Report on Limited Review

ENAGÁS, S.A. AND SUBSIDIARIES
Interim Condensed Consolidated Financial Statements
and Interim Management Report
for the six-month month period ended
June 30, 2019

Building a better working world

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REPORT ON LIMITED REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of ENAGÁS, S.A. at the request of the Company's directors

Report on the interim condensed consolidated financial statements

Introduction

We have carried out a limited review of the accompanying interim condensed consolidated financial statements (hereinafter the interim financial statements) of Enagás, S.A. (hereinafter the parent) and subsidiaries (hereinafter the Group), which comprise the balance sheet at June 30, 2019, the income statement, the statement of total changes in equity, the cash flow statement, the statement of recognized income and expense and the notes thereto, all of which have been condensed and consolidated, for the six-month period then ended. The parent's directors are responsible for the preparation of said interim financial statements in accordance with the requirements established by IAS 34, "Interim Financial Reporting," adopted by the European Union for the preparation of interim condensed financial reporting as per article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope

We have performed our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit carried out in accordance with regulations on the auditing of accounts in force in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

During the course of our limited review, which under no circumstances can be considered an audit of accounts, no matter came to our attention which would cause us to believe that the accompanying interim financial statements for the six-month period ended June 30, 2019 have not been prepared, in all material respects, in accordance with the requirements established in International Accounting Standard (IAS) 34, "Interim Financial Reporting," as adopted by the European Union in conformity with article 12 of Royal Decree 1362/2007 for the preparation of interim condensed financial statements.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Emphasis of matter paragraphs

We draw attention to the circumstances described in Note 3.3.a) of the accompanying explanatory notes related to the investee Gasoducto Sur Peruano, S.A. This matter does not modify our conclusion.

We draw attention to the matter described in Note 1.2 of the accompanying explanatory notes, which indicates that the abovementioned accompanying interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. Therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2018. This matter does not modify our conclusion.

Report on other legal and regulatory requirements

The accompanying interim consolidated management report for the six-month period ended June 30, 2019 contains such explanations as the parent's directors consider necessary regarding significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended on June 30, 2019. Our work is limited to verifying the interim consolidated management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of Enagás S.A. and its subsidiaries.

Paragraph on other issues

This report has been prepared at the request of the management of the parent, Enagás, S.A., with regard to the publication of the half yearly financial report required by article 119 of Royal Legislative Decree 4/2015, of October 23, approving the consolidated text of the Securities Market Law enacted by Royal Decree 1362/2007 of October 19.

ERNST & YOUNG, S.L.

David Ruiz-Roso Moyano

July 29, 2019

ENAGÁS, S.A.
and
Subsidiaries

Interim Condensed Consolidated Financial Statements and Interim Management Report corresponding to the six-month period ending on 30 June 2019

Translation of financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain. In the event of a discrepancy, the Spanish-language version prevails.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT JUNE 30, 2019
(Thousands of euros)

ASSETS	Notes	06.30.2019	12.31.2018
NON-CURRENT ASSETS		**7,494,369**	**7,915,622**
Intangible assets	2.5	68,244	944,659
Goodwill		25,812	188,445
Other intangible assets		42,432	756,214
Investment properties		19,610	19,610
Property, plant, and equipment	2.4	4,685,215	5,238,215
Investments accounted for using the equity method	1.5	1,991,901	1,028,555
Other non-current financial assets	3.3.a	727,456	674,151
Deferred tax assets		1,943	10,432
CURRENT ASSETS		**1,201,629**	**1,610,580**
Inventories		18,272	24,812
Trade and other receivables	2.2	240,919	388,910
Current income tax assets		1,756	1,799
Other current financial assets	3.3.a	2,849	12,797
Short-term accruals		6,551	10,719
Cash and cash equivalents	3.6	931,282	1,171,543
TOTAL		**8,695,998**	**9,526,202**

LIABILITIES	Notes	06.30.2019	12.31.2018
EQUITY		**2,612,312**	**3,039,371**
SHAREHOLDERS' EQUITY		**2,616,018**	**2,658,758**
Shared capital	3.1.a	358,101	358,101
Reserves		2,053,177	2,006,066
Treasury shares	3.1.b	(12,464)	(8,219)
Profit /(loss) for the year		216,065	442,626
Interim dividend		-	(145,917)
Other equity instruments	4.2	1,139	6,101
ADJUSTMENTS FOR CHANGES IN VALUE		**(19,154)**	**6,640**
NON-CONTROLLING INTEREST (EXTERNAL PARTNERS)	3.2	**15,448**	**373,973**
NON-CURRENT LIABILITIES		**5,034,994**	**5,911,074**
Non-current provisions	2.6.a	180,280	176,490
Financial debt and non-current derivatives	3.3.b	4,612,790	5,188,572
Deferred tax liabilities		178,960	476,765
Other non-current liabilities	2.7	62,964	69,247
CURRENT LIABILITIES		**1,048,692**	**575,757**
Current provisions	2.6.a	1,407	3,369
Financial debt and current derivatives	3.3.b	778,761	364,386
Trade and other payables	2.3	207,681	204,269
Current tax liabilities		60,843	3,733
TOTAL		**8,695,998**	**9,526,202**

Notes 1 to 4.5 to the Interim Condensed Consolidated Financial Statements constitute an integral part of the Consolidated Balance Sheet at June 30, 2019.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT AT JUNE 30, 2019
(Thousands of euros)

	Notes	06.30.2019	06.30.2018
Revenue	2.1.a	584,012	651,880
Income from regulated activities		535,686	547,471
Income from non-regulated activities		48,326	104,409
Other operating income		14,748	31,328
Personnel expenses	2.1.b	(60,537)	(64,134)
Other operating expenses	2.1.c	(104,924)	(124,176)
Depreciation	2.4 and 2.5	(144,305)	(154,716)
Impairment and gains (losses) on disposal of assets	2.4	(3,824)	(19,101)
Profit (loss) from investments accounted for using the equity method	1.5	60,488	38,906
OPERATING PROFIT		**345,658**	**359,987**
Finance income and similar		12,883	20,446
Finance and similar expenses		(78,743)	(78,019)
Translation differences (net)		(732)	(604)
Change in fair value of financial instruments		(2,545)	(7,593)
NET FINANCIAL PROFIT (LOSS)		**(69,137)**	**(65,770)**
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**276,521**	**294,217**
Income tax expense		(55,648)	(64,019)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**220,873**	**230,198**
Profit attributable to Non-controlling interest	3.2	(4,808)	(10,356)
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT COMPANY		**216,065**	**219,842**
Attributable to:			
Parent company		**216,065**	**219,842**
BASIC EARNINGS PER SHARE (in euros)	**1.6**	**0.91**	**0.92**
DILUTED EARNINGS PER SHARE (in euros)	**1.6**	**0.91**	**0.92**

Notes 1 to 4.5 to the Interim Condensed Consolidated Financial Statements constitute an integral part of the Consolidated Income Statement at June 30, 2019.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES
AT June 30, 2019
(Thousands of euros)

	Notes	06.30.2019	06.30.2018
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**220,873**	**230,198**
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY		**(24,565)**	**32,880**
From companies accounted for using the full consolidation method		**(6,624)**	**18,512**
From cash flow hedges		(11,962)	9,965
From currency translation differences		2,348	10,763
Tax effect		2,990	(2,216)
From companies accounted for using the equity method		**(17,941)**	**14,368**
From cash flow hedges		(24,413)	(2,503)
From currency translation differences		2,219	16,205
Tax effect		4,253	666
AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		**1,691**	**1,340**
From companies accounted for using the full consolidation method		**1,582**	**(1,811)**
From cash flow hedges		2,805	(2,477)
From currency translation differences		(597)	-
Tax effect		(626)	666
From companies accounted for using the equity method		**109**	**3,151**
From cash flow hedges		147	4,561
Tax effect		(38)	(1,410)
TOTAL RECOGNISED INCOME AND EXPENSES		**197,999**	**264,418**
Attributed to Non-controlling interest		**7,728**	**23,182**
Attributed to the parent company		**190,271**	**241,236**

Notes 1 to 4.5 to the Interim Condensed Consolidated Financial Statements constitute an integral part of the Consolidated Statement of recognised Income and Expenses at June 30, 2019.

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY AT June 30, 2019
(Thousands of euros)

	Share capital (Note 3.1.a)	Share premium and reserves	Other equity instruments	Treasury shares (Note 3.1.b)	Profit (loss) for the year	Interim dividend	Adjustments for changes in value	Non-controlling interest (Note 3.2)	Total equity
BALANCE AT DECEMBER 2017	358,101	1,879,996	4,165	(8,219)	490,837	(139,241)	(13,327)	368,972	2,941,284
- Adjustments due to initial application of new accounting standards (IFRS 9 and IFRS 15)	-	2,176	-	-	-	-	-	(10,340)	(8,164)
BALANCE AT BEGINNING OF 2018	358,101	1,882,172	4,165	(8,219)	490,837	(139,241)	(13,327)	358,632	2,933,120
Total recognized income and expense	-	-	-	-	219,842		21,394	23,182	264,418
Transactions with shareholders	-	-	-	-	(208,862)	-	-	(3,943)	(212,805)
- Distribution of dividends	-	-	-	-	(208,862)	-	-	(3,943)	(212,805)
Other changes in equity	-	141,997	1,006	-	(281,975)	139,241	-	26	295
- Payments based on equity instruments	-	-	1,006	-	-	-	-	-	1,006
- Transfers between equity accounts	-	142,734	-	-	(281,975)	139,241	-	-	-
- Other changes	-	(737)	-	-	-	-	-	26	(711)
BALANCE AT JUNE 30, 2018	358,101	2,024,169	5,171	(8,219)	219,842	-	8,067	377,897	2,985,028
BALANCE AT DECEMBER 2018	358,101	2,006,066	6,101	(8,219)	442,626	(145,917)	6,640	373,973	3,039,371
- Adjustments due to initial application of new accounting standards (Note 1.9)	-	(30,621)							(30,621)
BALANCE AT BEGINNING OF 2019	358,101	1,975,445	6,101	(8,219)	442,626	(145,917)	6,640	373,973	3,008,750
Total recognised income and expenses	-	-	-	-	216,065	-	(25,794)	7,728	197,999
Transactions with shareholders	-	-	-	-	(218,876)	-		(836)	(219,712)
- Distribution of dividends	-	-	-	-	(218,876)	-		(836)	(219,712)
Transactions with treasury shares	-	-	-	(9,876)	-	-		-	(9,876)
Other changes in equity	-	77,732	(4,962)	5,631	(223,750)	145,917	-	(365,417)	(364,849)
- Payments based on equity instruments	-	471	(4,962)	5,631	-	-	-	-	1,140
- Transfers between equity accounts	-	77,833	-	-	(223,750)	145,917	-	-	-
- Differences due to changes in consolidation scope	-	-	-	-	-	-	-	(365,441)	(365,441)
- Other changes	-	(572)	-	-	-	-	-	24	(548)
BALANCE AT JUNE 30, 2019	358,101	2,053,177	1,139	(12,464)	216,065	-	(19,154)	15,448	2,612,312

Notes 1 to 4.5 to the Interim Condensed Consolidated Financial Statements Constitute an integral part of the Consolidated Statement of Total Changes in Equity at June 30, 2019

ENAGÁS, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS AT JUNE 30, 2019
(Thousands of euros)

	Notes	06.30.2019	06.30.2018
CONSOLIDATED PROFIT BEFORE TAX		**276,521**	**294,217**
Adjustments to consolidated profit		**151,503**	**187,275**
Depreciation of fixed assets	2.4 and 2.5	144,306	154,716
Other adjustments to profit		7,197	32,559
Change in operating working capital		**104,800**	**139,730**
Inventories		(128)	(816)
Trade and other receivables		96,832	210,709
Other current assets and liabilities		12,005	(64,203)
Other non-current assets and liabilities		8,492	(5,836)
Trade and other payables		(12,401)	(124)
Other cash flows from operating activities		**(105,822)**	**(107,692)**
Payment of interest		(91,216)	(93,510)
Interest received		15,377	16,983
Income tax receipts (payments)		(27,270)	(30,170)
Other cash inflows/(outflows)		(2,713)	(995)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**427,002**	**513,530**
Payments for investments		**(647,184)**	**(103,263)**
Group companies and associates	1.5	(624,327)	(88,346)
Fixed assets and real estate investments	2.4 and 2.5	(17,857)	(14,917)
Other financial assets		(5,000)	-
Proceeds from disposals		**686**	**1,190**
Group companies and associates		686	1,190
Other cash flows from investing activities		**70,843**	**42,785**
Other receipts (payments) from investing activities	1.5	70,843	42,785
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(575,655)**	**(59,288)**
Proceeds from and payments on equity instruments		**(7,794)**	**-**
Transactions involving equity instruments		(7,794)	-
Proceeds from and payments on financial liabilities		**259,955**	**(113,346)**
Issues		3,741,340	3,399,416
Repayment and amortisation		(3,481,385)	(3,512,762)
Other cash flows from financing activities		**(16,506)**	**-**
Other receipts /(payments) from financing activities		(16,506)	-
Dividends paid		**-**	**(3,306)**
NET CASH FLOWS FROM FINANCING ACTIVITIES		**235,655**	**(116,652)**
EFFECT OF CHANGES IN CONSOLIDATION METHOD		**(346,732)**	**-**
Effect of exchange rate fluctuations		19,469	6,752
TOTAL NET CASH FLOWS		**(240,261)**	**344,342**
Cash and cash equivalents at beginning of period		1,171,543	627,864
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3.6**	**931,282**	**972,206**

Notes 1 to 4.5 to the Interim Condensed Consolidated Financial Statements constitute an integral part of the Consolidated Cash Flow Statements at June 30, 2019

1. Group activities and presentation bases

Relevant aspects

Results

- The net profit attributed to the parent company at June 30, 2019 was 216,065 thousands of euros **(Note 1.6)**.
- As of February 2019, the loss of control in GNL Quintero meant that its contribution to profit and loss was accounted through "Earnings from investments accounted for by the equity method" **(Note 1.5)**.
- The net profit per share has decreased to 0.91 euros per share compared to 0.92 euros per share at June 30, 2018 **(Note 1.6)**.
- The distribution of the complementary dividend in the gross amount of 0.918 euros per share, approved by the General Shareholders' Meeting held on March 29, 2019, was carried out on July 3, 2019. **(Notes 1.7 and 4.4)**.
- The "Result of investments accounted for by the equity method" at June 30, 2019 was 60,488 thousands of euros, 55.5% higher than at June 30, 2018 **(Note 1.5)**.

Working capital

- At June 30, 2019, the Consolidated Balance Sheet records a positive working capital of 152,937 thousands of euros.

Other information

- Among the main investment transactions carried out by the Enagás Group during the first six months of the 2019 financial year, the following were of note:
  - On March 11, 2019, the Enagás Group signed an agreement to invest 590 million dollars in an indirect 10.93% stake in Tallgrass Energy LP. This investment was made through several holding companies, together with GIC and the Blackstone Group **(Note 1.4)**.
  - Incorporation, in May 2019, of Bioengás Renovables, S.L. in the amount of 480 thousands of euros, with the Enagás Group contribution being 444 thousands of euros **(Note 1.4)**.
  - In June 2019, a 12.75% stake in SEAB Power Ltd was acquired for 225 thousands of pounds sterling **(Note 1.4)**.
  - Investments were made in regasification, transmission and storage facilities, with the aim of expanding and improving them to adapt to future demand forecasts amounting to 17,857 thousands of euros.

1.1 Group activity

Enagás, S.A. (hereinafter the Company or the Parent Company), a company incorporated in Spain on July 13, 1972 in accordance with the Spanish Corporate Enterprises Act, is the head of a group of companies (Annexes I and II of the Consolidated Annual Accounts at December 31, 2018) that form the Enagás Group (hereinafter the Group or the Enagás Group) and which are engaged in the transmission, storage and regasification of natural gas, as well as the development of all functions related to the technical management of the gas system.

a) Corporate purpose

i. Regasification, basic and secondary transmission as well as storage of natural gas, via the corresponding gas infrastructure or installations, of its own or of third parties, and also the performance of auxiliary activities or others related to the aforementioned activities.

ii. Design, construction, start up, exploitation, operation, and maintenance of all types of complementary gas infrastructure and facilities, including telecommunications networks, remote control and control of any nature, and electricity networks, whether its own or of third parties.

iii. Development of all functions relating to technical management of the gas system.

iv. Transmission and storage activities for carbon dioxide, hydrogen, biogas, and other energy-related fluids, via the corresponding facilities, of its own or of third parties, as well as the design, construction, start up, exploitation, operation, and maintenance of all types of complementary infrastructure and facilities necessary for said activities.

v. Activities for making use of heat, cold, and energies associated with its main activities or arising from them.

vi. Rendering of services of a diverse nature, amongst them, engineering, construction, advisory, and consultancy services in connection with the activities relating to its corporate purpose as well as participation in natural gas markets management activities to the extent they are compatible with the activities permitted for the Company by law.

The above activities can be carried out by Enagás, S.A. itself or through companies with an identical or analogous corporate purpose in which it holds interest, provided they remain within the scope and limitations established by legislation applicable to the hydrocarbons sector. In accordance with said legislation, the activities related to transport and technical management of the system which are of a regulated nature must be carried out by two subsidiaries entirely owned by Enagás, S.A. (Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., respectively). Consequently, the corporate purpose includes:

vii. Management of the corporate group comprised of the interest held in share capital of companies belonging to the group.

viii. Rendering of assistance or support services to affiliates, including the provision of appropriate guarantees and reinforcement for them.

b) Other information

The registered address is located at Paseo de los Olmos, 19, 28005, Madrid. At its website: www.enagas.es and at its registered address, its by-laws and other public information on the Company and its Group can be consulted.

1.2 Basis of presentation

The Enagás Group 2018 Consolidated Annual Accounts were prepared by the Company's directors in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, applying the consolidation, accounting and measurement principles, policies and bases set forth in Note 1.3 to those Consolidated Annual Accounts, so that they present fairly the Group's consolidated equity and financial position at December 31, 2018 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended.

The Group's Consolidated Annual Accounts for 2018 were approved at the General Shareholders' Meeting held on March 29, 2019.

The accompanying Interim Condensed Consolidated Financial Statements are presented in accordance with IAS 34 Interim Financial Reporting and were authorised for issue by the Group's Board of Directors on July 29, 2019, in accordance with article 12 of Royal Decree 1362/2007.

In accordance with IAS 34, the interim financial report is solely intended to provide an update on the Group's latest set of Consolidated Annual Accounts, focusing on new activities, events, and circumstances that occurred in the first half of the year, and does not duplicate information previously reported in the 2018 Consolidated Annual Accounts. Therefore, for a proper understanding of the information included in these Interim Condensed Consolidated Financial Statements, they should be read in conjunction with the Group's Consolidated Annual Accounts at December 31, 2018.

The accounting policies and methods used in the preparation of the accompanying Interim Condensed Consolidated Financial Statements are the same as those applied for the Consolidated Annual Accounts for the year ended December 31, 2018, except for the standards and interpretations which became effective in 2019 (described in **Note 1.9**), and which, if applicable, were used by the Group in the preparation of the accompanying Interim Condensed Consolidated Financial Statements.

It was not necessary to include any corrections of misstatements in the Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2019. Also, given the activities of the companies of the Enagás Group, their transactions are not of a cyclical or seasonal nature, so specific breakdowns are not included in this respect.

These Interim Condensed Consolidated Financial Statements are presented in thousands of euros (unless otherwise stated).

a) Criterion of relative importance

In determining the information to be disclosed in the accompanying Interim Condensed Consolidated Financial Statements regarding the various line items included in them, or other matters, the Group, in accordance with IAS 34, has taken their relative importance into account in relation to the Interim Condensed Consolidated Financial Statements for the first six months of the year.

b) Comparative information

The comparison of the Interim Condensed Consolidated Financial Statements is referenced to the six-month periods ended 30 June 2019 and 2018, except for the Consolidated Balance Sheet, which compares 30 June 2019 to 31 December 2018.

On January 1 the Enagás Group applied the new IFRS 16 Leases and without restating the comparative information referring to 2018 **(Note 1.9)**.

c) Consolidation principles

The Interim Condensed Consolidated Financial Statements include the interim financial statements of the Parent, Enagás, S.A. and its subsidiaries, associates, joint ventures, and joint operations at June 30, 2019.

The principles of consolidation applied in the preparation of the Interim Condensed Consolidated Financial Statements at June 30, 2019 agree with those applied in the preparation of the Consolidated Annual Accounts for 2018, and are described in Note 1.3 to said Consolidated Annual Accounts.

The exchange rates with respect to the euro of the main currencies used by the Group during 2019 and 2018 were as follows:

Currency	Average exchange rate applicable to the headings of the income statement	Exchange rate at the end of June applicable to the balance sheet headings (1)
06.30.2019		
US dollar	1.12974	1.13708
Peruvian Nuevo Sol	3.74251	3.73066
Pound Sterling (2)	0.87327	0.89719
06.30.2018		
US dollar	1.2108	1.1562
Peruvian Nuevo Sol	3.9249	3.7746
Swedish krona (2)	10.1509	10.3725

(1) Equity excluded.

(2) See **Note 1.4.** for the pound sterling. Regarding the Swedish krona, it was included due to the stake in Swedegas, sold in 2018.

In addition, the exchange rates of the main currencies used by the Group with respect to the euro at December 31, 2018 were as follows:

Currency	Exchange rate applicable to the balance sheet headings (1)
12.31.2018	
US dollar	1.14446
Peruvian Nuevo Sol	3.85127
Swedish krona	10.15790

(1) Equity excluded.

1.3 Estimates and accounting judgements used

In the Group's Interim Condensed Consolidated Financial Statements for 2019, estimates and judgements were occasionally made by the Senior Management of the Group and of the consolidated companies, subsequently ratified by the Directors, in order to quantify certain assets, liabilities, income, expenses, and commitments reported herein. These estimates and judgements basically relate to:

- The service lives of assets and PP&E items.
- Provisions for decommissioning/abandonment costs, other provisions and contingent liabilities.
- The measurement of non-financial assets to determine the possible existence of impairment losses.
- Recognition of investments accounted for by the equity method.
- The fair value of financial instruments and financial assets.
- Corporate income tax expense which, in accordance with IAS 34, is recognised in interim periods based on the best estimate of the weighted average annual income tax rate the Group expects for the full financial year.
- The fair value of equity instruments granted under the "Long-Term Incentive Plan (LTI)".
- Estimates applied to IFRS 16 explained in **Note 1.9.**

Although these estimates were made on the basis of the best information available at June 30, 2019, future events may require these estimates to be modified prospectively in the coming years (upwards or downwards). The effects of any change in estimates would be recognised in the Consolidated Income Statement, in accordance with IAS 8.

During the six-month period ended June 30, 2019, there were no significant changes to the estimates made at 2018 year end.

1.4 Changes in the consolidation scope

The following changes in the consolidation scope of the Enagás Group occurred during the six-month period ended June 30, 2019:

	Amount (thousands)		Stake percentage		
Entity	In local currency	In euros	Previous	At 06.30.2019	Description / Type of control
GNL Quintero	-	-	45.40%	45.40%	As a result of the change in the corporate purpose of GNL Quintero and the change to the TBQ shareholders' agreement, the Enagás Group gained joint control over the subsidiaries, with consolidation using the equity method.
Terminal Bahía de Quintero("TBQ")	-	-	51.92%	51.92%	
Enagás Holding USA, S.L.U.	235,464	207,704	-	100%	Incorporation of this subsidiary, 100% owned by Enagás through its subsidiary Enagás Internacional, S.L.U., thus consolidating this stake globally.
Prairie Group (*)	689,370	610,366	-	24.90%	Acquisition of stake in this corporate entity in which Enagás Group has a significant influence, with the consolidation being carried out by the equity method.
Tallgrass Energy LP	589,770	522,133	-	11.06%	Acquisition of a stake in Tallgrass Energy LP through the different investment vehicles of the Prairie Group, the consolidation being carried out by the equity method (see explanation below).
E.C. Soto de La Marina and E.C. Soto de La Marina EPC	-	-			Merger of both companies with no impact on the balance sheet and income statement.
Bioengás Renovables, SL	444	444	-	92.50%	Incorporation of the company and consolidation in accordance with the full consolidation method with the Group keeping control of it.
SEAB Power Ltd.	225	252	-	12.75%	Acquisition of a 12.75% stake and consolidation based on the equity method, with significant influence on the company.

(*) Prairie Group includes the stake of the Enagás Group in the different vehicles incorporated with the rest of the members of the consortium for investment in Tallgrass Energy LP.

Enagás Holding USA, S.L.U.

During May 2019, Enagás Holding USA, S.L.U.was incorporated for 235,464 thousands of dollars. This company, located in Spain, is 100% owned by Enagás Internacional, S.L.U. which has direct control over the company, including its assets and liabilities globally.

Tallgrass Energy LP ("TGE")

On March 11, 2019 Enagás signed an agreement with subsidiaries of Blackstone Infrastructure Partners and GIC (Singapore Sovereign Fund) to invest 590 million dollars in an indirect 10.93% stake in Tallgrass Energy LP ("TGE").

Enagás' investment is made in Prairie Group, a holding company with 100% of the political rights and 43.91% of the economic rights of TGE, whose shareholding structure includes two types of shares, Class A and Class B are traded on the New York Stock Exchange and confer mainly economic rights on their holders, while Class B grant all the relevant political rights.

This holding company consists of Blackstone, the majority shareholder, GIC as a minority partner and Enagás, which owned 24.90% at the conclusion of the transaction. In this regard, due to the rights conferred in the Shareholder Agreement, the Enagás Group has a significant influence on the holding, and therefore it accounts for such investment by the equity method.

Subsequent to the initial purchase, Prairie Group has proceeded to purchase additional Class A shares on the market. Accordingly, at June 30, 2019, the holding company holds 44.42% of the economic rights of TGE, which in the case of Enagás is an indirect stake of 11.06%.

Additionally, Enagás has agreed to increase its stake by an additional 3.52% in an approximate amount of 83 million dollars, subject to approval by the Committee on Foreign Investment in the United States (CFIUS), as indicated in **Note 1.8.c.** Likewise, and as indicated in **Note 1.8.c.**, it has reached an agreement to invest up to 300 million dollars in future investments in TGE (of which 99.6 million dollars are already previously funded in one of the companies that make up the consortium).

Seab Power Ltd.

On June 24, 2019, the acquisition of 12.75% of SEAB Power Ltd., located in the United Kingdom, was concluded. The holding was acquired from Enagás Emprende, which has significant influence and therefore accounts for this stake by the equity method.

GNL Quintero Group (Quintero Bay Terminal and GNL Quintero)

As indicated in the note on subsequent events of the Consolidated Annual Accounts for financial year 2018, on February 15, 2019, the agreements governing Terminal Bahía de Quintero, SpA were modified in order to adapt to the change of corporate purpose of GNL Quintero, S.A. This means that the stake in GNL Quintero will be accounted for by the equivalence method from that date, because the relevant decisions are no longer taken unilaterally by Enagás. To this end, the Group has proceeded to derecognise assets, liabilities and Non-controlling interest that GNL Quintero contributed at that date, and to cancel the adjustments for accumulated value changes in the Net Equity at the end of February 2019, in a positive amount of 3,344 thousands of euros (given that said investment was covered by a net investment hedge).

The main impacts on the balance sheet and income statement, due to the deconsolidation, at the end of February 2019 were as follows:

Assets	February 2019
NON-CURRENT ASSETS	**(1,266,230)**
Intangible assets	(874,433)
Goodwill	*(163,579)*
Other intangible assets	*(710,854)*
Property, plant, and equipment	(747,287)
Inv. Equity method	362,715
Other non-current assets	(7,225)
CURRENT ASSETS	**(376,008)**
Other non-current assets	(29,276)
Cash and cash equivalents	(346,732)
TOTAL ASSETS	**(1,642,238)**

Equity and Liabilities	February 2019
EQUITY	**(364,249)**
SHAREHOLDERS' EQUITY	**3,314**
ADJUSTMENTS FOR CHANGES IN VALUE	**(2,086)**
NON-CONTROLLING INTEREST	**(365,477)**
NON-CURRENT LIABILITIES	**(1,258,332)**
Financial debt and non-current derivatives	(969,449)
Deferred tax liabilities	(285,728)
Other non-current liabilities	(3,155)
CURRENT LIABILITIES	**(19,657)**
Financial debt and current derivatives	(3,736)
Other current liabilities	(15,921)
TOTAL EQUITY AND LIABILITIES	**(1,642,238)**

Furthermore, at the end of February 2019, GNL Quintero contributed a total amount of 31.7 million euros to Revenue; 17.3 million euros to Operating Profit; and 3.6 million euros to Profit attributable to the parent company (85.3 million euros, 44.1 million euros and 8.2 million euros respectively at the end of June 2018).

Bioengás Renovables, SL

In May 2019, the company Bioengás Renovables, S.L. was incorporated for 480 thousands of euros. This company, located in Spain, is directly controlled by Enagás Emprende, S.L.U. through a 92.5% stake. Thus, it is fully consolidated together with recognition of the 7.5% stake corresponding to external partners under "Minority interest" in equity.

Gascán

In April 2019, the Sole Shareholders of the companies Enagás Transporte, S.A.U., (the "Absorbing Company") and Compañía Transportista de Gas Canarias, S.A.U., (the "Absorbed Company"), approved a joint merger project pursuant to the provisions of article 30.1 of Law 3/2009, of April 3, on structural modifications of trading companies ("LME"). The planned merger by absorption operation has involved the integration of the Absorbed Company into the Absorbing Company, by means of a block transfer of the assets of the former for the benefit of the latter and the extinction without liquidation of the Absorbed Company. The Absorbing Company is the Sole Shareholder of the Absorbed Company, which therefore means that articles 49 LME and 42 LME, among others, are applicable. The merger project was published in two announcements in the Official Gazette of the Mercantile Registries of Las Palmas and Madrid, on June 11, 2019, and June 19, 2019. However, on June 30, 2019, the transaction was still being formalized, and its registration in the Mercantile Registry is pending completion.

The aforementioned operation has had no impact on the interim consolidated financial statements at June 30, 2019.

1.5 Investments accounted for by the equity method

2019

Opening balance at 12.31.2018	New acquisitions / Increases (1)	Change in consolidation method (2)	Dividends	Profit /(loss) for the year	Translation differences	Hedging transactions	Exits from the perimeter / Decreases	Other adjustments (3)	Closing balance at 06.30.2019
1,028,555	635,223	362,715	(69,379)	60,488	2,219	(20,051)	-	(7,869)	**1,991,901**

2018

Opening balance at 12.31.2017	New acquisitions / Increases	Change in consolidation method	Dividends	Profit /(loss) for the year	Translation differences	Hedging transactions	Exits from the perimeter / Decreases	Other adjustments	Closing balance at 12.31.2018
1,022,058	75,801	(208)	(91,233)	70,982	18,847	5,437	(71,573)	(1,556)	**1,028,555**

(1) "New acquisitions" in financial year 2019 mainly refers to the amount for the acquisition of the stake in Tallgrass Energy, through the Prairie Group, in the amount of 621,545 thousands of euros **(Note 1.4)**.

(2) "Change in consolidation method" includes the effect of recognizing GNL Quintero under "Investments accounted for under the equity method" amounting to 362,715 thousands of euros as, since February 2019, it is consolidated using the equity method **(Note 1.4)**. This amount corresponds to the fair value of the stake held by Enagas Group at that date.

(3) The "Other adjustments" movement mainly reflects the effect of the 1st application of the new IFRS 16 standard, due to the adjustments made against reserves in BBG, Saggas and Grupo Altamira.

As the corresponding 12-month deadline subsequent to acquisition has not yet elapsed, the accounting of the stake and the assignation of the acquisition price for DESFA and Tallgrass is currently being reviewed, although no significant changes are expected.

The dividends received during the first six months of financial year 2019 and at December 31, 2018 were as follows:

	2019	2018
TgP	32,980	66,775
GNL Quintero	3,801	-
Grupo Altamira	-	3,942
Morelos EPC	-	7,340
Swedegas	-	6,339
BBG	12,500	3,750
Saggas	18,850	-
Other entities	1,248	3,087
Total	**69,379**	**91,233**

1.6 Earnings per share

	06.30.2019	06.30.2018	Change
Net result of the financial year attributed to the parent company (thousands of euros)	216,065	219,842	(1.7%)
Weighted average number of outstanding shares (thousands of shares)	238,480	238,426	(0.0%)
Basic earnings per share (in euros)	0.91	0.92	(1.7%)
Diluted earnings per share (in euros)	0.91	0.92	(1.7%)

As there are no potential ordinary shares at June 30, 2019 and June 30, 2018, the basic earnings and the diluted earnings per share are the same.

1.7 Dividends distributed by the Company

The distribution of the complementary dividend in the gross amount of 0.918 euros per share, approved by the General Shareholders' Meeting held on March 29, 2019, was carried out on July 3, 2019 **(Note 4.4)**.

The total amount of the additional dividend paid amounted to 218,876 thousands of euros.

1.8 Commitments assumed and guarantees granted

Commitments assumed and guarantees granted	Group employees, companies or entities (Note 4.1)	Other Related Parties (Note 4.1)	Third parties	Total
06.30.2019				
Guarantees for related party debts	506,362	-	-	**506,362**
Guarantees granted - Other	1,311	23,002	370,322	**394,635**
Investment commitments	306,165		17,607	**323,772**
12.31.2018				
Guarantees for related party debts	452,589	-	-	**452,589**
Guarantees granted - other	1,468	22,895	405,395	**429,758**
Investment commitments	61,592	-	22,596	**84,188**

a) Guarantees for related party debts

The "Guarantees for related party debts" heading includes the corporate guarantee granted by Enagás S.A. for financial institutions acquired in the Financing Agreement of November 30, 2018 in the company TAP, through which the following items are basically guaranteed:

- Principal and interest of the Financing Agreement provided by TAP at any time;
- Market value of the hedging instrument over the interest rate of the Financing Contract.

The corporate guarantee has been granted by each TAP shareholder jointly, so that Enagás would only be held liable, in a hypothetical case, for the amount corresponding to its participation in the capital of TAP.

At June 30, 2019 the amount guaranteed by Enagás, S.A. to the creditors of TAP amounted to 506,362 thousands of euros (452,589 thousands of euros at December 31, 2018). The increase was motivated by the greater degree of availability of the TAP loan and due to agreement of interest rate coverage contracts.

This guarantee will be released subject to the fulfilment of certain conditions agreed with TAP's creditors, mainly related to the start-up of the project.

After the start-up and until the maturity of the financing, there will also be a shareholder support mechanism for the repayment of the TAP loan by means of capital contributions (Debt Payment Undertaking), which will be activated were certain extraordinary events to happen.

Both the guarantee during the construction period and this support mechanism during the operating period are contractually limited by a cap in force throughout the life of the financing arrangement, so that the amounts claimed from Enagás may never exceed a total amount of 903,322 thousands of euros, regardless of the market value of the derivative or any other contingency.

b) Guarantees granted - Other

The following items are included:

Employees, Companies or Group Entities

- Guarantees and sureties granted to group companies at June 30, 2019 include the technical sureties granted to third parties by Gas to Move Transport Solutions, S.L. in the amount of 1,311 thousands of euros, counter-guaranteed by Enagás, S.A. (1,468 thousands of euros at December 31, 2018).

Other related parties

- Technical guarantees granted by the related party Banco Santander to third parties in the amount of 6,411 thousands of euros (6,411 thousands of euros in 2018) to cover certain responsibilities which may arise during execution of the contracts constituting the activity of the Enagás Group.
- Guarantees granted by the related party Banco Santander before the Federal Electricity Commission ("FEC") in connection with the service contracts relating to the Morelos gas pipeline and Soto La Marina compression station projects in the amount of 8,794 thousands of euros and 7,797 thousands of euros, respectively (8,737 and 7,747 thousands of euros respectively at December 31, 2018).

Third parties

The following items, mainly, are included:

- Financial guarantees granted by financial entities to cover the loans granted by the European Investment Bank to Enagás Financiaciones, S.A. in the amount of 303,333 thousands of euros (323,333 thousands of euros in 2018).
- Technical guarantees granted by financial entities to third parties in the amount of 65,076 thousands of euros (2018: 60,072 thousands of euros) to cover certain responsibilities which may arise during execution of the contracts constituting the activity of the Enagás Group.
- Guarantee granted by Enagás Internacional S.L.U covering its obligations in the contract with Sound Energy Morocco for the development of a project in Morocco, amounting to 594 thousands of euros (590 thousands of euros at December 31m 2018).
- Insurance contract granted by Enagás Internacional, S.L.U., amounting to 1,319 thousands of euros (1,500 thousands of dollars).
- No guarantees had been granted with respect to tender processes at June 30, 2019 and December 31, 2018.

c) Investment commitments

The following items are included:

- The Enagás Group has investment commitments amounting to 57,242 thousands of euros relating to the TAP project, corresponding to the capital contributions expected to be disbursed as shareholder, in order to comply with the shareholders' obligation to participate in the financing of the project jointly with the financial entities with which the Financing Agreement was signed on November 30, 2018 (61,592 thousands of euros at December 31, 2018).

- The Enagás Group has firm investment commitments for investments in Economic Interest Groupings (EIG) amounting to 17,607 thousands of euros, to be disbursed during the 2019 and 2020 financial years (22,596 thousands of euros at December 31, 2018).
- The Enagás Group holds investment commitments in Prairie Group (a holding company that holds 100% of the political rights, as well as 44.42% of the economic rights of Tallgrass Energy, L.P). At June 30, 2019 there is a commitment in the amount of 83,373 thousands of dollars (73,322 thousands of euros), subject to approval by the Committee on Foreign Investment in the United States (CFIUS) and another commitment of 200,400 thousands of dollars for future investments in Tallgrass Energy, LP (175,601 thousands of euros).

The Directors consider that no additional significant liabilities will arise in connection with the transactions disclosed in this note other than those already recognized in the accompanying Consolidated Balance Sheet.

1.9 New accounting standards

a) Standards in force for the current financial year

The accounting policies used in the preparation of these Interim Condensed Consolidated Financial Statements, other than those applied in the Consolidated Annual Accounts for the year ended December 31, 2018, as they came into force on January 1, 2019 are the following:

Approved for use in the European Union		
Standards	**Content**	**Mandatory application for periods beginning on or after:**
IFRS 16	Leases	January 1, 2019
IFRIC 23 (1)	Uncertainties about tax treatments: clarifies how to apply the registration and valuation criteria of IAS 12 when there is uncertainty about the acceptability by the tax authority of a certain tax treatment used by the entity	January 1, 2019

(1) This interpretation did not have a significant impact.

IFRS 16: Leases

This Standard was approved in January 2016 by the IASB (International Accounting Standard Board), and its definitive application is mandatory for annual periods beginning on or after January 1, 2019.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determination of whether a contract contains a lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluation of the essence of transactions that take the legal form of a lease, and establishes the principles for recognising, valuing, presenting and disclosing leases.

IFRS 16 is based on a control model for the identification of leases, distinguishing between the leases of an identified asset and service contracts. The Standard distinguished between a lease and a service contract based on the customer's ability to control the use of the asset subject to the lease for a period of time in exchange for a consideration and it is considered that there is control if the customer has the right to obtain substantially all the economic benefits arising from the use of an identified asset and the right to the direct the use of that asset.

The Standard involves very significant changes in the lessee's accounting, since the differentiation between financial and operating leases disappears and a single lease model is used in which all rents are recognized on the balance sheet (similar to accounting for financial leases in accordance with the previous IAS 17). By contrast, this standard does not substantially modify the lessor's accounting compared to IAS 17, so the lessor will continue with a dual model distinguishing between financial and operating leases.

From the perspective of the lessee, the later will recognise, in the start date of a lease, a financial liability for the current value of the payments to be made during the remaining life of the lease agreement and an asset that represents the right to use the underlying asset during the lease term. Lessees must also recognise the interest expense arising from the lease financial liability and the right of use amortisation expense separately.

After the start date, the amount of lease liabilities is increased to reflect interest accrual and is reduced by lease payments made. In turn, right-of-use assets are valued at cost, less accumulated amortisation and impairment losses, and are adjusted for any change in the valuation of the associated lease liabilities. The initial cost of the usage rights includes the amount of the lease liabilities recognized, the initial direct costs and the lease payments made before the lease commencement date. The incentives received are discounted from the initial cost. Unless the Group is reasonably sure of obtaining ownership of the leased asset at the end of the lease term, the usage rights are amortized on the straight line method for the shorter of the estimated useful life and the term of the lease. The usage rights are subject to impairment analysis.

The lessees will also be obliged to re-evaluate the financial liability for the lease when certain events occur (for example, a change in the lease duration, whether or not it results from an option, changes in future lease payments including those resulting from changes in an index or rate used to determine the payments). The lessee will generally recognise the lease liability amount revaluation as an adjustment to the asset for the right of use.

The Enagás Group mainly has operating leases in which it is a lessee, and has chosen not to apply the new Standard in advance, adopting it for the first time for the financial year beginning on January 1, 2019.

In this regard, the Group has applied IFRS 16 to leases that had already been identified as such in accordance with the previous standards. An exhaustive analysis of the fees paid by the Enagás Group was conducted, after which it was concluded that the exclusive public domain occupation charges paid to the different Port Authorities where the Enagás Group has its LNG Regasification Plants located must be considered as a lease contract under IFRS 16. Previously, these charges have been recorded as fees under the "Other operating expenses" heading in the Consolidated Income Statement.

Related to the above, it should be noted that in March 2019, the Interpretations Committee of the International Financial Reporting Standards, IFRIC, published a consultation on underground passage rights for a period of time in exchange for Future periodic payments applicable, among others, to gas pipelines. The initial interpretation of the IFRIC, endorsed later in June 2019, is that the case considered corresponds to a lease within the scope of IFRS 16. The arguments put forward by IFRIC, which apply in the specific case of the Enagás Group, are the following:

- the occupied subsoil space is a fraction of the land that is considered tangible, with a physical substance other than that of the surface, and sufficiently identified provided that the exact location and dimensions of the gas pipeline are specified in the contract;
- the landowner and lessee, although it can use the land for other purposes, such as agriculture or livestock, does not have the right to substitute the leased asset, since it cannot access that subsoil space, cannot modify the layout of the pipeline and can take decisions about the use of that underground space during the lease term;
- it is the lessee that has the right to obtain substantially all the economic benefits of the asset, since it has an exclusive use; and
- it is the lessee that has the right to direct the use of the asset, since the lessee directs how and for what the space in the subsoil will be used, and also determines the layout, and the dimensions of the pipeline that directly influence the occupied space, and is the only party with the right to operate the asset, carry out inspections, repairs and maintenance work (including the replacement of damaged sections when necessary), and the lessor cannot change or interfere in those decisions.

Therefore, based on the considerations issued by IFRIC in its aforementioned publications, and taking account of the above arguments, the Enagás Group considers that both the fees paid for the exclusive occupation of the subsoil where underground storage is located and the fees that are periodically paid to the public authorities for the right of way of the gas pipeline network, fall under the scope of IFRS 16, and is therefore an additional financial liability with respect to the figures reported in the Consolidated Annual Accounts of financial year 2018. Thus, the financial liability recorded on January 1, 2019 due to the implementation of IFRS 16 amounts to a total of 348 million euros **(Note 3.4)**.

For transition purposes, the Enagás Group has combined the use of the modified retroactive transition method for the most significant leases (fibre optic rental, fees for exclusive occupation of regasification plants and office rental) with the simplified method for the remaining contracts (exclusive occupancy rates for underground storage and gas pipelines, rental of work centres, cars, machinery, etc.). The comparative figures for the previous financial year have therefore not been restated.

Regarding the assumptions used to calculate the different quantities:

- Non-cancellable lease terms were estimated, considering the initial term of the contracts, except for those in which the Enagás Group has a unilateral option to extend or terminate the lease, in which case the term has been considered extended or terminated early if there is reasonable assurance that the option will be exercised.
- Both the lease payments made in the past, which were necessary to perform the calculations required for those contracts in which the modified retroactive transition method was chosen, and the current and future committed amounts, mainly considering fixed lease payments, less incentives, and variable payments tracking an index or rate such as the CPI, which are essentially considered fixed payments, have been identified. The Enagás Group does not have significant leases whose payments are considered completely variable, that is, that do not depend on an index or rate, which should be recognized as expenses for the period in which the event or condition that triggers the payment occurs.
- For the calculation of the current value of the lease payments, the discount rates to be applied to each of the lease contracts have been estimated, based on the Group's financial cost adapted to the remaining maturity of each of the contracts to January 1, 2019.

Furthermore, the Enagás Group has decided to avail itself of the exemptions indicated in the Standard in relation to short-term leases (maturing in less than or equal to 12 months), as well as those in which the underlying asset has a low value (having a value of less than 5 thousands of US dollars). Payments for short-term leases and low-value asset leases are recognized as linear expenses during the lease term.

The Group has also applied the following practical solutions:

- As indicated above, the same type of discount has been applied to contracts with similar characteristics.
- It has not recorded components that are not leases separately from those that are for those asset classes in which the relative importance of these components is not significant in relation to the total value of the lease.
- It considered contracts whose expiration in principle was long-term, but which end in the next 12 months or less from the date of initial application of the Standard to be short-term leases, such as the rental of the boat and the helicopter for maintenance of the Gaviota underground storage facility and the rental of the boat used in for the management of the Castor underground storage facility.

  Accordingly, the impact of the initial application of IFRS 16 at January 1, 2019 on the Consolidated Balance Sheet is as follows:

Thousands of euros	January 1, 2019
NON-CURRENT ASSETS	**317,686**
Property, plant, and equipment (Rights of use) **(Note 2.4)**	656,355
Accumulated depreciation of Fixed assets **(Note 2.4)**	(338,646)
Investments accounted for using the equity method	(7,672)
Deferred tax asset	7,649
LIABILITIES	**348,307**
Lease liabilities	348,307
EQUITY	**(30,621)**

As indicated above, the Enagás Group has concluded that the exclusive occupancy fees are within the items covered by the scope of IFRS 16, instead of fees such as Leases and Fees under "Other Operating Expenses" of the Consolidated Profit and Loss Account as per the previous practice. This meant that the Enagás Group's Annual Accounts of previous years did not include the detail of operating lease commitments in accordance with IAS 17 because they were not considered significant.

At June 30, 2019, the maturities of these liabilities for leases are as follows:

Maturity	Thousands of euros
Up to 3 months	6,601
Between 3 and 12 months	26,635
Between 12 months and 5 years	125,451
More than 5 years	230,635
Total (1)	**389,322**

(1) The difference compared to the amount of lease liabilities recorded in the Consolidated Summary Interim Financial Statements at June 30, 2019 of 334,792 thousands of euros, **(Note 3.4)** is mainly due to the effect of the financial discount.

In posting these accounts, the Enagás Group included the assets for use rights within the same items of the financial statements that would have been used to post the underlying assets, had it owned them **(see Note 2.4)** and included the liabilities for leases under the headings of "Long-term and short-term debts-Other financial liabilities" of the Consolidated Balance Sheet **(see Note 3.4)**.

	Assets for usage rights (thousands of euros)							Lease liabilities (thousands of euros)
	Lands	Buildings	Technical facilities	Machinery	Furniture	Transport equipment	Total	
At January 1, 2019								
Cost	217,451	66,351	368,902	249	150	3,252	656,355	(348,307)
Accumulated depreciation	(74,511)	(43,853)	(220,282)	-	-	-	(338,646)	-
Amortisation	(3,490)	(1,778)	(7,431)	(92)	(35)	(798)	(13,625)	-
Interest	-	-	-	-	-	-	-	(3,026)
Payments	-	-	-	-	-	-	-	16,506
Others	-	-	-	-	-	-	-	35
At June 30, 2019	**139,450**	**20,720**	**141,189**	**157**	**115**	**2,454**	**304,084**	**(334,792)**

In addition, the Enagás Group recorded the following impacts on the Consolidated Profit and Loss Account at June 30, 2019:

- Lower expenses for "Rents and royalties" amounting to 16,542 thousands of euros, a higher amortisation expense of 13,625 thousands of euros on rights of use assets **(see Note 2.4)**, as well as a higher finance cost of 3,026 thousands of euros on lease liabilities; as a result, the consolidated profit for the year is not expected to be significantly affected.
- Furthermore, with regard to the effect of the practical solutions adopted by the Group, in the 6-month period ended June 30, 2019, short-term lease rental expenses in the amount of 3,267 thousands of euros and low-value leases assets amounting to 175 thousands of euros were posted in "Rents and royalties" in the Consolidated Profit and Loss Account **(see Note 2.1.c).**

From the point of view of the Consolidated Cash Flow Statement, payments for lease contracts and exclusive occupancy rates, since the implementation of IFRS 16 they are classified as flows from financing activities rather than flows from operating activities as was the practice under the previously applicable regulations. The amounts paid for these items at June 30, 2019 amounted to 16,506 thousands of euros.

b) Standards not effective for the current financial year

The Group intends to adopt the standards, interpretations, and amendments thereof issued by the IASB that are not mandatory in the European Union at the date these Consolidated Annual Accounts were prepared when they become effective, where applicable. Based on the analyses conducted to date, the Group estimates that its first-time application will not have a material impact on the consolidated annual accounts.

2. Operational performance of the group

Relevant aspects

Operating profit

- Operating profit at June 30, 2019 amounted to 345.7 million euros.
- As indicated in **Notes 1.4 and 1.5,** the loss of control of the GNL Quintero company in February 2019 meant that at that date, its contribution to profit and loss is presented in "Earning from investments accounted for by equity method".

Current status of the Castor storage collection rights

- In relation to the Castor storage **(Note 2.4)**, Enagás Transporte has been notified of the CNMC's resolution that determines the return of the remuneration received for the development of the operation and maintenance activities for the 2014, 2015 and 2016 financial years recognized in the final settlements of 2015 and 2016, as well as the corresponding interest, in the amount of 34.6 million euros. Pending the Agreement of the Council of Ministers provided for in RD-Law 13/2014 approving the end of the Castor hibernation and, where appropriate, the establishment of the legal standard that determines how to proceed for payment of the right to charge for the costs incurred by Enagás Transporte for the entrusted operation and maintenance of the infrastructure, in December 2018 the Enagás Group presented a claim of pecuniary liability, to be updated considering the inclusion of the refund of the amounts indicated above.

Trade receivables

- "Current receivables" include the balance pending settlement corresponding to the remuneration of regulated regasification, transmission and underground storage activities for 171.2 million euros corresponding to financial year 2019 (308.1 million euros at December 31, 2018), as well as the outstanding balance corresponding to the remuneration of the Technical Manager for 2.9 million euros (5.5 million euros at December 31, 2018) **(Note 2.2).**

Intangible fixed assets

- At June 30, 2019, the amount decreased by 876.42 million euros compared to closure 2018. The variation is mainly due to the decrease in assets as a result of a change in the consolidation method of the GNL Quintero company, a decrease in this caption of 874.43 million euros **(Notes 1.4 and 2.5)**.

Property, plant, and equipment

- This caption involves, at June 30, 2019, 54% of total assets (55% of total assets at December 31, 2018).
- At June 30 2019, the amount decreased by 553 million euros compared to closure 2018. The variation is mainly due to the decrease in assets as a result of a change in the consolidation method of the GNL Quintero company, a decrease in this caption of 747.29 million euros **(Notes 1.4 and 2.4)** and the increase in the assets per application of IFRS 16 **(Note 1.9).**

2.1 Operating profit

a) Revenue

The details of revenues with the breakdown of revenues from customer contracts at December 31, 2018 is as follows:

Revenue	06.30.2019
Regulated activities:	**535,686**
From contracts with customers	-
Others	535,686
Non-regulated activities:	**48,326**
From contracts with customers	15,896
Others	32,430
Total revenue	**584,012**

Other operating income	06.30.2019
From contracts with customers	13,237
Other	1,511
Total Other operating income	**14,748**

The distribution of the net amount of turnover based on the Group Companies from which it comes is as follows:

Revenue	06.30.2019	06.30.2018
Regulated activities:	**535,686**	**547,471**
Enagás Transporte, S.A.U.	509,704	521,494
Enagás Transporte del Norte, S.L.	13,838	14,092
Enagás GTS, S.A.U.	12,144	11,885
Non-regulated activities:	**48,326**	**104,409**
GNL Quintero	31,696	85,340
Enagás Transporte, S.A.U.	15,192	16,095
Enagás Internacional, S.L.U.	194	542
Enagás México	182	120
Enagás Transporte del Norte, S.L.	224	224
Enagás Perú	748	361
Enagás, S.A.	-	1,727
Remaining companies	90	-
Total	**584,012**	**651,880**

The breakdown required for the IFRS 15 application, regarding contracts with clients corresponding to the current year, is as follows:

				Segments (Note 4.3)			
	Nature	Geographical area	Counterparty	Infrastructures	Technical Management of the System	Other activities	Total
Net revenue from customer contracts							
Connections	Provision of services	Spain	Third parties	1,086	-	-	1,086
Other income	Provision of services	Spain	Intercompany	42	-	-	42
Other income	Provision of services	Spain	Third parties	-	-	172	172
Other income	Provision of services	Switzerland	Intercompany	-	-	236	236
Corporate services	Provision of services	Spain	Intercompany	-	-	14	14
Corporate services	Provision of services	Spain	Third parties	-	-	115	115
Corporate services	Provision of services	Switzerland	Third parties	-	-	(43)	(43)
Gas transmission services	Provision of services	Spain	Third parties	14,274	-	-	14,274
Net revenue from customer contracts				**15,402**	**-**	**494**	**15,896**
Other operating income from customer contracts							
Lease	Provision of services	Spain	Third parties	176	-	117	293
Usage rights	Provision of services	Spain	Intercompany	8,947	-	-	8,947
Maintenance	Provision of services	Spain	Third parties	654	-	-	654
Maintenance	Provision of services	Portugal	Third parties	3	-	-	3
Other income	Provision of services	Spain	Intercompany	-	2	827	829
Other income	Provision of services	Spain	Third parties	1,121	-	583	1,704
Other income	Provision of services	France	Third parties	-	-	-	0
Other income	Provision of services	Morocco	Third parties	237	-	-	237
Other income	Provision of services	Norway	Third parties	44	-	-	44
Other income	Provision of services	Portugal	Third parties	8	-	-	8
Other income	Provision of services	United Kingdom	Third parties	5	-	-	5
Corporate services	Provision of services	Spain	Intercompany	-	-	213	213
Corporate services	Provision of services	Mexico	Intercompany	-	-	9	9
Corporate services	Provision of services	Switzerland	Third parties	-	-	291	291
Total Other operating income from customer contracts				**11,195**	**2**	**2,040**	**13,237**

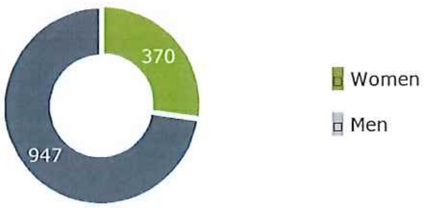
The Management of the Enagás Group considers that there is no collection uncertainty relating to the income indicated above and therefore has not ceased to recognise any type of income for this reason.

b) Personnel expenses

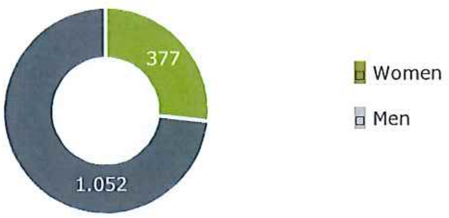
Personnel expenses	06.30.2019	06.30.2018
Wages and salaries	45,413	50,020
Termination benefits	563	963
Social Security	10,188	9,205
Other personnel expenses	4,680	4,663
Contributions to external pension funds (defined contribution plan)	1,386	1,274
Works for fixed assets	(1,693)	(1,991)
Total	**60,537**	**64,134**

The average number of employees of the Group (the reduction from the previous period being due to the deconsolidation of GNL Quintero), distributed by gender at June 30, 2019 and 2018, is as follows:

06/30/2019: 1,317



06/30/2018: 1,429



The Enagás Group contributes, in accordance with the Pension Plan signed and adapted to the Law on Pension Plans and Funds, to an "Enagás Pension Fund" defined contribution plan, managed by Gestión de Previsión y Pensiones, S.A. with Banco Bilbao Vizcaya Argentaria, S.A. as custodian, which covers the Group's commitments to the workforce in question. The above plan recognizes certain consolidated rights for past service and undertakes to make monthly contributions of a percentage of the eligible salary. It is a mixed plan covering retirement benefits, disability and death. The total number of people adhered to the plan at June 30, 2019 totalled 1,174 participants (1,201 participants at December 31, 2018). The contributions made by the Group under this heading each year are recorded in the "Personnel expenses" heading of the Consolidated Income Statement, increasing to 1,386 thousands of euros at June 31, 2019 (1,274 thousands of euros at June 30, 2018).

In addition, the Group has outsourced its pension obligations with its Directors by means of a mixed group insurance policy. In addition to pension obligations, the cover provides benefits in the cases of life expectancy, death or disability.

c) Other operating expenses

Other operating expenses	06.30.2019	06.30.2018
External services:		
R+D expenses	281	159
Rents and royalties **(1)**	4,057	23,225
Repairs and conservation	21,644	21,432
Freelance professional services	13,232	14,079
Transport	13,844	16,500
Insurance premiums	3,439	4,519
Banking and similar services	165	165
Advertising, publicity and public relations	1,915	2,289
Supplies	11,409	10,723
Other services	18,745	10,480
External services	**88,731**	**103,571**
Taxes	**11,222**	**11,309**
Other current management costs	**190**	**309**
Other external expenses	**4,828**	**8,526**
Change in traffic provisions	**(47)**	**461**
Total	**104,924**	**124,176**

(1) The decrease in this heading is due to the application of IFRS 16, which means that the expense for certain leases is recorded as an expense for the depreciation of usage rights.

2.2. Trade and other non-current and current receivables

	06.30.2019	12.31.2018
Customer receivables for sales and services rendered	6,101	24,971
Accounts receivable from customer contracts	10,166	12,085
Group companies	432	8,099
Other receivables	178,729	315,776
Sub-total	**195,428**	**360,931**
Value added tax	45,491	27,979
Trade and other current receivables	**240,919**	**388,910**
Trade and other non-current receivables (Note 3.3.a)	**189,034**	**137,125**

"Trade debtors and other non-current accounts receivable" mainly includes, in application of Royal Decree-Law 8/2014 of 4 July and Law 18/2014 of 15 October, the accumulated long-term deficit from regulated activities of 2014, 2015, 2016 and 2017 plus the amount pending collection for facilities pending recognition of the years prior to 2017 in a total amount, at June 30, 2019, of 96,786 thousands of euros, of long-term value, with the Directors still to assess their recoverability in a time horizon exceeding one year (88,835 thousands of euros at December 31, 2018).

"Other receivables" mainly includes the balance pending settlement in connection with remuneration for the regulated regasification, transport, and underground storage activities of Enagás Transporte,S.A., amounting to 171,190 thousands of euros (for the year ended December 31, 2018 308,103 thousands of euros). Within this amount, the outstanding balance for 2019 amounts to 97,481 thousands of euros (at December 31, 2018, the outstanding balance for 2018 amounted to 184,746 thousands of euros). Additionally, following approval, in 2018, of the regulatory deficit of financial year 2017, this heading also records the estimated amounts that will be collected in under 12 months related to the accumulated short-term deficit of the regulated activities for financial years 2017, 2016 and 2015, in the amount of 18,455 thousands of euros (10,896 thousands of euros at December 31, 2018).

Likewise, this caption also includes the pending balance relating to remuneration for Technical Manager activity, amounting to 2,877 thousands of euros (5,500 thousands of euros at December 31, 2018). The trade receivables related to regulated activities follow the settlement system established in Order ECO/2692/2002, of October 28, which regulates the settlement procedures for remuneration of regulated natural gas sector and fees for specific purposes **(Appendix I).**

"Accounts receivable from contracts with clients" include the following items, broken down in accordance with IFRS 15:

	06.30.2019	12.31.2018
Accounts receivable from customer contracts	7,009	7,494
Accounts receivable invoices to be issued from contracts with customers	3,157	4,591
Total	**10,166**	**12,085**

The Company has not registered assets under contracts at June 30, 2019 or December 31, 2018.

At June 30, 2019, the Company did not have significant impairment losses on balances receivable from contracts with customers, either registered as accounts receivable or as unissued invoices, maintaining an expected loss of 100 thousands of euros (100 thousands of euros at December 31, 2018).

Situation of Castor Storage Facilities

Regarding the Castor underground storage facility, based on the information presented in Note 2.4 of the 2018 Annual Accounts of the Enagás Group, the following court or regulatory pronouncements have been issued:

- Judgement of April 29, 2019, the Third Chamber of the Supreme Court, estimating the appeal filed by the Generalitat of Catalonia declared the annulment of article 7, and of paragraphs j) and k) of section 4 of Annex I, of Order ETU / 1977/2016, establishing tolls and fees associated with third party access to gas facilities and the remuneration of regulated activities for 2017.

- On May 9, 2019, the Third Chamber of the Supreme Court issued an order dismissing the claim of nullity of proceedings filed by ESCAL against its judgement of November 15, 2018, referred to in paragraph 1.12. Notwithstanding the dismissal, the Order confirms the existence of the right of ESCAL to receive the maintenance and operational costs of the storage facilities recognized in its favour in the Second Transitory Provision of RDL 13/2014

- On July 5, 2019, Enagás Transporte S.A.U. was notified of the resolution, on the same date, of the Plenary of the CNMC in the ex officio review procedure of the final settlements of the regulated activities of the gas sector in relation to the payments made to Enagás Transporte S.A.U for the Castor underground storage. This resolution declares the automatic nullity of the final settlements of the regulated activities of the natural gas sector for 2015 (recognizing the remuneration corresponding to the periods 2014 and 2015), 2016 and 2017 regarding the recognition of Enagás Transporte S.A.U. The foregoing determines the obligation to reimburse the amount of 34,553 thousands of euros within 15 days of said notification. This reimbursement has been done by Enagás Transporte, S.A.U. on July 23, 2019.

As explained in note 2.4 of the Enagás Group's 2018 Annual Accounts, in view of the foregoing and as it is necessary to implement an alternative mechanism to receive the remuneration for the tasks legally entrusted Enagás Transporte S.A.U. in relation to this infrastructure, on December 21, 2018, Enagás Transporte, S.A.U. filed a claim for damages with the Ministry for Ecological Transition, requesting (i) the right of Enagás Transporte, S.A.U. to obtain compensation, for the damages sustained as a result of the administration tasks of the facilities, plus the pertinent legal interests, (ii) payment of the amounts corresponding to the remuneration for the costs assumed by Enagás Transporte, S.A.U., (iii) the right of Enagás Transporte, S.A.U. to obtain compensation for the damages that may be caused to it as a consequence of the tasks of administering the facilities until such time as the Council of Ministers adopts an agreement that puts an end to the storage hibernation situation.

According to the legal conclusions of the external and internal advisors, it is considered that this damages lawsuit represents a virtually certain mechanism for recovering the amounts deducted from the remuneration corresponding to financial year 2017, the unpaid amounts referring to financial years 2018 and 2019, the amounts indicated for possible refund in the resolution of July 5, 2019, in relation to the definitive settlements that determines the remunerations corresponding to the periods 2014, 2015 and 2016, including any interest and other cost incurred.

This implies that an account receivable for the right of Enagás Transporte, S.A.U., to be paid for the Castor underground storage administration, must be kept on the balance sheet, the conclusion being that there is no negative impact on the Group's financial statements as a result of the judgements of the Constitutional Court or the Supreme Court referred to above.

In view of the foregoing, on the Consolidated Balance Sheet of the Enagás Group at June 30, 2019, the account payable under Current Liabilities has been recorded for the return of the remuneration received for the 2014, 2015 and 2016 financial years in the amount of 34,553 thousands of euros As indicated above, following the update of the claim of pecuniary liability, an account receivable has been posted in Non-Current Assets. Thus, the account receivable accumulated for the remuneration pending receipt, associated with the entrusted tasks of the operation and maintenance of the Castor underground storage facility at June 30, 2019 amounts to 54,490 thousands of euros (15,177 thousands of euros at December 31, 2018).

As the estimate of the claims of Enagás Transporte, S.A.U., remains highly probable, if the legal assumptions for their recognition are fulfilled, no material loss will result from this at June 30, 2019.

2.3 Trade and other payables

Trade and other payables	06.30.2019	12.31.2018
Debts with related companies	5,462	1,704
Rest of suppliers	193,138	144,812
Other creditors	3,845	23,056
Subtotal (Note 3.3.b)	**202,445**	**169,572**
Value added tax	66	2,121
Tax Authorities creditor for withholdings and other	5,170	32,576
Total	**207,681**	**204,269**

2.4 Property, plant, and equipment

The composition and movements of the Property, Plants and Equipment heading during the first six months of 2019 and financial year 2018, and the corresponding amortisation and depreciation, were as follows:

2019	Opening balance at 12.31.2018	Effect of 1st application of IFRS 16 (1)	Increases and depreciation for the year (2)	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Perimeter variations (3)	Closing balance at 06.30.2019
Land and buildings	249,230	283,802	191	1	-	(451)	(81,209)	451,564
Plant and machinery	9,681,043	368,902	1,223	39	-	5,850	(936,557)	9,120,500
Other facilities, tools, and furniture	171,130	3,651	389	142	(6,807)	808	(5,556)	163,757
Prepayments and work in progress	576,027	-	7,764	(182)	(153)	(226)	(8,459)	574,771
Capital grants	(600,502)	-	(103)	-	-	-	-	(600,605)
Total cost	**10,076,928**	**656,355**	**9,464**	**-**	**(6,960)**	**5,981**	**(1,031,781)**	**9,709,987**
Land and buildings	(98,840)	(118,364)	(7,824)	-	-	(60)	24,605	(200,483)
Plant and machinery	(4,988,463)	(220,282)	(127,609)	(809)	-	(838)	256,081	(5,081,920)
Other facilities, tools, and furniture	(72,272)	-	(3,161)	809	6,684	(748)	3,808	(64,880)
Capital grants	419,220	-	5,427	-	-	-	-	424,647
Total depreciation	**(4,740,355)**	**(338,646)**	**(133,167)**	**-**	**6,684**	**(1,646)**	**284,494**	**(4,922,636)**
Plant and machinery	(13,719)	-	-	-	-	-	-	(13,719)
Prepayments and work in progress	(84,639)	-	(3,778)	-	-	-	-	(88,417)
Total impairment	**(98,358)**	**-**	**(3,778)**	**-**	**-**	**-**	**-**	**(102,136)**
Land and buildings	150,390	165,438	(7,633)	1	-	(511)	(56,604)	251,081
Plant and machinery	4,678,861	148,620	(126,386)	(770)	-	5,012	(680,476)	4,024,861
Other facilities, tools, and furniture	98,858	3,651	(2,772)	951	(123)	60	(1,748)	98,877
Prepayments and work in progress	491,388	-	3,986	(182)	(153)	(226)	(8,459)	486,354
Capital grants	(181,282)	-	5,324	-	-	-	-	(175,958)
Net carrying amount of property, plant, and equipment	**5,238,215**	**317,709**	**(127,481)**	**-**	**(276)**	**4,335**	**(747,287)**	**4,685,215**

(1) "Effect of 1st application of IFRS 16" records the impacts of applying this standard at January 1, 2019, affecting the cost of fixed assets and accumulated depreciation **(Note 1.9)**.

(2) The depreciation for the year includes an impact due to depreciation of assets arising from the application of IFRS 16, in the amount of 13,625 thousands of euros **(Note 1.9)**.

(3) "Perimeter variations" includes the effect of accounting for the stake in GNL Quintero through the equity method, amounting to 747,287 thousands of euros, as a result of the loss of control over the company in February 2019 **(Note 1.4)**.

2018	Opening balance at 12.31.2017	Increases and depreciation for the year	Increases or decreases due to transfers	Decreases, disposals or reductions (1)	Translation differences	Final balance at 12.31.2018
Land and buildings	247,883	1,649	2,377	(6,022)	3,343	249,230
Plant and machinery	9,710,631	3,749	(68,904)	(2,992)	38,559	9,681,043
Other facilities, tools, and furniture	93,295	1,560	76,255	(69)	89	171,130
Prepayments and work in progress	567,789	17,976	(9,728)	(285)	275	576,027
Capital grants	(600,387)	(552)	-	437	-	(600,502)
Total cost	**10,019,211**	**24,382**	**-**	**(8,931)**	**42,266**	**10,076,928**
Land and buildings	(91,101)	(6,771)	-	-	(968)	(98,840)
Plant and machinery	(4,707,095)	(270,892)	(426)	20	(10,070)	(4,988,463)
Other facilities, tools, and furniture	(67,798)	(4,890)	426	66	(76)	(72,272)
Capital grants	408,060	11,160	-	-	-	419,220
Total depreciation	**(4,457,934)**	**(271,393)**	**-**	**86**	**(11,114)**	**(4,740,355)**
Plant and machinery (2)	(13,719)	-	-	-	-	(13,719)
Prepayments and work in progress(2)	(46,207)	(38,432)	-	-	-	(84,639)
Total impairment	**(59,926)**	**(38,432)**	**-**	**-**	**-**	**(98,358)**
Land and buildings	156,782	(5,122)	2,377	(6,022)	2,375	150,390
Plant and machinery	4,989,817	(267,143)	(69,330)	(2,972)	28,489	4,678,861
Other facilities, tools, and furniture	25,497	(3,330)	76,681	(3)	13	98,858
Prepayments and work in progress	521,582	(20,456)	(9,728)	(285)	275	491,388
Capital grants	(192,327)	10,608	-	437	-	(181,282)
Net carrying amount of property, plant, and equipment	**5,501,351**	**(285,443)**	**-**	**(8,845)**	**31,152**	**5,238,215**

(1) The decrease entered in "Land and buildings" corresponds mainly to an adjustment in the cost of the land of the Denia Compression Station once the Supreme Court resolved the dispute that motivated said cost provision. On the other hand, the losses in "Plant and machinery", mainly represent the settlement of the provision for fair values of the final section of the Barcelona-Arbós gas pipeline, is pending resolution by the Expropriation Jury, amounting to 2,350 thousands of euros.

(2) During the financial year 2018, the Enagás Group proceeded to carry out an analysis of both projects and inventories of materials stored in warehouses. After said analysis, the Group recognized impairment losses on both materials considered obsolete, as well as on those investments made that are most likely not going to be executed, amounting to 38,432 thousands of euros.

There are no mortgages or encumbrances of any type on assets recorded as plant and machinery.

The Group's policy is to provide sufficient insurance coverage for its assets so as to avoid any significant losses. In addition, the Group has contracted the corresponding insurance policies to cover third party civil liabilities.

a) Grants

The capital grants taken to the Consolidated Income Statement for the first six months of 2019 amount to 5,427 thousands of euros (5,580 thousands of euros during the same period in financial year 2018).

b) Other information

With respect to the current situation of the Granadilla (Tenerife) regasification plant, as well as the El Musel regasification plant, no changes arose relating to those described in Note 2.4 to the Consolidated Annual Accounts at December 31, 2018.

Regarding the Castor underground storage facility, the hibernation situation and the provision of activities entrusted to Enagás Transporte for said hibernation are maintained, as explained in Note 2.4 of the Consolidated Annual Accounts 2018 of the Enagás Group. The remuneration for such services is described in **Note 2.2.**

2.5 Intangible fixed assets

2019	Opening balance at 12.31.2018	Increases and depreciation for the year	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Perimeter variations (2)	Closing balance at 06.30.2019
Goodwill (1)	188,445	-	-	-	946	(163,579)	25,812
Other intangible fixed assets							
Development	8,101	32	-	-	-	-	8,133
Concessions	773,561	-	-	-	4,465	(771,911)	6,115
IT applications	224,134	3,839	-	(50)	21	(3,742)	224,202
Other intangible fixed assets	21,964	218	-	-	54	(9,329)	12,907
Total cost	**1,216,205**	**4,089**	**-**	**(50)**	**5,486**	**(948,561)**	**277,169**
Other intangible fixed assets							
Development	(4,125)	(402)	-	-	-	-	(4,527)
Concessions	(68,108)	(3,847)	-	-	(365)	68,270	(4,050)
IT applications	(189,041)	(6,844)	-	29	(19)	3,336	(192,539)
Other intangible fixed assets	(10,272)	(45)	-	-	(14)	2,522	(7,809)
Total depreciation	**(271,546)**	**(11,138)**	**-**	**29**	**(398)**	**74,128**	**(208,925)**
Total Goodwill	188,445	-	-	-	946	(163,579)	25,812
Total Other Intangible Fixed Assets	756,214	(7,049)	-	(21)	4,142	(710,854)	42,432
Net carrying amount of intangible fixed assets	**944,659**	**(7,049)**	**-**	**(21)**	**5,088**	**(874,433)**	**68,244**

(1) Includes the amounts corresponding to goodwill arising in the acquisition of ETN (17,521 thousands of euros) and in the acquisition of control of Gascán (8,291 thousands of euros).
(2) Within "Perimeter variations", the effect of integrating the GNL Quintero stake through the equity method, amounting to 874,433 thousands of euros, is recorded as a result of the loss of control over the company dated February 15, 2019 **(Note 1.4).**

2018	Opening balance at 12.31.2017	Increases due to changes in consolidation scope	Increases and depreciation for the year	Increases or decreases due to transfers	Decreases, disposals or reductions	Translation differences	Closing balance at 12.31.2018
Goodwill (1)	181,704	-	-	-	-	6,741	188,445
Other intangible fixed assets							
Development	8,125	-	-	-	(24)	-	8,101
Concessions	741,506	244	-	-	-	31,811	773,561
IT applications (2)	212,944	1	11,937	(874)	(26)	152	224,134
Other intangible fixed assets	17,082	-	3,624	874	-	384	21,964
Total cost	**1,161,361**	**245**	**15,561**	**-**	**(50)**	**39,088**	**1,216,205**
Other intangible fixed assets							
Development	(3,370)	-	(755)	-	-	-	(4,125)
Concessions	(43,666)	-	(22,019)	-	-	(2,423)	(68,108)
IT applications	(174,569)	-	(14,337)	-	-	(135)	(189,041)
Other intangible fixed assets	(9,867)	-	(305)	-	-	(100)	(10,272)
Total depreciation	**(231,472)**	**-**	**(37,416)**	**-**	**-**	**(2,658)**	**(271,546)**
Total Goodwill	181,704	-	-	-	-	6,741	188,445
Total Other Intangible Fixed Assets	748,185	245	(21,855)	-	(50)	29,689	756,214
Net carrying amount of intangible fixed assets	**929,889**	**245**	**(21,855)**	**-**	**(50)**	**36,430**	**944,659**

(1) It includes the amounts corresponding to the goodwill arising from the acquisition of ETN (17,521 thousands of euros), from the acquisition of control of Gascán (8,291 thousands of euros), and goodwill from the assignment of the purchase price of GNL Quintero (162,633 thousands of euros).

(2) Among the entries for the year, the most important ones are those related to IT Systems, such as the security software for industrial systems (1,025 thousands of euros), the re-engineering of the Orion software (899 thousands of euros), the development of GSMM (906 thousands of euros), the Implementation of the Capacity Contracting Platform (719 thousands of euros), the implementation of Workday (771 thousands of euros), the start-up of IT services for Saggas (622 thousand), the adaptation of distribution and balance processes to NGTS-06 and NGTS-0, PD-02 and CNMC Resolution (583 thousands of euros) and the upgrading of IT Infrastructures 2018 (568 thousands of euros).

2.6 Provisions and contingent liabilities

The Directors of the Enagás Group consider that the provisions recognized in the accompanying Consolidated Balance Sheet at June 30, 2019, for litigation and arbitration risk as well as other risks described in this note are adequate and, in this respect, they do not expect any additional liabilities to arise other than those already recorded. Given the nature of the risks covered by these provisions, it is not possible to determine a reasonably reliable schedule of payment dates, if any.

a) Provisions

The movement in the balance of the headings "Current provisions" and "Non-current provisions" during the first six months of financial year 2019 was as follows:

Current and non-current provisions	Opening balance	Provisions	Financial Updates	Amounts used	Closing balance
Personnel remuneration	-	1,391	-	-	1,391
Other long-term liabilities	905	-	(6)	-	899
Dismantling	175,585	-	2,405	-	177,990
Total non-current provisions	**176,490**	**1,391**	**2,399**	**-**	**180,280**
Other short-term liabilities	3,369	1,407	-	(3,369)	1,407
Total current provisions	**3,369**	**1,407**	**-**	**(3,369)**	**1,407**
Total current and non-current provisions	**179,859**	**2,798**	**2,399**	**(3,369)**	**181,687**

The provisions for dismantling correspond to the underground storage facilities of Gaviota, Yela and Serrablo, and the Barcelona, Cartagena, Huelva and Gijón regasification plants under the current regulatory framework (see Note 2.8.a of the Consolidated Annual Accounts at December 31, 2018).

The movement for the financial year 2019 corresponds to the financial update of said provision, an effect that is recorded in "Financial and Similar Expenses" in the Consolidated Income Statement.

"Staff Remuneration" includes a total of 356 thousands of euros corresponding to the accrued part of the Long Term Incentive Plan ("ILP") for executive directors and members of the management team, payable in cash **(Note 4.2).**

The directors of the Company consider that the provisions recognized in the accompanying balance sheet for litigation and arbitration risk as well as other risks described in this note are adequate and, in this respect, they do not expect any additional liabilities to arise other than those already recorded. Given the nature of the risks covered by these provisions, it is not possible to determine a reasonably reliable schedule of payment dates, if any.

b) Contingent liabilities

At June 30, 2019, no circumstances had arisen in the Enagás Group that may give rise to contingent liabilities.

2.7 Other non-current liabilities

Other non-current liabilities mainly includes amounts referring to Gasoducto de Extremadura, S.A. and Gasoducto Al-Ándalus, S.A. correspond to the balances pending application with respect to the contracts signed with said companies for "gas transmission rights", which are consolidated under the proportionate consolidation method applying the percentage of ownership interest held by Enagás Transporte, S.A.U. in said companies. This income is allocated and recognized on a straight-line basis up to 2020, the year in which the transportation contract terminates.

3. Capital structure, financing and financial result

Relevant aspects

Financial leverage

- The financial leverage ratio at June 30, 2019 is 61.1% (61.7% at December 31, 2018).

Equity

- The share capital of Enagás at June 30, 2019 was 358 million euros.
- No individual or legal entity can invest directly or indirectly in a proportion in excess of 5% of the share capital of Enagás, S.A., nor exercise political rights in this company above 3% (1% for those subjects who, directly or indirectly, perform activities in the gas sector). Said limitations are not applicable to direct or indirect interest held by the public corporate sector **(Note 3.1)**.

Net financial debt

- Net financial debt is the main indicator used by Management to measure the Group's debt level. At June 30, 2019 net financial debt amounted to 4,117 million euros (4,275 million euros at year-end 2018) **(Note 3.4)**.
- The average annual interest rate until June 30, 2019 for the Group's net financial debt was 2.3% (2.8% at December 31, 2018). Disregarding the two months that GNL Quintero has consolidated globally, these costs were 2.1% (1.96% at closure 2018), an issue to be considered for the variation in the Net Financial Debt during financial year 2019 **(Note 1.4)**.
- The percentage of fixed rate net financial debt at June 30, 2019 and December 31, 2018 was more than 80%, with the average debt maturity periods at June 30, 2019 of 5.7 years (6.1 years at December 31, 2018).
- On January 1, 2019, IFRS 16 entered into force **(see Note 1.9)**, under which Enagás Group recorded a financial liability at that date of 348 million euros. At June 30, 2019, the liability is 335 million euros.
- The main financing operations for the year were:
  - On May 17, 2019, Enagás Financiaciones, S.A.U. renewed the Euro Medium Term Note (EMTN) programme for the amount of 1,000 million euros, registered in the Luxembourg Stock Exchange in 2012, with Enagás, S.A. as guarantor.
  - Additionally, on May 20, 2019, Enagás Financiaciones, S.A.U. renewed the Euro Commercial Paper (ECP) programme for a maximum amount of 1,000 million euros, registered in the Irish Stock Exchange on May 4, 2017.
  - Finally, at February 28, 2019 Enagas USA, LLC concluded the contract of corporate financing amounting to 460 million dollars with Enagas, S.A. as guarantor, related to the acquisition of Tallgrass Energy LP.

Available funds

- The Group has available funds at June 30, 2019, of 2,552 million euros (2,809 million euros at December 31, 2018) **(Note 3.6)**.

Derivative financial instruments

- The Group arranges cash-flow hedges, fair value hedges, and net investment hedges. At June 30, 2019, the net fair value of the Group's derivatives, including assets and liabilities derivatives, was 56 million euros of liabilities (43 million euros of liabilities at December 31, 2018) **(Note 3.5)**.

Gasoducto Sur Peruano, S.A. ("GSP")

- With respect to the situation arising in connection with the investment in GSP as a consequence of the termination of the concession agreement on January 24, 2017, there is currently a disagreement between the Peruvian authorities and Enagás with respect to applying the investment recovery mechanism established in the GSP concession contract. This entailed the beginning of an international arbitration by virtue of the Reciprocal Investment Promotion and Protection Agreement (hereinafter 'APPRI') between Spain and Peru as indicated in **Note 3.3.a** presented to the International Centre for Settlement of Investment Disputes (ICSID) on July 2, 2018.
- At June 30, 2019, the total amount to be recovered by GSP amounted to 405,106 thousands of euros (408,285 thousands of euros at December 31, 2018) relating to both the recovery of the financial investment in this company and the credit rights associated with the recovery of the guarantees executed against the Enagás Group as a result of the termination of the concession contract in GSP **(Note 3.3.a)**.

3.1 Total equity

a) Share capital

At June 30, 2019 and at December 31, 2018, the share capital of Enagás S.A. was 358,101 thousands of euros, represented by 238,734,260 shares with par value of 1.5 euros each, all of the same class, fully subscribed and paid.

The total shares of the parent company Enagás, S.A. are admitted for trading on the four Spanish Official Stock Exchanges and are traded on the continuous market.

At June 30, 2019, no company held more than 5% interest in the share capital of Enagás, S.A.

At June 30, 2019 and December 31, 2018, the most significant stake held in the share capital of Enagás, S.A. was broken down as follows (data obtained from the National Securities Market Commission (CNMV) (1) at June 30, 2018):

	Interest in share capital (%)	
Company	06.30.2019	12.31.2018
Sociedad Estatal de Participaciones Industriales	5.000	5.000
Bank of America Corporation	3.614	3.614
BlackRock Inc.	3.383	3.383
State Street Corporation	3.008	3.008
Retail Oeics Aggregate	1.010	1.010

(1) Information extracted by the CNMV, obtained at the last notification that each subject obliged to notify sent to the organisation in relation to the provisions of Royal Decree 1362/2007 of October 19 and Circular 2/2007 of December 19.

b) Treasury shares

On June 26, 2019, Enagás, S.A. finalized the process for acquiring treasury shares, until reach 501,946 treasury shares, for an amount of 9,876 thousands of euros (including related expenses amounting to 10 thousands of euros) and representing 0.21% of the entire Group share capital. This acquisition took place within the framework of the Temporary Share Buy-Back Scheme, whose exclusive aim was to meet the obligations of delivering shares to the Executive Directors and members of the Enagás Group management team under the current remuneration scheme according to the terms and conditions of the 2019-2021 Long-Term Incentive Plan and Remuneration Policy approved at the General Shareholders' Meeting on March 29, 2019. The shares were purchased in compliance with the conditions set out in Article 5 of Regulation EC/2273/2003 and subject to the terms authorised at the General Shareholders' Meeting held on March 29, 2019. Management of the Temporary Treasury Share Buy-Back Scheme was entrusted to Banco Bilbao Vizcaya Argentaria (BBVA), which carried out the transaction on behalf of Enagás, S.A. independently and without exercising influence on the process **(Note 4.2)**.

The movement in treasury shares during the six-month period of 2019 has been as follows:

Company	No. of shares	No. shares applied to LTIP 2016-2018	Total shares
January 1, 2019			**307,643**
Treasury stock for remuneration systems	405,084	(210,781)	194,303
June 30, 2019			**501,946**

3.2 Result and variation in minority interests

	Non-controlling interest holding	Opening balance	Perimeter variations (1)	Dividends distributed	Translation differences	Distribution of results	Other adjustments (2)	Closing balance
2019								
ETN, S.L.	10%	15,221	-	(836)	-	532	-	14,917
GNL Quintero, S.A.	54.6%-0%	358,211	(365,477)	-	2,920	4,346	-	-
Remaining companies		541	36			(70)	24	531
Total 2019		**373,973**	**(365,441)**	**(836)**	**2,920**	**4,808**	**24**	**15,448**
2018								
ETN, S.L.	10%	14,978		(786)		1,091	(62)	15,221
GNL Quintero, S.A.	54.6%	353,808		(21,166)	16,051	19,822	(10,304)	358,211
Remaining companies		186	541			(212)	26	541
Total 2018		**368,972**	**541**	**(21,952)**	**16,051**	**20,701**	**(10,340)**	**373,973**

(1) "Perimeter variations" mainly records the effect of the change in the consolidation method of GNL Quintero, which started to account for its activity using the equity method in February 2019, having recorded the appropriation of earnings until that time **(Note 1.4)**.

(2) During 2018, "Other adjustments" mainly includes the amounts recorded in the Reserves of the companies due to the effect of the application of IFRS 9 and IFRS 15 at January 1, 2018."

3.3 Financial assets and liabilities

a) Financial assets

Categories \ Class	Amortized cost		Fair Value with changes in the income statement (*)		Total	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Loans	95,212	96,753	-	-	95,212	96,753
Trade and other receivables (Note 2.2)	189,034	137,125	-	-	189,034	137,125
Derivatives (Note 3.5)	-	-	27,223	22,928	27,223	22,928
Other	415,987	417,345	-	-	415,987	417,345
Total non-current financial assets	**700,233**	**651,223**	**27,223**	**22,928**	**727,456**	**674,151**
Loans	2,849	9,160	-	-	2,849	9,160
Other	-	3,637	-	-	-	3,637
Total current financial assets	**2,849**	**12,797**	-	-	**2,849**	**12,797**
Total financial assets	**703,082**	**664,020**	**27,223**	**22,928**	**730,305**	**686,948**

(*) In the specific case of those derivatives to which cash flow hedges or net investment are attributed, the accumulated amounts in equity are transferred to the Consolidated Income Statement in the periods when the covered items affect the Consolidated Income Statement.

The Directors estimate that the fair value of the financial assets at June 30, 2019 does not differ significantly with respect to their carrying amount.

Loans

This mainly includes loans granted to group companies consolidated using the equity method and therefore not eliminated in the consolidation process, the details of which are as follows:

	Interest rate	Maturity	06.30.2019	12.31.2018
Non-current credits to related parties (*)			**95,511**	**96,877**
Trans Adriatic Pipeline AG	FTA + spread	July.-2043	-	1,322
Estación de Compresión Soto La Marina S.A.P.I. de C.V.	5.03%	Dec.-2032	51,237	52,329
Gasoducto de Morelos, S.A.P.I. de C.V.	7.50%	Sept.-2033	16,800	16,091
Planta de Regasificación de Sagunto, S.A.	Eur6m + Spread	June. -2025	26,784	26,785
Gas to Move Transport Solutions, S.L.	1.80%	Nov.-2021	690	350
Current loans to related parties			**2,849**	**9,160**
Trans Adriatic Pipeline AG	ASF + spread	July.-2043	-	6,405
Estación de Compresión Soto La Marina S.A.P.I. de C.V.	5.03%	Dec.-2032	2,833	2,743
Planta de Regasificación de Sagunto, S.A.	Eur6m + Spread	June. -2025	11	12
Gas to Move Transport Solutions, S.L.	1.80%	Nov.-2021	5	-
Total			**98,360**	**106,037**

(*) Without the effect of the expected loss, which amounts to 299 thousands of euros at June 30, 2019 (124 thousands of euros at December 31, 2018).

During financial year 2019, interest charges amounting to 803 thousands of euros were received, mainly from the Soto La Marina S.A.P.I. de CV Compression Station, amounting to 636 thousands of euros.

Others

"Other non-current financial assets", mainly includes the following:

- the investment made by the Group in Economic Interest Groups (EIG) amounting 9,745 thousands of euros (7,822 thousands of euros at December 31, 2018) whose activity is the leasing of assets managed by another entity unrelated to the Group and which retains both the majority of profits as well as the risks related to the activities, with the Group only availing itself of the regulated tax incentives in Spanish legislation. The Company attributes the tax loss carry forwards generated by these EIGs against shares and taking into account the debt registered with the tax authorities, recognizing the corresponding finance income. The main change with respect to 2018 is due to the disbursement of new contributions by Enagás Financiaciones during 2019.
- the investment of 405,106 thousands of euros in GSP at June 30, 2019 (408,285 thousands of euros at December 31, 2018), explained below.

Gasoducto Sur Peruano ("GSP")

In relation to the investment in Gasoducto Sur Peruano, S.A. (hereinafter 'GSP'), as indicated in Note 3.3 of the Enagás Group 2018 Consolidated Annual Accounts, dated January 24, 2017, the Directorate General of Hydrocarbons of the Peruvian Government's Ministry of Energy and Mines (hereinafter the 'State of Peru') sent an official letter to GSP stating 'the termination of the concession agreement owing to causes attributable to the concession holder', in accordance with the terms of Clause 6.7 of the 'Improvements to the Energy Security of the Country and the Development of the Southern Peruvian Pipeline' concession agreement (hereinafter 'The Project'), because the financial close had not been evidenced within the period established in the agreement (January 23, 2017), and proceeded to the immediate enforcement of the totality of the performance bond given by GSP (262.5 million dollars), which, in the case of Enagás, led to the payment of 65.6 million dollars. Also in January 2017, they paid bank financing sureties to Enagás amounting to 162 million dollars, including both principal and interest pending payment. In December 2017, the process for delivering the Concession Assets held by GSP was substantially completed with the Peruvian State assuming control over them.

As a result of the termination of the concession contract, the Peruvian State had the obligation to apply clause 20 of the Concession Contract, calculating the Net Carrying Amount (hereinafter NCA) of the Concession Assets, calling three auctions to award the Concession, with the auction result being to pay GSP the NCA, based on the opinion of the external and internal legal advisors of Enagás. With the amount that GSP would have received for the NCA of the Concession Assets, it would have been able to settle its obligations to third parties and, if possible, reimburse the capital contributions made by its shareholders, as explained in the Consolidated Annual Accounts of the Enagás Group for 2016, 2017 and 2018.

As a result of inaction by the State of Peru in relation to the aforementioned procedure, on December 19, 2017, Enagás notified the Peruvian State about the existence of a dispute relating to the investment in GSP with a view to reaching an amicable agreement on the terms of article 9.1 of the Agreement for the Reciprocal Promotion and Protection of APPRI in Spanish signed by the Republic of Peru and the Kingdom of Spain. This notification represented the beginning of the six-month period for direct contact prior to initiating international arbitration in which the APPRI acts as the mechanism for recovering the investment in GSP.

Once the required six months of direct contact between Enagás and the Peruvian State had elapsed without reaching an amicable settlement of this dispute, on July 2, 2018, an application for the initiation of arbitration against the Peruvian State regarding its investment in GSP was filed with the CIADI.

Through this arbitration procedure, it is expected that the Peruvian State will reimburse Enagás for its investment in GSP, this being the mechanism by which the financial assets recorded in the balance sheet would be recovered.

Thus, it is expected that the Arbitration Court that hears the arbitration procedure in the CIADI will uphold the arguments of Enagás, issuing an award recognizing that the Peruvian State has not protected Enagás' investment under the APPRI and, therefore, it must compensate it by paying it the value of that investment.

Regarding this procedure before ICSID, on July 18, 2019, the Arbitral Tribunal was established. Since it has been established, both parties have been called to an audience to set up the procedural directions for the arbitration.

The main argument of Enagás is that, if the Peruvian State had complied with its obligation under the Concession Contract, it would have calculated the NCA and organised the three auctions, which it was obliged to do, to award the Concession, and the proceeds of the auction would have been delivered to GSP, which would have applied the amount delivered to pay its creditors and return the capital to its shareholders. The origin of the cascade of payments is 100% of the NCA, as on January 24, 2018 a year had transpired without any announcement of auctions. The absence of an auction means that the legal advisors of Enagás believe that it should be considered that GSP would have received 100% of the NCA because it was deprived of the possibility of receiving it when the first auction was not convened. Therefore, starting from the NCA considered, a certain payments waterfall would have been applied.

Enagás considers that, taking into account the NCA of the Concession Assets determined by an independent expert, and also taking into account the payment waterfall as per the terms of the insolvency legislation, as well as the contracts between Enagás and the members of GSP relating to subordination and credit agreements, if the State had satisfied their obligations, and thus paid GSP, Enagás would have recovered its investment. At June 30, 2019, the valuation conducted by an independent expert firm, hired by Enagás, determined an updated NCA value of 1,980 million dollars.

Taking into account this updated NCA, if the payment waterfall were to be applied to it as per the terms of the insolvency laws, the subordination and the assignment of credit agreements entered into by Enagás and its aforementioned partners in GSP, Enagás would recover the total value of its investment.

In relation to the aforementioned contracts of subordination of rights and assignment of credits, their effectiveness and form of application has been questioned successively by the partners of Enagás in GSP through different arbitration procedures. In this regard, the arbitrations filed by Odebrecht have were withdrawn in December 2018, while the arbitration filed by Graña and Montero was withdrawn in the second quarter of 2019. Notwithstanding, there are still arbitral proceedings in process, intervened by Graña and Montero, disputing the legitimacy of Enagas to claim for the credits against GSP, although the external legal advisors of the Company consider as remote the possibility of that arbitral proceeding to conclude with a negative consequence for Enagas.

As regards the arbitration proceedings against the State of Peru, based on the conclusions determined by the external and internal legal advisers, the recoverability of the totality of the Enagás investment in GSP, consisting of receivables in relation to the aforementioned enforced guarantees to the total of 226.8 million dollars, interests of 1.8 million dollars, various invoices for professional services provided to the amount of 7.6 million dollars and the share capital contributed to GSP for the amount of 275.3 million dollars, is considered likely.

With regard to the recovery period, considering the time it takes to resolve a dispute of this complexity in international arbitration proceedings, and the time taken to appoint the Arbitration Tribunal, the estimated date for the recovery of the investment made by Enagás in GSP is now considered to be December 31, 2022 from the lodging of the request to the commencement of arbitration proceedings.

Based on this, the amounts outlined in the preceding paragraph are recorded at their updated value in the Consolidated Balance Sheet dated June 30, 2019 for a total amount of 405,106 thousands of euros (408,285 thousands of euros at December 31, 2018), having recorded a finance expense in the income statement amounting to 5,763 thousands of euros

Other related matters

As indicated in the 2018 annual accounts, in accordance with Article 9 of Law No. 30737, legal persons and legal entities in the form of partnerships, consortiums and joint ventures who may have benefited from the awarding of contracts, or subsequent to it, jointly with persons who have been convicted or who may have acknowledged having committed crimes against the public administration, asset laundering or related crimes, or their equivalents against the State of Peru, in Peru or abroad are classified as Category 2, and therefore fall within its scope of application.

Even without evidence of a criminal conviction or a confession of the commission of crimes, as required under Article 9 of Law No. 30737, on June 28, 2018, the State of Peru classified Enagás Internacional on the 'List of Contracts and Subjects of Category 2 indicating the legal person or legal entity included under Section II of Law No.30737' in relation to the concession contract awarded to GSP. The application of the mentioned standard involves different measures such as setting up an escrow account, reporting information, the limitation of transfers to other countries or the preparation of a compliance programme.

The total amount of the trust, estimated at 50% of the total average net equity, corresponding to its participation in GSP, confirmed with the Ministry of Justice amounted to 65.5 million dollars. Currently, the trust agreement with the banks is being drafted. It will then be submitted to the Ministry of Justice in accordance with the established deadlines.

In June 2019, Judiciary of Peru approved the Effective Collaboration Agreement reached between the Odebrecht Group and the Prosecutor's Office of Peru, the GSP project not being included as one of projects affected by acts related to corruption. Likewise, during July 2019, the possible incorporation of this project was reported by different media outlets in Peru, although today there is still no known proven or consistent fact that relates GSP with corruption, so there would be no reason to execute that trust agreement.

Moreover, Law no. 30737 also imposes a ban on companies included on the list from making transfers outside of Peru, which, based on the conclusions of the external and internal legal advisers, would only be applicable to investment in GSP, notwithstanding a restriction on dividends to pay for the COGA and TGP societies, also considering that investment in the latter is protected by the Legal Stability Agreement in Peru.

In light of the above, the Enagás Group believes that these regulation do not have a negative effect on the recovery of accounts receivable through the arbitration process indicated above.

Notwithstanding the above comments on the Effective Collaboration Agreement signed by Odebrecht and the Public Prosecutor of Peru, regarding the actions of the Office of the Prosecutor of the Nation of Peru on the investigation of Odebrecht's activities in Peru and other Investigations carried out by various bodies of the Peruvian Prosecutor's Office for alleged crimes that could somehow be related to the award of the project "Improvements to the country's energy security and development of the Southern Peru Gas Pipeline", there have been no developments to date and the situation described in Note 3.3 of the Annual Accounts of the Enagás Group for the year 2018 remains the same. In that note the existence of two ongoing investigations was recorded: the first signed with File 321-2014, relating to aggravated collusion between a former Odebrecht employee and a public official, whose stage of control and disencumbrance was resumed on June 28, 2019 once the Supreme Court's denied the request filed Ad Hoc by the Prosecutor's Office of Peru to include one of Odebrecht's subsidiaries as a third party civilian. In this phase it is expected to decide on the opening of oral proceedings, during the second half of 2019.

Based on the opinions of Enagás external legal advisors for the Peruvian criminal code, the possibility of sentencing Odebrecht's former employee is considered to be remote. In this same case, the preparatory investigative court has declared the incorporation of GSP as a liable third party as wrongful.

The second open investigation is at a preliminary stage at the prosecutor's office under case 12-2017, in which an employee of Enagás is among those being investigated. On July 17, 2019, a report confirming the inclusion of Enagás Internacional S.L.U. in the investigation was received. Based on the opinion of our external legal advisors in Peruvian criminal law, there is no evidence as of current date to suggest that the investigations may result in a finding against Enagás.

Based on all of the above, the directors of Enagás, in line with the opinion of their external and internal legal advisers, and of an independent expert and independent expert accountant, consider these facts to have no bearing on the estimation for recovery of the investment in the stake in GSP and the previously mentioned receivables to the amount of 405,106 thousands of euros (408,285 thousands of euros at December 31, 2018).

Impairment losses on assets

At the end of June 2019, the impact of the analysis of the expected loss in accordance with the provisions of IFRS 9 for loans granted to group companies consolidated by the equity method and therefore not eliminated in the consolidation process, amounts to 301 thousands of euros (124 thousands of euros at December 31, 2018).

Furthermore, and except for the recording of the expected loss, as per IFRS 9, during the first six months of 2019, there were no additional movements with respect to the provisions which cover impairment losses of assets held by the Group.

b) Financial liabilities

Categories \ Class	Fair value with changes in the Profit and Loss.		Amortized cost		Derivatives designated as hedging instruments		Total	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Debts with credit institutions (Note 3.4)	-	-	1,135,984	1,077,508	-	-	1,135,984	1,077,508
Debentures and other marketable securities (Note 3.4)	165,400	162,023	2,921,342	3,876,889	-	-	3,086,742	4,038,912
Derivatives (Note 3.5)	-	-		-	68,877	51,158	68,877	51,158
Trade creditors	-	-	36	40	-	-	36	40
Other financial liabilities (Note 3.4)	15,600	15,600	305,551	5,354	-	-	321,151	20,954
Total non-current financial liabilities	**181,000**	**177,623**	**4,362,913**	**4,959,791**	**68,877**	**51,158**	**4,612,790**	**5,188,572**
Debts with credit institutions (Note 3.4)	-	-	491,272	285,527	-	-	491,272	285,527
Debentures and other marketable securities (Note 3.4)	-	-	13,278	50,618	-	-	13,278	50,618
Derivatives (Note 3.5)	-	-	-	-	14,311	14,392	14,311	14,392
Trade creditors (*) (Note 2.3)	-	-	202,445	169,572	-	-	202,445	169,572
Other financial liabilities (Note 3.4)	-	-	259,900	13,849	-	-	259,900	13,849
Total current financial liabilities	**-**	**-**	**966,895**	**519,566**	**14,311**	**14,392**	**981,206**	**533,958**
Total financial liabilities	**181,000**	**177,623**	**5,329,808**	**5,479,357**	**83,188**	**65,550**	**5,593,996**	**5,722,530**

(*) The detail of "Trade creditors" does not include the Amounts Payable to Public Administrations

3.4 Financial debts

	06.30.2019	12.31.2018
Debentures and other marketable securities	3,100,020	4,089,530
Debts with credit institutions	1,627,256	1,363,035
Other receivables	581,051	34,803
Total financial debts	**5,308,327**	**5,487,368**
Non-current financial debts (Note 3.3.b)	**4,543,877**	**5,137,374**
Current financial debts (Note 3.3.b)	**764,450**	**349,994**

The fair value of debts owed to credit institutions as well as other debentures and marketable securities at June 30, 2019 and December 31, 2018 is the following:

	06.30.2019	12.31.2018
Debts with credit institutions	1,647,190	1,371,792
Debentures and other marketable securities	3,367,492	4,065,207
Fair value total	**5,014,682**	**5,436,999**
Carrying amount total	**4,727,276**	**5,452,565**

a) Debts with credit institutions

The following are among the most significant events of financial year 2019:

- On May 17, 2019, Enagás Financiaciones, S.A.U. renewed the Euro Medium Term Note (EMTN) programme for the amount of 1,000 million euros, registered in the Luxembourg Stock Exchange in 2012, with Enagás, S.A. as guarantor.
- Additionally, on May 20, 2019, Enagás Financiaciones, S.A.U. renewed the Euro Commercial Paper (ECP) programme for a maximum amount of 1,000 million euros, registered in the Irish Stock Exchange on May 4, 2017.
- Finally, at February, 28, 2019 Enagas USA, LLC concluded the contract of corporate financing amounting to 460 million dollars with Enagas, S.A. as guarantor, related to the acquisition of Tallgrass Energy LP.

At June 30, 2019, the Group had access to credit lines in the amount of 1,983,695 thousands of euros (1,980,576 thousands of euros at December 31, 2018), of which 1,620,680 thousands of euros had not been drawn down (1,637,786 thousands of euros in 2018) **(Note 3.6)** .

In the opinion of the directors of the Company, its situation allows for sufficient funding to meet possible liquidity requirements in the short term considering its current obligations.

b) Other receivables

At June 30, 2019, "Other debts" mainly include: the financial liability associated with IFRS 16, on leases **(Note 1.9)**, as well as the liability for the additional dividend of the parent company Enagás, S.A. from the profit of financial year 2018 **(Note 1.7).**

c) Net financial debt

Net financial debt is the main indicator used by Management to measure the Group's debt level. It is comprised of gross debt less cash in hand:

	06.30.2019	12.31.2018
Debts with credit institutions	1,627,256	1,363,035
Debentures and other marketable securities	3,100,020	4,089,530
- Adjust for amortised cost of Bonds(1)	(17,951)	(10,300)
Loans from the General Secretariat of Industry, General Secretariat of Energy and Oman Oil.	3,988	3,931
Leases (IFRS 16) **(Note 1.4)**	334,792	-
Gross financial debt	**5,048,105**	**5,446,196**
Cash and cash equivalents **(Note 3.6)**	(931,282)	(1,171,543)
Net financial debt	**4,116,823**	**4,274,653**

(1) Includes the adjusted figure for the amortised cost of the Enagás Group AFLAC as well as at December 31, 2018, the GNL Quintero bond.

3.5 Derivative financial instruments

The Enagás Group contracts derivative financial instruments to cover its exposure to financial risk arising from fluctuations of interest rates and/or exchange rates, and does not use derivative financial instruments for speculative purposes. All derivative financial instruments are measured, both initially and subsequently, at fair value. The differences in fair value are recognized in the Consolidated Income Statement except in the case of specific treatment under hedge accounting.

The detail of the accounting hedging policies and the risk management policies used by the Enagás Group are described in Notes 3.6 and 3.7 of 2018 Consolidated Annual Accounts.

Name	Type	Maturity	Notional contracted	Fair value 06.30.2019	Fair value 12.31.2018
Cash flow hedges					
Interest rate swap	Floating to fixed	Dec-19	150,000	(411)	(696)
Interest rate swap	Floating to fixed	Jan-20	150,000	(341)	(412)
Interest rate swap	Floating to fixed	Mar-20	65,000	(259)	(479)
Fair value hedge					
Cross Currency Swap	Fixed to floating	Sep-39	147,514	14,130	10,736
Net investment coverage					
Cross Currency Swap	Fixed to fixed	Apr-22	400,291	(77,877)	(59,712)
Cross Currency Swap	Fixed to fixed	May-28	237,499	8,793	7,941
Total			**1,150,304**	**(55,965)**	**(42,622)**

3.6 Cash and other cash equivalents

a) Cash and cash equivalents

	06.30.2019	12.31.2018
Treasury	931,282	1,171,543
Total	**931,282**	**1,171,543**

"Other liquid assets" includes those deposits that have a maturity of less than three months.

Generally, the banked cash accrues interest at rates similar to daily market rates. The deposits maturing in the short term are easily convertible into cash, and accrue interest at the going market rates. There are no significant restrictions on the availability of cash and bank balances.

b) Available funds

In order to guarantee liquidity, the Enagás Group has arranged loans and credit lines which it has not drawn down. Thus, liquidity available to the Enagás Group is broken down as follows:

Available funds	06.30.2019	12.31.2018
Cash and cash equivalents	931,282	1,171,543
Other available funds (Note 3.4)	1,620,680	1,637,786
Total available funds	**2,551,962**	**2,809,329**

4. Other information

Relevant aspects

Compensation of the members of the Board of Directors and Senior Management

- Remuneration to the Board of Directors, without taking into account the insurance premium, amounted to 2,805 thousands of euros at June 30, 2019 (3,008 thousands of euros at June 30, 2018) **(Note 4.2)**.
- Remuneration to the Senior Executives, without taking account of insurance premiums, amounted to 2,831 thousands of euros (2,897 thousands of euros at June 30, 2018) **(Note 4.2)**.

4.1 Related party transactions and balances

Income and expenses	Directors and executives	Group employees, companies or entities	Other related parties	Total (1)
06.30.2019				
Expenses:	-	-		
Financial expenses	-	-	5,669	**5,669**
Services received	-	21,937	137	**22,074**
Other expenses	5,636	-	-	**5,636**
Total Expenses	**5,636**	**21,937**	**5,806**	**33,379**
Income:				
Financial income	-	2,240	5	**2,245**
Provision of services	-	5,239	-	**5,239**
Gains on the sale or derecognition of assets	-	3	-	**3**
Other income	-	1,553	-	**1,553**
Total income	**-**	**9,035**	**5**	**9,040**
06.30.2018				
Expenses:				
Financial expenses	-	-	5,269	**5,269**
Services received	-	26,698	589	**27,287**
Other expenses	5,905	-	-	**5,905**
Total Expenses	**5,905**	**26,698**	**5,858**	**38,461**
Income:				
Financial income	-	5,389	20	**5,409**
Provision of services	-	5,648	-	**5,648**
Gains on the sale or derecognition of assets	-	7	-	**7**
Other income	-	1,553	-	**1,553**
Other income	**-**	**12,597**	**20**	**12,617**

(1) During 2019 and 2018 there were no transactions with significant shareholders as well as those described in the table below.

Other transactions	Significant shareholders	Group employees, companies or entities	Other related parties	Total
06.30.2019				
Guarantees for related party debts **(Note 1.8)**	-	506,362	-	**506,362**
Guarantees granted - other **(Note 1.8)**	-	1,311	23,002	**24,313**
Investment commitments **(Note 1.8)**	-	306,165		**306,165**
Dividends and other benefits paid **(1)**	35,099	-	-	**35,099**
12.31.2018				
Guarantees for related party debts **(Note 1.8)**	-	452,589	-	**452,589**
Guarantees granted - other **(Note 1.8)**	-	1,468	22,895	**24,363**
Investment commitments **(Note 1.8)**	-	61,592	-	**61,592**
Dividends and other earnings distributed	56,892	-	-	**56,892**

(1) The balance is the additional dividend of the 2018 financial year approved at the General Shareholders' Meeting. This dividend was distributed on July 3, 2019.

During the first six months of 2019 and during 2018, the Banco Santander group fulfilled the criteria for consideration as a related party.

Of the transactions disclosed in the above table, 5,669 thousands of euros of finance expenses correspond to this entity for the first six months of 2019 (5,269 thousands of euros during the same period in 2018), including finance expenses arising out of the interest rate hedging contracts, and 14,208 thousands of euros in guarantees granted on June 30, 2019 (14,158 thousands of euros at December, 31 2018).

In addition, this banking entity carried out the following transactions with the Enagás Group:

- The Enagás Group maintains a multi-currency club deal for financing purposes, in which the related party represents 9.63% of all banks participating in this financing source.
- During financial year 2018, Enagás S.A. and Enagás Internacional, S.L.U. took out credit lines for a total amount of 550,000 thousands of dollars. At June 30, 2019, the same credit lines were maintained.
- The Directors consider that no additional significant liabilities will arise in connection with the transactions disclosed in this note other than those already recognised in the accompanying Consolidated Balance Sheet.

4.2 Compensation of the members of the Board of Directors and Senior Management

	06.30.2019	06.30.2018
Members of the Board of Directors:	**2,805**	**3,008**
Fixed remuneration	750	750
Variable remuneration	846	865
Remuneration for Board membership	1,121	1,118
Other	88	275
Management	**2,831**	**2,897**
Remuneration received	2,831	2,897

The remuneration of the members of the Board of Directors for their membership of the Board and those corresponding to the Chairman and the Chief Executive Officer for the exercise of their executive functions during the first half of 2019 have been approved in detail by the General Shareholders' Meeting held on March 29, 2019 as part of the "Directors' Remuneration Policy for the 2019, 2020 and 2021 financial years", approved as item 7 of the Agenda.

Furthermore, the two executive directors are beneficiaries of the 2016-2018 long-term incentive plan approved by the shareholders in general meeting on March 18, 2016 under agenda item number 8. During the first semester of financial year 2019, this incentive was settled under the terms provided by the General Shareholders' Meeting. As a result of this settlement, a total of 76,428 gross shares were delivered to the two executive Directors, which they cannot dispose of within two years.

Members of Senior Management (members of the Management Committee) were equally beneficiaries of the 2016-2018 long-term incentive plan. Under the terms approved by the Shareholders Meeting, the settlement of the incentive in the first half of 2019 awarded them 76,676 gross shares and a cash incentive of 708 thousands of euros.

The two executive directors are beneficiaries of the 2019-2021 long-term incentive plan approved by the shareholders in general meeting on March 29, 2019 under agenda item number 8. In said meeting, a total of 118,635 rights relating to shares were assigned. Said rights do not constitute acquisition of shares until the program finalizes, the final bonus depending on the degree to which the program objectives have been met.

Members of Senior Management (members of the Management Committee) are equally beneficiaries of the 2019-2021 long-term incentive plan. As approved by the shareholders in general meeting, the Board has assigned them a total of 160,236 rights relating to shares as well as an incentive in cash amounting to 950 thousands of euros. Said rights do not constitute acquisition of shares or collection of any amounts until the program has finalized, the final bonus depending on the degree to which the program objectives have been met.

Executive Directors and Senior Management form part of the collective covered by the mixed group insurance policy for pension commitments.

Share-based payments

On March 29, 2019 the General Shareholders' Meeting of Enagás, S.A. approved a second cycle of the Long-Term Incentive Plan ("ILP"), for executive directors and members of the management team of the Company and its group of companies, with the objective of (i) encouraging the sustainable achievement of the objectives of the Enagás Group Strategic Plan, (ii) providing an opportunity to share the creation of value with shareholders, (iii) fostering a sense of belonging to the Company, (iv) being competitive, and (v) aligning with the requirements of institutional investments, proxy advisors and best practices of Good Corporate Governance, especially those set out in the recommendations of the CNMV Code of Good Governance.

The plan consists in an extraordinary mixed multi-year incentive which will permit the beneficiaries to receive, after a certain period of time, a bonus payable in (i) Enagás, S.A. shares and (ii) cash; provided that certain strategic objectives of the Enagás Group are met.

With respect to the portion payable in shares, the total number to be delivered will be 501,946 shares, which will come entirely from the treasury stock of the Company. Likewise, the beneficiaries of the Plan are not guaranteed any minimum value of the assigned shares. The cash part of the plan is limited to an estimated payment of approximately 3.5 million euros should all the objectives be fully met.

This plan is aimed at persons who, due to their level of responsibility on their position in the Enagás Group, contribute decisively to achieving the Company's objectives. The Plan initially designated 48 beneficiaries, notwithstanding the possibility that new recruitments due to mobility or professional level changes may include new beneficiaries during the measurement period.

The objectives set for the evaluation of the achievement of the Plan consist of:

- Accumulated results corresponding to the Funds for Operations ("FFO") of the Enagás Group. This metric shows the financial soundness and net profit growth, which are the cornerstones of the Enagás Group Strategic Plan. This takes into account both the EBITDA of the regulated business and the dividends received from the subsidiaries that are not controlled by Enagás. It is a benchmark indicator for investors. Fulfilling this objective will satisfy the Company forecasts for the distribution of Group, investment and debt amortisation dividends. It accounts for 25% of the total objectives.

- Accumulated cash flow received from investees ("Dividend"). This shows the focus on international growth and a realistic and profitable investment plan as the cornerstones of the Strategic Plan. It measures the profitability of the international business compared with the annual remuneration objective which measures the year's international investment volume. It accounts for 35% of the total objectives.
- Total shareholder return (hereinafter, "TSR"). To ensure appropriate, competitive shareholder remuneration. It takes into account share performance price and the dividend policy. This objective includes two components, with a relative amount of 15% each of total objectives:
  a) TSR: measured as the achievement of a target share price at the end of financial year 2021. The target price was established by reinvesting the expected dividends of the share, based on profitability and market parameters.
  b) Relative TSR: relative TSR shall be understood as the difference (expressed as a percentage) between the final value of an investment in ordinary shares and the initial value of that investment, bearing in mind that the calculation of said final value will consider dividends or other similar items (i.e. script dividends) received by the shareholder for said investment during the corresponding period. This metric shall be calculated against the Comparison Group formed by fifteen companies.
- Compliance with the Sustainability Plan. It reflects the company's commitment to creating long-term value in a responsible way in terms of social and environmental factors. Its proportion of the total objectives will be 10%, and will consist of three indicators:
  a) Average reduction of CO_2 emissions in the period 2019-2021 vs. 2018;
  b) Increase in the percentage of women on the Board of Directors, management team and staff; and
  c) Investment associated with the increased presence of renewable gases in the energy mix.

As for the measurement period, although it will take place between January 1, 2019 and December 31, 2021, it will be settled on the following dates:

a) The beneficiary will receive 50% of the incentive within 30 days of the approval of the annual accounts of financial year 2021 by the General Shareholders' Meeting. This 50% will be applicable both to the part of the incentive to be received in shares and to the part to be received in cash;
b) The beneficiary will receive the remaining 50% one year from the first payment date indicated above.

In this sense, given that the Regulation establishes the obligation for beneficiaries to continue providing their services to the Enagás Group until the first payment date to receive 50% of the incentive, and until the second payment date to receive the remaining 50%, the Enagás Group divides the estimation of the fair value of the equity instruments granted into distinct periods, considering both the objective measurement period (January 1, 2019 to December 31, 2021) and the service conditions established by the period necessary for the beneficiaries to remain in the company to be eligible for the remuneration.

The part to be settled through shares of Enagás, S.A. is considered a shares-based payment transaction that can be settled in equity instruments according to IFRS 2, and, accordingly, the fair value of the services received, as consideration for the equity instruments granted, is included in the Consolidated Income Statement at June 30, 2019, under the heading "Personnel Expenses", in the amount of 1,139 thousands of euros with a payment to "Other equity instruments" of the balance sheet net equity at June 30, 2019.

For the valuation of this programme, the Enagás Group used the Monte-Carlo model, widely used in financial practice for the valuation of options, in order to include the effect of market conditions in the valuation of the equity instruments granted. The fair value of the equity instruments at the granting date is adjusted to include the market conditions relating to this plan. Likewise, the Company takes into account the fact that the dividends accrued during the plan period are not paid to the beneficiaries as they do not become shareholders of the Company until the Company shares have effectively been delivered. The breakdown and fair value of the shares at the granting date of the ILP are as follows:

	ILP 2019-2021
Total shares at the concession date (1)	501,946
Listing value of the equity instruments at the granting date (EUR)	25.94
Dividend yield	4.77%
Expected volatility	16.86%
Discount rate	0.62%

(1) This number of shares reflects the maximum number of shares to be delivered under the plan, and includes both the possibility of achieving the maximum degree of fulfilment of objectives established in the plan (125%) as well as the possibility that new hiring, staff mobility within the Group, or changes in professional levels, lead to the inclusion of new beneficiaries during the measurement period.

Likewise, for the cash incentive part, the Enagás Group recorded provision of services corresponding to this incentive as a personnel expense in the amount of 356 thousands of euros with credit to "Provisions" in non-current liabilities of the consolidated balance sheet at June 30, 2019. As for that part of the plan payable in shares, the Enagás Group estimates the fair value of the amount payable in cash on an accrual basis over the plan period (January 1, 2019 to December 31, 2021) as the service conditions established for the required period to consolidate the remuneration.

4.3 Information by segments

a) Primary business segments

Regulated activities - Infrastructure Activity

Gas transmission: Represents the main activity, consisting in the delivery of gas via its transmission network, comprised of primary transmission pipelines (with maximum design pressure equal to or greater than 60 bars) and secondary transmission pipelines (with maximum design pressure ranging from 16 to 60 bars) up to the distribution points, as owner of most of the gas transmission network in Spain.

Regasification: The gas is transported from the producing countries in methane tankers at 160ºC below zero in its liquid state (LNG) and is unloaded at the regasification plants where it is stored in cryogenic tanks. At these facilities, via a physical process which normally makes use of seawater vaporizers, the temperature of the liquefied gas is increased until it is transformed into its gaseous state. The natural gas is injected into the gas pipelines for transmission to the whole peninsula.

Storage of gas: The Enagás Group operates the following underground storage facilities: Serrablo (located between Jaca and Sabiñánigo - Huesca), Gaviota (offshore storage, located close to Bermeo - Vizcaya), and Yela (Guadalajara).

Regulated activities - Technical Manager of the System Activity

The Enagás Group continued carrying out its functions as Technical Manager of the System in 2018 in compliance with Royal Decree 6/2000 of June 23 and Royal Decree 949/2001 of August 3 with a view to guaranteeing continuity and security of supply, as well as the correct coordination amongst the access, storage, transmission, and distribution points.

Non-regulated activities

The above activities can be carried out by Enagás, S.A. itself or through companies with an identical or analogous corporate purpose in which it holds interest, provided they remain within the scope and limitations established by legislation applicable to the hydrocarbons sector. In accordance with said legislation, the activities related to transmission and technical management of the system which are of a regulated nature must be carried out by two subsidiaries entirely owned by Enagás, S.A. (Enagás Transporte, S.A.U. and Enagás GTS, S.A.U., respectively).

All non-regulated activities, as well as transactions related to investments in associates and joint ventures, except those corresponding to BBG, Saggas, and Iniciativas del Gas, S.L. ("Infrastructures" segment) and MIBGAS (included in the "Technical System Management" section).

The structure of this information is designed as if each business line were an autonomous business with its own independent resources which are distributed based on the assets assigned to each line in accordance with an internal cost distribution system by percentages.

	Infrastructures		Technical Systems Management		Non-regulated activities		Adjustments (1)		Total Group	
INCOME STATEMENT	06.30.2019	06.30.2018	06.30.2019	06.30.2018	06.30.2019	06.30.2018	06.30.2019	06.30.2018	06.30.2019	06.30.2018
Operating income	552,460	580,580	13,266	12,879	64,081	121,608	(31,047)	(31,859)	**598,760**	**683,208**
Third parties	547,265	576,039	12,148	11,889	32,598	88,079	-	-	**592,011**	**676,007**
Group	5,195	4,541	1,118	990	31,483	33,529	(31,047)	(31,859)	**6,749**	**7,201**
Provisions for amortisation of fixed assets	(126,432)	(121,333)	(3,368)	(3,620)	(14,584)	(29,877)	79	114	**(144,305)**	**(154,716)**
Operating profit	288,602	303,419	1,447	343	43,943	56,001	11,666	224	**345,658**	**359,987**
Finance Income	216	80	1	-	56,090	83,037	(43,424)	(62,671)	**12,883**	**20,446**
Financial expenses	(12,812)	(18,398)	(70)	(93)	(69,285)	(72,199)	3,424	12,671	**(78,743)**	**(78,019)**
Income tax	(67,471)	(68,854)	(345)	(63)	14,177	4,951	(2,009)	(53)	**(55,648)**	**(64,019)**
Net profit	208,019	215,687	1,033	187	37,356	53,797	(30,343)	(49,829)	**216,065**	**219,842**

(1) "Adjustments" includes the eliminations of inter-company transactions (rendering of services and credit granted).

The breakdown of operating income by segment, with the breakdown according to IFRS 15 of income from customer contracts for 2019, is as follows:

IFRS 15	Infrastructures		Technical Systems Management		Other activities		Adjustments (1)		Total Group	
Operating income	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	552,460	580,580	13,266	12,879	64,081	121,608	(31,047)	(31,859)	**598,760**	**683,208**
Revenue from contracts with customers	**26,597**	**29,284**	**2**	**1**	**2,534**	**88,150**	-	-	**29,133**	**117,435**
Third parties	17,608	17,700	-	-	1,235	86,250	-	-	**18,843**	**103,950**
Group	8,989	11,584	2	1	1,299	1,900	-	-	**10,290**	**13,485**
Others	**525,863**	**551,296**	**13,264**	**12,878**	**61,547**	**33,458**	**(31,047)**	**(31,859)**	**569,627**	**565,773**
Third parties	529,657	558,339	12,148	11,889	31,363	1,829	-	-	**573,168**	**572,057**
Group	(3,794)	(7,043)	1,116	989	30,184	31,629	(31,047)	(31,859)	**(3,541)**	**(6,284)**

BALANCE SHEET	Infrastructures		Technical Systems Management		Non-regulated activities		Adjustments (1)		Total Group	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018	06.30.2019	12.31.2018	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Total assets	5,863,126	5,517,489	104,275	85,567	7,055,135	8,407,901	(4,326,538)	(4,484,755)	**8,695,998**	**9,526,202**
Acquisition of fixed assets	9,781	16,799	1,704	5,000	2,068	19,070	-	(129)	**13,553**	**40,740**
Non-current liabilities (2)	422,101	439,403	1,285	(1,398)	(568)	284,955	(614)	(458)	**422,204**	**722,502**
- Deferred tax liabilities	180,135	194,145	1,171	(1,398)	(1,732)	284,476	(614)	(458)	178,960	476,765
- Provisions	179,002	176,011	114	-	1,164	479	-	-	180,280	176,490
- Other non-current liabilities	62,964	69,247	-	-	-	-	-	-	62,964	69,247
Current liabilities (2)	238,023	496,674	77,731	64,213	21,596	73,583	(129,669)	(430,201)	**207,681**	**204,269**
-Trade and other payables	238,023	496,674	77,731	64,213	21,596	73,583	(129,669)	(430,201)	**207,681**	**204,269**

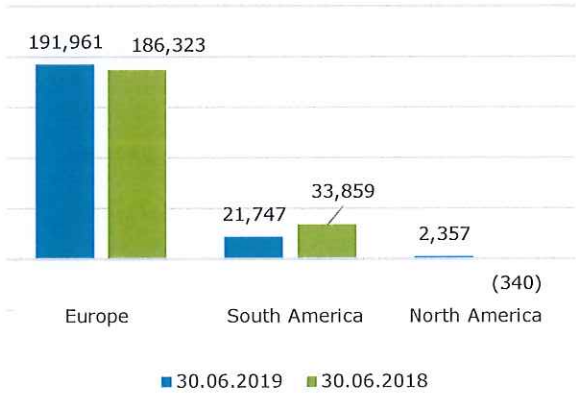
(1) "Adjustments" includes the eliminations of inter-company transactions (rendering of services and credit granted) as well as the elimination of Investments-Shareholders equity.

(2) This does not include financial liabilities nor does it include current tax liabilities.

b) Segments by geographical information

The majority of companies in the Enagás Group operating outside Europe were consolidated under the equity method, with the corresponding expenses and income thus recognized under "Profit/(loss) from investments consolidated under the equity method" in the Consolidated Income Statement. In view of this, the information relating to geographical markets is based on net result.

The distribution of profit at June 30, 2019 and June 30, 2018, broken down by geographical markets, is as follows:



4.4 Subsequent events

From June 30, 2019 the following subsequent events took place:

On July 3, 2019, Enagás S.A. distributed a gross dividend per share of 0.918 euros, in addition to the dividend of 0.612 euros gross per share already paid in December 2018, also charged to the 2018 results. Thus, the total gross dividend for financial year 2018 was 1.53 euros per share.

On July 5, 2019, the National Markets and Competition Commission ("CNMC") started the administrative procedure of the regulatory circulars that under RD-Law 1/2019 must regulate the remuneration of transmission and regasification activity from January 1, 2021 until December 31, 2026 (except for the Technical System Manager, that concludes on December, 31 2023). The administrative procedure begins with said publication. It involves a series of procedures and reports that the CNMC must follow before the final approval of these circulars, with the participation in the process of the gas sector companies and other stakeholders as well as the relevant public authorities. Specifically, companies in the gas sector and other stakeholders may make the claims they deem appropriate in the defence of their interests, of the legality and proper functioning of the gas system by August 9, 2019. According to the tentative calendar published by the CNMC, the administrative procedure will conclude in the month of November 2019, notwithstanding that once approved, these circulars must be subject to further development before their effective application as of January 1, 2021.

Enagás is currently undertaking an in-depth study of the content of the proposals of circulars issued for public information today and will make use of the right that the law grants it to make the claims and improvement proposals that best represent its interests, those of its shareholders and those of the gas system. The company will devote special attention to those elements that may not fit the appropriate methodological and profitability parameters.

On July 24, 2019, the approval of the Committee on Foreign Investment in the United States (CFIUS) has been obtained, so in following days Enagás Group will increase its stake in Prairie Group by 3.52% **(See Notes 1.4 and 1.8).**

In relation to the JPY 20,000 million bond, whose fair value at June 30, 2019 was 165 million euros, hedged in turn with a CCS whose fair value was 14 million euros at June 30, 2019, and that have a fair value hedging relationship described in Note 3.6 of the 2018 Annual Accounts, dated July 25, 2019, the counterpart of the hedge, in accordance with the contractually established option, has announced the early cancellation of the CCS at its par value.

Furthermore, on July 25, 2019, the Enagás Group reported the triggering of the contractually established contract cancellation clause. Both early cancellations will involve the exchange of nominals on September 17, 2019.

4.5 Explanation added for translation to English

There abridged financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain **(Note 1.2)**. Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Annex I. Regulatory framework

Annex III of the report of the Consolidated Annual Accounts of the Group for financial year December 31, 2018, establishes the regulatory framework in force to date. The main regulatory updates during the first semester of financial year 2019 were the following:

1. Supranational regulations

Delegated Regulation (EU) 2019/254 of November 9, 2018 of the Commission on the adaptation of Annex III to Regulation (EU) 1315/2013 of the European Parliament and of the Council on the Union's guidelines for the development of the Trans-European transport network.

Delegated Decision (EU) 2019/708 of the Commission of February 15, 2019 completing Directive 2003/87 / EC of the European Parliament and of the Council regarding the determination of the sectors and subsectors considered at risk of carbon leakage for the period 2021-2030.

Delegated Regulation (EU) 2019/318 of the Commission of February 19, 2019, amending Regulation (EU) No 2017/2400 of Directive 2007/46/EC of the European Parliament and of the Council with regard the measurement of CO_2 emissions and the consumption of fuel by heavy vehicles.

Commission Delegated Regulation (EU) 2019/331 of December 19, 2018, determining the transitional rules of the Union for the harmonization of the free allocation of emission rights in accordance with Article 10 bis of Directive 2003/87/CE of the European Parliament and of the Council.

Decision (EU) 2019/504 of the European Parliament and of the Council of March 19, 2019 amending Directive 2012/27 / EU on energy efficiency and Regulation (EU) 2018/1999 on the governance of the Union of Energy and Climate Action, because of the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the Union.

Commission Recommendation (EU) 2019/553 of April 3, 2019, on cybersecurity in the energy sector.

Directive (EU) 2019/692 of the European Parliament and of the Council of April 17, 2019, amending Directive 2009/73/EC on common rules for the natural gas internal market.

Regulation (EU) 2019/631 of the European Parliament and of the Council of April 17, 2019 laying down standards of behaviour for the CO_2 emissions of new cars and new light commercial vehicles, and repealing Regulations (EC) 443/2009 and (EU) 510/2011.

Commission communication of May 16, 2019 on the publication of the total amount of emission rights in circulation in 2018 for the purposes of the market stability reserve under the EU emission rights trading regime created through the Directive 2003/87/EC.

Regulation (EU) 2019/941 of the European Parliament and of the Council of June 5, 2019 on preparing for risks in the electricity sector and repealing Directive 2005/89/EC

Regulation (EU) 2019/942 of the European Parliament and of the Council of June 5, 2019 establishing the European Union Agency for the Cooperation of Energy Regulators.

Regulation (EU) 2019/943 of the European Parliament and of the Council of June 5, 2019 on the internal electricity market

Directive (EU) 2019/944 of the European Parliament and of the Council of June 5, 2019 on common standards for the internal electricity market, amending Directive 2012/27/EU

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions (06.18.2019) United in delivering the Energy Union and Climate Action - Setting the foundations for a successful clean energy transition.

Commission recommendation of June 18, 2019 on the draft Integrated National Energy and Climate Plan of Spain for the period 2021-2030.

2. Spanish Regulation

In relation to the general framework of the gas system and its facilities

Resolution of March 22, 2019, of the Directorate General of Energy Policy and Mines, publishing the natural gas tariff of last resort.

TEC Order / 406/2019, of April 5, establishing guidelines for energy policy for the National Markets and Competition Commission.

CNMC publication of February 20, 2019 of the calendar of the Circulars of a regulatory nature that may influence aspects of energy policy whose processing is planned to start in 2019

Resolution of February 13, 2019, of the Congress of Deputies, ordering the publication of the Agreement for the Validation of Royal Decree-Law 1/2019, of January 11, on urgent measures to adapt the powers of the National Markets and Competition Commission to the requirements arising from EU law in relation to Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council of July 13, 2009 on common rules for the electricity and natural gas internal market.

Royal Decree-Law 1/2019, of January 11, 2019, on urgent measures to adapt the powers of the National Markets and Competition Commission to the requirements arising from EU law in relation to Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council of July 13, 2009 on common rules for the electricity and natural gas internal market.

In relation to the operation of the gas system

Resolution of June 5, 2019, of the Directorate General of Energy Policy and Mines, amending the resolution of July 25, 2006, regulating the conditions of allocation and the procedure for application of interruptibility in the gas system.

Resolution of March 22, 2019, of the Directorate General of Energy Policy and Mines, publishing the natural gas tariff of last resort.

Resolution of February 15, 2019, of the Directorate General of Energy Policy and Mines, amending the system technical management regulation and detail protocols.

ENAGÁS GROUP MANAGEMENT REPORT

Evolution of the Group in the first half of 2019

The net profit at the end of the first half of 2019 was 216,065 thousands of euros, a decrease of 1.7%, compared to the same period of the previous year. Disregarding the effect of the change in accounting of GNL Quintero, S.A., the variation in net profit was a decrease of 3.2%.

Total Group revenues at June 30, 2019 were 598,760 thousands of euros, with a net turnover of 584,012 thousands of euros.

The Enagás Group's investments during the first half of 2019 amount to 647,184 thousands of euros, of which 24,408 thousand were allocated to investments nationwide. The rest of the investments, in the international sphere, are mainly due to those related to Tallgrass Energy LP.

Enagás S.A. share capital rose to 358,101 thousands of euros, represented by 238,734,260 shares at a nominal value of 1.50 euros each, all of the same category, fully subscribed and paid up, admitted for trading on the Spanish Official Stock Exchange and traded on the continuous market.

Order IET/1367/2018 of December 20, 2018, which establishes the fees and payments tied to third-party access to gas facilities and compensation for regulated activities for 2019.

Continued expansion and improvement to regasification, transmission and storage facilities took place in the first half of 2019 to adapt them to the needs of future demand forecasts.

Enagás gas infrastructure

At June 30, 2019, the Enagás Group gas infrastructure comprising the natural gas network were as follows:

Spain:

- Nearly 11,000 kilometres of gas pipelines throughout Spain.
- Three underground storage facilities: Serrablo (Huesca), Yela (Guadalajara) and Gaviota (Vizcaya).
- Four regasification plants: Cartagena, Huelva, Barcelona and Gijón.
- It also owns 50% of the Regasification Plant BBG (Bilbao) and 72.5% of the Sagunto plant (Valencia).

Chile:

- Enagás has an indirect 45.4% stake in GNL Quintero. This stake, once the corporate purpose and the Terminal Bahía de Quintero SpA shareholders' agreement was amended, changed to accounting by the equity method. The change in corporate purpose highlights the message that, for Enagás, Chile is a key country in its strategy and GNL Quintero is an asset to which it is committed in the long term.

Mexico:

- Enagás owns a 50% stake in the Soto La Marina Compression Station, a 50% stake in the Morelos Pipeline and a 40% stake in the Altamira Plant.

Greece, Albania and Italy:

- Enagás has a 16% holding in the company that is developing the Trans Adriatic Pipeline (TAP) project, which consists of the construction of a pipeline to connect Turkey with Italy via Greece and Albania, and which is considered a Project of Common Interest (PCI) by the European Union.
- Since the previous year, Enagás has been part of a consortium (holding 20%), together with Snam (60%) and Fluxys (20%), which together acquired 66% of DESFA, Greece's natural gas transmission operator.

Peru:

- Enagás possesses a 51% stake in the Compañía de Gas de Amazonas, S.A.C. (COGA), which is responsible for the operation and maintenance of Transportadora de Gas del Perú infrastructure.
- Additionally, the Group holds a 28.94% stake in the company Transportadora de Gas del Perú (TgP), whose assets comprise Sistema de Transporte de Gas Natural, with pipelines running from Camisea to Lurín, and Transporte de Líquidos de Gas Natural, whose pipelines run from Camisea to the coast.

USA:

- On March 11, 2019, Enagás concluded the acquisition of a stake in Tallgrass Energy LP, in which it held 11.06% at the end of June 2019. This operation fits with Enagás' strategy of investing in *core business* assets in stable markets with growth opportunities, identified as priorities in its Strategic Plan, maintaining strict investment criteria.

Tallgrass Energy LP is an American energy infrastructure company, founded in 2012. It owns three interstate pipelines regulated by the Federal Energy Regulatory Commission (FERC), with a total of 11,000 km of transmission pipelines, 2,400 km of gas extraction pipelines and a 1,300 km oil pipeline.

The US is the market with the greatest growth opportunities in the world for midstream infrastructure. Specifically, Tallgrass has a portfolio of future projects in the American market in which Enagás could invest, and has a broad customer base and *take or pay* contracts, which enable a sustainable dividend and EBITDA to be achieved.

Significant aspects of the six months ending on June 30, 2019

Operating highlights

The demand for national gas reached 195.5 TWh, 9,4% higher than in the first half of 2018, mainly due to increased delivery of gas for electricity generation (+ 65.7%) and an increase in industrial consumption (+3.8 %). The rise in natural gas demand for the electricity sector is due to lower hydroelectricity production and a reduction in the use of coal. On the other hand, the increase in industrial consumption occurred in all activity sectors, especially services and paper.

Main investments

The following investments made during the first half of 2019 are highlighted:

- The investment in Tallgrass Energy LP, amounting to 589,770 thousands of dollars, and the investment of another 99,600 thousands of dollars in another of the holding companies, through which the acquisition of the investment was implemented.
- Investments were made in regasification, transmission and storage facilities, with the aim of expanding and improving them to adapt to future demand forecasts amounting to 17,857 thousands of euros.

General Shareholders' Meeting

The General Shareholders' Meeting of Enagás was held on March 29, 2019. During the meeting, the 2018 Annual Accounts and Management Report of both Enagás S.A and the consolidated group were approved, in addition to the distribution of Enagás S.A. profits from 2018, including the distribution of a complementary gross dividend of 0.918 euros per share.

Long-Term Incentive Plan

On April 1, 2019, the Long-Term Incentive 2016-2018 was settled.

On the other hand, on June 26, 2019, Enagás, S.A. finalized the process for acquiring treasury shares, until reach 501,946 treasury shares, for an amount of 9,866 thousands of euros (including related expenses amounting to 10 thousands of euros) and representing 0.21% of the entire Group share capital. This acquisition took place within the framework of the "Temporary Share Buy-Back Scheme", whose exclusive aim was to meet the obligations of delivering shares to the Executive Directors and members of the Enagás Group management team under the current remuneration scheme according to the terms and conditions of the 2019-2021 Long-Term Incentive Plan and Remuneration Policy approved at the General Shareholders' Meeting on March 29, 2019. The shares were purchased in compliance with the conditions set out in Article 5 of Regulation EC/2273/2003 and subject to the terms authorised at the General Shareholders' Meeting held on March 29, 2019. Management of the Temporary Share Buy-Back Scheme was entrusted to Banco Bilbao Vizcaya Argentaria (BBVA), which carried out the transaction on behalf of Enagás, S.A. independently and without exercising influence on the process.

Treasury shares

On June 26, 2019, within the Temporary Share Buy-Back Scheme, Enagás, S.A. finalized the process for acquiring treasury shares, until reach 501,946 treasury shares, representing 0.21% of the entire Group share capital for an amount of 9,876 thousands of euros (including related expenses amounting to 10 thousands of euros)**(Notes 3.1)**.

Events after the reporting period

From June 30, 2019 the following subsequent events took place:

On July 3, 2019, Enagás S.A. distributed a gross dividend per share of 0.918 euros, in addition to the dividend of 0.612 euros gross per share already paid in December 2018, also charged to the 2018 results. Thus, the total gross dividend for financial year 2018 was 1.53 euros per share.

On July 5, 2019, the National Markets and Competition Commission ("CNMC") started the administrative procedure of the regulatory circulars that under RD-Law 1/2019 must regulate the remuneration of transmission and regasification activity from January 1, 2021 until December 31, 2026 (except for the Technical Manager that concludes on December 31, 2023). The administrative procedure begins with said publication. It involves a series of procedures and reports that the CNMC must follow before the final approval of these circulars, with the participation in the process of the gas sector companies and other stakeholders as well as the relevant public authorities. Specifically, companies in the gas sector and other stakeholders may make the claims they deem appropriate in the defence of their interests, of the legality and proper functioning of the gas system by August 9, 2019. According to the tentative calendar published by the CNMC, the administrative procedure will conclude in the month of November 2019, notwithstanding that once approved, these circulars must be subject to further development before their effective application as of January 1, 2021.

Enagás is currently undertaking an in-depth study of the content of the proposals of circulars issued for public information today and will make use of the right that the law grants it to make the claims and improvement proposals that best represent its interests, those of its shareholders and those of the gas system. The company will devote special attention to those elements that may not fit the appropriate methodological and profitability parameters.

On July 24, 2019, the approval of the Committee on Foreign Investment in the United States (CFIUS) has been obtained, so in following days Enagás Group will increase its stake in Prairie Group by 3.52%.

In relation to the JPY 20,000 million bond, whose fair value at June 30, 2019 was 165 million euros, hedged in turn with a

CCS whose fair value was 14 million euros at June 30, 2019, and that have a fair value hedging relationship described in Note 3.6 of the 2018 Annual Accounts, dated July 25, 2019, the counterpart of the hedge, in accordance with the contractually established option, has announced the early cancellation of the CCS at its par value.

Furthermore, on July 25, 2019, the Enagás Group reported the triggering of the contractually established contract cancellation clause. Both early cancellations will involve the exchange of nominals on September 17, 2019.

On July 29, 2019, the Board of Directors of Enagás, S.A., for purposes of article 119 of the revised text of the Securities Market Law, approved by Royal Legislative Decree 4/2015, of October 23, prepared the Interim Condensed Consolidated Financial Statement and Interim Management Report at June 30, 2019, consisting of the accompanying documents and duly signed on all pages by the Secretary and stamped with the Company seal.

DECLARATION OF PERSONS RESPONSIBLE For purposes of the stipulations in number 3 of said article 119 of the Securities Market Law and article 11 of Royal Decree 1362/2007, of October 19, the signing directors declare that, to the best of their knowledge, the Interim Condensed Consolidated Financial Statement, prepared in accordance with the applicable accounting principles, provide a fair view of the Group's equity, financial situation, and results, and that the interim management report includes a fair analysis of the business results, performance, and position of the Group, together with a description of the main risks and uncertainties to which it is exposed. In addition, the signing directors declare that to the best of their knowledge, the directors who did not sign did not manifest their disagreement with the Interim Condensed Consolidated Financial Statement and Interim Management Report.

President

(Signed the original in Spanish)

D. Antonio Llardén Carratalá

CEO

(Signed the original in Spanish)

D. Marcelino Oreja Arburúa

Board Members

(Signed the original in Spanish)

Sociedad Estatal de Participaciones Industriales-SEPI
(Represented by D. Bartolomé Lora Toro)

(Signed the original in Spanish)

D Antonio Hernández Mancha

(Signed the original in Spanish)

D. Santiago Ferrer Costa

(Signed the original in Spanish)

Dª Ana Palacio Vallelersundi

(Signed the original in Spanish)

D. Martí Parellada Sabata

(Signed the original in Spanish)

Dª. Patricia Úrbez Sanz

(Signed the original in Spanish)

D. Luis García del Río

(Signed the original in Spanish)

Dña. Rosa Rodríguez Diaz

(Signed the original in Spanish)

D. Gonzalo Solana González

(Signed the original in Spanish)

Dña. Isabel Tocino Biscarolasaga

(Signed the original in Spanish)

D. Ignacio Grangel Vicente

Secretary to the Board

(Signed the original in Spanish)

D. Rafael Piqueras Bautista