



1H 2016 Results

July 19th, 2016

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Conference-call/Webcast:
July 19th, 2016. 09.00 CET

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Highlights

- ⌘ **Net profit** to 30 June 2016 **has increased by 0.5%** year-on-year to €214.2 Mn, with a contribution from affiliates of 12.3% compared with 11.4% in the first half of 2015.
- ⌘ **FFO** (Funds from Operations) amounted to **€414.3 Mn, up 3.7% compared with the same period in 2015.**
- ⌘ **Investments** in the six-month period totalled to **€193.1 Mn**, of which €30.1 Mn has been invested in Spain and €163.0 Mn, abroad.
- ⌘ Enagás successfully carried out a **€750 Mn bond issue**, offering **one of the lowest coupons of any Spanish issuer or European utilities issuer for 12-year paper.** The transaction enabled us to **extend the average maturity of our debt to 7.3 years and optimise the maturity profile.**
- ⌘ Net financial debt at the end of the first half stood at **€4,041.2 Mn**, implying an **FFO** (last 12 months)/**Net Debt ratio** of **17.6%.**
- ⌘ The **average net cost of debt** at 30 June 2016 was **2.3%**, far lower than the figure of 3.0% at the end of the first half of 2015.
- ⌘ On 5 July, the Company paid a **final gross dividend for 2015 of €0.79 per share.** This payment brings the total annual gross dividend payment charged to 2015 profit to €1.32 per share.
- ⌘ **Domestic gas demand** totalled 158.9 TWh, **down 1.3%** compared with the same period last year.
- ⌘ Thanks to **our commitment to sustainability**, reinforced with our strategy, as well as to innovation and continuous improvement in all operations, **Enagás is the industry leader in the main sustainability indices (e.g Global100, DJSI).**

Key Figures

Income Statement (€Mn)

January - June (€ Mn)	2016	2015	% change
Total revenue	606.5	609.0	-0.4%
EBITDA	440.0	458.8	-4.1%
Operating profit (EBIT)	302.6	311.9	-3.0%
Results from equity-accounted investees	26.3	24.3	8.2%
Net profit	214.2	213.1	0.5%

Balance sheet and leverage ratios

	June 2016	Dec 2015
Total assets (€ Mn)	8,501.0	7,751.9
Net debt (€ Mn)	4,041.2	4,237.0
Equity (€ Mn)	2,340.1	2,318.9
Net Debt/EBITDA ⁽¹⁾ (last 12 months)	4.2x	4.5x
FFO (last 12 months) / Net Debt	17.6%	16.4%
Net Debt Cost	2.3%	2.7%

(1) EBITDA adjusted for dividends collected from affiliates

Cash Flow and Investments

January - June (€ Mn)	2016	2015	% change
FFO	414.3	399.5	3.7%
Dividends from affiliates ⁽²⁾	49.6	15.7	215.5%
Investments	193.1	280.7	-31.2%

(2) includes subordinated debt interest charged to affiliates

Earnings Performance

Income Statement

€ Mn (unaudited figures)	30 June 2016	30 June 2015	% change
Revenues from regulated activities	566.7	577.8	-1.9%
Other operating revenues	39.8	31.2	27.5%
Total revenues	606.5	609.0	-0.4%
Personnel expenses	-54.2	-45.9	18.0%
Other operating expenses	-112.3	-104.3	7.7%
Total OPEX	-166.5	-150.2	10.8%
EBITDA	440.0	458.8	-4.1%
Depreciation/Amortisation charge	-137.5	-146.8	-6.4%
Operating Profit (EBIT)	302.6	311.9	-3.0%
Net finance expense	-49.4	-47.1	4.7%
Net result from equity affiliates	26.3	24.3	8.2%
Profit before tax	279.5	289.1	-3.3%
Corporate tax	-64.8	-75.6	-14.2%
Minority interests	-0.5	-0.4	8.6%
Net profit for the period	214.2	213.1	0.5%

Operating revenues

Total revenues in the first half of 2016 amounted to **€606.5 Mn, in line with** the year-earlier figure.

It is important to note that regulated revenues for 2016 include the update for the higher remuneration of GTS in line with Ministerial Order IET 2736/2015.

Operating Expenses

Enagás' operating expenses rose 10.8% compared with the first half of last year.

This increase is largely due to higher personnel expenses stemming from the impact of the annualisation of personnel contracting in 2015, a consequence of the company's international expansion, and the change in timing for recognition of other operating expenses compared with the first half of 2015.

EBITDA in the first six months of the year amounted to **€440.0 Mn**, down 4.1% year-on-year, mainly due to the aforementioned impacts. EBITDA at 30 June 2016 leaves the company **on track to deliver the announced FY 2016 target** (of around €880 Mn).

Depreciation and amortisation charges

D&A fell 6.4% to **€137.5 Mn**.

As a result, **EBIT** at 30 June amounted to **€302.6 Mn**, down **3.0%** year-on-year.

Financial Result

The **financial result** was **-€49.4 Mn** for the first half of 2016 compared with **-€47.1Mn** in the same period of 2015.

Although **the financial result associated with debt** improved as a result of a fall in the financial cost between both periods (2.3% at 30 June 2016 vs 3.0% at 30 June 2015), the net financial result worsened as a result of one-off factors in the period.

Net result from equity affiliates

Results from equity affiliates in the first half of the year increased by **8.2% year-on-year**, from €24.3 Mn to €26.3 Mn, mainly due to the contribution of the 30% stake in Saggas, the additional 10% of BBG, Swedegas (following their inclusion in the second quarter of 2015) and the additional 1.64% stake in TgP.

The **contribution to results of the brownfield projects** (BBG, Saggas, GNL Quintero, Altamira, TgP, COGA and Swedegas) was **€31.1 Mn**, which, adjusted for the amortisation of the purchase price allocation (PPA) resulted in a **positive net contribution of €20.3 Mn**.

It should also be noted that the net result from equity affiliates cannot be extrapolated to the rest of year due to the contribution of greenfield projects (mainly TAP and GSP), whose results are linked to the stage of the project.

Corporate tax

The corporate tax rate this year has been reduced to **25% from 28%** in 2015, in line with the fiscal reform published in 2014.

Net profit

Net profit in 1H16 amounted to **€214.2Mn, up 0.5%** from €213.1Mn at 30 June 2015.

Cash Flow and Balance Sheet

Consolidated Statement of Cash Flows

€ Mn (unaudited figures)	Jan-June 2016	Jan-June 2015
EBITDA	440.0	458.8
Tax	-21.7	-35.6
Interest	-42.3	-40.8
Dividends received from affiliates	49.6	15.7
Adjustments	-11.3	1.4
FUNDS FROM OPERATIONS (FFO)	414.3	399.5
Changes in working capital	-25.8	110.0
Trade and other receivables	18.4	147.7
Trade and other payables	-44.2	-37.7
OPERATING CASH FLOW (OCF)	388.5	509.5
Payments for investments	-194.9	-283.0
International business	-164.8	-145.1
Business in Spain	-30.1	-137.9
Other financial assets	0.0	0.0
Assets held for sale	0.0	0.0
Proceeds from disposals	1.8	2.3
Other cash flows from investing activities	0.0	0.0
Net cash used in investing activities	-193.1	-280.7
FREE CASH FLOW (FCF)	195.4	228.7
Dividends paid	0.0	0.0
DISCRETIONAL CASH FLOW (DCF)	195.4	228.7
Maturity of long-term debt issued	-65.0	-894.4
Total financing requirements before revolving credit facilities	130.4	-665.6
Maturity of short-term debt issued	-927.0	-305.6
Total financing requirements	-796.6	-971.3
Long-term debt issues	739.0	1,158.7
Short-term debt issues	797.5	305.3
Net financing flows	544.5	264.0
Proceeds from/(payments for) equity instruments	-8.2	0.0
NET CASH FLOWS	731.7	492.8
Cash and cash equivalents at beginning of period	224.6	551.4
CASH AND CASH EQUIVALENTS AT END OF PERIOD	956.2	1,044.2

Balance Sheet

€ Mn

ASSETS

	<u>June 2016</u>	<u>Dec 2015</u>
Non-current assets	7,119.9	7,072.0
Intangible assets	74.3	80.3
<i>Goodwill</i>	25.8	25.8
<i>Other intangible assets</i>	48.5	54.5
Investment properties	25.0	25.0
Property, plant and equipment	5,073.6	5,183.4
Equity-accounted investments	1,248.1	1,191.1
Other non-current financial assets	627.9	518.8
Deferred tax assets	71.0	73.4
Current assets	1,381.1	679.9
Inventories	18.1	16.9
Trade and other receivables	399.0	426.4
Other current financial assets	5.8	7.5
Other current assets	1.8	4.5
Cash and cash equivalents	956.2	224.6
TOTAL ASSETS	8,501.0	7,751.9

LIABILITIES AND EQUITY

	<u>Jun. 2016</u>	<u>Dec. 2015</u>
Equity	2,379.6	2,391.6
Capital and reserves	2,240.1	2,318.9
Issued Capital	358.1	358.1
Reserves	1,775.1	1,674.2
Profit for the period	214.2	412.7
Interim dividend		-126.1
Treasury shares	-8.2	0.0
Other equity instruments	1.0	0.0
Net unrealised gains/(losses) reserve	25.3	58.2
Non-controlling interests (external partners)	14.2	14.4
Non-current liabilities	5,257.6	4,716.4
Non-current provisions	170.5	167.0
Non-current financial liabilities	4,740.5	4,192.8
<i>Bank borrowings</i>	1,525.4	1,758.3
<i>Bonds and other marketable securities</i>	3,091.3	2,323.4
<i>Long-term asset suppliers</i>	0.1	0.1
<i>Derivatives</i>	103.6	91.5
<i>Other financial liabilities</i>	20.0	19.5
Borrowings from related parties	0.0	0.0
Deferred tax liabilities	298.3	306.1
Other non-current liabilities	48.4	50.5
Current liabilities	863.8	644.0
Current financial liabilities	623.9	402.8
<i>Bank borrowings</i>	155.7	125.8
<i>Bonds and other marketable securities</i>	255.5	259.4
<i>Derivatives</i>	17.8	13.4
<i>Other financial liabilities</i>	194.9	4.2
Trade and other payables	239.9	241.2
TOTAL ASSETS	8,501.0	7,751.9

Funds From Operations

FFO (Funds from Operations) in the first half of 2016 amounted to **€414.3 Mn, up 3.7%** compared with the same period of 2015.

We would highlight the **contribution of dividends from affiliates**, which at 30 June 2016 amounted to €49.6 Mn, compared to €15.7 Mn at 30 June 2015; i.e. an **increase of 215.9%**.

In addition, our affiliates in Latin America are not affected by the depreciation of local currencies since these companies are completely dollarised (investment, revenues and dividends in USD).

Investments

Investments at 30 June 2016 amounted to **€193.1 Mn**, of which €30.1 Mn were invested in Spain and €163.0 Mn abroad.

Investments in the six months are in line with the annual investment target.

International investments include the acquisition of the **1.64% stake in Transportadora de gas del Perú (TgP)**, increasing our stake from **24.34% to 25.98%**, for a total of **US\$31.9 Mn**. The increased stake will begin contributing to Enagás's figures in April.

Also included under the 1H2016 international investments, are the ongoing investments in GSP and TAP.

In addition, **Enagás signed two new agreements to reinforce its holdings in assets where the company already has stakes** and plays an important role as industrial partner, paving the way for further growth in both, earnings and dividends.

On 9 and 29 June 2016, Enagás signed two agreements to **raise its stake in GNL Quintero, from the current 20.4% to 60.4%**. The agreements will be executed in two stages, each entailing shares representing a 20% stake, implying the acquisition of an additional 40% of GNL Quintero from Endesa Chile and Metrogas for a total of **US\$400 Mn**.

The deal, providing the other shareholders do not exercise their pre-emptive acquisition rights, would be recognised in Enagás's results for 4Q16, when the acquisition is expected to become effective.

In Spain, on 29 June 2016, Enagás signed an agreement to acquire **an additional 42.5% stake of the Planta de Regasificación de Sagunto (SAGGAS)** from Unión Fenosa Gas, **increasing its shareholding from 30% to 72.5%**, for **€106 Mn**.

If the acquisition goes through, SAGGAS would begin contributing to Enagás's figures upon completion of the purchase, tentatively in the fourth quarter of 2016.

The two operations fit into both the company's core business and its profitability and debt targets. However, both are subject to typical conditions in these types of transactions, so **payment is not included in the 1H16 investment figures**.

Net Debt

At 30 June 2016, the Company's **net financial debt** stood at **€4,041.2 Mn**, compared with €4,237 Mn at 31 December 2015.

This represents a **Net Debt/EBITDA ratio** (last 12 months) **adjusted by dividends from subsidiaries of 4.2x** and an **FFO** (last 12 months)/**Net debt ratio of 17.6%**.

At 30 June 2016, 85% of the net debt had been issued in euros, 13% in dollars and 2% in Swedish krona. In addition, 32% is institutional debt, 66% is issued in the capital markets and the remaining 2% is commercial paper.

At 30 June 2016, **over 80%** of Enagás's **net debt** is at **fixed rates**.

The **average net cost of debt** was **2.3%**, compared with 3.0% at 30 June 2015.

In terms of **available financing**, as of 30 June 2016, the Company had liquidity of **€2,857 Mn**, sufficient to enable us to move forward and achieve our strategic objectives.

In May, Enagás successfully carried out a **€750 Mn bond issue with an annual coupon of 1.375%**, one of the lowest coupons of any Spanish issuer and European utilities issuer for a **12-year** paper. This transaction enabled us to extend the average maturity of debt to **7.3 years and optimise the maturity profile**.

Meanwhile, **cash** at 30 June 2016 amounted to **€956 Mn**, more than enough to meet the €468 Mn bond that matures in 2017.

OPERATING HIGHLIGHTS

Demand

Domestic gas demand in 1H16 reached **158.9 TWh**, down 1.3% year-on-year due mainly due to lower demand for gas for power generation resulting from increased hydroelectric generation.

It is worth noting that **industrial demand**, which represents over half of consumption in Spain, remained robust, **growing by 2% compared to the first half of 2015**.

The trend of industrial demand is consistent with the performance of the Spanish economy and forecasts for Spanish GDP for year-end 2016.

SIGNIFICANT EVENTS IN 2016

Date	Significant event
4 -7 -2016	Announcement of 1H16 results presentation
30 -6 -2016	Enagás agrees to increase its shareholdings in the Sagunto regasification plant to 72.5% and the Quintero LNG plant (Chile) to 60.4%
9 -6 -2016	Enagás reaches agreement to increase its stake in the Quintero LNG regasification terminal in Chile by 20%
26 -5 -2016	Completion of the share buyback
26 -4 -2016	€750 Mn bond issuance. Due on 5 May 2028. Annual coupon of 1.375% and issue price of 98.94%
22 -4 -2016	Completion of acquisition of 1.64% of TgP
19 -4 -2016	Authorisation to carry out a temporary buyback of treasury shares pursuant to the long-term incentive plan and the 2016-18 remuneration policy approved by the General Shareholders' Meeting
19 -4 -2016	1Q16 results presentation
1 -4 -2016	Standard form for the notification of Home Member State - Enagás Financiaciones
1 -4 -2016	Enagás Financiaciones Annual Corporate Governance Report
1 -4 -2016	Enagás Transporte Annual Corporate Governance Report
31 -3 -2016	Enagás Internacional, S.L.U. reached an agreement to acquire 1.64% of Transportadora de Gas del Perú, S.A. (TgP) from the Peruvian company Graña y Montero S.A.A.
31 -3 -2016	Date of presentation of results for the first quarter of 2016
30 -3 -2016	Further to the resolution carried by the General Shareholders Meeting on 18 March 2016, the Board of Directors of Enagás, S.A. approved implementation of the Long-Term Incentive Plan
29 -3 -2016	The Board of Directors of Enagás S.A., at its meeting held on 29 March 2016, agreed to appoint Ms. Ana Palacio Vallelersundi as a member of the Appointments, Remuneration and Corporate Social Responsibility Committee.
18 -3 -2016	Resolutions adopted at the 2016 General Shareholders' Meeting
1 -3 -2016	Standard form for the notification of Home Member State. Enagás Transporte.
17 -2 -2016	The company submits the 2015 Annual Corporate Governance Report.
17 -2 -2016	The company submits information on its results for the second half of 2015
17 -2 -2016	The company submits the Annual Directors' Remuneration Report for 2015
17 -2 -2016	Notice of Ordinary General Shareholders' Meeting
16 -2 -2016	Presentation of 2015 Results and 2016-2020 Outlook
16 -2 -2016	Information on 2015 results
21 -1 -2016	Date of presentation of 2015 Results and 2016-2020 Outlook

APPENDIX I: COMPANY ASSETS

Enagás' Gas System Assets 30-06-2016

REGASIFICATION ASSETS	Units	m ³ or m ³ /h
LNG tanks (number and capacity)	16.0	1,957,000.0
Nominal regasification capacity		4,650,000.0
Tank loaders	9.0	
TRANSMISSION ASSETS	Units	Km
Km. of operational gas pipeline		10,314.0
Compressor stations	19.0	
Gas regulation and metering stations	491.0	
UNDERGROUND STORAGE ASSETS	Units	Mm ³ /day
No. of storage facilities	3.0	
Max. injection		18.9
Max. output		27.4

Notes:

- 1) Enagás holds a 50% stake in the BBG regasification plant, which currently has three 150,000 m³ LNG storage tanks and a nominal regasification capacity of 800,000 m³(n)/h.
- 2) Enagás holds a 30% stake in the Saggas regasification plant, which currently has four 150,000 m³ LNG storage tanks and a nominal regasification capacity of 1,000,000 m³(n)/h.

Spain



International



APPENDIX II: CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Indexes, certifications and assessment agencies

	<p>Enagás has been a member of the United Nations Global Compact since 2003. Since 2011, the Progress Report has met all the criteria for the GC Advanced level. It was also included in the Global Compact 100 index in 2013.</p>		<p>Enagás' management model bears the European Seal of Excellence 500+ EFQM since 2012.</p> <p>Enagás has also been recognised as Ambassador of European Excellence in 2016.</p>
	<p>Enagás has been a member of the Dow Jones Sustainability World Index (DJSI) since 2008. The Company has earned the distinction of "Bronze Class" in the Sustainability Yearbook 2016 published by ROBECOSAM.</p>		<p>Since 2008, the content of Enagás' Annual Report has been externally verified and drawn up under the AA1000APS standard and in accordance with the Global Reporting Initiative (GRI). The 2015 Annual Report has been submitted for the GRI Content Service Index "in accordance" with the comprehensive option of the GRI-G4 requirements.</p> <p>Since 2012, Enagás' Annual Report has been prepared according to the integrated reporting principles of the International Integrated Reporting Council (IIRC).</p>
	<p>Enagás has been a member of the FTSE4Good index since 2006.</p>		<p>Enagás is the highest ranked (6th) Spanish company in the Global 100 index for 2016, and is recognised as the global leader of the Gas Utilities sector.</p>
	<p>Enagás has been a member of the Ethibel Excellence Europe index since 2009.</p>		<p>Enagás has been rated "B Prime" by oekom since 2010, and in 2014 joined the Global Challenges Index for the first time.</p>
	<p>Enagás has been a constituent of the MSCI Global Sustainability Indices since 2010.</p>		<p>Enagás has been involved in the CDP Climate Change program since 2009. In 2015, Enagás was awarded Level B for Performance and 99 points for Transparency.</p> <p>It has also been involved in the CDP Supply Chain program since 2015 and in the CDP Water program since 2016.</p>
	<p>Enagás has been certified as a Family-Responsible Company since 2007 and maintains its "B+ Proactive" rating.</p>		<p>In 2016, Enagás was recognised for the sixth year running as being one of the Top Employers Spain, meaning the company was found to be one of the best companies to work for.</p>
	<p>Enagás holds the "Equality at Work Seal" from the Spanish Ministry of Health, Social Policy and Equality, first issued in 2010.</p>		<p>Enagás holds ISO 9001:2008 certification for its technical system (TSM), asset management, infrastructure development and information systems management processes.</p>
	<p>In 2015 Enagás was awarded the Bequal seal for its commitment to the inclusion of people with disabilities.</p>		<p>Enagás holds ISO 14001:2004 certification for its management of gas transmission and storage infrastructure processes, asset management and Central Laboratory. The company's Huelva and Barcelona plants also hold EMAS certification.</p>
	<p>Since 2011, Enagás has held SSAE 16 certification for its "System capacity management and viability analysis" and "System security of supply/technical management of underground storage" procedures.</p>		<p>The Occupational Risk Prevention Management System of the Enagás GTS, S.A.U., Enagás Internacional S.L.U., Enagás S.A. and Enagás Transporte S.A.U. companies of the Enagás Group hold OHSAS 18001:2007 certification. Enagás was awarded a 'Healthy Company' certificate in 2015.</p>

APPENDIX III: Contact information

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