



# Results 1H2017

18 July 2017

# Change in the equity method reporting criteria.



**This measure does not affect either the Net Profit, the Balance Sheet or the Cash Flow of the Company.**

- ✔ According to the standards and requirements established by the International Financial Reporting Standards (IFRS), and in agreement with the the Company's auditors, from these semi-annual financial statements the equity method reporting criteria has been changed, so it can be included in the Operating Result and the EBITDA, in as much as equity affiliates are performing the same activity as Enagás Group's social objective.
- ✔ As set out in those accounting standards , the change has been done due to the fact that the weight of the contribution of these equity affiliates (result from equity method), on the Company's Net Profit is gaining relevance, and that this change improves the fair view of the Enagás Group.
- ✔ Equity Method will be reported within the Operating Result, in a single line (net of tax effect). For the purpose of this presentation, the PPA (Purchase Price Allocation) will be included in the amortization line of the P&L statement.
- ✔ This measure does not affect either the Net Profit, the Balance Sheet or the Cash Flow of the Company.

# 1H2017 Key figures



## Global consolidation of GNL Quintero since January 1, 2017

### Key figures

(Enagás stand alone: GNL Quintero pro-forma by equity method) (45.4%)

- ✓ FFO **425.5M€ (+2.7%)**
- ✓ Operating Cash Flow (OCF) **560.8M€ (+44.3%)**
- ✓ FFO/ Net Debt **17.2%**
- ✓ Net Profit **217.6M€ (+1.6%)**. Contribution to net profit of equity affiliates **15.6%**
- ✓ Net Debt **4,482.5M€**. Net cost of debt **2.3%**

### Key figures

(GNL Quintero full consolidation)

- ✓ FFO **481.2M€ (+16.1%)**
- ✓ Operating Cash Flow **604.9M€ (+55.7%)**
- ✓ Investments **202.0M€\***
- ✓ Net Profit **269.1M€ (+25.6%)** (includes accounting gain from the revaluation of the cost of the first Quintero acquisition (2012) according to the value of the acquisitions carried out in 2016, as well as the exchange rate differences)
- ✓ Net Debt **5,177.1M€**

### National gas demand

- ✓ Natural gas national demand as of June 30, 2017 **+6.5%**
- ✓ Conventional demand **+4.3%**; Demand for power generation **+19.8%**

(\*) Includes guarantees provided in GSP for 213M€ and the sale of 15% of GNL Quintero (-140.6 M €).

# P&L statement



1H2017 results are in line with the targets set for the year 2017.

M€	1H2016 Proforma	1H2017 Stand alone(*)	1H2017 GNL Quintero	1H2017 Full Consolidation	Var % 2017 Stand alone/2016	Var % 2017 FC/2016
Total revenues	606.5	596.1	91.9	688.0	-1.7%	+13.4%
Operating expenses	-166.5	-174.2	-16.2	-190.4	+4.6%	+14.3%
Result from Equity Affiliates	37.1	51.1	-12.6	38.6	+37.9%	+4.0%
<b>EBITDA</b>	<b>477.1</b>	<b>473.1</b>	<b>63.1</b>	<b>536.2</b>	<b>-0.8%</b>	<b>+12.4%</b>
<b>EBIT</b>	<b>328.8</b>	<b>323.1</b>	<b>38.8</b>	<b>361.9</b>	<b>-1.7%</b>	<b>+10.0%</b>
Financial result	-49.4	-45.0	27.2	-17.8	-8.8%	-63.9%
Minority interests	-0.5	-0.5	-8.5	-8.9	-0.1%	n/a
<b>Net Profit</b>	<b>214.2</b>	<b>217.6</b>	<b>51.5</b>	<b>269.1</b>	<b>+1.6%</b>	<b>+25.6%</b>

→ Different scheduling of the *ILP* (Long term incentive)

→ In line with our annuals targets:  
EBITDA *stand alone*: ~843M€  
EBITDA full consolidation without result from Equity Affiliates ~987M€  
EBITDA IG Global including result from Equity Affiliates: ~ 1,080M€

→ Includes 52.4M€ for the revaluation of the stake in Quintero, including the exchange rate differences

→ In line with the annual target of + 5% in stand alone Net Profit

(\*) 45.4% of GNL Quintero accounted by the equity method

# Contribution of international business stand alone



Contribution to P&L	1H2016	1H2017
<b>EBITDA without contribution from Equity Affiliates</b>	<b>440.0M€</b>	<b>422.0M€</b>
Brownfield contribution to EBITDA	31.1M€	54.2M€
Greenfield contribution to EBITDA	6.0M€	- 3.2M€
<b>EBITDA</b>	<b>477.1M€</b>	<b>473.1M€</b>
Amortization	-137.5M€	-132.9M€
PPA amortization	-10.8M€	-17.1M€
<b>EBIT</b>	<b>328.8M€</b>	<b>323.1M€</b>

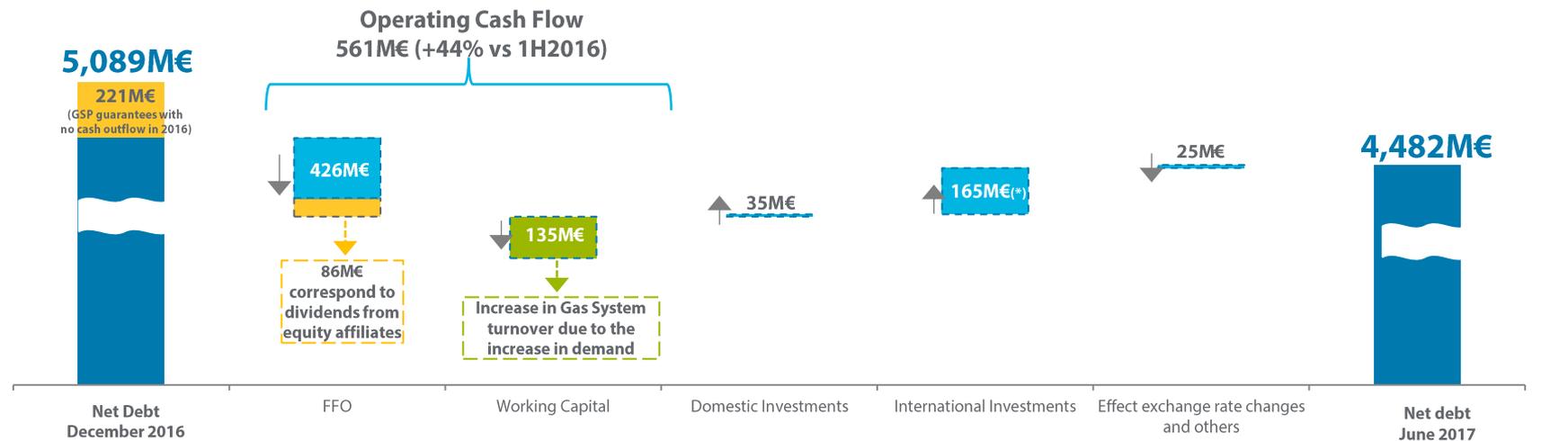
## Contribution to Cash Flow

--> **86.3M€** Dividends from equity affiliates contribution to FFO stand alone

Dividends from **Equity Affiliates**, considering GNL Quintero by the equity method, in line to reach the planned **annual target (€ 120M)**

Note: Contribution of 45.4% of GNL Quintero accounted by the equity method

# Cash flow stand alone



FFO / Net Debt

15%

FFO / Net Debt (last 12 months)

17.2%

**Strong deleveraging:** Reduction of net debt by 607M€ in the first half of the year

(\*) Includes guarantees provided in GSP for 213M€ and the sale of 15% of GNL Quintero.

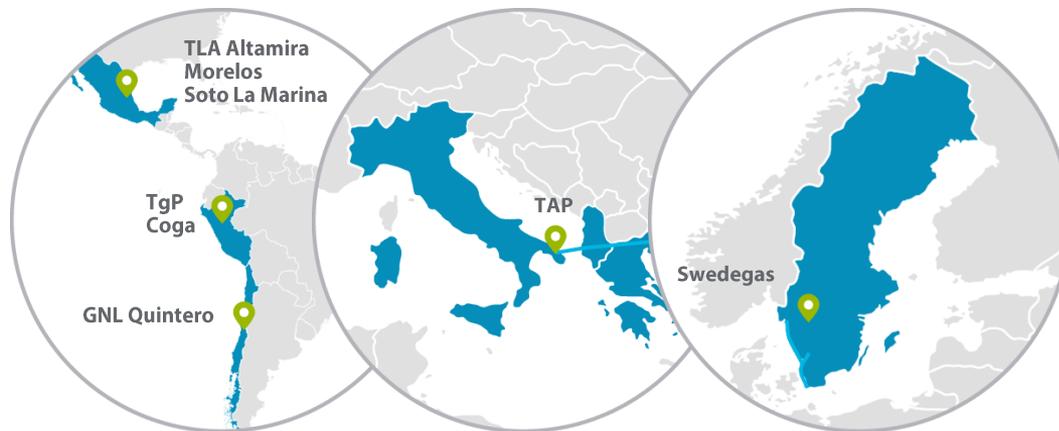
**Total  
202M€**

## Spain



**35M€**

## International



**167M€**

### Main international investments in progress,

- TAP: 84.8M€
- COGA: 8.2M€
- GSP(\*): 213.0M€
- 15% sale of GNL Quintero: -140.6M€
- GNL Quintero: 2.0M€

(\*) Payment of GSP guarantees

# Gasoducto del Sur Peruano (GSP)



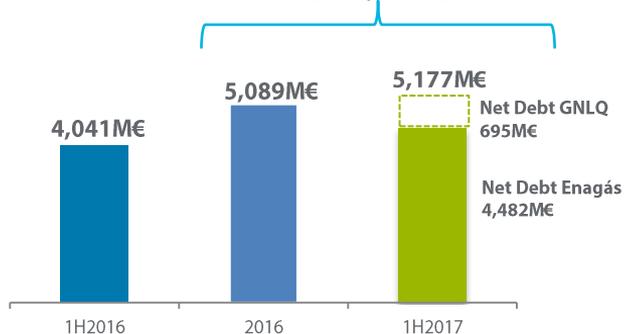
- ✔ Declared the termination of GSP concession, **the Peruvian Government has reiterated its willingness to re-tender the concession within the periods set by the concession contract.**
  
- ✔ In this regard, the Government of Peru **is taking steps to carry out the new tender of the project as well as the transfer of the assets of the original concession to the future successful bidder, having already involved the public entities** in charge of the development of the different actions to be carried out.
  - I. **Osinerghmin** (Supervisory Organization for Energy and Mining Investment) has **designated the Administrator of the assets of the concession**, which will be responsible for the administration, on behalf of the Peruvian Government, of the assets of the concession, as well as its supervision until its transfer to the private sector.
  
  - II. The Government has stated that **Proinversión** (Public Agency for the Promotion of Private Investment in Peru) will be the **coordinator of the process of calculating the "net book value" of the concession assets and the new tender of the project.**
  
- ✔ **Enagás works closely with the Peruvian Government** to ensure the success of the process and continues to carry out the necessary measures to defend their interests and obtain the recovery of the investment made in the project.

# Financial structure

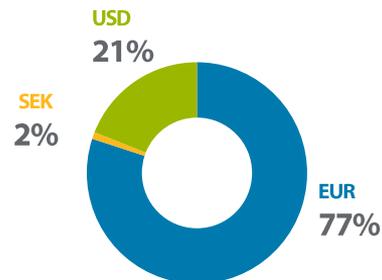
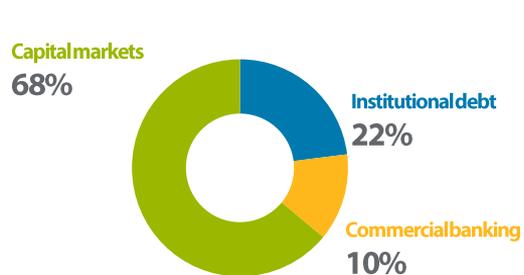


## Net debt

Strong deleveraging considering that 2016 figures did not include net debt of GNL Quintero



## Debt structure (stand alone)



Fixed rate debt above 80%

## Leverage and liquidity

	1H2016	1H2017 Stand alone	1H2017 Full Consolidation
<b>Net debt/EBITDA* adjusted</b>	4.2x	4.5x	4.9x
<b>FFO/Net debt</b>	17.6%	17.2%	15.9%
<b>Net cost of debt</b>	2.3%	2.3%	2.8%
<b>Liquidity</b>	2,857M€	2,633M€	2,899M€

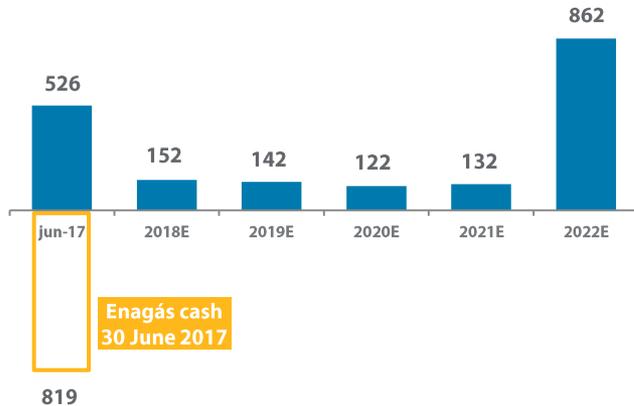
\* EBITDA adjusted by dividends received from affiliates.

Note: Leverage ratios included in 1H2017 full consolidation figures are undervalued due to the consolidation of one semester of FFO and EBITDA and 100% debt of GNL Quintero.

# Financial policy



**Enagás debt maturity profile stand alone (M€):**  
*No significant maturities until 2022*



**Nota:** Not included ECP or withdrawn short-term credit facilities

**GNL Quintero debt (M\$)**

## GNL Quintero Bond

<b>Rating S&amp;P</b>	BBB (Strong Business Risk Profile)
<b>Class</b>	Bond 144A <i>unsecured without recourse to shareholders</i>
<b>Amount and coupon</b>	1.100M\$ (4.634%)
<b>Maturity</b>	July 2029
<b>Amortization</b>	Semiannual amortization starting in July 2021
<b>GNL Quintero cash June 30, 2017</b>	304M\$

**In its 2017 annual review Fitch and S&P affirmed Enagás rating: "A-"**

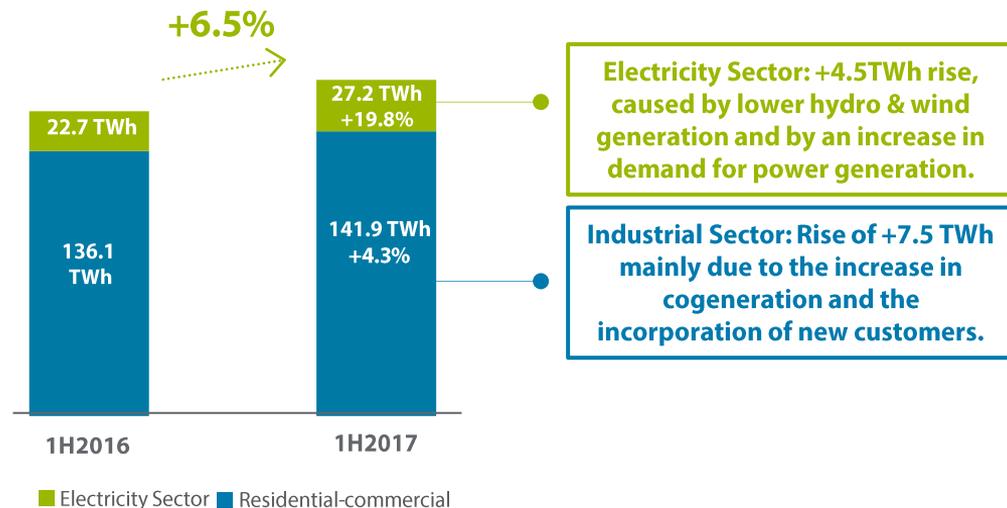
(\*) Enagás cash at 30 June 2017 includes dividend payment from Quintero

# Natural gas demand

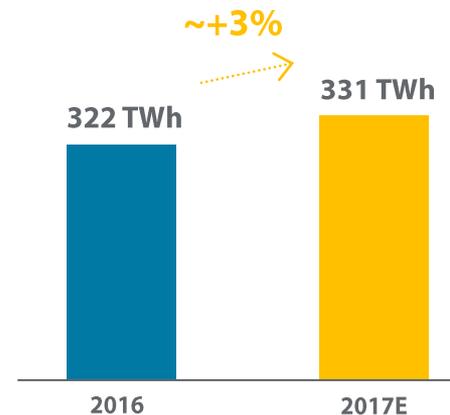


Increase in gas demand in the semester normally attended

Natural gas demand evolution 1H2017



Expected natural gas demand evolution in 2017



## Gas system in equilibrium

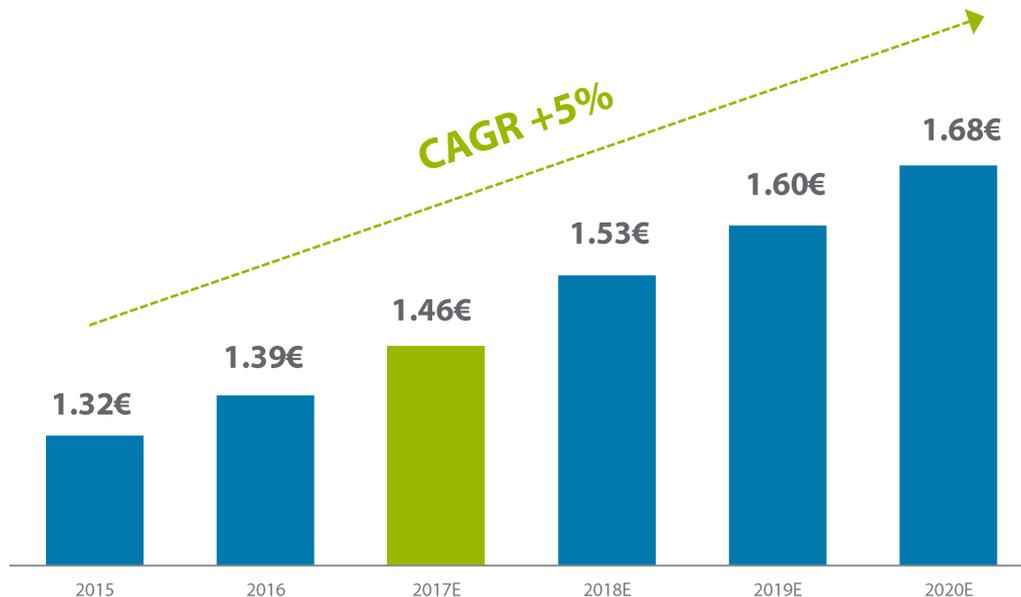
Source: Enagás GTS

LNG tankers included in industrial demand

# Shareholder remuneration



On July 5, 2017, Enagás paid the 2016 complementary dividend of €0.834/share, representing a total dividend of €1.39/share charged to 2016.



# 2017 Targets

- ✓ Global consolidation of **GNL Quintero** from **January 1, 2017**
- ✓ EBITDA full consolidation without result from Equity Affiliates ~ 987M€ / **EBITDA IG Global including result from Equity Affiliates ~ 1,080M€**
- ✓ Growth in net profit ~ **+12%**
- ✓ Stand alone growth in net profit: ~ **5.0%** (GNL Quintero proforma consolidated using equity method)
- ✓ FFO/ND stand alone above **15%** (proforma ratio with GNL Quintero using equity method)
- ✓ Dividends from equity affiliates ~**€120M**
- ✓ Planned investments ~**€650M**
- ✓ Dividend **€1.46/share** (+5%)
- ✓ Stand alone cost of net debt ~**2.4%**

Note: 1€ = 1.11 USD

# Sustainability



Enagás maintains its leadership in the main sustainability indexes, having received the following updates:



Enagás has received RobecoSam **Gold Class** award as Gas Utilities world leader in the last **Dow Jones Sustainability Index** (DJSI) assessment.



Enagás has been included in the 2017 **Global 100 index** as the tenth most sustainable company in the world and Gas Utilities world leader.



Enagás has been reconfirmed as a constituent of **MSCI Global Sustainability Indexes 2017**



The company has been included in the **Equileap** ranking as one of the 200 leading companies in gender equality at global level.

## Latest publications



### Annual Report 2016



### Corporate guidelines in diversity and equal opportunities policy.



Enagas renews his engagement with the **equal opportunities** and **non-discrimination** policy, incorporating **diversity** in every area of management.

# Conclusions



- ✔ Net Profit, Balance Sheet and Cash Flow are not affected by the change in the equity method reporting criteria
- ✔ 1H2017 results are **in line with the targets set for the year 2017**
- ✔ **Solid cash flow generation** and **strong deleverage** (607M€ of net debt reduction in the first semester of the year)
- ✔ The rating agency **Fitch** has reaffirmed the long term rating of Enagas at **“A-“with a stable outlook**
- ✔ **Fixed net debt above 80%**, with no significant debt maturities until 2022
- ✔ **Natural gas demand growth** in the first semester (+6.5%)

# Legal disclaimer



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