that encourage efficiencies in the network management and productivity improvement, aligned with the role that PNIEC has reserved for gas infrastructures in the energy transition process.
- At present, allegations are being analysed by the CNMC and, according to the last news, will be discussed in the Plenary of the CNMC soon.
- It is expected that in the coming weeks the Plenary of the CNMC will send the proposal of circulars to the Ministry of Economy and Business, so that it can be sent to the State Council for a mandatory and non-binding report.
- Enagás will be aware of this new regulatory proposal when it arrives at the State Council and it will have access to the file.
- On the other hand, the new compensation proposal regarding the financial retribution has been already approved by the CNMC and it has been sent to the State Council for a report.
- According to the calendar announced by the CNMC, before 31 December 2019, the Plenary of the CNMC will approve and publish in the State Official Bulletin the final Circulars.
- The new compensation framework will enter into force on 1 January 2021.

Index

Sustainability - Dow Jones Sustainability Index 2019

Results obtained in the last revision of **Dow Jones Sustainability Index World** (DJSI), a benchmark index worldwide in terms of sustainability, implies a recognition to the **firm commitment of the Company to sustainability.**

MEMBER OF
Dow Jones Sustainability Indices
In collaboration with SAM a RobecoSAM brand

The **DJSI** has assessed 2,500 companies and has chosen the 320 most sustainable to be listed. Only 15 of them are Spanish.

For the **twelfth consecutive year** Enagás maintains its leadership, highlighting the rating in the **Dow Jones Sustainability Index World for the global leadership of its sector** (**Oil & Gas Storage & Transportation**) with 85 points out of 100.

Enagás is **Leader in 11 out of 19 areas analysed:**

ENAGÁS LEADERSHIP AREAS

Risk and crisis management
Codes of conduct
Environmental reporting *
Climate change strategy
Environmental management policy and systems *
Eco-efficiency
Community-interest reporting
Human rights
Attracting and retaining talent
Occupational Health & Safety
Social impact in the community

Social dimension

Governance dimension

Environmental dimension

(*) Aspects with maximum score (100)

Index

Role of infrastructure and renewable gases in the energy transition (I/II)

Natural gas and renewable gases are indispensable competitive solutions for decarbonisation of the non-electric energy mix.

The use of existing gas infrastructure is essential to advance the energy transition at the lowest cost.

- In the long term to achieve a carbon neutral economy, electrification is limited both technically and economically.
- Therefore, it is necessary to promote renewable solutions for the decarbonisation of the non-electric energy mix, which today represents ¾ of our energy needs and will continue to be at least half of the future carbon neutral supply according to the European Commission scenarios for 2050.
- Renewable gases such as biomethane, synthetic methane and, mainly hydrogen, will be indispensable to achieve a carbon neutral economy (without ruling out other facilitating technologies such as the capture and use or storage of CO_2).
- Enagás promotes the use of gas infrastructures and the development of renewable gases as a way to gradually reduce emissions and improve air quality in a cost-efficient manner.

The energy transition requires an adequate, incentivising and predictable regulatory framework that supports implementing an investment plan with a focus on the decarbonisation objectives of the PNIEC

Role of infrastructure and renewable gases in the energy transition (II/II)

Renewable gases will provide the energy system of the future with the necessary flexibility and robustness, ensuring security of supply and enabling complete decarbonisation.

Renewable gases allow decarbonisation of all sectors, including those that are not susceptible to electrification.

- In the framework of the presentation of its Sustainability Strategy in 2030, the Technical Manager of the System has mentioned that hydrogen can play an important role in the path towards decarbonisation.
- Enagás is actively working on a Plan for the company for specific development of renewable gases and use of gas infrastructure as the ultimate safety net of the Spanish energy system, within the framework of the announced climate objectives.
- With a view to emission neutrality, hydrogen is positioned as the "closing vector" of the energy system, with unlimited potential, capable of allowing seasonal energy storage and meeting the demand of all sectors.

INDUSTRY

TRANSPORT

GENERATION

BUILDINGS

Enagás has approved the creation of a new subsidiary called EnaGasRenovable

EnaGasRenovable

Enagás has approved the creation of a new company 100% owned by Enagás SA, to invest in projects related to renewable gases, specifically with hydrogen and biogas-biomethane, mainly for seasonal energy storage and grid injection purposes .

enagas renovable

- Given its commitment to the energy transition and sustainability, Enagás is committed to non-electric renewable energy (biogas / biomethane and hydrogen) as new energy solutions that allow progress towards a more sustainable model of energy supply.

- Like other European gas companies, Enagás has been working for a long time to incorporate renewable gases into the decarbonisation process of the natural gas chain.

- The new subsidiary EnaGasRenovable will integrate the projects already underway based on renewable energy (among others, biogas / biomethane and hydrogen):
  - Power to Green Hydrogen Mallorca
  - Power-to-Gas projects currently under development
  - Joint ventures with major waste managers

Enagás is committed to a carbon neutral future

Disclaimer

This document could contain assumptions on the market, information from different sources and forward-looking statements regarding financial conditions, operating results and the business, strategy or plans of Enagás S.A. and its affiliates.

These assumptions, information and forward-looking statements are not guarantees of future profitability and entail risks and uncertainties, since the real outcomes could differ considerably from such assumptions and forward-looking statements resulting from many different factors.

Enagás, S.A. makes no guarantees regarding the exactness, integrity or accuracy of the information contained herein. This report should in no case whatsoever be construed as a promise or declaration of the past, future or present situation of the company or its group.

Analysts and investors are warned not to blindly rely on forward-looking statements entailing broad assumptions and subjective opinions that may therefore prove to be incorrect. Enagás makes no promise to either update the information or correct any inaccuracies contained herein, and shall not be held liable to publish the results of any revisions of such forward-looking statements to reflect events or circumstances occurring after the publication date of the present presentation, including yet not restricted to variations in the Enagás business or strategic acquisitions, or to reflect the influence of unexpected events or a variation in its measurements or assumptions.

Thank you very much