

1H2019 Results

30th July 2019



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Conference-call/Webcast:

July 30th, 2019. 09.00 CET

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Highlights

- ⚡ **The results obtained as of 30th June 2019 are in line to achieve the targets for the year.**
- ⚡ **Net profit** at 30 June 2019 stood at **€216.1 million**, in line with the figure reported in the first half of 2018. The contribution from affiliates to net profit at 30 June 2019 rose to 29.7%, which includes Tallgrass' contribution since 1st April 2019.
- ⚡ **Funds From Operations (FFO)** at 30 June 2019 stood at **€391.4 million** (+4.9% versus the same date in 2018). OCF includes the **€71.6 million obtained from affiliates at 30 June 2019**.
- ⚡ **Net investment** on 30 June 2019 were **€645.0 million, which mainly included** the international investment in **Tallgrass Energy** announced during the first quarter of the year.
- ⚡ **Net debt** at 30 June 2019 was **€4,117 million**, lower than the €4,275 million reported at 31 December 2018. This change is explained by the debt issued for acquiring Tallgrass for €404.4 million, the effect of IFRS 16 of €335 million and the deconsolidation of GNL Quintero (-€645 million).
- ⚡ The **FFO/ND** ratio in the last 12 months, including the 2-month global consolidation of GNL Quintero, was **19.1% at 30 June**. In pro forma terms, the ratio would stand at 18.1%.
- ⚡ The financial cost at 30 June 2019 was 2.3%. In pro forma terms, with GNL Quintero under the equity method, the **financial cost would be 2.1%**.
- ⚡ In the first half of 2019 a **new record since 2010 for natural gas demand was reached** (195.5TWh), **+9.4% higher than the reported at the end of the first half of 2018**.
- ⚡ On 3 July the complementary dividend of €0.918 gross per share was paid against fiscal year 2018 as approved at the General Shareholders' Meeting held on 29 March 2019.
- ⚡ Enagás maintains its leadership in the main sustainability indices, highlighting the **Gold class rating in the Dow Jones Sustainability Index** for the global leadership of its sector (Oil & Gas Storage & Transportation).

Main highlights

Income Statement

Jan-June (millions of €)	1H2018	1H2019	1H2018	1H2019	Var.18-19
	Real ¹	Real ²	Pro forma	Pro forma	Pro forma
Total revenue	683.2	598.8	597.9	567.1	-5.2%
EBITDA	545.2	508.6	487.2	487.0	0.0%
EBIT	360.0	345.7	323.8	332.0	+2.5%
Net profit	219.8	216.1	219.5	216.1	-1.6%

Note¹: GNL Quintero reported under the global integration method

Note²: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method from 1 January 2018 to 30 June 2018, and from 1 January 2019 to 30 June 2019.

Balance sheet and leverage ratios

	Dec-2018	Jun-2019	Jun-2019
	Pro forma	Pro forma	Real ²
Net Debt (millions of €)	3,630	4,117	4,117
Net Debt / EBITDA ⁽¹⁾	3.8x	4.3x	4.0x
FFO / Net Debt	20.0%	18.1%	19.1%
Financial cost of debt	2.0%	2.1%	2.3%

(1) EBITDA adjusted for dividends obtained from affiliates

Note²: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method from 1 January 2018 to 30 June 2018, and from 1 January 2019 to 30 June 2019.

Cash flow and investments

Jan-June (millions of €)	1H2018	1H2019	1H2018	1H2019	Var.18-19
	Real ¹	Real ²	Pro forma	Pro forma	Pro forma
FFO	416.6	395.8	373.2	391.4	4.9%
Dividends received from affiliates	44.3	71.6	50.6	71.6	41.5%
Net investment	-102.1	-646.5	-99.3	-645.0	-

Following the Guidelines on alternative performance measures published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es), the corporate website contains a glossary of definitions and a reconciliation with the items presented in the financial statements for certain alternative financial measures used in this document.

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Earnings Performance

Profit and loss account

Millions of euros (unaudited figures)	1H2018 Real ¹	1H2019 Real ²	1H2018 Pro forma	1H2019 Pro forma	Var.18-19 Pro forma
Income from regulated activities	547.5	535.7	547.5	535.7	-2.2%
Other operating income	135.7	63.1	50.4	31.4	-37.7%
Total income	683.2	598.8	597.9	567.1	-5.2%
Personnel expenses	-64.1	-60.5	-60.0	-59.1	-1.4%
Other operating expenses	-124.2	-104.9	-112.8	-101.1	-10.4%
Operating expenses	-188.3	-165.5	-172.8	-160.2	-7.3%
Results from affiliates	50.3	75.3	62.1	80.2	29.2%
EBITDA	545.2	508.6	487.2	487.0	0.0%
Amortisation and depreciation	-173.8	-148.1	-148.0	-139.0	-6.1%
PPA	-11.4	-14.8	-15.4	-16.1	4.7%
EBIT	360.0	345.7	323.8	332.0	2.5%
Financial results	-65.8	-69.1	-46.3	-62.6	35.3%
Corporate income tax	-64.0	-55.6	-57.5	-52.9	-8.0%
Minority interests	-10.4	-4.8	-0.5	-0.5	-15.2%
Net profit	219.8	216.1	219.5	216.1	-1.6%

Note¹: GNL Quintero reported under the global integration method

Note²: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

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Operating income

Total revenues at 30 June 2019 stood at €567.1 million, which is 5.2% lower than the figure obtained in the same period of 2018. This decrease is due to the lower contribution from regulated revenues, and a non-recurring billing of €12 million recognised as non-regulated income in 2018.

Operating expenses

Operating expenses at the end of 1H2019 were -€160.2 million, slightly lower than the figures reported in the same period of the previous year (-€172.8 million). This **-7.3% decrease** is mainly due to the application of IFRS 16, which decreased operating expenses by €16.5 million.

EBITDA

EBITDA at 30 June 2019 stood at €487.0 million.

At 30 June 2019, result from affiliates was €80.2 million, including the stake in GNL Quintero reported under the equity method, Tallgrass' contribution since 1st April 2019 and the positive impact on the purchase of Desfa in December 2018.

Amortization of fixed assets

Amortization of fixed assets and PPA have decreased by -5.1% to €155.1 million. It is worth noting that depreciation and amortisation in 1H2018 includes a non-recurring effect of €19 million.

Additionally, amortization of fixed assets in 1H2019 include the effect from applying IFRS 16, which thus increased this expense by €13.6 million.

In this regard, **EBIT** at 30 June 2019 stood at **€332.0 million**, +2.5% higher than the same period of 2018.

Financial Results

The **financial results** at 30 June 2019 reported a **negative balance of -€62.6 million**, compared with the -€46.3 million at the end of 1H2018. As of 30 June 2019, this increase was mainly due to the application of IFRS 16 of €3 million and the financial expenses associated with the debt issued for the acquisition of Tallgrass for €4.7 million.

Net profit

Net profit at 30 June 2019 stood at €216.1 million, in line with the net profit amount from the same period in the previous year.

The **contribution of affiliates to net profit at 30 June 2019 reached 29.7%**, vs 21.2% contributed in the same period of the previous year.

Cash flow and Balance Sheet

Consolidated cash flow statement

Millions of euros (unaudited figures)	1H2018 Real ¹	1H2019 Real ²	1H2018 Pro forma	1H2019 Pro forma
EBITDA	545.2	508.6	487.2	487.0
Results from affiliates	-50.3	-75.3	-62.1	-80.2
Tax	-30.2	-27.3	-30.2	-27.3
Interest	-78.1	-76.6	-53.4	-54.6
Dividends received from affiliates	44.3	71.6	50.6	71.6
Adjustments	-14.4	-5.2	-18.9	-5.2
FUNDS FROM OPERATIONS (FFO)	416.6	395.8	373.2	391.4
Changes in working capital	139.7	102.1	141.9	102.4
OPERATING CASH FLOW (OCF)	556.3	497.9	515.1	493.8
Net investment	-102.1	-646.5	-99.3	-645.0
International business	-88.7	-623.6	-85.9	-622.1
Business in Spain	-13.4	-22.9	-13.4	-22.9
FREE CASH FLOW (FCF)	454.2	-148.6	415.8	-151.2
Dividends paid	-3.3	0.0	0.0	0.0
Exchange rate effect	6.8	19.5	2.3	17.5
DISCRETIONAL CASH FLOW (DCF)	457.7	-129.1	413.5	-133.7
Financing flows	-113.3	243.4	-113.3	243.4
Maturity of long-term debt	-94.2	-162.6	-94.2	-162.6
Long-term debt issues	0.0	404.4	0.0	404.4
Issue/maturity of policies and ECPs	-19.1	1.7	-19.1	1.7
Proceeds from/(payments for) equity instruments	0.0	-7.8	0.0	-7.8
Effect of changes in the consolidation method	0.0	-346.7	0.0	0.0
NET CASH FLOWS	344.3	-240.3	300.2	101.9
Cash and cash equivalents at start of period	627.9	1,171.5	349.7	829.4
CASH AND CASH EQUIVALENTS AT END OF PERIOD	972.2	931.3	649.8	931.3

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Balance sheet

	Dec 2018	Jun. 2019
ASSETS		
Total non-current assets	7,915.6	7,494.4
Intangible assets	944.7	68.2
<i>Goodwill</i>	188.4	25.8
<i>Other intangible assets</i>	756.2	42.4
Investment property	19.6	19.6
Property, plant and equipment	5,238.2	4,685.2
Equity-accounted investments	1,028.6	1,991.9
Other non-current financial assets	674.2	727.5
Deferred tax assets	10.4	1.9
Current assets	1,610.6	1,201.6
Inventory	24.8	18.3
Trade and other receivables	390.7	242.7
Other current financial assets	12.8	2.8
Other current assets	10.7	6.6
Cash and cash equivalents	1,171.5	931.3
TOTAL	9,526.2	8,696.0
LIABILITIES		
Equity	3,039.4	2,612.3
Shareholders' equity	2,658.8	2,616.0
Subscribed share capital	358.1	358.1
Reserves	2,006.1	2,053.2
Treasury shares	-8.2	-12.5
Profit for the period	442.6	216.1
Interim dividend	-145.9	0.0
Other equity instruments	6.1	1.1
Valuation adjustments	6.6	-19.2
Non-controlling interests (external owners)	374.0	15.4
Non-current liabilities	5,911.1	5,035.0
Non-current provisions	176.5	180.3
Non-current financial liabilities	5,188.6	4,612.8
<i>Bank borrowings</i>	1,077.5	1,136.0
<i>Bonds and other marketable securities</i>	4,038.9	3,086.7
<i>Non-current payables to fixed asset suppliers</i>	0.0	0.0
<i>Derivatives</i>	51.2	68.9
<i>Other financial liabilities</i>	21.0	321.2
Deferred tax liabilities	476.8	179.0
Other non-current liabilities	69.2	63.0
Current liabilities	575.8	1,048.7
Current provisions	3.4	1.4
Current financial liabilities	364.4	778.8
<i>Bank borrowings</i>	285.5	491.3
<i>Bonds and other marketable securities</i>	50.6	13.3
<i>Derivatives</i>	14.4	14.3
<i>Other financial liabilities</i>	13.8	259.9
Trade and other payables	208.0	268.5
TOTAL	9,526.2	8,696.0

Funds From Operations

Funds From Operations (FFO) at 30 June 2019 stood at **€391.4 million**. This figure is +4.9% higher than the figure recorded on the same date in 2018. The FFO includes **€71.6 million obtained from affiliates**. This figure includes €18.9 million from the transfer of the Saggas' dividend from 2018 to 2019.

Investments

Net investment increased to **€645.0 million at 30 June 2019**, mainly as a result of the investment in Tallgrass for €618 million. Investment in Spain reached €22.9 million.

Free cash flow

Free Cash Flow (FCF) stood at - **€151.2 million** at 30 June 2019 as a reflection of the investment made in the period.

Net Debt

Net debt at 30 June 2019 was €4,117 million, lower than the €4,275 million reported at 31 December 2018, which included the debt of GNL Quintero. This change is mainly due to the debt issued for acquiring Tallgrass for €404.4 million, the effect of IFRS 16 of €335 million and the deconsolidation of GNL Quintero (€645 million).

The **FFO/ND** ratio in the last 12 months, including the 2-month global consolidation of GNL Quintero as **19.1% at 30 June**. In pro forma terms, the ratio would stand at 18.1%.

As of 30th June 2019, debt structure is as follows: 17% as institutional debt, 61% was issued on the capital markets, 15% is commercial paper and the remaining 7% corresponding to financial leasing as a result of application of IFRS 16. 72% of the debt accounted for is issued in euros and 28% in USD.

Over 80% of debt at Enagás is arranged at a fixed rate without any significant maturities until 2022.

The financial cost at 30 June 2019 stood at 2.3%. In pro forma terms with GNL Quintero under the equity method, the **financial cost would be 2.1%**.

OPERATING HIGHLIGHTS

Demand

In the first half of 2019 the **record for natural gas demand was reached since 2010** (195.5TWh), **+9.4% higher than the reported at the end of the first half of 2018.**

The **industrial demand** reported **+3.8% increase compared to the same period in 2018**, reaching 110TWh. **It is the highest value since historical data is available** and is mainly due to the incorporation of new customers and the positive performance of the Spanish economy.

Natural gas demand for power generation increased by **+65.7%** due to lower hydropower generation and the decrease in the coal used in 1H2019, which has led natural gas to gain space to coal in the thermal gap.

From 2018 onwards, **the gas system has a net annual surplus due to the good evolution of the natural gas demand** and it is expected that the debt will be repaid earlier than previously estimated.

SIGNIFICANT EVENTS

For the purposes of Article 17 of Regulation (EU) No 596/2014 on market abuse and Article 228 of the Revised Text of the Spanish Securities Market Act, enacted by Royal Legislative Decree 4/2015, of 23 October, Enagás promptly publishes and discloses all relevant corporate information to the market in accordance with applicable regulations. Enagás also sends the Comisión Nacional del Mercado de Valores (CNMV) (National Securities Market Commission) this information so that it may be entered in the relevant official registry.

These communications are available on the CNMV website (www.cnmv.es) in the Relevant Facts section. As well as on the company's website (www.enagas.es) in the General Information/Relevant Facts section.

Enagás guarantees that the accompanying texts relating to Relevant Facts from 2005 onward are exactly the same as those sent to and disclosed by the CNMV.

APPENDIX I: CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Indices, 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 has also been included in the Global Compact 100 index since 2013.</p>		<p>Enagás' management model has borne the European Seal of Excellence 500+ EFQM since 2012.</p> <p>Enagás was recognised as an Ambassador of European Excellence in 2016.</p>
	<p>Enagás has been a member of the Dow Jones Sustainability Index World (DJSI) since 2008. It has been recognised as a 2019 Gold Class and Industry Mover and, in the 2018 revision, the company was also identified as a leader entity in the Oil & Gas Storage & Transportation sector.</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 2017 Annual Report has been submitted for the GRI Content Index Service: Exhaustive Conformity Option. Since 2012, it has been prepared under 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 renewed its presence on the Euronext Vigeo Europe 120 and European indices in 2019.</p>
	<p>Enagás has been a member of the Ethibel Pioneer and Ethibel Excellence Investment Registers since 2009.</p>		<p>Enagás has been rated "B Prime" by Oekom since 2010, and in 2014 joined the Global Challenges Indexes for the first time.</p>
	<p>Enagás has been a constituent of the MSCI Global Sustainability Indices since 2010.</p>		<p>Enagás has been participating in the CDP Climate Change programme since 2009 and the CDP Water programme since 2015.</p>
	<p>Enagás has been certified as a Family-Responsible Company since 2007 with an A Excellent rating.</p>		<p>Enagás has been one of the Top Employers Spain since 2009, one of the best companies to work for.</p>
	<p>Enagás holds ISO 14001:2004 certification for management of gas transmission and storage infrastructure processes, asset management, central laboratory and corporate headquarters. The Company's Huelva and Barcelona plants and storage facilities at Serrablo and Yela have secured EMAS certification.</p>		<p>Enagás holds ISO 9001:2008 certification for its technical system (TSM), asset management, infrastructure development and information systems management processes. The company is also SSAE 18 certified for its Security of Supply in the System / Technical Management of Underground Storage processes.</p>
	<p>Enagás has been a member of the STOXX Global ESG Leaders index since 2011.</p>		<p>The Occupational Risk Prevention Management System of the companies Enagás GTS, S.A.U., Enagás Internacional S.L.U., Enagás S.A. and Enagás Transporte S.A.U. belonging to the Enagás Group is OHSAS 18001:2007 certified.</p> <p>Enagás has been certified as a healthy workplace since 2015 and secured ISO certification for road safety (ISO 39001) and information security (ISO 27001).</p>
	<p>In 2015, Enagás was awarded the Bequal seal for its commitment to the inclusion of people with disabilities.</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>In 2019, Enagás was included among the world's top 230 companies in terms of gender equality.</p>		<p>Enagás was included among the 200 leading global companies in promoting gender equality in the workplace.</p>

APPENDIX II: CONTACT INFORMATION

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