

1H2022 Results

27th July 2022



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Conference-call/Webcast:

July 27th, 2022. 08.30 CET

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Highlights

First Half 2022 Results

- ⚡ **Net income** as at 30 June 2022, **excluding non-recurring effects, amounts to 164 million euros**. In the second quarter of the year, an impairment of 133.8 million euros was recorded at the affiliate Tallgrass Energy, bringing net income to 30.2 million euros.
- ⚡ At the date of this report and after the end of the first half of the year, the following events had taken place, in line with the Enagás 2022-2030 Strategic Plan.

Announced:

- **On 20 July, the entry of Hy24 Fund**, through Clean H2 Infra Fund, took a stake in **Enagás Renovable S.L.U.** as a financial partner with an initial stake of 30%, was closed. The operation will generate net capital gains of 50.4 million euros.
- **On 20 July 2022, the sale of the 45.4% stake in GNL Quintero was completed**. At the exchange rate at that date*, this transaction will result in a gross cash inflow of 639 million euros and will generate net capital gains of 135 million euros.
- ⚡ The **net income as at 30 June**, considering these post-closing events, **would be 215.5 million euros (+1.1% versus 30 June 2021)** and is in line to achieve the annual target of net income, disclosed by the Company in its 2022-2030 Strategic Plan.
- ⚡ On 26 July, the agreement for the sale of Enagás' **5% stake in Enagás Renovable to Pontegadea** was signed.
- ⚡ The **contribution from affiliates** amounted to **99.8 million euros**, as a result of the good performance of affiliates, mainly TGP and TAP.
- ⚡ The figure for **cash flows from operations (FFO)** as of 30 June 2022 was **322.5 million euros**. This figure includes dividends received from affiliates, which at 30 June 2022 amounted to 87.4 million euros, reflecting an increase of +35.5% compared to the same period of the previous year, mainly due to a different timing in the dividends received from TLA Altamira and TGP.
- ⚡ **Net Debt** at the end of H1 2022 amounted to **4,099 million euros**, with a financial cost of debt of 1.6%, improving from 1.8% in H1 2021. The **FFO/ND ratio as at 30 June 2022** was **16.6%**.
- ⚡ The Company has a **solid liquidity position**, which at the end of the first half amounted to **2,956 million euros** between cash and undrawn lines of credit.
- ⚡ **Natural gas demand and exports through interconnections** have increased by +10.1% in the first half of 2022. The **demand for natural gas for electricity generation** has **increased by +73.4%**, recording three **consecutive records** since June. **Exports to Europe** via interconnections with France have **increased by 12.2 TWh**, due to the current European energy situation, highlighting the importance of international interconnections in this context.

*NB: €1=1.0251 USD

- ⚡ On 7 July, following approval at the General Shareholders' Meeting, a final **dividend** of 1.02 euros gross per share was paid for 2021, in line with the annual commitment for 2021 to distribute **1.70 euros gross per share**, an **increase of 1% per annum**, in line with the company's strategy.
- ⚡ Enagás maintains its leadership in the main sustainability indices, notably the **Dow Jones Sustainability Index World**, in which it has obtained the **Bronze Class** classification in the Gas Utilities sector, and inclusion in the **A List 2021 of CDP Climate Change**. In addition the company has obtained the highest ESG rating in its sector in the **FTSE4Good** sustainability index and remains on **Bloomberg's Gender Equality Index**.

Main highlights

Income Statement

January - June (millions of €)	1H2021	1H2022	Var.21-22
Total income	480.6	478.2	-0.5%
EBITDA	451.3	392.0	-13.1%
EBIT	299.5	233.0	-22.2%
Net profit (includes the non-recurring impact of the Tallgrass Energy impairment)	213.1	30.2	-85.8%
Net profit (without the non-recurring impact of the Tallgrass Energy impairment)	213.1	164.0	-23.0%
Net profit (considering the impairment of Tallgrass Energy and other subsequent non-recurring events; GNLQ and Enagás Renewables capital gains)	213.1	215.5	+1.1%

Balance sheet and leverage ratios

	Dec-2021	Jun-2022
Net Debt (millions of €)	4,277	4,099
Net Debt / EBITDA ⁽¹⁾	5.1x	5.0x
FFO/Net Debt	16.4%	16.6%
Financial cost of debt	1.7%	1.6%

(1) EBITDA adjusted for dividends obtained from affiliates

Cash flow and investments

January - June (millions of €)	1H2021	1H2022	Var. 21-22
Funds From Operations	343.1	322.5	-6.0%
Dividends received from affiliates	64.5	87.4	35.5%
Net investment	-37.7	-60.2	59.7%

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.

Earnings Performance

Income Statement

Millions of euros (unaudited figures)	1H2021	1H2022	Var.21-22
Income from regulated activity	465.6	469.1	0.8%
Other operating income	15.0	9.2	-39.1%
Total revenue	480.6	478.2	-0.5%
Personnel expenses	-64.2	-72.5	13.0%
Other operating expenses	-78.1	-113.5	45.4%
Operating Expenses	-142.2	-186.0	30.8%
Results from Affiliates	112.9	99.8	-11.6%
EBITDA	451.3	392.0	-13.1%
Amortisation and depreciation	-124.9	-131.7	5.4%
PPA	-26.8	-27.3	2.0%
EBIT	299.5	233.0	-22.2%
Financial results	-42.3	-170.7	303.4%
Corporate income tax	-43.7	-31.9	-27.1%
Profit attributed to non-controlling interests	-0.4	-0.3	-27.4%
Net profit (includes the non-recurring impact of the Tallgrass Energy impairment)	213.1	30.2	-85.8%
Net profit (without the non-recurring impact of the Tallgrass Energy impairment)	213.1	164.0	-23.0%
Net profit (considering the impairment of Tallgrass Energy and other subsequent non-recurring events; GNLQ and Enagás Renewables capital gains)	213.1	215.5	+1.1%

Operating revenue

Regulated revenues at 30 June amounted to 469.1 million euros, +0.8% year-on-year.

On the one hand, **regulated revenues** are reduced due to the implementation of the 2021-2026 regulatory framework. However, the regulatory impact has been offset by the remuneration of audited expenses.

Other income amounted to 9.2 million euros.

Operating expenses

Operating expenses at the end of the first half of 2022 amounted to -186.0 million euros, **30.8% higher than in the same period of the previous year.**

Personnel expenses increased by +13.0% to 72.5 million euros. This increase is mainly due to a non-recurring effect from terminations (~6 million euros) and other timing effects.

In addition, Other operating expenses, as mentioned in the Operating revenue, reflects the increase in audited costs of ~26 million euros, mainly electricity and CO2 costs, as well as other timing effects and higher activity compared to H1 2021 still affected by COVID-19.

Results from affiliates

The **contribution from affiliates** amounted to **99.8 million euros**, as a result of the good performance of affiliates, mainly TGP (as a result of the impact of the exchange rate) and TAP (due to a non-recurring negative adjustment included in 2021).

In addition, upon the announcement of the sale of the stakes in the Gasoducto de Morelos and GNL Quintero, from December 2021 and March 2022, respectively, the stakes in these companies are recorded as "assets held for sale" and, therefore, their contribution is not consolidated.

In the first quarter of 2021, Tallgrass' contribution included a non-recurring result of 9 million euros mainly due to the extreme cold snap in February, with a positive impact on the contracting of Tallgrass infrastructure.

EBITDA

EBITDA at 30 June 2022 reached **392.0 million euros.**

Dividend-adjusted EBIDA at 30 June amounted to 379.6 million euros, in line with the 740 million euros target communicated by the company in its Strategic Plan.

Provisions for amortisation of fixed assets

Amortisation of fixed assets increased by +5.4% compared to the same period of the previous year.

The PPA (purchase price allocation) amortisation line is in line with 2021.

EBIT at 30 June 2022 thus amounted to **233.0 million euros, -22.2% less** than in the same period of 2021.

Financial result

The financial result obtained at 30 June 2022, excluding non-recurring effects, amounted to 36.9 million euros, -13% lower than at the end of H1 2021 in the amount of 42.3 million euros.

The financial result for the first half of 2022 including the non-recurring impact of the impairment of Tallgrass Energy of 133.8 million euros amounted to 170.7 million euros.

The financial cost of debt at 30 June 2022 was 1.6%, compared to 1.8% in the first half of 2021.

Net income

Net income at 30 June 2022, **excluding the impairment discussed at Tallgrass, would amount to 164 million euros**. Including the impairment at this affiliate, the net income at the end of the first half of 2022 is 30.2 million euros.

At the date of this report and after the end of the first half of the year, the following events had taken place, in line with the Enagás 2022-2030 Strategic Plan.

Announced:

- **On 20 July, the entry of Hy24 Fund**, through Clean H2 Infra Fund, took a stake in **Enagás Renewable S.L.U.** as a financial partner with an initial stake of 30%, was closed. The operation will generate net capital gains of 50.4 million euros.
- **On 20 July 2022, the sale of the 45.4% stake in GNL Quintero was completed.** At the exchange rate at that date*, this transaction will result in a gross cash inflow of 639 million euros and will generate net capital gains of 135 million euros.

Net income as of 30 June, considering these post-closing events, **would be 215.5 million euros** and in line to reach the annual target of net income, communicated by the Company in its 2022-2030 Strategic Plan.

On 26 July, the agreement for the sale of Enagás' **5% stake in Enagás Renewable to Pontegadea** was signed.

*NB: €1=1.0251 USD

Cash Flow and Balance Sheet

Consolidated cash flow statement

Millions of euros (unaudited figures)	1H2021	1H2022
EBITDA	451.3	392.0
Results from affiliates	-112.9	-99.8
Tax	-10.2	-3.4
Interest	-48.2	-52.5
Dividends received from affiliates	64.5	87.4
Adjustments	-1.3	-1.2
FUNDS FROM OPERATIONS (FFO)	343.1	322.5
Changes in working capital	144.4	56.1
OPERATING CASH FLOW (OCF)	487.5	378.5
Net investment	-37.7	-60.2
International business	19.7	0.0
Business in Spain	-57.5	-60.2
FREE CASH FLOW (FCF)	449.8	318.3
Dividends paid	-1.3	0.0
Exchange rate effect	0.6	28.5
DISCRETIONAL CASH FLOW (DCF)	449.1	346.8
Financing flows	-78.1	-958.6
Maturity of long-term debt	-105.5	-944.3
Debt issues	0.1	0.0
Issue/maturity of policies and ECPs	27.3	-14.3
Capital increase	0.0	0.0
Proceeds from/(payments for) equity instruments	0.0	-5.8
Effect of changes in the consolidation method	0.0	0.0
NET CASH FLOWS	371.0	-617.6
Cash and cash equivalents at start of period	863.7	1.444.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1.234.6	826.6

Balance sheet

ASSETS	Dec. 2021	Jun. 2022
Total non-current assets	7,957.5	7,585.9
Intangible assets	86.6	82.4
<i>Goodwill</i>	23.2	23.2
<i>Other intangible assets</i>	63.4	59.2
Investment property	18.7	18.7
Property, plant and equipment	4,428.6	4,269.5
Equity-accounted investments	2,789.7	2,521.7
Other non-current financial assets	632.6	691.8
Deferred tax assets	1.3	1.7
Current assets	1,916.3	1,571.8
Total non-current assets held for sale	29.7	436.5
Inventory	26.4	28.1
Trade debtors and other short-term debts	395.1	262.2
Short-term financial investment	13.5	6.6
Other current assets	7.6	11.8
Cash and cash equivalents	1,444.2	826.6
TOTAL ASSETS	9,873.7	9,157.7
EQUITY AND LIABILITIES		
Equity	3,101.7	3,053.4
Total equity	3,158.4	2,912.2
Subscribed share capital	393.0	393.0
Share premium	465.1	465.1
Reserves	2,080.2	2,037.6
Treasury shares	-12.5	-16.4
Profit for the period	403.8	30.2
Interim dividend	-177.8	0.0
Other equity instruments	6.5	2.8
Valuation adjustments	-73.0	125.2
Non-controlling interests (external owners)	16.2	15.9
Non-current liabilities	5,299.8	4,533.2
Non-current provisions	292.4	293.0
Non-current financial liabilities	4,808.9	4,041.0
<i>Bank borrowings</i>	1,664.8	1,327.4
<i>Bonds and other marketable securities</i>	2,700.0	2,308.3
<i>Non-current payables to fixed asset suppliers</i>	0.4	0.4
<i>Derivatives</i>	2.2	16.3
<i>Other long-term loans</i>	441.5	388.6
Deferred tax liabilities	160.3	162.2
Other non-current liabilities	38.2	37.0
Current liabilities	1,472.2	1,571.0
Current provisions	0.7	0.3
Current financial liabilities	1,056.1	1,205.2
<i>Bank borrowings</i>	113.1	471.2
<i>Bonds and other marketable securities</i>	781.8	410.9
<i>Derivatives</i>	86.1	4.9
<i>Other long-term loans</i>	75.2	318.1
Trade and other payables	415.4	365.5
TOTAL LIABILITIES	9,873.7	9,157.7

Operating cash flow

The figure for **cash flows from operations (FFO)** at 30 June 2022 was **322.5 million euros**, this figure includes **dividends received from affiliates**, which at 30 June 2022 **amounted to 87.4 million euros**, reflecting an **increase of 35.5% compared to the same period of the previous year**, mainly due to a different timing of the dividends received from TLA Altamira and TGP.

The **operating cash flow (OCF)** figure **as at 30 June 2022 was 378.5 million euros**, 22.3% down on 2021, this decrease being mainly due to the change in working capital of 56.1 million euros, which has worsened as a result of the different timing of collections compared to 2021.

Investment

The **net investment** figure at the end of the first half of the year 2022 amounted to **60.2 million euros**, and includes exclusively investment in the domestic business. This amount includes approximately 14 million euros, earmarked for the Power to Green Hydrogen Mallorca project, inaugurated last March.

Net Debt

Strong free cash generation during the first half of 2022 (318.3 million euros), has enabled us to reduce net debt to 4,099 million euros from 4,277 million euros at 31 December 2021.

In the change in net debt, exchange rate and other effects amounting to 140.0 million euros have to be taken into account.

The **FFO/ND** ratio **at the end of H1 2022** was **16.6%**, while the Net Debt/EBITDA ratio adjusted for dividends received from affiliates amounted to 5.0x.

The debt type at 30 June 2022 was as follows: 10% is institutional debt, 55% was issued in capital markets, 27% is commercial bank borrowings and the remaining 8% is leases (IFRS 16). Of the debt booked, 69% is issued in euros and the remaining 31% in US dollars (USD).

Over 80% of Enagás debt is fixed rate.

The financial cost at 30 June 2022 stood at 1.6%, compared to 1.8% in the first half of 2021.

Liquidity

The Company has a solid liquidity position, which at the end of the first half of 2022 amounted to 2,956 million euros between cash and undrawn credit lines.

Liquidity	Jun. 2022	Dec. 2021	Current maturity
Treasury	€827 M	€1,444 M	
Club Deal	€1,500 M	€1,500 M	December 2026 (**)
USD Lines	€630 M	€355 M	January - April 2023
TOTAL	€2,956 M	€3,300 M	

(**) Of this amount, 19% matures in 2025

OPERATING HIGHLIGHTS

Demand

Natural gas demand and exports through interconnections have increased by +10.1% in the first half of 2022.

The **demand for natural gas for electricity generation** has **increased by +73.4%**, recording three **consecutive records** since June.

Exports to Europe via interconnections with France have **increased by 12.2 TWh**, due to the current European energy situation, highlighting the importance of international interconnections in this context.

Conventional demand, which represents ~71% of natural gas demand in Spain, has shown a decrease of -10.3% as of 30 June 2022, affected by the decline in industrial demand.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Sustainability

Enagás maintains its leading position in the main sustainability indices, notably the **Dow Jones Sustainability Index World**, in which it obtained the Bronze Class classification in the Gas Utilities sector; the company has also obtained the **highest ESG rating in its sector in the FTSE4Good sustainability index**.

On climate action, Enagás is included in the '**A List**' **2021 of CDP Climate Change**. Along these lines, Enagás is committed to achieving carbon neutrality by 2040 and has defined emission reduction targets in line with the 1.5°C scenario and targets relating to the decarbonisation of its value chain (Scope 3).

In addition, the company has set targets for nature and biodiversity.

Enagás has approved its **II Equality Plan** and has been recognised with the **A+** level of **excellence** in certification as a **Family-Responsible Company (EFR)**, a benchmark in work-life balance.

Enagás complies with good governance recommendations regarding the **separation of the roles of executive CEO and non-executive Chairman**, having assigned executive status to the sole figure of the CEO. It also complies with the recommendations associated with gender diversity on the **Board**, with **40% women**.

PUBLIC DISCLOSURE OF INSIDE INFORMATION AND OTHER RELEVANT INFORMATION

In accordance with article 226 of Royal Legislative Decree 4/2015 of 23 October, which approves the revised text of the Securities Market Law, Enagás communicates to the CNMV, as soon as possible, the inside information that concerns it directly referred to in Article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014.

In accordance with article 227 of Royal Legislative Decree 4/2015 of 23 October, which approves the revised text of the Securities Market Law, Enagás also communicates to the CNMV the other financial or corporate information regarding 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 deems necessary, due to its special interest, to spread among investors.

Enagás communicates inside information and other relevant information for public dissemination through the specific communication and publication channels developed by the CNMV for this purpose.

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 held the EFQM 500+ European Seal of Excellence since 2012. In 2021, Enagás obtained the EFQM 700+ European Seal of Excellence.</p> <p>Enagás was recognised as an Ambassador of European Excellence in 2020.</p>
<p>Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA</p> <p>Sustainability Award Bronze Class 2022</p> <p>S&P Global</p>	<p>Enagás has been a member of the Dow Jones Sustainability Index World (DJSI) since 2008. In 2022 it was awarded Bronze class status.</p>		<p>Since 2008, the content of Enagás' Annual Report has been externally verified and drawn up under the AA1000APS standard and the Global Reporting Initiative (GRI) reporting framework. Since 2012, it has been prepared under the integrated reporting principles of the International Integrated Reporting Council (IIRC). From 2020 it will be prepared according to SASB (Sustainability Accounting Standards Board) standards for the Oil & Gas - Midstream sector.</p>
	<p>Enagás has been participating in the CDP Climate Change programme since 2009 and the CDP Water programme since 2015. In 2021 it was included in the A List of leading companies in climate change management and recognised as one of the leading companies for its commitment to its value change.</p>		<p>ISS upheld its B Prime rating of Enagás, issued in 2010.</p> <p>Enagás has been a constituent of the MSCI Global Sustainability Indices since 2010 and has a AA rating.</p>
	<p>Enagás has been certified as a Family Responsible Company (FRC) since 2007 and obtained the Excellence A+ level in the 2022 recertification process.</p>		<p>Enagás has been a member of the FTSE4Good index since 2006.</p>
	<p>Enagás holds ISO14001 certification for management of gas transmission and storage infrastructure processes, asset management, central laboratory and corporate headquarters. In addition, it holds ISO50001 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. In 2021 it obtained Aenor's Zero Waste certification</p>		<p>Enagás has been a member of the FTSE4Good index since 2006. One of the best companies to work for.</p> <p>Enagás holds ISO 9001:2015 certification for its technical management of the system (GTS), 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 certifies its carbon footprint yearly according to the ISO14064 standard and has the Calculo+Compenso+Reduzco seal by annually registering its carbon footprint with the Ministry for the ecological transition. In addition, it has voluntary emission offset certificates for its regasification plants, corporate headquarters and fleet.</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 ISO 45001 certified. Enagás has also been certified as a healthy workplace since 2015 and has 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 it obtained Bequal Plus recognition.</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 has been on the Bloomberg gender equality index since 2019.</p>		<p>In 2020 Enagás received the "Certification of the Action Protocol against COVID-19" from AENOR, which recognises the effort made by the company to protect the health and safety of its professionals against the pandemic.</p>

APPENDIX II: CONTACT DATA

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