

1Q2019 Results

24th April 2019



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Highlights

- ⌘ Since 15 February, **GNL Quintero is now consolidated under the equity method**. For comparative purposes, the following **variations with respect to the previous reporting period are presented in pro forma terms**, i.e. assuming the consolidation of GNL Quintero under the equity method since the start of both quarters.
- ⌘ **Net profit** at 31 March 2019 stood at **€103.9 million, which is +0.2% higher** than the figure reported in the first quarter of 2018. The contribution from affiliates to net profit at 31 March 2019 rose to 24.9%.
- ⌘ **Operating Cash Flow (OCF)** at 31 March 2019 stood at **€218.1 million (+18.4%** versus the same date in 2018). OCF includes the **€26.5 million obtained from affiliates at 31 March 2019**.
- ⌘ **Net investment** on 31 March 2019 were **€630.5 million, which mainly included** the international investment in **Tallgrass Energy**.
- ⌘ **Given that Tallgrass consolidation will begin on 31 March 2019**, its contribution will become effective as of 1 April 2019. In this regard, the Enagás Consolidated Financial Statements for the first quarter contains the investment made in Tallgrass and the debt of Enagas USA, yet no impact from the Tallgrass business.
- ⌘ **Net debt** at 31 March 2019 was **€4.407 million**, higher than the €4.275 million reported at 31 December 2018. That movement particularly includes the debt issued for acquiring Tallgrass for €404.6 million, the effect of IFRS 16 of +€347 million and the deconsolidation of GNL Quintero (-€645 million).
- ⌘ The **FFO/ND** ratio in the last 12 months, including the 2-month global consolidation of GNL Quintero was **18.1% at 31 March**. In pro forma terms, the ratio would stand at 16.4%.
- ⌘ The financial cost at 31 March 2019 was 2.4%. In pro forma terms with GNL Quintero under the equity method, the **financial cost would be 2.1%**.
- ⌘ Credit rating agencies S&P and Fitch updated their reports after the announcement of the closed transaction involving Enagás, Blackstone and GIC. Fitch maintained the Enagás rating at A- and S&P set it to BBB+. Both agencies confirmed the company's elevated credit rating.
- ⌘ The **dividend for 2018**, approved by the Annual General Meeting on 29 March 2019, is **€1.53 gross per share**, which is a **5% annual increase**, in line with the Company's strategy.
- ⌘ The **demand of natural gas** at 31 March 2019 **increased by +2.4%**. **Industrial demand +4.9%** higher than the reported at the end of the first quarter of 2018.
- ⌘ For the 11th consecutive year, **Enagás was included in the Dow Jones Sustainability Index, topping the world ranking in the Oil & Gas Storage & Transportation sector**.

Main highlights

Income Statements

Jan-Mar (millions of €)	1Q2018	1Q2019	1Q2018	1Q2019	Var.18-19
	Real ¹	Real ²	Pro forma	Pro forma	Pro forma
Total revenue	342.2	309.8	300.5	278.2	-7.4%
EBITDA	274.3	251.5	245.9	229.9	-6.5%
EBIT	172.4	168.7	154.7	155.0	+0.2%
Net profit	103.9	103.9	103.7	103.9	+0.2%

Note¹: GNL Quintero reported under the global integration method

Note²: 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 from 1 January 2018 to 31 March 2018, and from 1 January 2019 to 31 March 2019.

Balance sheet and leverage ratios

	Dec-2018	Mar-2019	Mar-2019
	Pro forma	Pro forma	Real ²
Net Debt (millions of €)	3,630	4,407	4,407
Net Debt / EBITDA ⁽¹⁾	3.8x	4.7x	4.2x
FFO / Net Debt	20.0%	16.4%	18.1%
Financial cost of debt	2.0%	2.1%	2.4%

(1) EBITDA adjusted for dividends obtained from affiliates

Note²: 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 from 1 January 2018 to 31 March 2018, and from 1 January 2019 to 31 March 2019.

Cash flow and investments

Jan-Mar (millions of €)	1Q2018	1Q2019	1Q2018	1Q2019	Var.18-19
	Real ¹	Real ²	Pro forma	Pro forma	Pro forma
FFO	207.5	201.8	197.7	197.4	-0.2%
Dividends received from affiliates	10.2	26.5	13.7	26.5	93.1%
Net investment	42.4	632.0	-40.6	-630.5	-

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 under the global integration method

Note²: 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 from 1 January 2018 to 31 March 2018, and from 1 January 2019 to 31 March 2019.

Earnings Performance

Profit and loss account

Millions of euros (unaudited figures)	1Q2018 Real ¹	1Q2019 Real ²	1Q2018 Pro forma	1Q2019 Pro forma	Var.18-19 Pro forma
Income from regulated activities	269.6	263.0	269.6	263.0	-2.5%
Other operating income	72.6	46.8	30.8	15.1	-50.9%
Total income	342.2	309.8	300.5	278.2	-7.4%
Personnel expenses	-31.8	-31.3	-29.7	-29.9	0.8%
Other operating expenses	-61.7	-55.0	-56.1	-51.2	-8.8%
Operating expenses	-93.4	-86.3	-85.8	-81.1	-5.5%
Results from affiliates	25.5	28.0	31.2	32.8	5.4%
EBITDA	274.3	251.5	245.9	229.9	-6.5%
Amortisation and depreciation	-96.3	-77.1	-83.6	-67.9	-18.7%
PPA	-5.7	-5.7	-7.6	-6.9	-8.9%
EBIT	172.4	168.7	154.7	155.0	0.2%
Financial results	-33.6	-33.7	-23.8	-27.2	14.1%
Corporate income tax	-30.1	-26.6	-27.0	-23.8	-11.7%
Minority interests	-4.9	-4.6	-0.2	-0.2	-11.0%
Net profit	103.9	103.9	103.7	103.9	0.2%

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Note²: 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 from 1 January 2018 to 31 March 2018, and from 1 January 2019 to 31 March 2019.

Operating income

Total revenue at 31 March 2019 stood at €278.2 million, which is 7.4% lower than the figures obtained in the same period of 2018 because of the lower contribution from regulated revenue, and a non-recurring billing of €12 million, recognised as unregulated income in 2018.

Operating expenses

Operating expenses at the end of 1Q2019 were -€81.1 million, slightly lower than the figures reported in the same period of the previous year (-€85.8 million), and thus a **-5.5% decrease**, mainly due to the application of IFRS 16, which decreased operating expenses by €8.5 million.

EBITDA

EBITDA at 31 March 2019 stood at €229.9 million.

At 31 March 2019, profit from affiliates was €32.8 million, including the stake in GNL Quintero reported under the equity method. **Contribution from affiliates increased by +5.4%.**

Amortization of fixed assets

Amortization of fixed assets have decreased by -17.9% to €74.9 million. It is worth noting that depreciation and amortisation in 1Q2018 includes a non-recurring effect of €19 million.

Additionally, amortization of fixed assets in 1Q2019 include the effect from applying IFRS 16, which thus increased this expense by €7 million.

In this regard, **EBIT** at 31 March 2019 stood at **€155.0 million**.

Financial Results

The **financial results** at 31 March 2019 reported a **negative balance of -€27.2 million**, compared with the -€23.8 million at the end of 1Q2018. This variation was mainly due to the application of IFRS 16 (-€2.3 million).

Net profit

Net profit at 31 March 2019 stood at €103.9 million, slightly higher than the net profit amount from the same period in the previous year.

The **contribution of affiliates to net profit at 31 March 2019 reached 24.9%**.

Cash flow and balance sheet

Consolidated cash flow statement

Millions of euros (unaudited figures)	1Q2018 Real ¹	1Q2019 Real ²	1Q2018 Pro forma	1Q2019 Pro forma
EBITDA	274.3	251.5	245.9	229.9
Results from affiliates	-25.5	-28.0	-31.2	-32.8
Tax	-0.2	0.0	-0.2	0.0
Interest	-42.6	-44.3	-21.9	-22.2
Dividends received from affiliates	10.2	26.5	13.7	26.5
Adjustments	-8.7	-3.9	-8.7	-3.9
FUNDS FROM OPERATIONS (FFO)	207.5	201.8	197.7	197.4
Changes in working capital	-16.8	20.4	-13.4	20.7
OPERATING CASH FLOW (OCF)	190.7	222.2	184.3	218.1
Net investment	-42.4	-632.0	-40.6	-630.5
International business	-36.5	-619.0	-34.6	-617.5
Business in Spain	-5.9	-13.0	-5.9	-13.0
FREE CASH FLOW (FCF)	148.3	-409.8	143.7	-412.4
Dividends paid	0.0	0.0	0.0	0.0
Exchange rate effect	-8.1	4.7	0.5	2.7
DISCRETIONAL CASH FLOW (DCF)	140.2	-405.1	144.2	-409.7
Financing flows	-45.8	362.7	-45.8	362.7
Maturity of long-term debt	-39.2	-39.2	-39.2	-39.2
Long-term debt issues	0.0	404.6	0.0	404.6
Issue/maturity of policies and ECPs	-6.6	-2.7	-6.6	-2.7
Proceeds from/(payments for) equity instruments	0.0	0.0	0.0	0.0
Effect of changes in the consolidation method	0.0	-346.7	0.0	0.0
NET CASH FLOWS	94.4	-389.2	98.4	-47.0
Cash and cash equivalents at start of period	627.9	1,171.5	349.7	829.4
CASH AND CASH EQUIVALENTS AT END OF PERIOD	722.3	782.4	448.1	782.4

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Balance sheet

	Dec 2018	Mar. 2019
ASSETS		
Total non-current assets	7,915.6	7,542.3
Intangible assets	944.7	69.4
<i>Goodwill</i>	188.4	25.8
<i>Other intangible assets</i>	756.2	43.6
Investment property	19.6	19.6
Property, plant and equipment	5,238.2	4,753.0
Equity-accounted investments	1,028.6	2,032.5
Other non-current financial assets	674.2	665.9
Deferred tax assets	10.4	2.0
Current assets	1,610.6	1,140.1
Inventory	24.8	18.5
Trade and other receivables	390.7	330.1
Other current financial assets	12.8	4.1
Other current assets	10.7	5.1
Cash and cash equivalents	1,171.5	782.4
TOTAL	9,526.2	8,682.4
LIABILITIES		
Equity	3,039.4	2,537.8
Shareholders' equity	2,658.8	2,516.4
Subscribed share capital	358.1	358.1
Reserves	2,006.1	2,056.5
Treasury shares	-8.2	-8.2
Profit for the period	442.6	103.9
Interim dividend	-145.9	0.0
Other equity instruments	6.1	6.1
Valuation adjustments	6.6	5.5
Non-controlling interests (external owners)	374.0	16.0
Non-current liabilities	5,911.1	5,356.0
Non-current provisions	176.5	179.1
Non-current financial liabilities	5,188.6	4,929.9
<i>Bank borrowings</i>	1,077.5	1,449.3
<i>Bonds and other marketable securities</i>	4,038.9	3,079.8
<i>Non-current payables to fixed asset suppliers</i>	0.0	0.0
<i>Derivatives</i>	51.2	62.4
<i>Other financial liabilities</i>	21.0	338.3
Borrowings from related parties	0.0	0.0
Deferred tax liabilities	476.8	180.9
Other non-current liabilities	69.2	66.1
Current liabilities	575.8	788.6
Current provisions	3.4	3.5
Current financial liabilities	364.4	593.7
<i>Bank borrowings</i>	285.5	294.3
<i>Bonds and other marketable securities</i>	50.6	30.6
<i>Derivatives</i>	14.4	14.7
<i>Other financial liabilities</i>	13.8	254.1
Trade and other payables	208.0	191.5
TOTAL	9,526.2	8,682.4

Operating cash flow

Operating Cash Flow (OCF) at 31 March 2019 stood at **€218.1 million**. This figure is +18.4% higher than the figure recorded on the same date in 2018 and includes **€26.5 million obtained from affiliates**.

Investments

Net investment increased to **€630.5 million at 31 March 2019**. Investment in Spain increased to €13 million, with the remaining invested internationally, including the announced investment in Tallgrass Energy.

Free cash flow

Free Cash Flow (FCF) stood at **-€412.4 million** at 31 March 2019 as a reflection of the investment made in the period.

Net Debt

Net debt at 31 March 2019 was €4,407 million, higher than the €4,275 million reported at 31 December 2018, which included the debt of GNL Quintero. That movement particularly includes the debt issued for acquiring Tallgrass for €404.6 million, the effect of IFRS 16 of +€347 million and the deconsolidation of GNL Quintero (-€645 million).

The **FFO/ND** ratio in the last 12 months, including the 2-month global consolidation of GNL Quintero as **18.1% at 31 March**. In pro forma terms, the ratio would stand at 16.4%.

As of 31st March 2019, debt is as follows: 17% as institutional debt, 60% was issued on the capital markets, 16% is commercial paper and the remaining 7% corresponding to financial leasing as a result of application of IFRS 16. 72% of the debt accounted for is issued in euros, 27% in USD and 1% in Swedish krona.

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

The financial cost at 31 March 2019 stood at 2.4%. In pro forma terms with GNL Quintero under the equity method, the **financial cost would be 2.1%**.

Credit rating agencies **S&P** and **Fitch** updated their reports after the announcement of the closed transaction involving Enagás, Blackstone and GIC. Fitch maintained the Enagás rating at A- and S&P set it to BBB+. **Both agencies confirmed the company's elevated credit rating.**

OPERATING HIGHLIGHTS

Demand

The domestic-commercial demand for natural gas at the end of the first quarter of 2019 (104.0 TWh) was +2.4% higher than the demand for the same period in 2018.

The **industrial demand** reported a **4.9% increase compared to the same period in 2018** because of the incorporation of new customers and the positive performance of the Spanish economy.

The **demand for natural gas for power generation** increased by **+31.4%** due to lower hydropower generation in 1Q2019.

SIGNIFICANT EVENTS

For the purposes of Article 17 of Regulation (EU) No 596/2014 on market abuse and Article 228 of the Revised Text of the Spanish Securities Market Act, enacted by Royal Legislative Decree 4/2015, of 23 October, Enagás promptly publishes and discloses all relevant corporate information to the market in accordance with applicable regulations. Enagás also sends the Comisión Nacional del Mercado de Valores (CNMV) (National Securities Market Commission) this information so that it may be entered in the relevant official registry.

These communications are available on the CNMV website (www.cnmv.es) in the Relevant Facts section. As well as on the company's website (www.enagas.es) in the General Information/Relevant Facts section.

Enagás guarantees that the accompanying texts relating to Relevant Facts from 2005 onward are exactly the same as those sent to and disclosed by the CNMV.

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 2018 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). The 2017 Annual Report has been submitted for the GRI Content Index Service: Exhaustive Conformity Option. 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 2018.</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.</p>		<p>Enagás has been participating in the CDP Climate Change programme since 2009 and the CDP Water programme since 2015.</p>
	<p>Enagás has been certified as a Family-Responsible Company since 2007 and maintains its "B+ Proactive" 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.</p> <p>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.</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>In 2019, Enagás was included among the world's top 230 companies in terms of gender equality.</p>		<p>In 2017, Enagás was included among the 200 leading global companies in promoting gender equality in the workplace.</p>

APPENDIX II: CONTACT INFORMATION

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