



Results 1H2019

30 July 2019

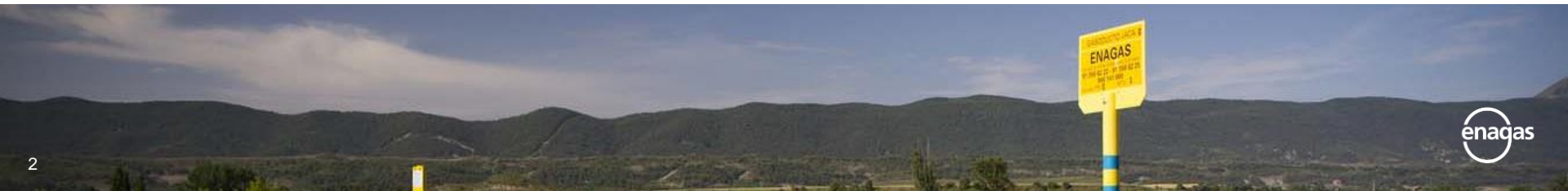
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1H2019 Main Highlights vs 1H2018



Main highlights P&L

- ✔ EBITDA Pro-forma **€487.0 million (0.0%)**
- ✔ Net Profit **€216.1 million (-1.6%)**
- ✔ Affiliates' contribution to net profit **€64.1 million** (representing 29.7% of the net profit)

Main highlights Cash Flow

- ✔ Funds from Operations (FFO) **€391.4 million (+4.9%)**
- ✔ Investments **€645 million** (mainly in Tallgrass)

Net Debt

- ✔ Net Debt **€4,117 million**
- ✔ Financial Cost **2.1%**
- ✔ Fixed-rate debt higher than **80%**
- ✔ No significant debt **maturities** until **2022**

Domestic gas demand

- ✔ National natural gas demand at 30 June 2019 **+9.4%**
- ✔ Industrial demand at 30 June 2019 **+3.8%**
- ✔ Electric generation demand at 30 June 2019 **+65.7%**

Key aspects from 1H2019 Results



Results in line with the annual targets set for the end of the year



Good performance from affiliates, which at the end of June represented 29.7% of the net profit



**1H2019 record of natural gas demand:
195TWh (+9.4%)**

Income statement



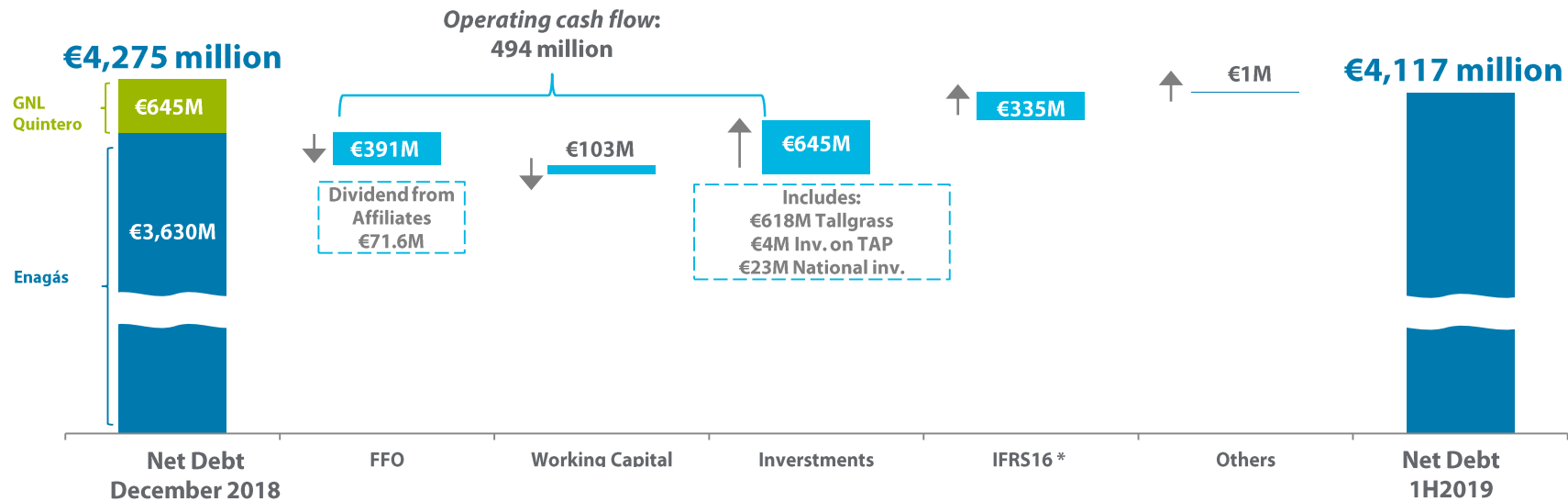
Millions of euros (€)	1H2018 ⁽¹⁾	1H2019 ⁽²⁾	Pro forma GNL Quintero by Equity method			Var. %	
			1H2018	1H2019			
Total revenue	683.2	598.8	597.9	567.1	-5.2%		
Operating expenses	-188.3	-165.5	-172.8	-160.2	-7.3%	----	Decrease in operating expenses (€ 16.5M) due to impact of the IFRS16 accounting standard.
Results from Affiliates	50.3	75.3	62.1	80.2	+29.2%	----	Tallgrass contribution from April 2019 and positive impact from the purchase of Desfa in December 2018.
EBITDA	545.2	508.6	487.2	487.0	+0.0%		
Amortisation and depreciation	-173.8	-148.1	-148.0	-139.0	-6.1%	----	1H2018 includes a non-recurring effect on depreciation and amortization of € 19M.
PPA	-11.4	-14.8	-15.4	-16.1	+4.7%		1H2019 includes the impact of applying the IFRS 16, which represents an increase on depreciation and amortization of € 13.6M.
EBIT	360.0	345.7	323.8	332.0	+2.5%		
Financial results	-65.8	-69.1	-46.3	-62.6	+35.3%	----	Includes higher financial expenses of € 3M upon IFRS 16 application and the financial expense associated with Tallgrass financing of € 4.7M.
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%	----	Net Profit in line with the annual targets set for the end of the year and market consensus.

(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.

Results in line with the Net Profit targeted for the end of the year

Cash flow and net debt evolution



Figures in millions of euro

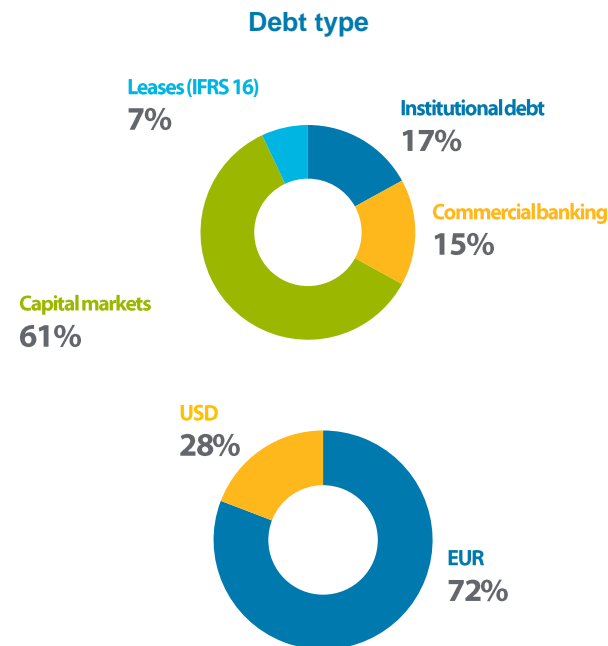
* Accounting effect of the application of IFRS 16 since January 2019

	Pro-forma GNL Quintero by Equity method			
	1H2018	2018	1H2019	1H2019 (1)
Leverage and liquidity				
Net debt (*)	3,899M€	3,630M€	4,117M€	4,117M€
Net debt/Adjusted EBITDA (**)	4.1x	3.8x	4.3x	4.0x
FFO/net debt	18.6%	20.0%	18.1%	19.1%
Financial cost of debt	1.9%	2.0%	2.1%	2.3%
Liquidity	2,528M€	2,467M€	2,552M€	2,552M€

1) Includes two-month global consolidation of GNL Quintero

(*) 2018 Stand-alone net debt

(**) EBITDA adjusted for dividends received from affiliates



Fixed-rate debt higher than 80% and without significant debt maturities until 2022
Current ratings (S&P BBB+; Fitch: A-)

Trans Adriatic Pipeline (TAP)



The overall progress of the project reached 88.5% and commercial operation is expected to begin in 2020

- The project's progress is currently 88.5% and therefore on schedule.
- Gas commissioning activities are expected to begin in Greece and Albania in the fourth quarter of 2019.
- The central section of the Southern Gas Corridor (TANAP) has been operating since 1 July and is ready to begin delivering gas to Europe when TAP reaches commercial operation.
- Until the project commissioning, Enagás will continue making capital contributions to TAP, which at the date of the report worth €48 million.

Enagás' total investment in TAP is expected to reach €236 million, in line with the capital structure contemplated in the project.

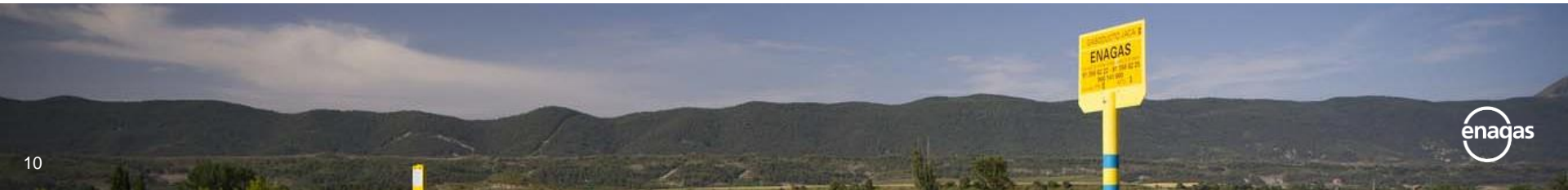
- On 2 July 2018, Enagás lodged a request with the ICSID for arbitration against the Peruvian State concerning the dispute related to its investment in GSP, under the terms of the agreement on marketing and mutual protection of investments as entered into between the Republic of Peru and the Kingdom 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 is scheduled for September.
- 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.
- Legal advisers estimate that Enagás will be able to recover its investment through the arbitration award that terminates the proceedings within approximately three (3) years.

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II. Natural gas demand

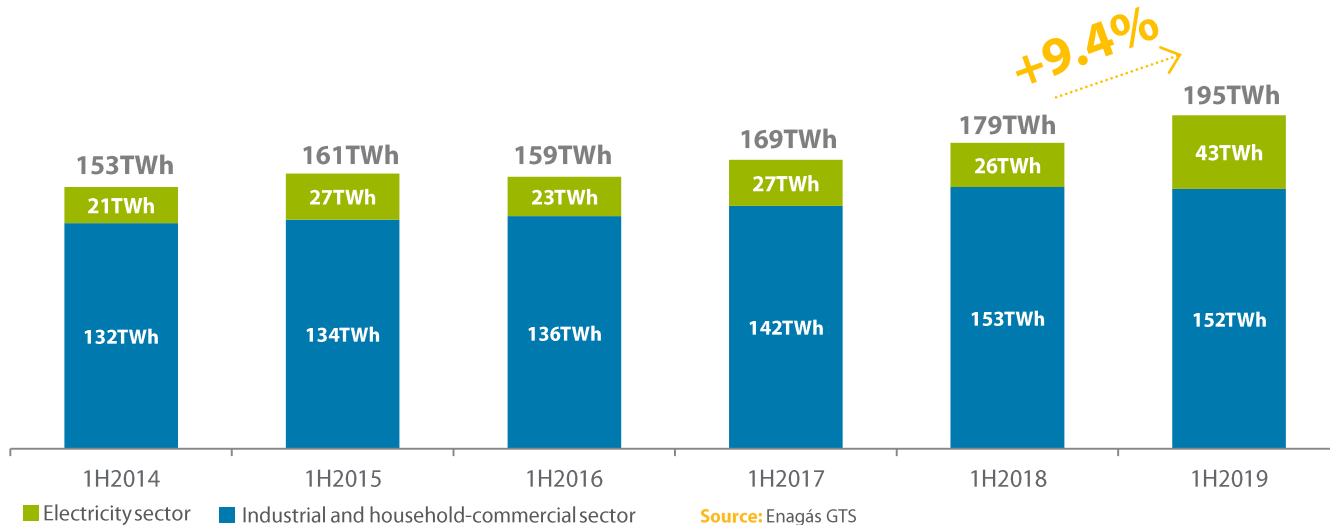
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Gas demand evolution on the first semester 2019

First-half record of natural gas demand since 2010 (195.5TWh).

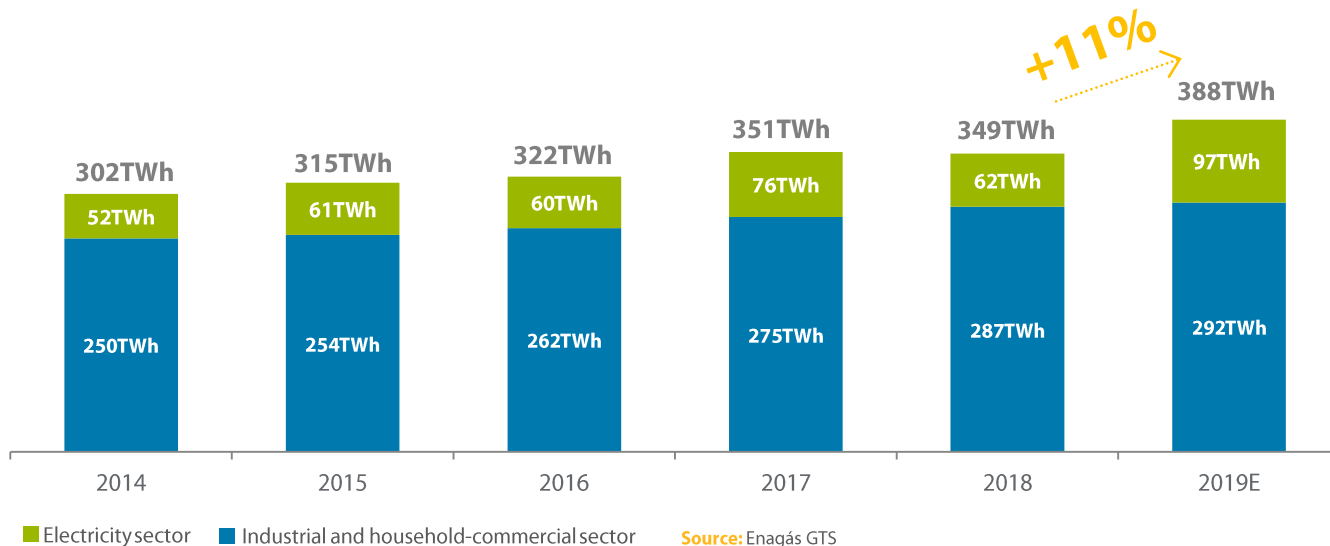


Growth in natural gas demand in 1H2019 (+ 9.4%) much higher than the half-year average growth recorded (+ 5% CAGR) since 2014.

Since 2018, the system presents a net annual surplus.

Estimation of gas demand 2019

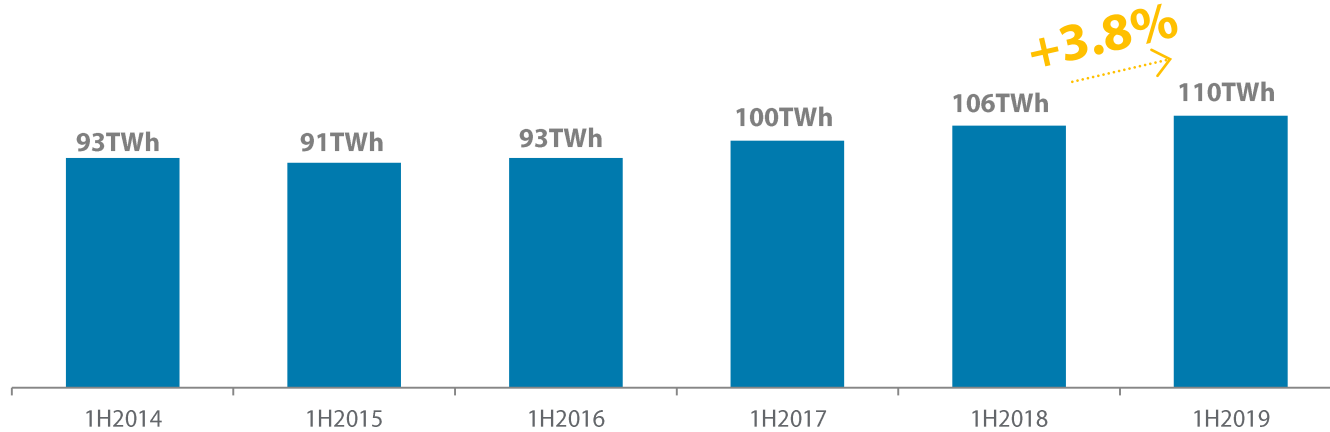
Since 2014, natural gas demand has grown every year.



On July, gas demand forecast for the year was updated, expecting an increase over the previous year of **+11%.**

Industrial demand evolution

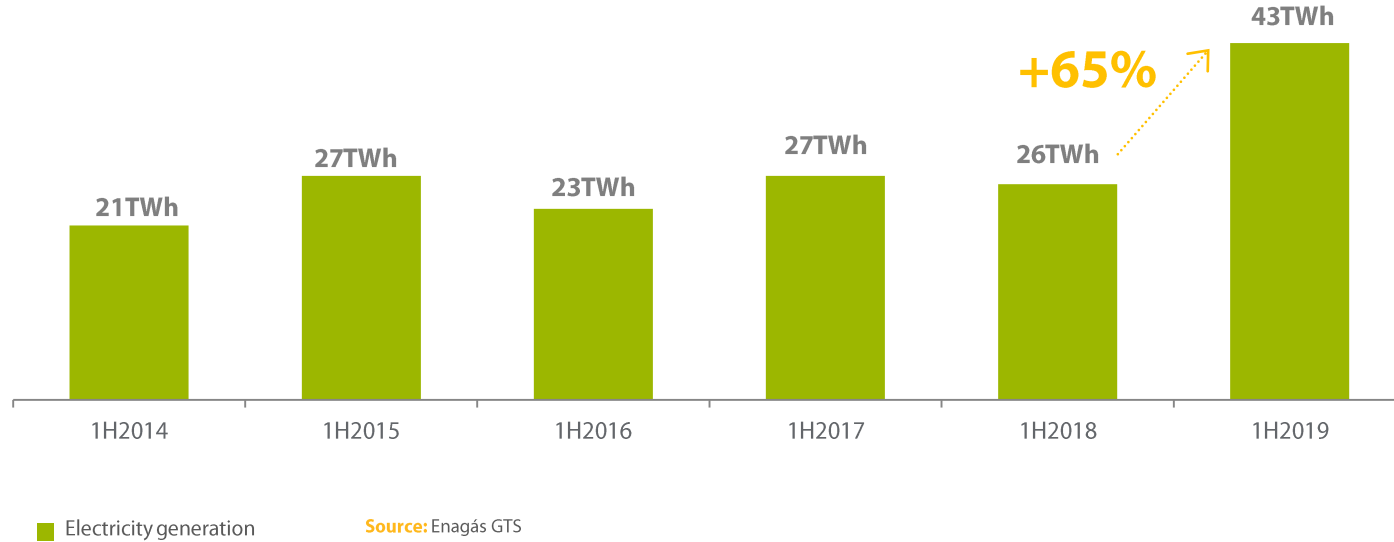
Industrial demand grew by +3.8% in 1H2019 compared to 1H2018 and reached 110TWh, which is the highest value since historical data is available.



Source: Enagás GTS

This growth is mainly due to the incorporation of new clients and the good progress of the Spanish economy.

Demand evolution for electricity generation

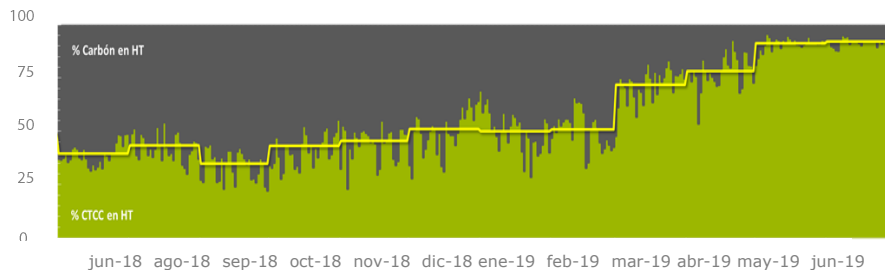


Gas demand for electricity generation has increased in this first-half of 2019 by 65%, mainly due to the lower hydro generation and a higher participation of natural gas in the thermal gap against coal.

Reduction of CO₂ emissions

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

Thermal gap



% of combined cycle in the thermal gap

	Gas	Coal
2018	44%	56%
2019	73%	27%

The greater gas natural participation in the thermal gap during the first-half of 2019 has led to a reduction of 24% in the CO₂ emission (-4.7 million of tCO₂), considering that the structure of the 2018 thermal gap had been maintained.

Increased procurement and use of infrastructure



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

- 1H2019 regasification levels are +46% higher than the average for the last 5 years.
- LNG stocks in tanks will reach the system's technical maximum (21 TWh of 23 TWh nominal capacity) by mid-August.
- Storage capacity contracts currently stand at 85%, reaching 90% of the year in August.

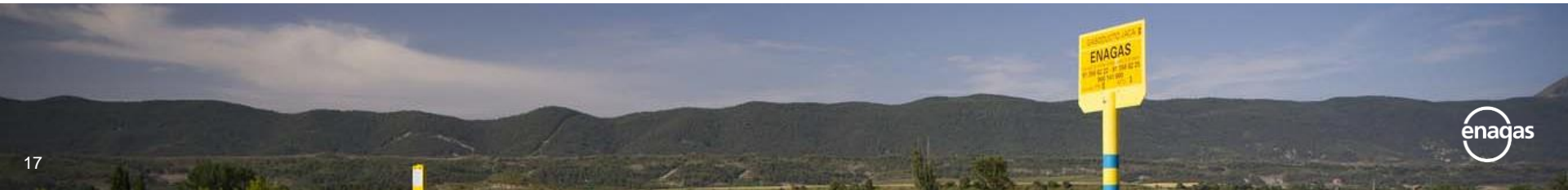
Guaranteed security of supply

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The role of natural gas and renewable gases in the energy transition

Enagás requires an adequate, incentivizing and stable regulatory framework to develop an investment plan focusing on energy decarbonization and the transition objectives of the Integrated National Energy and Climate Plans (NECPs).



Natural gas can support the electricity sector facing the variability of renewable technologies and nuclear and coal-based facility decommissioning



Natural gas can help during the transition to reduced emissions in the transport sector, mainly in heavy, sea and rail transport



Currently, natural gas has no replacement technology in industries requiring high calorific input (metallurgical, chemical industries, etc.)



Green hydrogen permits electricity and gas sector coupling, favoring the integration of electric renewable energies.



There is a network of already developed infrastructures that allows the use of gas from renewable sources that supports the objective of decarbonizing the economy



Renewable gases are positioned as clean alternatives that allow decarbonization of all sectors, even sectors not eligible for electrification.

Enagás is working to reduce CO2 emissions

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The process of processing remuneration circulars followed to date by the CNMC has not complied with the three stages provided for in the legislation. By incorporating into the supporting reports of the methodologies the detail of the values of the different values, the third phase, consisting in the resolution approval of the annual remuneration for each company, has been denatured in practice.

January: Publication of RDL 1/2019. The allocation of competences between the Government and the CNMC in such a way that the CNMC will approve the Regulatory Circulars for Access, Tolls and Remuneration, and the Ministry the AASS charges and energy policy guidelines.

February: Publication by the CNMC of the timetable for policy circulars that may have an impact on the aspects of energy policy, which are expected to be processed in 2019.

April: Publication of the energy policy guidelines by the Government and initiated the process of developing the policy circulars by the CNMC that will form the framework of the second regulatory period of the electricity and gas sector.

June: Operational circulars were processed in public consultation, which relate to the operation and balance of gas and electrical networks.

The Ministry issued its corresponding report in the first week of July, in which:

- It welcomes the new operating model for natural gas.
- It expresses that the CNMC proposal for the electricity sector might not be in line with energy policy guidelines, in addition to invading government powers.

June: Since mid-June there have been media leaks on the content of the circulars that has significantly affected the stock value of Spanish energy companies

July: On 5 July, the CNMC began the process of public consultation of remuneration circulars, without affording companies in the sector and other stakeholders the right to be heard in advance. The procedure used differs from that used by the Ministry to process the methodology for calculating the royalties and remuneration of underground storages.

End of July: The Ministry may issue a report on these remuneration circulars at the end of July. If the Ministry considers that they do not comply with the energy policy guidelines, the Coordination Commission (composed of 3 CNMC members and 3 members of the Ministry of Ecological Transition) may be convened with the aim of reaching an agreement between both sides.

August: Claims may be submitted by all interested parties until 9 August.

September: The CNMC plenary (*) is scheduled to meet to assess the report of the Ministry of Ecological Transition and the stakeholders' claims for further submission to the State Council.

September/October: The State Council must issue a mandatory non-binding report on the circulars to be approved.

End of the year: CNMC plans to approve the Final Circulars by the end of the year.

2021: The new remuneration framework will enter into force on 1 January 2021.

- **Disincentive to effective management, productivity improvement and new investments:** The reform does not contain incentives to keep the gas system's transmission infrastructures available to fulfil its role under the NECPs for both natural gas and renewable gases in the energy transition process, thus jeopardizing future investments in new services and committed climate change targets.
- **Recovery of the investment:** The CNMC circulars do not respect the reasonable profitability criteria for gas activities established by the Hydrocarbons Act. **The current profitability of Enagás' regulated business is** reasonable, similar to that of other European TSOs, and ensures the recovery of investments made over their lifetime.
- **Uncertainty and legal instability of a capital-intensive sector.**

- **Economic growth of the country:** Circulars will **negatively impact the gas sector, other dependent activities and affect the development of the Spanish business fabric.**
- **Sector company credit ratings:** Rating agencies Standard & Poor's (S&P), Fitch and Moody's issued reports warning of the negative impact that a final approval of the circulars with their initial content could have on the ratings of Spanish gas system companies. Fitch rated Enagás on "Negative Watch" and S&P's outlook for Enagás' rating was set to negative.

Since the beginning of the leaks in the content of the circulars, Spanish energy companies have lost more than 8 billion market capitalization

- **Arguments:** Enagás is working hard on arguments to the circulars published by the CNMC and will keep all investors promptly and transparently informed.
- **Coordination with companies in the sector:** Industry request to the Ministry of Ecological Transition and CNMC the right to have the sector heard in the process of prior consultation.
- **Intensive institutional contacts:** Explanation of the magnitude and general consequences of the approval of these circulars.
- **Transparency:** Intense and transparent communication policy with institutional investors, minority shareholders, rating agencies and media on the process of processing circulars, their impact and the company's position on it.
- **The company shall take any legal actions** and measures that are relevant at all times in the defense of its interests and those of its shareholders.

- Thanks to its efforts in operational efficiency, financial soundness **and the evolution of the international business, Enagás maintains the commitments made in the strategic update 2019-2023.**
- Enagás **is working intensively on** the allegations to the circulars published by the CNMC and **will inform all investors in a timely and transparent manner.**
- Proposals for remuneration **circulars put at risk the stability and functioning of the Spanish gas system, in a context of the European Union's energy transition to a decarbonised economy.**
- The remuneration proposal is not consistent in achieving the objectives set out in the CNMC: 1) **Current** returns are in line with those obtained by other European TSOs or comparable companies **with a similar** risk profile 2) The reform does not have a real impact on tariffs end-users 3) **Disincentive to effective management, productivity improvement and its goal of boosting energy transition through the National Integrated Energy and Climate Plans (NECPs)**
- The new estimate of growth in natural gas demand in 2019 is +11%, a very high growth in a gas system context that generates surplus with high **use of infrastructure and ensuring security of supply.**

Sustainability

Enagás maintains its leadership in major sustainability indices

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



Enagás has renewed **its certificate in efr reconciliation with the level of Excellence A**



Enagás maintains its presence in the rest of the sustainability indexes



Enagás is a company recognized for its model of people management and gender equality



The Enagás 2018 Annual Report complies with Law 11/2018 on Non-Financial Reporting and Diversity, is prepared according to the principles of Integrated Report and includes our contribution to the Sustainable Development Goals (SDGs).



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Thank you