

1Q2020 Results

21st April 2020



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Conference-call/Webcast:

April 21st, 2020. 09.00 CET

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Highlights

Priorities, Contingency Plan and Enagás Management for COVID-19

- ⚡ **In the current situation of crisis caused by the Covid-19 virus and the state of emergency declared by the Spanish government, Enagás' priorities are as follows:**
 - People's health, safety and well-being
 - Continue to normally provide an essential service: the supply of natural gas
 - Contribute to mitigate the social impact of the pandemic
- ⚡ **Both Enagás and its affiliates have implemented contingency plans in order to maintain normal operations and ensure the continuity of the natural gas supply both in Spain and in the countries where Enagás is present.**
- ⚡ **Enagás is maintaining its strong commitment to its employees' jobs and to the company's suppliers, as it is maintaining contracts and advancing payments in current contracts in order to contribute to sustaining activity.**
- ⚡ Enagás presents a **stable regulatory framework** (2021-2026) and no effects have been identified arising from the current context that might entail capital losses for the Company. In this way, the measures adopted in Royal Decree 11/2020 for the gas sector do not imply a modification of income for the Group's regulated activity.
- ⚡ Similarly, derived from this situation as well as the evolution of the oil & gas market indices, the income of the international companies in which Enagás participates have not been significantly affected.
- ⚡ **For all these reasons, the Results for the year 2020, as well as the dividend for the year 2019 to be approved at the upcoming General Shareholders' Meeting, should not be compromised.**
- ⚡ **The Company has a solid liquidity situation, which at the end of the first quarter amounted to 3,030 million euros between cash and undrawn lines of credit.**
- ⚡ **From the analysis carried out by the Company, no impacts have been evidenced by the situation of Covid-19 to be recorded in the financial statements for the first quarter of 2020. However, the Group continues to continuously monitor the evolution of this situation.**

2020 first quarter results

- ⚡ **Net profit** at 31 March 2020 stood at **€119.1 million**, which is +14.7% higher than in the same period of the previous year. This good performance of net profit is due to:
 - **EBITDA increase (+2.5%)** due to higher operating revenues and results from affiliates.
 - **A better financial result** as a consequence of **a non-recurring effect of €18.4 million** caused by the positive exchange differences generated by the purchase of dollars made for investment in phase II of Tallgrass Energy LP (closed on April 17).
- ⚡ **Funds from operations (FFO)** as at 31 March 2020 amounted to €177.1 million, -10.3% lower than in 2019, due to a scheduling effect on the collection of dividends from affiliates. The annual dividend from affiliates' target in 2020 is €235 million.
- ⚡ After obtaining the relevant authorisations and **approval from the Tallgrass Annual General Meeting, Enagás, together with its partners, have closed the take private transaction.** As a consequence of this operation, Enagás has increased its indirect stake in Tallgrass to 30.2% through the disbursement of \$836 million.
- ⚡ The **net debt** at the end of the first quarter of 2020 amounted to **€3,605 million, down by €150 million compared to 2019.** The **FFO/ND ratio as at 31 March 2020 stood at 20.4%.** The average gross cost of debt stood at 2.1%.

- ⚡ The ratings of Standard and Poors and Fitch, both BBB + with a stable outlook, confirm the solid balance sheet structure and the high liquidity position of Enagás.
- ⚡ The **transported natural gas demand accumulated** as at 31 March **decreased by -2.4%** compared to the same period of the previous year.
- ⚡ Enagás maintains its **leadership in the main sustainability indices**, highlighting the rating in the **Dow Jones Sustainability Index World** (global leadership of Oil & Gas Storage & Transportation), in which it attained the Gold Class classification and has been included in the **CDP Climate Change A List**, after obtaining the highest rating in its sector (A). Enagás has defined an emission reduction path to reach carbon neutrality by 2050, in line with the EU commitments.

Main highlights

Income Statement

January-March (millions of €)	1Q2019 Real ¹	1Q2019 Pro forma	1Q2020	Var.19-20
Total revenue	309.8	278.2	283.3	+1.9%
EBITDA	251.5	229.9	235.6	+2.5%
EBIT	168.7	155.0	157.7	+1.7%
Net profit	103.9	103.9	119.1	+14.7%

Note¹: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method during the whole 1Q2019.

Balance sheet and leverage ratios

	Dec-2019 Pro forma	Mar-2020
Net Debt (millions of €)	3,755	3,605
Net Debt / EBITDA ⁽¹⁾	3.9x	3.8x
FFO / Net Debt	20.1%	20.4%
Financial cost of debt	2.1%	2.1%

(1) EBITDA adjusted for dividends obtained from affiliates

Note¹: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method during the whole 1Q2019.

Cash flow and investments

January-March (millions of €)	1Q2019 Real ¹	1Q2019 Pro forma	1Q2020	Var.19-20
FFO	201.8	197.4	177.1	-10.3%
Dividends received from affiliates	26.5	26.5	10.3	-60.9%
Net investment	-632.0	-630.5	-27.5	-

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

Note¹: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method during the whole 1Q2019.

Earnings Performance

Profit and loss account

Millions of euros (unaudited figures)	1Q2019 Real ¹	1Q2019 Pro forma	1Q2020	Var.19-20
Income from regulated activities	263.0	263.0	265.9	1.1%
Other operating income	46.8	15.1	17.4	14.8%
Total income	309.8	278.2	283.3	1.9%
Personnel expenses	-31.3	-29.9	-31.4	5.1%
Other operating expenses	-55.0	-51.2	-50.9	-0.5%
Operating expenses	-86.3	-81.1	-82.3	1.6%
Results from affiliates	28.0	32.8	34.6	5.3%
EBITDA	251.5	229.9	235.6	2.5%
Amortisation and depreciation	-77.1	-67.9	-67.7	-0.4%
PPA	-5.7	-6.9	-10.2	47.1%
EBIT	168.7	155.0	157.7	1.7%
Financial results	-33.7	-27.2	-7.6	-72.1%
Corporate income tax	-26.6	-23.8	-30.7	29.1%
Minority interests	-4.6	-0.2	-0.3	23.5%
Net profit	103.9	103.9	119.1	14.7%

Note¹: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method during the whole 1Q2019.

Operating income

Total revenues at 31 March 2020 stood at €283.3 million, similar to the amount achieved in 2019.

Operating expenses

Operating expenses at the end of the first quarter of the year 2020 were -€82.3 million, in line with the previous year amount.

Results from affiliates

At 31 March 2020, **results from affiliates stood at €34.6 million**. This amount includes the stake in GNL Quintero reported under the equity method.

Results from affiliates increased by +5.3% compared to the same period of 2019 and assuming the same accounting treatment for GNL Quintero. Main drivers that explain this increase are a better performance of Trans Adriatic Pipeline (Europe), Altamira (Mexico) and Saggas (Spain) compared with the same period of 2019.

EBITDA

EBITDA at 31 March 2020 stood at €235.6 million, +2.5% higher than the same period of 2019.

Amortization of fixed assets

Amortization of fixed assets have remained in line with the amount recorded in the same period of the previous year (-0.4%).

Additionally, the PPA (purchase price allocation) increased versus 2019 (+47.1%), due to the incorporation of Tallgrass, that started to have impact since April 2019.

In this regard, **EBIT at 31 March 2020 stood at €157.7 million, +1.7% higher** than the same period of 2019.

Financial Results

The **financial results** at 31 March 2020 reported a **negative balance of -€7.6 million**, compared with the -€27.2 million at the end of the first quarter of 2019. This improvement is mainly due to a non-recurring effect, which amounted to +€18.4 million, driven by a positive exchange difference generated by the purchase of USD related with the acquisition of Phase II of Tallgrass Energy LP.

Net profit

Net profit at 31 March 2020 stood at €119.1 million, +14.7% higher than the first quarter of 2019.

Cash flow and Balance Sheet

Consolidated cash flow statement

Millions of euros (unaudited figures)	1Q2019 Real ¹	1Q2019 Pro forma	1Q2020
EBITDA	251.5	229.9	235.6
Results from affiliates	-28.0	-32.8	-34.6
Tax	-0.0	0.0	0.0
Interest	-44.3	-22.2	-30.6
Dividends received from affiliates	26.5	26.5	10.3
Adjustments	-3.9	-3.9	-3.7
FUNDS FROM OPERATIONS (FFO)	201.8	197.4	177.1
Changes in working capital	20.4	20.7	10.4
OPERATING CASH FLOW (OCF)	222.2	218.1	187.6
Net investment	-632.0	-630.5	-27.5
International business	-619.0	-617.5	-1.1
Business in Spain	-13.0	-13.0	-26.4
FREE CASH FLOW (FCF)	-409.8	-412.4	160.1
Dividends paid	0.0	0.0	0.0
Exchange rate effect	4.7	2.7	2.5
DISCRETIONAL CASH FLOW (DCF)	-405.1	-409.7	162.6
Financing flows	362.7	362.7	-161.3
Maturity of long-term debt	-39.2	-39.2	-39.3
Debt issues	404.6	404.6	200.0
Issue/maturity of policies and ECPS	-2.7	-2.7	-322.0
Capital increase	0.0	0.0	0.0
Proceeds from/(payments for) equity instruments	0.0	0.0	0.0
Effect of changes in the consolidation method	-346.7	0.0	0.0
NET CASH FLOWS	-389.2	-47.0	1.3
Cash and cash equivalents at start of period	1,171.5	829.4	1,099.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	782.4	782.4	1,100.3

Note¹: GNL Quintero reported according to the global integration method until February 2019 and has been reported under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero under the equity method during the whole 1Q2019.

Balance sheet

Dec 2019 March 2020

ASSETS

	7,446.3	7,450.4
Total non-current assets		
Intangible assets	73.7	71.8
<i>Goodwill</i>	25.8	25.8
<i>Other intangible assets</i>	47.9	46.0
Investment property	19.6	19.6
Property, plant and equipment	4,634.9	4,575.3
Equity-accounted investments	2,109.5	2,161.9
Other non-current financial assets	605.8	618.7
Deferred tax assets	2.9	3.1
Current assets	1,397.9	1,343.8
Non-current assets held for sale	5.0	1.8
Inventory	19.7	20.3
Trade and other receivables	260.8	216.5
Other current financial assets	7.9	0.1
Other current assets	5.6	4.8
Cash and cash equivalents	1,099.0	1,100.3
TOTAL	8,844.2	8,794.1

LIABILITIES

Equity	3,168.8	3,257.7
Shareholders' equity	3,170.1	3,291.5
Subscribed share capital	393.0	393.0
Share premium	465.1	465.1
Reserves	2,052.2	2,476.5
Treasury shares	-12.5	-12.5
Profit for the period	442.6	119.1
Interim dividend	-152.5	-152.5
Other equity instruments	2.2	2.8
Valuation adjustments	-17.2	-50.0
Non-controlling interests (external owners)	15.9	16.2
Non-current liabilities	5,205.2	4,885.8
Non-current provisions	248.3	249.5
Non-current financial liabilities	4,744.3	4,432.8
<i>Bank borrowings</i>	1,401.0	1,067.4
<i>Bonds and other marketable securities</i>	2,929.8	2,934.1
<i>Non-current payables to fixed asset suppliers</i>	0.3	0.3
<i>Derivatives</i>	74.4	100.6
<i>Other financial liabilities</i>	338.7	330.3
Deferred tax liabilities	171.9	164.4
Other non-current liabilities	40.8	39.0
Current liabilities	470.2	650.6
Current provisions	2.0	2.0
Current financial liabilities	234.1	423.6
<i>Bank borrowings</i>	133.1	322.9
<i>Bonds and other marketable securities</i>	31.3	30.5
<i>Derivatives</i>	13.9	23.9
<i>Other financial liabilities</i>	55.8	46.4
Trade and other payables	217.6	211.9
Other trade and other payables	16.5	13.1
TOTAL	8,844.2	8,794.1

Funds From Operations

Funds From Operations (FFO) at 31 March 2020 stood at **€177.1 million** (-10.3% compared to the same date of 2019). Main driver is a calendar effect on the collection of dividends from affiliates versus the first quarter of 2019. The 2020 annual dividend from affiliates' objective amounts to €235 million.

The **Operating Cash Flow (OCF)** at 31 March 2020 stood at **€187.6 million, -14.0% lower** than the figure accounted in the same period of 2019.

Investments

Net investment increased to **€27.5 million at 31 March 2020**, mainly as a result of regulated investments.

Net Debt

Net debt at 31 March 2020 was €3,605 million, -€150 million lower than the reported at 31 December 2019 (€3,755 million).

The **FFO/ND** ratio in the last 12 months was **20.4% at 31 March**.

As of 31th March 2019, debt structure is as follows: 17% as institutional debt, 63% was issued on the capital markets, 13% is commercial paper and the remaining 7% corresponding to financial leasing as a result of application of IFRS 16. 78% of the debt accounted for is issued in euros and 22% in USD.

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

The **financial cost** at 31 March 2020 stood at **2.1%**.

Liquidity

The Company shows a solid liquidity position. At the end of the first quarter of the year, total liquidity amounted to €3,030 million, taking into account cash and undrawn credit lines.

Liquidity	1Q2020	2019	
Treasury	1,100 €M	1,099 €M	
Club Deal	1,500 €M	1,500 €M	<i>Maturity in December 2024</i>
USD lines	372 €M	58 €M	<i>Maturity in July 2024</i>
Others/ST lines	58 €M	60 €M	<i>Maturity in July 2020</i>
TOTAL	3,030 €M	2,717 €M	

OPERATING HIGHLIGHTS

Demand

Demand for natural gas has been negatively affected since the state of emergency established as a consequence of the Covid-19 crisis owing to a decrease in the consumption of industry, retail and SMEs during the last two weeks of March.

Demand for natural gas at the end of the first quarter of the year 2020 amounted to 101,6 TWh, -2.4% compared to the same period of 2019.

Industrial demand amounted to 55.4 TWh (-2.1% compared to the same period in 2019). The good performance of industrial demand in the first two months of the year has been affected since the state of emergency was declared in Spain, with a rate of decline of 2% per week.

Natural **gas demand for power generation** at the end of the first quarter of 2020 stood at 17.0 TWh (-1.3% vs. the same period of the previous year).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Sustainability

Enagás maintains its leadership in the main sustainability indices, highlighting the rating in the **Dow Jones Sustainability Index World** (global leadership of Oil & Gas Storage & Transportation), with the Gold Class Distinction.

In recognition of our role in the energy transition, Enagás has been included in the **CDP Climate Change A List**, after obtaining the highest rating in its sector (A).

Additionally, Enagás has increased its climate ambition and it is committed to setting goals aligned with science, according to the emission scenarios of 1.5°C. Enagás has defined an **emission reduction path to reach carbon neutrality by 2050**, in line with the EU commitments.

PUBLIC DISSEMINATION OF PRIVILEGED INFORMATION AND OTHER RELEVANT INFORMATION

For the purposes of Article 226 of Royal Legislative Decree 4/2015, of 23 October, which approves the consolidated text of the Securities Market Law, Enagás communicates to the Comisión Nacional del Mercado de Valores (CNMV), as soon as possible, the privileged information to directly concern to the Company to in Article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014.

In accordance with article 227 of Royal Legislative Decree 4/2015, of October 23, which approves the consolidated text of the Securities Market Law, Enagás also communicates to the CNMV the remaining information of a relative financial or corporate nature to the company itself or its securities or financial instruments that any legal or regulatory provision requires it to make public in Spain or that it considers necessary, for its special interest, to disseminate among investors.

Enagás carries out the communications of privileged information and other relevant information, for public dissemination, through the specific communication and publication channels developed by the CNMV itself.

APPENDIX I: CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Indices, certifications and assessment agencies

	<p>Enagás has been a member of the United Nations Global Compact since 2003. Since 2011, the Progress Report has met all the criteria for the GC Advanced level. It has also been included in the Global Compact 100 index since 2013.</p>		<p>Enagás' management model has borne the European Seal of Excellence 500+ EFQM since 2012.</p> <p>Enagás was recognised as an Ambassador of European Excellence in 2016.</p>
	<p>Enagás has been a member of the Dow Jones Sustainability Index World (DJSI) since 2008. It has been recognised as a 2019 Gold Class and Industry Mover and, in the 2019 revision, the company was also identified as a leader entity in the Oil & Gas Storage & Transportation sector.</p>		<p>Since 2008, the content of Enagás' Annual Report has been externally verified and drawn up under the AA1000APS standard and in accordance with the Global Reporting Initiative (GRI). Since 2012, it has been prepared under the integrated reporting principles of the International Integrated Reporting Council (IIRC).</p>
	<p>Enagás has been a member of the FTSE4Good index since 2006.</p>		<p>Enagás renewed its presence on the Euronext Vigeo Europe 120 and European indices in 2019.</p>
	<p>Enagás has been a member of the Ethibel Pioneer and Ethibel Excellence Investment Registers since 2009.</p>		<p>Enagás has been rated "B Prime" by Oekom since 2010, and in 2014 joined the Global Challenges Indexes for the first time.</p>
	<p>Enagás has been a constituent of the MSCI Global Sustainability Indices since 2010 with an AA rating.</p>		<p>Enagás has been participating in the CDP Climate Change programme since 2009 and the CDP Water programme since 2015. In 2019 has been included in the A List of leader companies and has been recognized as one of the leading companies for its commitment with suppliers.</p>
	<p>Enagás has been certified as a Family-Responsible Company since 2007, in the 2019 revision, the company was identified with an A Excellent rating.</p>		<p>Enagás has been one of the Top Employers Spain since 2009, one of the best companies to work for.</p>
	<p>Enagás holds ISO 14001:2004 certification for management of gas transmission and storage infrastructure processes, asset management, central laboratory and corporate headquarters. The Company's Huelva and Barcelona plants and storage facilities at Serrablo and Yela have secured EMAS certification.</p>		<p>Enagás holds ISO 9001:2008 certification for its technical system (TSM), asset management, infrastructure development and information systems management processes. The company is also SSAE 18 certified for its Security of Supply in the System / Technical Management of Underground Storage processes.</p>
	<p>Enagás has been a member of the STOXX Global ESG Leaders index since 2011.</p>		<p>The Occupational Risk Prevention Management System of the companies Enagás GTS, S.A.U., Enagás Internacional S.L.U., Enagás S.A. and Enagás Transporte S.A.U. belonging to the Enagás Group is OHSAS 18001:2007 certified. Enagás has been certified as a healthy workplace since 2015 and secured ISO certification for road safety (ISO 39001) and information security (ISO 27001).</p>
	<p>In 2015, Enagás was awarded the Bequal seal for its commitment to the inclusion of people with disabilities. In 2019 Enagás awarded the Bequal Plus award.</p>		<p>Enagás holds the "Equality at Work Seal" from the Spanish Ministry of Health, Social Policy and Equality, first issued in 2010.</p>
	<p>Enagás is part of the Bloomberg gender equality since 2019.</p>		<p>Enagás was included among the 100 leading global companies in promoting gender equality in the workplace.</p>

APPENDIX II: CONTACT INFORMATION

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