

# 9M2020 Results

20<sup>th</sup> October 2020



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## Conference-call/Webcast:

October 20<sup>th</sup>, 2020. 09.00 CET

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## Highlights

### Priorities, Contingency Plan and Enagás Management for COVID-19

- ⚡ **The Spanish Gas System is operating normally** despite the adverse conditions caused by the Covid-19 crisis. Consequently, natural gas has been supplied normally, with full commercial and technical availability.
- ⚡ In this context, Enagás' regulated activity presents a stable regulatory framework (2021-2026) and at the international level, as well as the global evolution of the Oil & Gas market indices, have not significantly affected the income of the international companies in which it participates. No significant changes have been identified with respect to the situation presented in the previous quarters of 2020 that reveal impacts derived from the situation of Covid-19 in the financial information as of September 30, 2020.
- ⚡ Furthermore, the Company has a strong liquidity position, and the Group's rating has remained at BBB + with a stable outlook, both by Fitch and Standard & Poor's.
- ⚡ The Group continues to continuously monitor this situation.

## 2020 third quarter results

- ⚡ The **results obtained in the third quarter of the year are in line to reach the annual target in terms of net profit of €440 million.**
- ⚡ **Net profit at 30 September 2020 stood at €348.9 million, which is +4.7%** higher than in the same period of the previous year. This good performance of net profit is fundamentally justified by:
  - **Control of operating expenses** and different scheduling than in 2019.
  - **Better financial result** due to the two effects already included in the first semester: the positive non-recurring effect of **18.4 million euros** originated by the positive exchange differences generated by the purchase of dollars for the Tallgrass Energy Take Private (closed on 17 April) and the positive result of **12.3 million euros** from the financial update of the account receivable related to Gasoducto del Sur Peruano.
- ⚡ **Operating cash flow (OCF)** at 30 September 2020 was **€687.3 million**, -11.3% lower than that obtained in 2019, mainly due to the effect of scheduling dividend collections from affiliates.
- ⚡ The accumulated net investments at the end of the third quarter amounted to €819.7 million, with the investment corresponding to Tallgrass Energy's Take Private transaction being noteworthy. As a consequence of this operation, Enagás has increased its direct shareholding in Tallgrass Energy to 30.2% through the disbursement of €762.8 million.
- ⚡ **Net Debt** at the end of the third quarter of 2020 amounted to **€4,119 million**, with a financial cost of debt of 1.9%. The **FFO/ND ratio at 30 September 2020 stood at 15.9%**.
- ⚡ The accumulated **demand for natural gas** in Spain as at 30 September **decreased by -10.7%** compared to the same period of the previous year.
- ⚡ Enagás is a **leader in the main sustainability indices**, particularly the **Dow Jones Sustainability Index World** (world leader in Oil & Gas Storage & Transportation) in which it attained Gold Class classification and inclusion in the **A List of CDP** Climate Change. It has also reinforced its commitment to biodiversity by joining the **Biodiversity Pact**.
- ⚡ Enagás has carried out in the different Work Centres and Facilities the appropriate audits and has obtained the **Certification Seal of the Action Protocol against COVID19 (AENOR)**.

## Main figures

### Income Statement

January - September (millions of €)	9M2019	9M2019	9M2020	Var.19-20
	Real <sup>1</sup>	Pro forma		
Total income	904.1	872.4	831.0	-4.8%
EBITDA	788.6	767.1	727.4	-5.2%
EBIT	521.9	508.2	486.6	-4.3%
Net profit	333.1	333.1	348.9	+4.7%

Note<sup>1</sup>: GNL Quintero reported according to the global integration method until February 2019 and has been reporting under the equity method since March.

Pro forma: pro forma data assuming the consolidation of GNL Quintero by the equity method during the full 9M 2019 period.

### Balance sheet and leverage ratios

	Dec-2019 Pro forma	Sept-2020
Net Debt (millions of €)	3,755	4,119
Net Debt / EBITDA <sup>(1)</sup>	3.9x	4.8x
FFO / Net Debt	20.1%	15.9%
Financial cost of debt	2.1%	1.9%

(1) EBITDA adjusted for dividends obtained from affiliates

Pro forma: pro-forma data assuming the consolidation of GNL Quintero by the equity method during the full 9M 2019 period.

### Cash flow and investments

January - September (millions of €)	9M2019	9M2019	9M2020	Var. 19-20
	Real <sup>1</sup>	Pro forma		
Funds From Operations	640.7	636.2	537.3	-15.5%
Dividends received from affiliates	101.8	101.8	41.9	-58.9%
Net investment	-758.0	-756.5	-819.7	+8.4%

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.

Note<sup>1</sup>: GNL Quintero reported according to the global integration method until February 2019 and has been reporting under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero by the equity method during the full 9M 2019 period.

## Earnings performance

### Income Statement

Millions of euros (unaudited figures)	9M2019 Real <sup>1</sup>	9M2019 Pro forma	9M2020	Var.19-20
Income from regulated activities	825.1	825.1	781.9	-5.2%
Other operating income	79.1	47.4	49.1	3.7%
<b>Total revenue</b>	<b>904.1</b>	<b>872.4</b>	<b>831.0</b>	<b>-4.8%</b>
Personnel expenses	-90.7	-89.3	-91.5	2.5%
Other operating expenses	-145.4	-141.6	-130.1	-8.1%
<b>Operating expenses</b>	<b>-236.1</b>	<b>-230.9</b>	<b>-221.6</b>	<b>-4.0%</b>
Results from affiliates	120.6	125.5	118.0	-6.0%
<b>EBITDA</b>	<b>788.6</b>	<b>767.1</b>	<b>727.4</b>	<b>-5.2%</b>
Amortisation and depreciation	-240.9	-231.7	-202.4	-12.6%
PPA	-25.9	-27.2	-38.4	41.3%
<b>EBIT</b>	<b>521.9</b>	<b>508.2</b>	<b>486.6</b>	<b>-4.3%</b>
<b>Financial results</b>	<b>-95.9</b>	<b>-89.4</b>	<b>-52.1</b>	<b>-41.7%</b>
Corporate income tax	-87.7	-84.9	-84.9	-0.1%
Profit attributed to non-controlling interests	-5.1	-0.7	-0.8	6.1%
<b>Net profit</b>	<b>333.1</b>	<b>333.1</b>	<b>348.9</b>	<b>4.7%</b>

Note<sup>1</sup>: GNL Quintero reported according to the global integration method until February 2019 and has been reporting under the equity method since March  
Pro forma: pro forma data assuming the consolidation of GNL Quintero by the equity method during the full 9M 2019 period.

### Operating income

**Total revenue at 30 September 2020 reached €831.0 million, representing a decrease of -4.8%** compared to the same period in 2019. This represents a decrease of -41.4 million euros, of which -23.2 million euros are mainly due to a lower RCS due to the impact that the COVID-19 crisis has had on the demand for natural gas.

## Operating expenses

The **operating expenses at the end of the third quarter of 2020** reached - €221.6million, **-4.0% lower than the accumulated amount in the same period the previous year**. The progress of other operating expenses in the first nine months of the year was positively affected by their control, as well as by a different schedule compared to the same period last year.

## Results from Affiliates

As of 30 September 2020, **results from affiliates reached €118.0 million**.

On 16 April, the Tallgrass Energy General Meeting of Shareholders approved the agreement for the acquisition of all the floating capital of the company (Take Private). Consequently, Enagás has disbursed €762.8 million to increase its direct shareholding in the capital stock of Tallgrass Energy from 12.6% to 30.2%. The contribution to Enagás' result, from this shareholding increase, was registered on 18 April 2020.

## EBITDA

**EBITDA** at 30 September 2020 reached **€727.4 million, -5.2% lower** than that obtained on the same date of the 2019 financial year.

## Amortization of fixed assets

Amortisation of fixed assets has decreased by -12.6% compared to the same period the previous year. Certain assets associated with the Step project were restated in an amount of -€26.7 million in 2019.

Additionally, the amortisation line of the PPA (*purchase price allocation*) has increased compared to 2019 (+41.3%), as a consequence of acquisition of the second phase of Tallgrass Energy.

Thus, **EBIT** at 30 September 2020 was **€486.6 million, -4.3% less** than that registered at the end of the third quarter of 2019.

## Financial results

**The financial result** obtained at 30 September 2020 recorded a negative balance of **- €52.1 million**, compared to the -€89.4 million recorded at the end of the third quarter of 2019.

This improvement is mainly due to two effects:

- 1) A non-recurring effect of €18.4 million originated by positive exchange differences generated by the purchase of dollars made for Tallgrass Energy's Take Private.
- 2) The discounting to present value of the account receivable from GSP (Gasoducto del Sur Peruano) which represents a positive non-recurring effect of +€12.3 million.

## Net profit

**Net profit at 30 September 2020 reached €348.9 million**, +4.7% higher than profit after tax at the end of the third quarter of 2019.

## **Cash flow and balance sheet**

### Consolidated cash flow statement

Millions of euros (unaudited figures)	9M2019 Real <sup>1</sup>	9M2019 Pro forma	9M2020
<b>EBITDA</b>	<b>788.6</b>	<b>767.1</b>	<b>727.4</b>
Results from Affiliates	-120.6	-125.5	-118.0
Tax	-28.4	-28.4	-33.2
Interest	-92.1	-70.1	-70.8
Dividends received from affiliates	101.8	101.8	41.9
Adjustments	-8.7	-8.7	-10.0
<b>FUNDS FROM OPERATIONS (FFO)</b>	<b>640.7</b>	<b>636.2</b>	<b>537.3</b>
<b>Changes in working capital</b>	<b>138.0</b>	<b>138.4</b>	<b>149.9</b>
<b>OPERATING CASH FLOW (OCF)</b>	<b>778.7</b>	<b>774.6</b>	<b>687.3</b>
<b>Net investment</b>	<b>-758.0</b>	<b>-756.5</b>	<b>-819.7</b>
International business	-718.7	-717.2	-768.4
Business in Spain	-39.3	-39.3	-51.3
<b>FREE CASH FLOW (FCF)</b>	<b>20.7</b>	<b>18.1</b>	<b>-132.5</b>
Dividends paid	-219.1	-219.1	-251.4
Exchange rate effect	1.7	-0.3	1.0
<b>DISCRETIONAL CASH FLOW (DCF)</b>	<b>-196.7</b>	<b>-201.3</b>	<b>-382.9</b>
<b>Financing flows</b>	<b>86.8</b>	<b>86.8</b>	<b>89.4</b>
Maturity of long-term debt	-310.1	-310.1	-74.3
Debt issues	404.4	404.4	200.0
Issue/maturity of policies and ECPs	-7.5	-7.5	-36.2
<b>Capital increase</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Proceeds from/ (payments for) equity instruments</b>	<b>-7.8</b>	<b>-7.8</b>	<b>0.0</b>
<b>Effect of changes in the consolidation method</b>	<b>-346.7</b>	<b>0.0</b>	<b>0.0</b>
<b>NET CASH FLOWS</b>	<b>-464.5</b>	<b>-122.3</b>	<b>-293.5</b>
<b>Cash and cash equivalents at start of period</b>	<b>1,171.5</b>	<b>829.4</b>	<b>1,099.0</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>707.1</b>	<b>707.1</b>	<b>805.5</b>

Note<sup>1</sup>: GNL Quintero reported according to the global integration method until February 2019 and has been reporting under the equity method since March

Pro forma: pro forma data assuming the consolidation of GNL Quintero by the equity method during the full 9M 2019 period.

## Balance sheet

<b>ASSETS</b>	<b>Dec 2019</b>	<b>September 2020</b>
<b>Total non-current assets</b>	<b>7,446.3</b>	<b>7,925.8</b>
Intangible assets	73.7	72.9
<i>Goodwill</i>	25.8	25.8
<i>Other intangible assets</i>	47.9	47.1
Investment property	19.6	19.6
Property, plant and equipment	4,634.9	4,472.9
Equity-accounted investments	2,109.5	2,781.8
Other non-current financial assets	605.8	577.5
Deferred tax assets	2.9	1.1
<b>Current assets</b>	<b>1,397.9</b>	<b>1,154.8</b>
Non-current assets held for sale	5.0	1.8
Inventory	19.7	19.7
Trade and other receivables	260.8	317.5
Other current financial assets	7.9	4.5
Other current assets	5.6	5.9
Cash and cash equivalents	1,099.0	805.5
<b>TOTAL</b>	<b>8,844.2</b>	<b>9,080.6</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>3,168.8</b>	<b>3,134.3</b>
Shareholders' equity	3,170.1	3,271.3
Subscribed share capital	393.0	393.0
Share premium	465.1	465.1
Reserves	2,052.2	2,072.9
Treasury shares	-12.5	-12.5
Profit for the period	422.6	348.9
Interim dividend	-152.5	0.0
Other equity instruments	2.2	3.9
Valuation adjustments	-17.2	-153.0
Non-controlling interests (external owners)	15.9	16.0
<b>Non-current liabilities</b>	<b>5,205.2</b>	<b>5,009.1</b>
Non-current provisions	248.3	252.6
Non-current financial liabilities	4,744.3	4,557.0
<i>Bank borrowings</i>	1,401.0	1,238.3
<i>Bonds and other marketable securities</i>	2,929.8	2,932.8
<i>Non-current payables to fixed asset suppliers</i>	0.3	0.3
<i>Derivatives</i>	74.4	60.4
<i>Other financial liabilities</i>	338.7	325.2
Deferred tax liabilities	171.9	160.3
Other non-current liabilities	40.8	39.2
<b>Current liabilities</b>	<b>470.2</b>	<b>937.2</b>
Current provisions	2.0	1.9
Current financial liabilities	234.1	478.9
<i>Bank borrowings</i>	133.1	375.2
<i>Bonds and other marketable securities</i>	31.3	33.9
<i>Derivatives</i>	13.9	22.2
<i>Other financial liabilities</i>	55.8	47.6
Trade and other payables	217.6	450.2
Other current liabilities	16.5	6.3
<b>TOTAL</b>	<b>8,844.2</b>	<b>9,080.6</b>

## Operating cash flow

**Operating cash flow (OCF) at 30 September 2020 amounted to €687.3 million, -11.3% lower than that recorded on the same date in 2019.**

## Investments

The figure of **net investment** at the end of the third quarter amounted to **€819.7 million**.

This figure mainly includes the investment in Tallgrass Energy's Take Private transaction, for €762.8 million. With this operation, Enagás has increased its direct shareholding in Tallgrass Energy to 30.2%.

## Net debt

At the end of the third quarter of 2020 **net debt amounted to €4,119 million**, which represents an increase of €364 million compared to 31 December 2019 (€3,755 million) mainly due to the investment in the Tallgrass Energy Take Private deal in April and the payment of a dividend per share of €0.96 last 9 July.

The **FFO/ND** ratio of the last 12 months stood **at 15.9% at 30 September**.

The debt type at 30 September 2020 was as follows: 15% is institutional debt, 60% was issued in capital markets, 18% is commercial bank borrowings and the remaining 7% is leases (IFRS 16). 73% of the debt accounted for is issued in euros and the remaining 27% in dollars (USD).

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

The financial cost at 30 September 2020 was 1.9%.

## Liquidity

The Company has a robust liquidity situation, which at the end of the third quarter amounted to €2,418 million, across treasury and undrawn lines of credit.

Liquidity	9M2020	2019	Current maturity
Treasury	€805M	€1,099M	
Club Deal	€1,500M	€1,500M	December 2024
USD lines	€113M	€58M	July 2024
Other S/T lines	-	€60M	July 2021
<b>TOTAL</b>	<b>€2,418M</b>	<b>€2,717M</b>	

## OPERATING HIGHLIGHTS

### Demand

**The demand for natural gas at the end of the third quarter of 2020 reached 262.9 TWh, down -10.7% compared to the same period in 2019.**

**Industrial demand** reached 148.0 TWh (down -7.4% compared to the same period in 2019), affected by the COVID-19 crisis, especially during March and April.

Natural gas demand for power generation at the end of the third quarter of 2020 stood at 68.9 TWh (down -18.7% compared to the same period the previous year).

## CORPORATE RESPONSIBILITY AND SUSTAINABILITY

### Sustainability

Enagás is a leader in the main sustainability indices, particularly the **Dow Jones Sustainability Index World** (world leader in Oil & Gas Storage & Transportation) in which it attained Gold Class classification.

In recognition of our role in the energy transition, Enagás is now on the **A List of CDP Climate Change**. Enagás has increased its climate ambition by setting targets aligned with the 1.5°C emission scenarios and setting the goal of carbon neutrality in 2050.

Additionally, Enagás has reinforced its commitment to the preservation of natural capital and biodiversity by joining the **Biodiversity Pact** and the call to action **Business For Nature**.

Finally, Enagás maintains its leadership in people management and has been included in the **Actualidad Económica ranking among the best companies to work for**, ranked **21st**, a highlight being its remuneration and compensation models as well as the health care and well-being of its employees.

## **PUBLIC DISSEMINATION 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 carries out inside information and other relevant information communications, 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 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 a Gold Class rating, and it was also named leader of the Oil &amp; Gas Storage &amp; Transportation sector in the 2019 review.</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 2020.</p>
	<p>Enagás has been a member of the Ethibel Pioneer and Ethibel Excellence Investment Registers since 2009.</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 participating in the CDP Climate Change programme since 2009 and the CDP Water programme since 2015. In 2019 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 suppliers.</p>
	<p>Enagás has been certified as a Family Responsible Company (FRC) since 2007 and obtained the Excellence A level in the 2019 recertification process.</p>		<p>Enagás has been one of the Top Employers Spain since 2010.</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 Serablo and Yela have secured EMAS certification.</p>		<p>Enagás holds ISO 9001:2008 certification for its technical system (TSM), asset management, and 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+Compensar+Reducir seal by annually registering its carbon footprint with the Ministry for the ecological transition. In addition, it has certificates of voluntary emissions compensation from regasification plants, headquarters and corporate fleet.</p>		<p>The Occupational Risk Prevention Management System of the companies Enagás GTS, S.A.U., Enagás Intemacional 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>Enagás was included among the 100 leading global companies in promoting gender equality in the workplace.</p>

## **APPENDIX II: CONTACT DATA**

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