



# Strategy update 2019-2023 Outlook

12 March 2019

# Contents

---

## 1. Strategic focus: 2019-2023

- Natural gas plays a prominent role in the ecological transition
- Strategic focus: 2019-2023 growth areas

## 2. Blackstone, GIC and Enagás strategic partnership

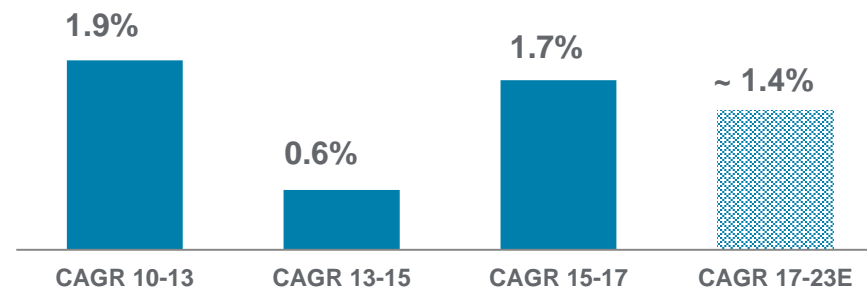
## 3. 2019–2023 Outlook

## 4. Sustainability

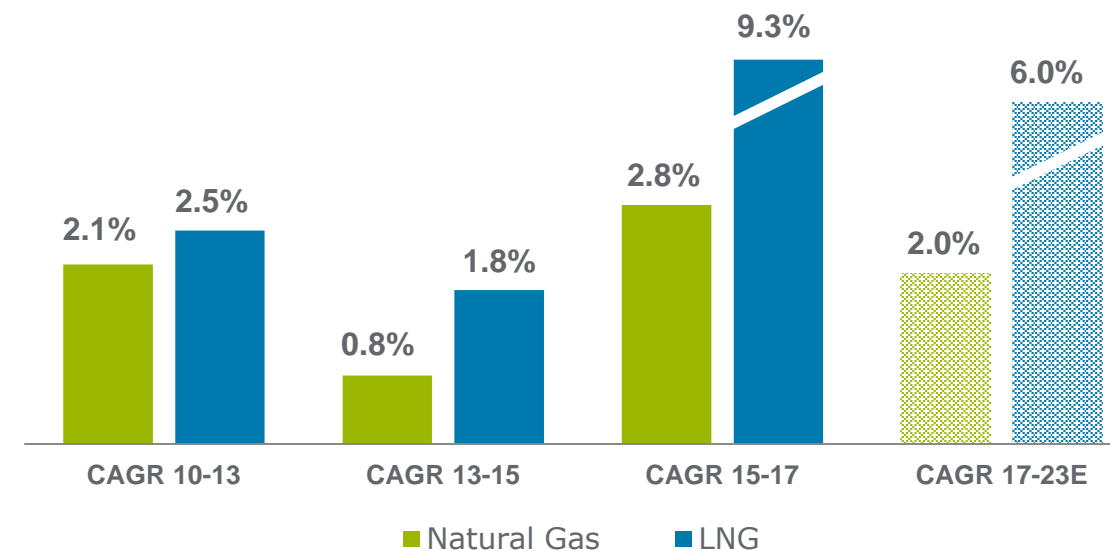
## 5. Conclusions

# Natural gas plays a prominent role in the global ecological transition

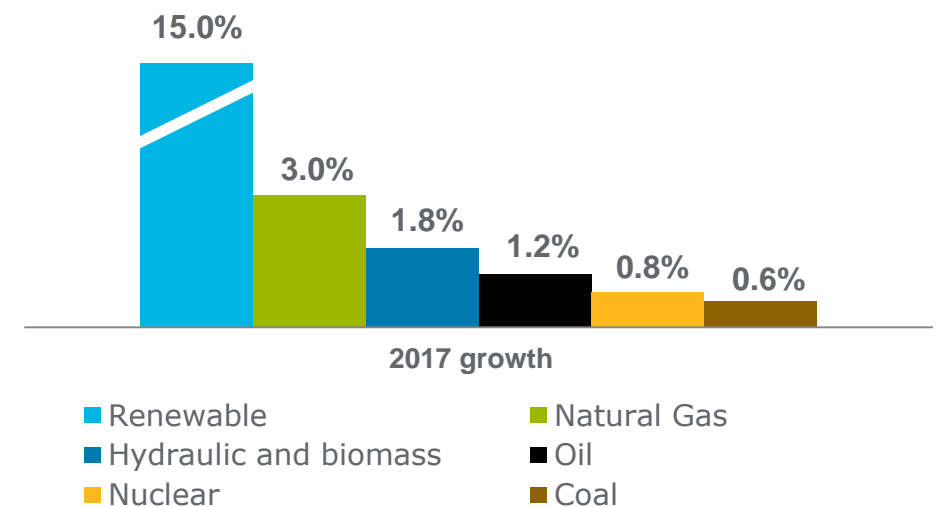
**Global primary energy demand (2010 – 2023)**



**Global gas and LNG demand (2010 – 2023)**



**Global demand by source (2017)**



Source: In-house based on IHS and EIA data

Note: Renewable energies: wind, solar, geothermal, marine

Renewable energy (highest growth rate, driven by deployment policies and cost-reductions) and natural gas (highest absolute growth, driven also by environmental policies and abundant competitive resources) especially LNG, lead the transition towards a low-carbon energy mix

# 2019-2023 strategic focus: growth areas

---

In order to lead the future, our strategy is focused on three areas of growth

## **New businesses**

**New businesses associated to our assets and know-how in network management with focus on our main domestic market**

- Promotion of renewable gases as part of a circular economy system and as a contribution to the decarbonisation of the natural gas chain:
  - Biomethane (short- and medium-term)
  - Hydrogen (long-term)

---

## **Core business**

**Enagás' traditional businesses of construction, operation and management of gas infrastructures, with a regional focus**

- Development of infrastructures in dynamic markets with growing natural gas penetration in a cleaner and more sustainable mix.
- Regional positioning and via our affiliates:
  - Contribute to the increase and redirection of flows in Europe and North America
  - Consolidate our regional presence in Latam in those countries with the highest growth
- Drive the injection of new renewable gases in the gas network.

---

## **Expanded core**

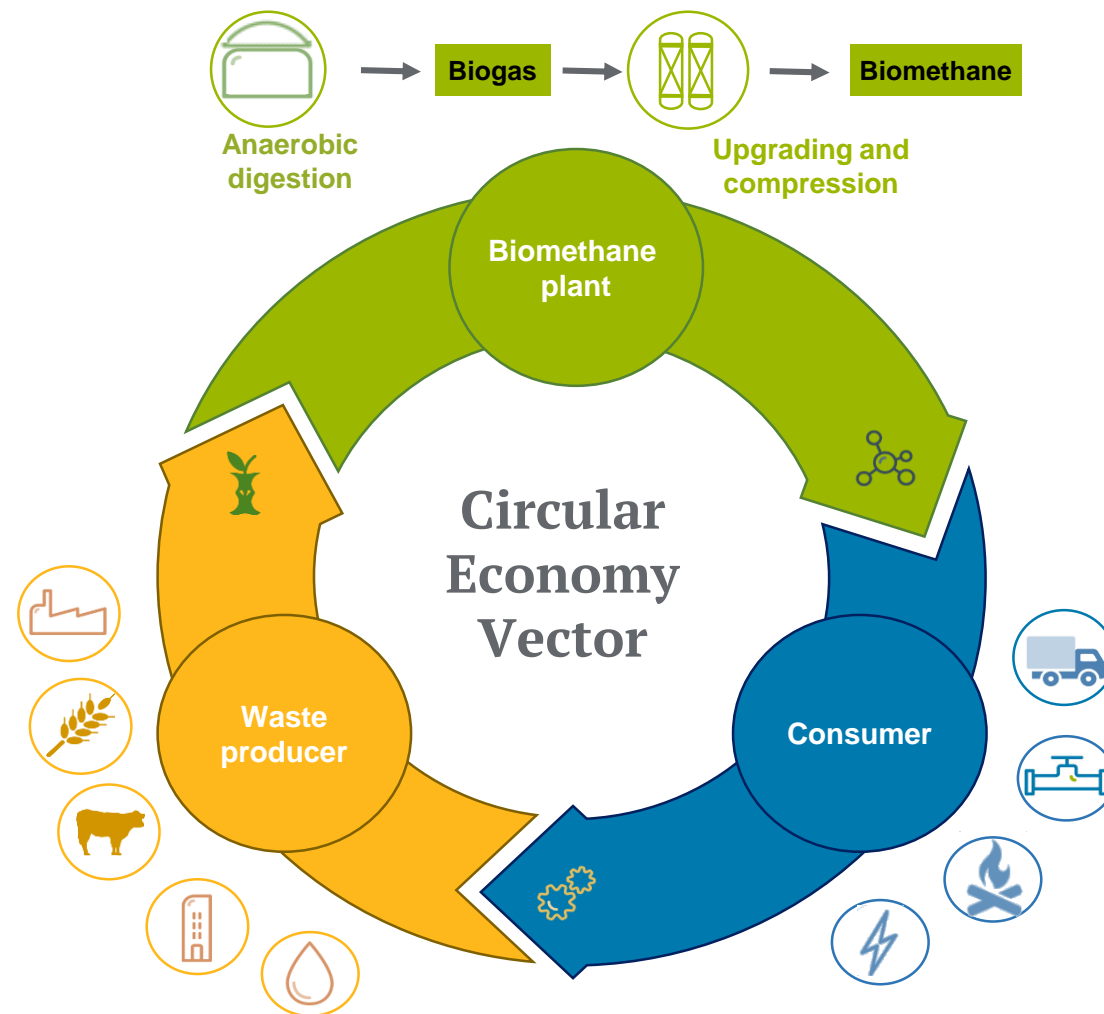
**Businesses within the gas chain which are complementary to Enagás' traditional businesses and focus on the geographical areas where we are already present or which offer high demand growth potential**

- Opportunities in floating infrastructures and liquefaction related to our main markets.
- Development of small scale businesses. The energy transition opens a window of opportunity for the use of natural gas in the transport sector: Marine LNG (bunkering), LNG for heavy-duty road and rail transport, and CNG for light-duty road transport.
- Provision of services to affiliates and third-parties (engineering, O&M, training and advisory services).



# New businesses: Biomethane

In the short term, waste valorization (circular economy) will drive the increasing market penetration of biomethane



- Biomethane is a source of renewable energy, local and storable, with an already-available technology which allow for significant emission reductions from non-ETS sectors and the valorization of waste, thereby contributing to the development of the circular economy
- It has also a positive impact on employment and the rural economy.
- The injection of biomethane into the gas network contributes to a gradual reduction of the gas industry's carbon footprint, and at the same time takes advantage of the existing infrastructures to guarantee a cost-efficient energy transition.
- Unlike in other neighboring countries, this business has not been developed in Spain.
- Enagás continues working to drive and participate in the development of biomethane in Spain, leveraged on its gas infrastructures and network management capabilities.

Enagás supports the scale-up of the biomethane business through the promotion of industrial projects that contribute to the decarbonisation of the natural gas value chain

# New businesses: Renewable hydrogen

---

Hydrogen is becoming an increasingly competitive energy carrier as the decarbonisation of the economy moves forward. It can be injected into Enagás' network and blended with natural gas.

- The production of renewable hydrogen may take place by taking advantage of the intermittent excess generation of renewable energies.
- Hydrogen enables the decarbonization of those sectors where electrification would not be a competitive option (high-temperature industrial processes, heavy-duty transport, production of hydrogen as a raw material, etc.)
- Transferring the gas demand peaks to electricity demand would mean the oversizing of generating capacity and electricity power lines.
- It is the only alternative to natural gas to provide seasonal energy storage.
- In combination with CO<sub>2</sub> (e.g. from industrial activities) it can be used to produce synthetic methane.
- Enagás is involved in hydrogen development projects in Spain, along with other public and private organisations.

Enagás is promoting hydrogen as the technology that will allow the complete long-term decarbonisation of energy supply within a business model similar to that of natural gas.

# Core business

## Focus on growth in markets with solid fundamentals

### Pillars of growth



Play a key role in European gas market integration

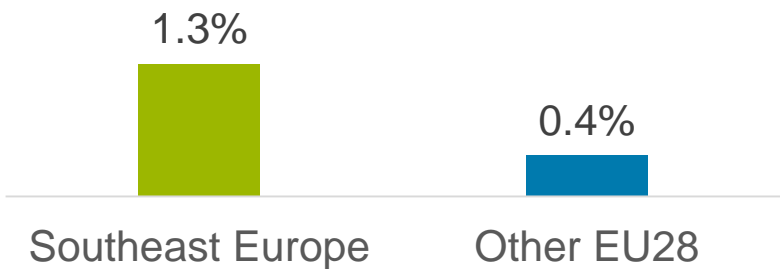


Developing and operating natural gas and LNG infrastructures in dynamic markets with the highest growth potential



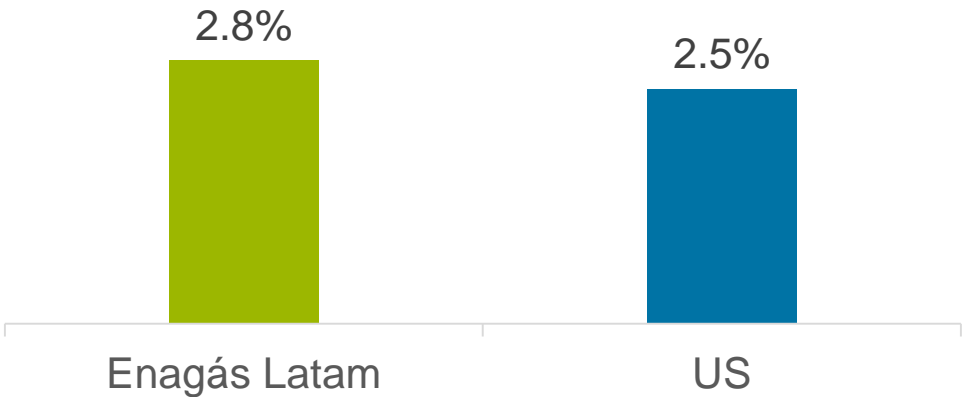
Strengthen our position as a global LNG infrastructures expert

European gas demand  
(CAGRs 2017-2023)



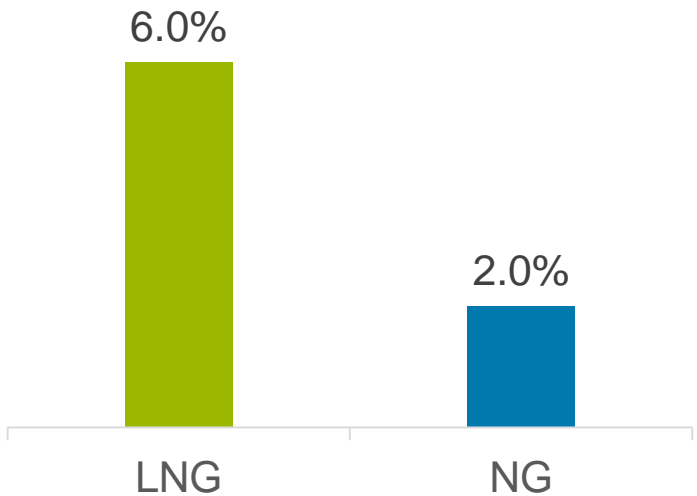
Source: In-house based on IHS data  
Note: Southeast Europe: Albania, Bosnia, Bulgaria, Croatia, Greece, Hungary, Macedonia, Romania, Serbia, Slovakia, Slovenia, Turkey

US and Latam gas demand  
(CAGRs 2017-2023)



Source: In-house based on IHS and EIA data  
Notes: Enagás Latam: Mexico, Chile and Peru. US demand includes internal consumption and exports

Global gas demand  
(CAGRs 2017-2023)



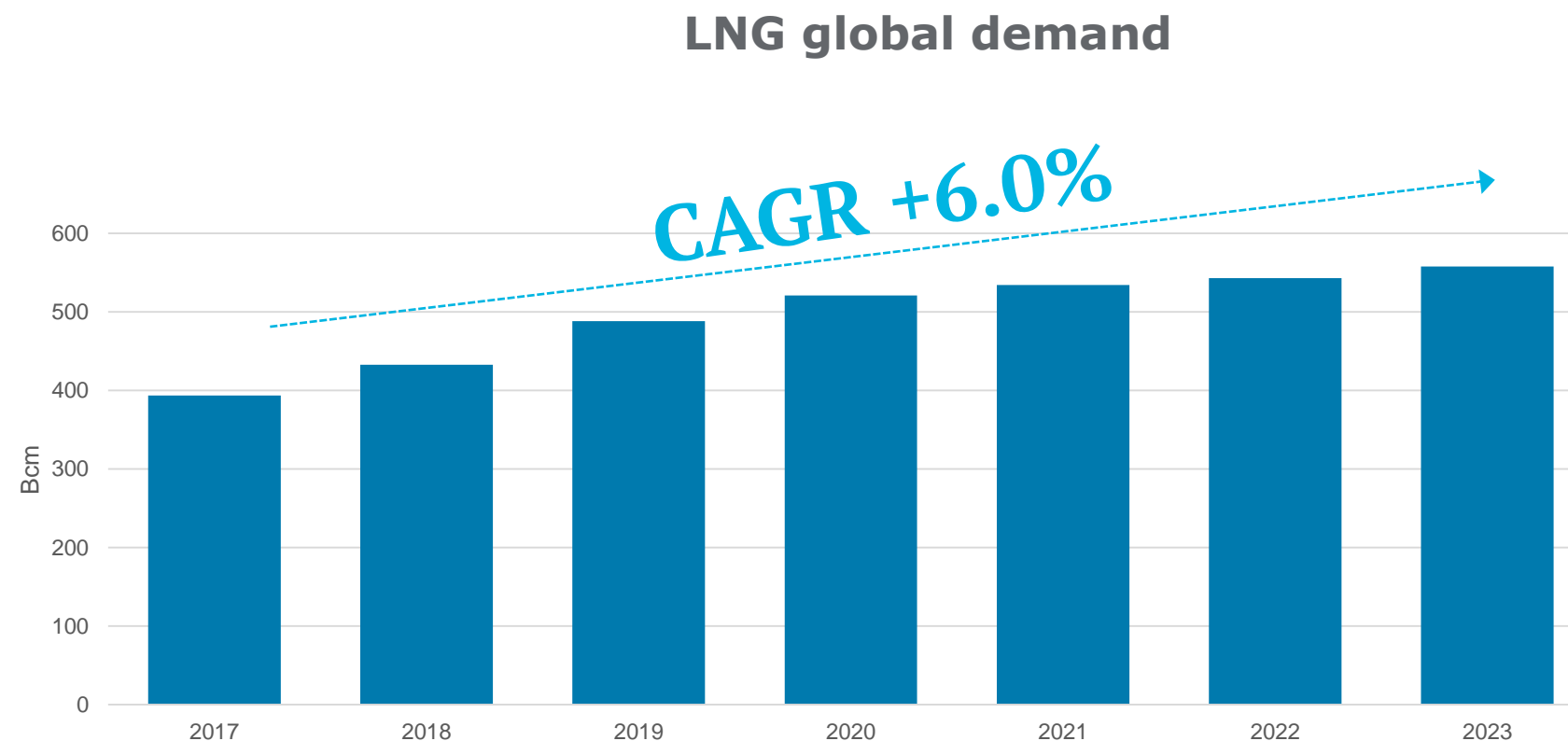
Source: In-house based on IHS and EIA data

We will leverage on our international footprint and our deep understanding of related regional dynamics to seize growth opportunities in those markets where we are present as well as in neighboring markets.



# Expanded core: New LNG infrastructure: floating and small scale

The opening of new LNG markets and the greater use of gas in transport contributes to the reduction of GHG emissions and the improvement of air quality



Source: : In-house based on IHS and EIA data

The new dynamics of LNG markets favour the development of floating solutions, especially for opening new import markets. In addition, the environmental regulation in the maritime sector, clean air quality provisions and CO<sub>2</sub> reduction targets are all driving short-term demand for gas in maritime and land transport, which will increase the utilisation of our infrastructures.



# Expanded core: Services

The provision of services as a lever to strengthen our industrial role in the international expansion enhancing the value of our capabilities and experience

- Strengthen Enagás position in the market as an international benchmark for the development and management of gas infrastructures.
- Act as a driver for new businesses that contribute to the future growth of the Company.
- Develop and update the Company's capabilities and expertise.
- Obtain market information that enables potential investment opportunities to be assessed.



## Engineering

- Basic engineering (conceptual)
- Basic engineering extended
- Detailed engineering
- EPCs
- Services to EPCs
- In-house engineering



## O&M

- O&M infrastructures
- Technical support
- Technical analysis and efficiency improvements
- Maintenance Management Model



## Other advisory services and training

- Customized
- Standard

# Expanded core: Enagás Emprende

Positioning in disruptive technologies that allows us to diversify our business, creating value for our shareholders



7+3

Company  
portfolio



80.9%

Average participation in  
internal start-ups



€6.9m

Capital invested



€5.3m

Turnover



25+74

Co-investors  
+ employees



€0.6m

External funding received  
(includes 75 employees via  
crowdfunding)



153

Jobs created



147 (>10%)

Employee participation  
in ideas competition

- Open Innovation and Corporate Entrepreneurship Programme in an environment of change and ecological transition
- Driving energy ideas and projects inside and outside our Company to make them grow and become viable companies
- Talent attraction
- Identified areas of interest for business diversification and value generation: Non-electric renewable gases (biogas and hydrogen), Sustainable mobility, New uses of natural gas, Energy efficiency, IoT, Sustainability, Cleantech and Storage Solutions
- Enagás' startups:



Sustainable mobility



Soluciones 4.0



4.0 Solutions



Energy efficiency



Hydrogen



Cleantech



Natural gas new uses



# Investment and sustainability criteria

We have extended our strict investment criteria to the new business areas, and incorporated sustainability

					
<b>Results</b>	<b>Risk profile</b>	<b>Corporate governance</b>	<b>Partners</b>	<b><i>Core business</i></b>	<b>Sustainability</b>
Stable and predictable cash flows, with attractive returns	Similar risk in regulated and non-regulated businesses	Strategic role as an industrial partner, actively participating in managing assets	Alliances with local partners with complementary capabilities	Value creation in our main areas of expertise: LNG, transport and storage services	Contribute to the decarbonisation of the economy and the improvement of air quality





# Contents

---

## 1. Strategic focus: 2019-2023

- Natural gas plays a prominent role in the ecological transition
- Strategic focus: 2019-2023 growth areas

## 2. Blackstone, GIC and Enagás strategic partnership

## 3. 2019–2023 Outlook

## 4. Sustainability

## 5. Conclusions

# Tallgrass Energy (TGE): strategic fit

---

- 1 Development of core business in strategic geographies
- 2 Strategic partnership with leading partners
- 3 Enagás industrial role within the consortium

**Strategic transaction in the core business of Enagás, enhancing the sustainability of our dividend in the medium to long term**

- 4 Platform of growth & Low risk profile
- 5 Enagás business model impact: double digit Equity IRR



# Tallgrass Energy (TGE): strategic fit

1

## Development of core business in strategic geographies

- Diversified midstream infrastructure company in the US
- US perfectly fits within Enagás strategy, seeking for growth markets with favorable regulation to promote midstream infrastructures
- Enagás footprint diversification in low-risk country

2

## Strategic partnership with leading partners

- Blackstone and GIC: Strategic partnership with leading global infrastructure investors
- Strong presence of partners in the US
- Excellent track-record and recognized prestige in the industry
- Partners see industrial value and strong fit with Enagás capabilities

Strategic transaction in the core business of Enagás, enhancing the sustainability of our dividend in the medium to long term

5

## Enagás business model impact

- Average annual dividend to Enagás for the period 2019 – 2023: ~ €60mill<sup>(1)</sup>
- Double digit Equity IRR
- Rating post transaction: Fitch (A-) S&P (BBB+ Excellent business risk profile)
- Enhances earnings outlook and reinforces dividend long-term sustainability

4

## Platform of growth & Low risk profile

- Take or pay contracts: Cash Flow visibility and stability in the long term, with limited recontracting risk
- Track record of consistent cash flow growth with ample dividend coverage across commodity cycles
- Wide and diversified client base
- Robust backlog of high value growth projects
- Offsetting the maturity in our domestic business

3

## Enagás industrial role within the consortium

- Tallgrass' core business in line with Enagás' area of expertise
- Enagás' capabilities and international expansion experience will strengthen future development of TGE
- Possibility of sharing our know how in green and renewable gas and other midstream services
- Governance: customary minority rights plus seat on the TGE Board ensuring participation in financial, operational and financial decision making
- Enagás to become a reference for Spanish O&G industry in the US granting access to Spanish suppliers to the midstream market

(1) Enagás estimates based on Cash Flow broker consensus projections

# Enagás recognized industrial role

---

**Tallgrass  
Energy**

- Enagás contributes its capabilities and experience on infrastructures development, operation and maintenance to add value.
- Enagás' international expansion experience will allow to analyze other investment opportunities.

**GPA**

- Enagás' knowledge and presence in international markets could add value to TGE's customers oriented to exports.
- Know how in green and renewable gas and other services to be shared by Enagás.

Recognition public statement by Blackstone: “ *We are delighted to welcome Enagás as an industrial partner into our consortium. With extensive midstream operations around the world, they bring valuable perspectives to Tallgrass that will benefit our investment and we look forward to their contributions*”.

# Tallgrass Energy: transaction overview

Transaction partly financed through non-recourse financing at SPV level

## Transaction highlights

- On Jan-31 Blackstone jointly with GIC announced the acquisition of a ~ 43.91% stake in Tallgrass
- Following the announcement, the acquirers came to the agreement of forming a consortium in which the 3 entities would participate (Blackstone majority shareholder, Enagás ~ 24.90% and GIC minority shareholder)
- Enagás's investment would be carried out in 2 phases:
  - Acquisition of a **24.90%** stake in the SPV: [**\$590**]
  - Option to increase stake in the SPV by ~ **3.52%** [**~\$83**] subject to certain conditions precedent.

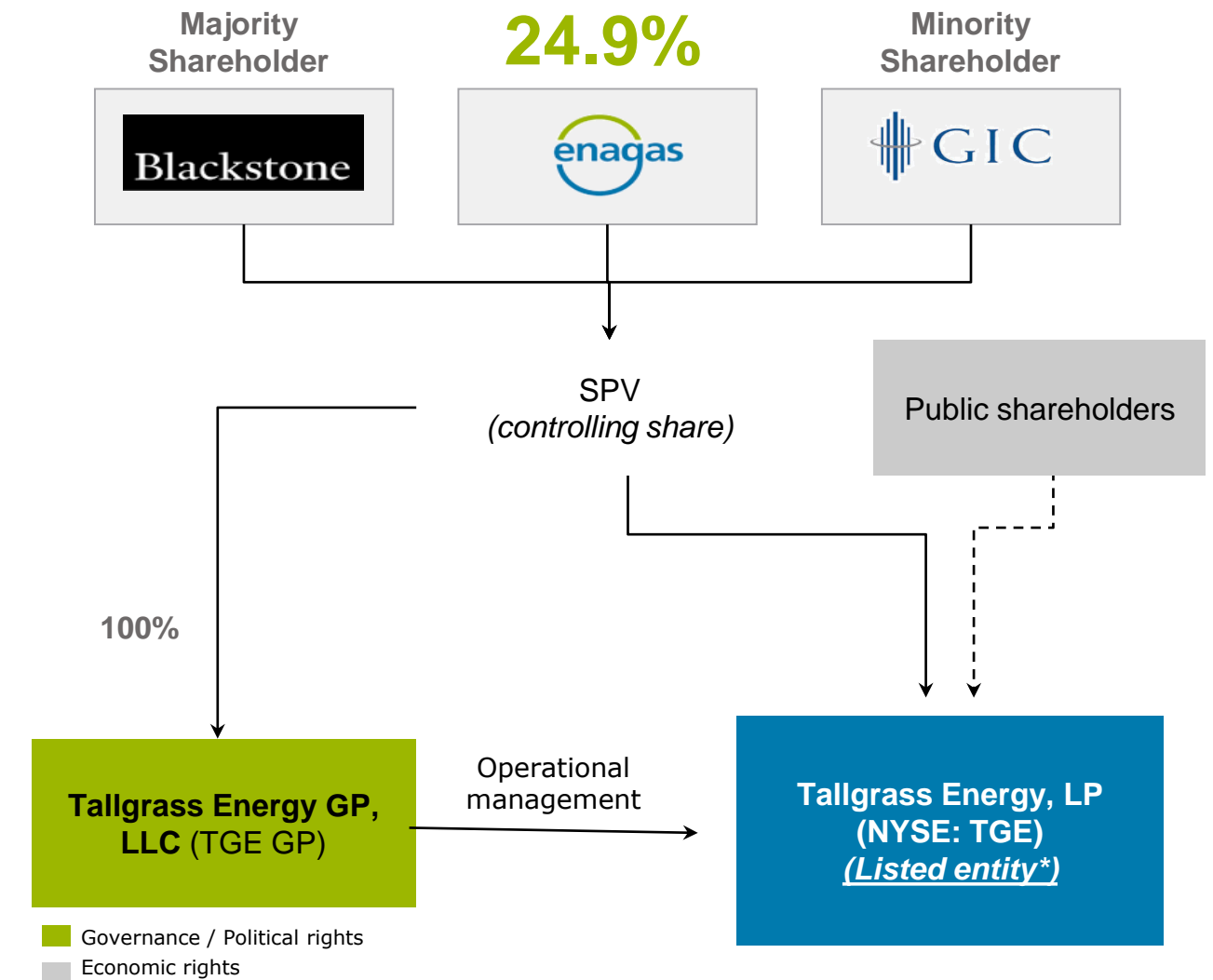
## Growth potential

- Enagás has also agreed to invest up to ~ **\$300** million in future investments in TGE, as more fully described in Item 6 of the Schedule 13D filed by Enagás with the U.S. Securities and Exchange Commission

## Implications for Enagás

- Equity method accounting
- 1 seat at the Board + 1 Observer
- Enagás position as an industrial partner with customary governance provisions

## Transaction structure





# Tallgrass Energy at a glance: asset overview

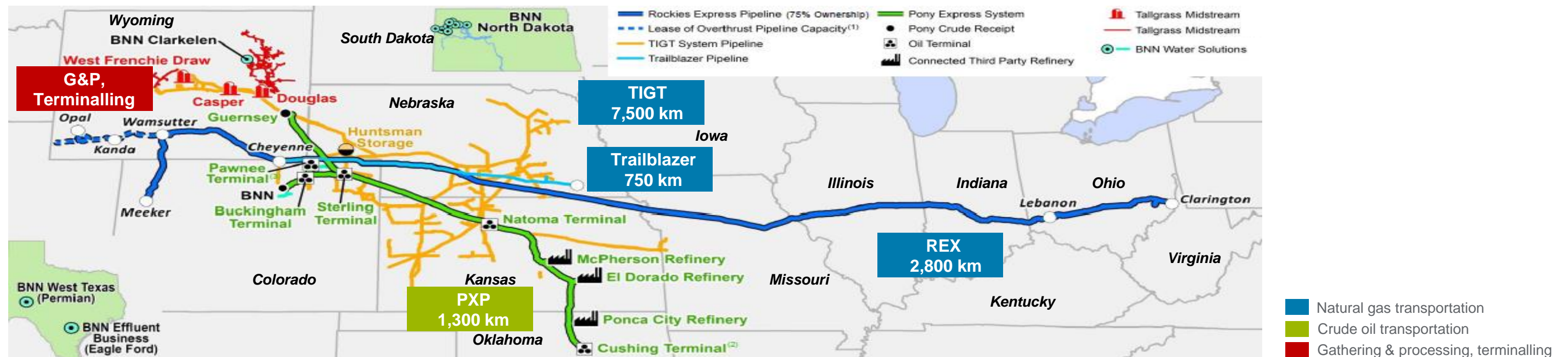
Unique platform with large scale, diversified asset base with long-term contracted cash flows

Natural Gas Transportation	54% EBITDA 2018
----------------------------	-----------------

Crude Oil Transportation	37% EBITDA 2018
--------------------------	-----------------

Gathering & Processing, Terminalling	9% EBITDA 2018
--------------------------------------	----------------

- ✓ 3 interstate natural gas pipelines (75% REX, TIGT and Trailblazer), regulated by FERC and 11,000 km.
- ✓ Capacity: REX Pipeline (~ 4,4 Bcf/d), and both TIGT and Trailblazer (~2 Bcf/d) and 16 Bcf of storage capacity.
- ✓ Pony Express Pipeline (PXP) is a crude oil pipeline regulated by FERC with 1,300 km and total capacity of ~400 kbpd (recently expanded from 320 kbpd to ~400 kbpd).
- ✓ Gathering and processing: 2,400 km and 190 Mmcf/d capacity.
- ✓ 5 operating terminals providing services to Pony Express Pipeline and 1 under construction.
- ✓ Water services across 5 basins.



Asset portfolio connects prolific oil and gas basins to the most dynamic energy markets in USA

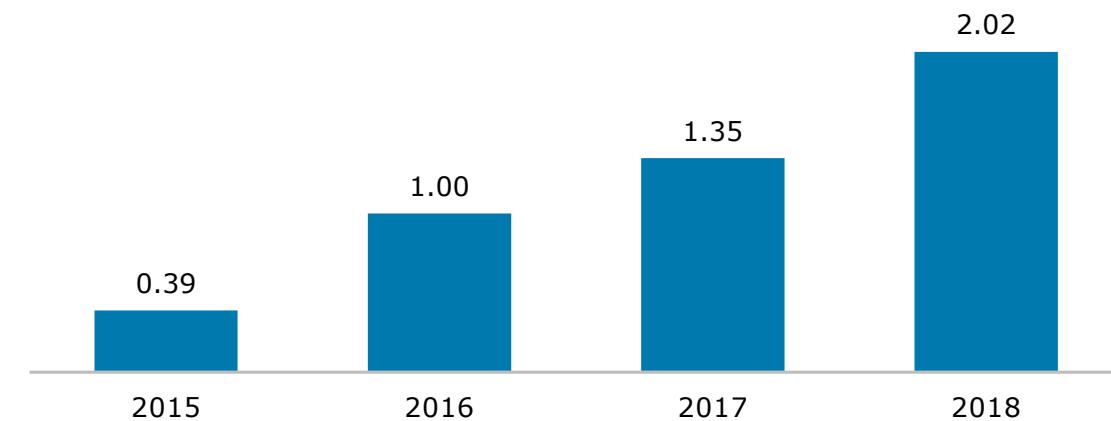
# Tallgrass Energy at a glance: historical performance

Track record of consistent cash flow growth with ample dividend coverage across commodity cycles

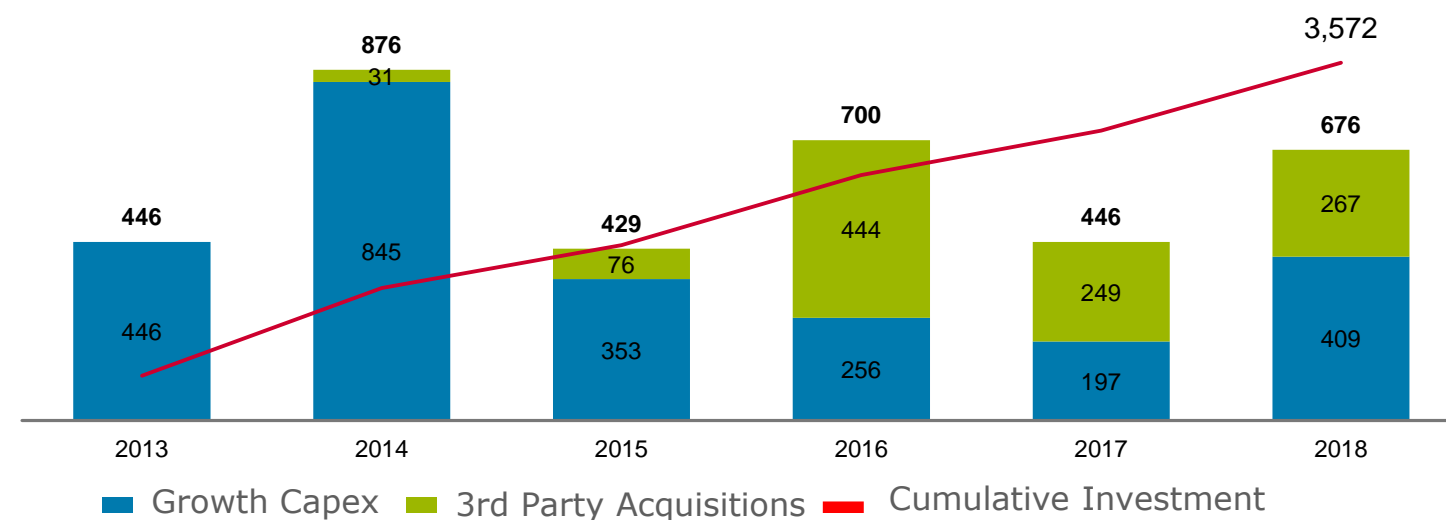
## Market data and 2019 Guidance

- 2018 Market Capitalization: ~\$6.6Bn
- 2018 Net Debt: \$4.7Bn <sup>(1)</sup>
- 2018 Debt/Adjusted EBITDA: 4.8x <sup>(1)</sup>
- EBITDA 2019E: \$965m- \$1,035m <sup>(3)</sup>
- DPS 2019E: +6%/+8%

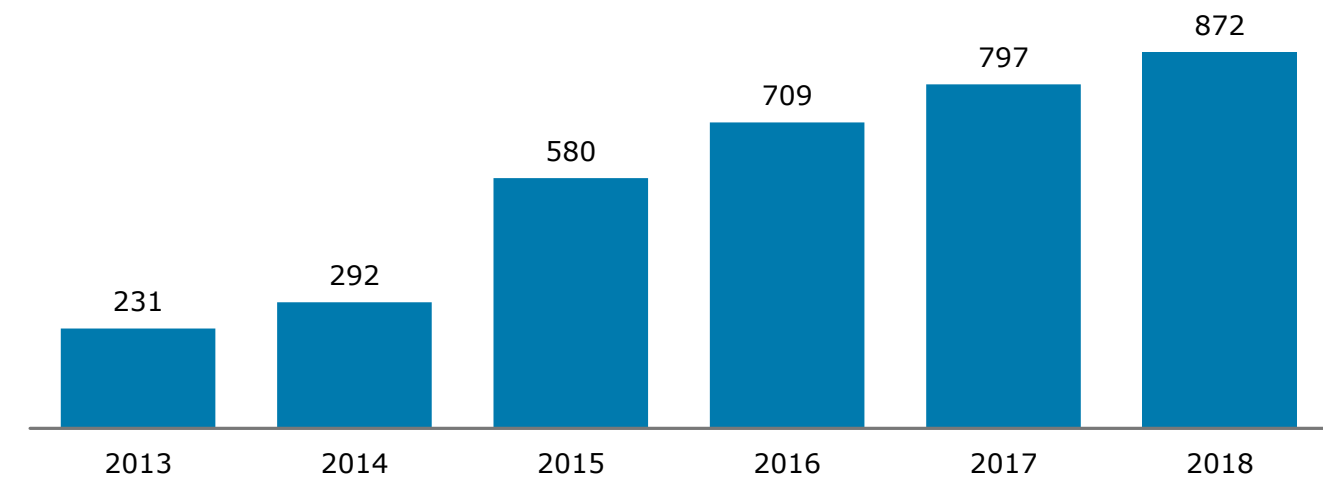
## DPS <sup>(2)</sup> (\$/share)



## Tallgrass Energy Invested Capital (\$m)



## Tallgrass Energy Adjusted EBITDA<sup>(3)</sup> (\$m)



Source: Company filings

(1) Debt and EBITDA adjusted with 75% REX proportionately consolidated

(2) Dividends declared per Class A shares

(3) 2019 EBITDA guidance and historical Tallgrass Energy EBITDA do not proportionally consolidate REX's EBITDA





# Tallgrass Energy: equity story

Attractive Footprint	<ul style="list-style-type: none"> <li>Attractive growth market supported by solid underlying fundamentals both in terms of production and demand of oil and gas</li> <li>Strategic location of Tallgrass' key assets which are close to several of the most prolific oil and gas producing regions (Rocky Mountains, Appalachian and Mid-Continent basins)</li> <li>REX transports ~6% of current U.S. natural gas production and Pony Express provides ~20% of Rockies and Bakken crude oil takeaway capacity (~4% of U.S. crude oil production)</li> </ul>
TGE's Stable and Diverse Cash Flow Profile Supports Secure Dividend	<ul style="list-style-type: none"> <li>Majority of revenues derived from counterparties with Investment Grade ratings</li> <li>Revenues driven by long term take-or-pay contracts minimizing commodity and volume risk</li> <li>Limited re-contracting risk envisaged</li> <li>Diversity of cash flows by region, customer and commodity type further mitigates risk and supports stability</li> </ul>
Expansion Opportunities	<ul style="list-style-type: none"> <li>Significant growth potential on the back of an extensive pipeline of already identified opportunities</li> </ul>
Experienced and committed management team	<ul style="list-style-type: none"> <li>Management with an excellent track-record and recognized prestige in the industry</li> <li>Management team aligned with the transaction and development plans for the company</li> </ul>

	Production (17-30E CAGR)	Demand (17-30E CAGR)	Exports (17-30E CAGR)
Gas	+2.7%	+1.9%	+7.3%
Oil	+3.4%	+0.5%	+2.2%

Source: US Energy Information Administration (EIA) and IHS

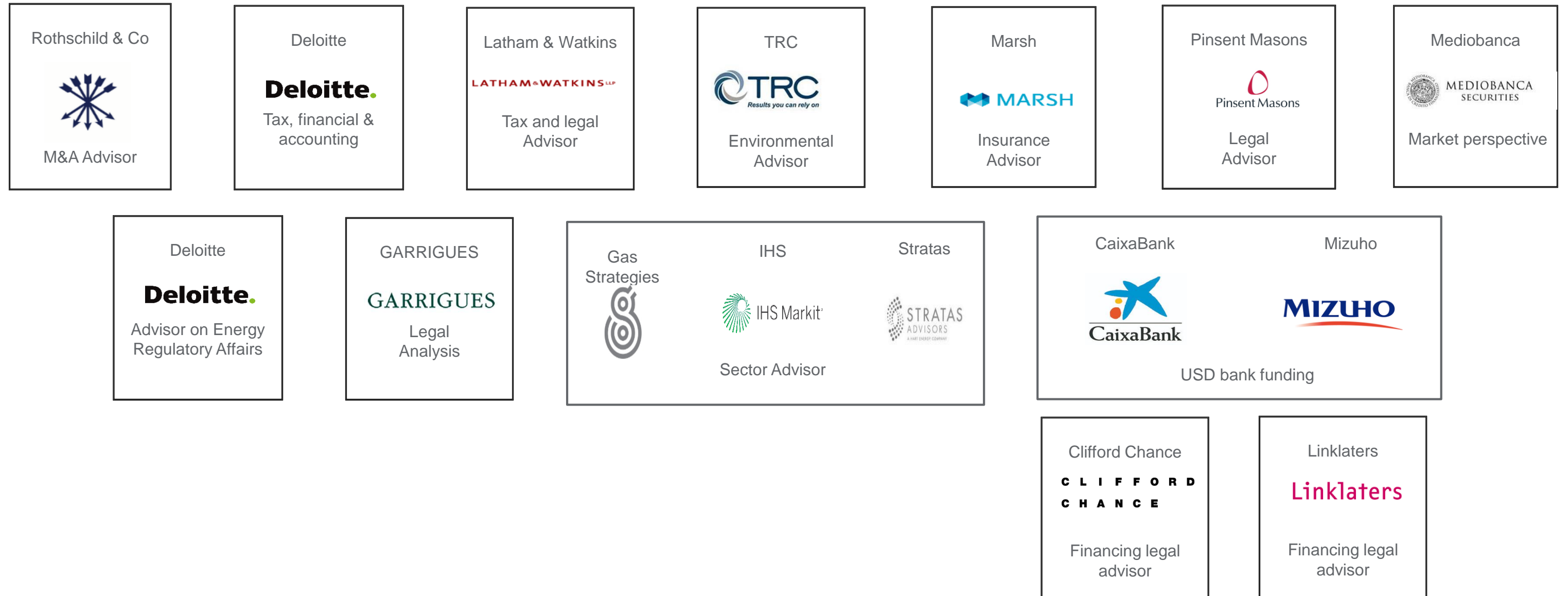
90%

2018 EBITDA  
generated by firm  
fee contracts

Significant pipeline of future growth-projects



# Advisors



# Contents

---

## 1. Strategic focus: 2019-2023

- Natural gas plays a prominent role in the ecological transition
- Strategic focus: 2019-2023 growth areas

## 2. Blackstone, GIC and Enagás strategic partnership

## 3. 2019–2023 Outlook

## 4. Sustainability

## 5. Conclusions

# 2019-2023 Outlook

## Financial sustainability of the Spanish gas system

From 2018 onwards, the System will have a net annual surplus and, in an environment of growing demand, this will enable all of the System's debt to be paid off earlier than expected

## International activity

S&P assesses Enagás Group's business risk as "Excellent". EBITDA diversification and high visibility of expected dividends

**Dividend  
+5% CAGR until  
2020**

**Dividend  
sustainability at  
least +1% CAGR  
2020/2023E**

## Financial discipline

Substantial deleveraging from 2016  
Debt structure with over 80% fixed, with no significant maturities, limiting interest rate risk

## Solid cash flow generation

Discretionary cash flows generated in the period were sufficient to ensure continued commitment to our dividend policy and sustainable future growth

Note: €1 = USD1.18

Note: No change has been considered regarding the regulatory framework for the projections from 2021 onwards.

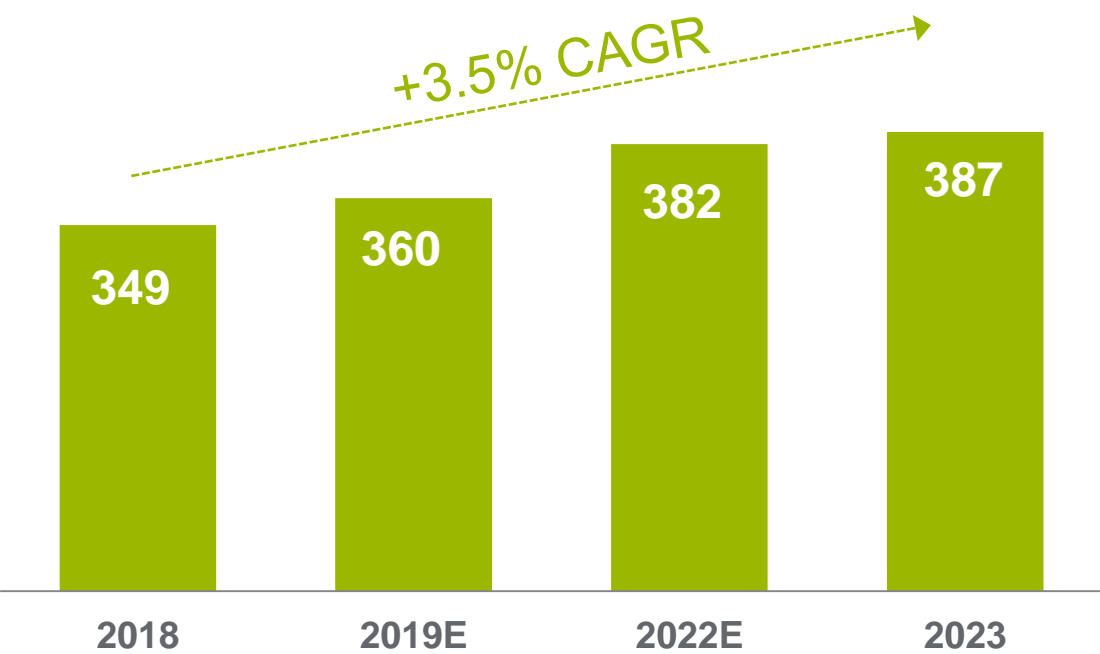
Dividend sustainability from 2021 as a priority; TGE investment enhancing the sustainability of our dividend in the medium to long term

# 2019-2023 Outlook: Sustainability of the gas system

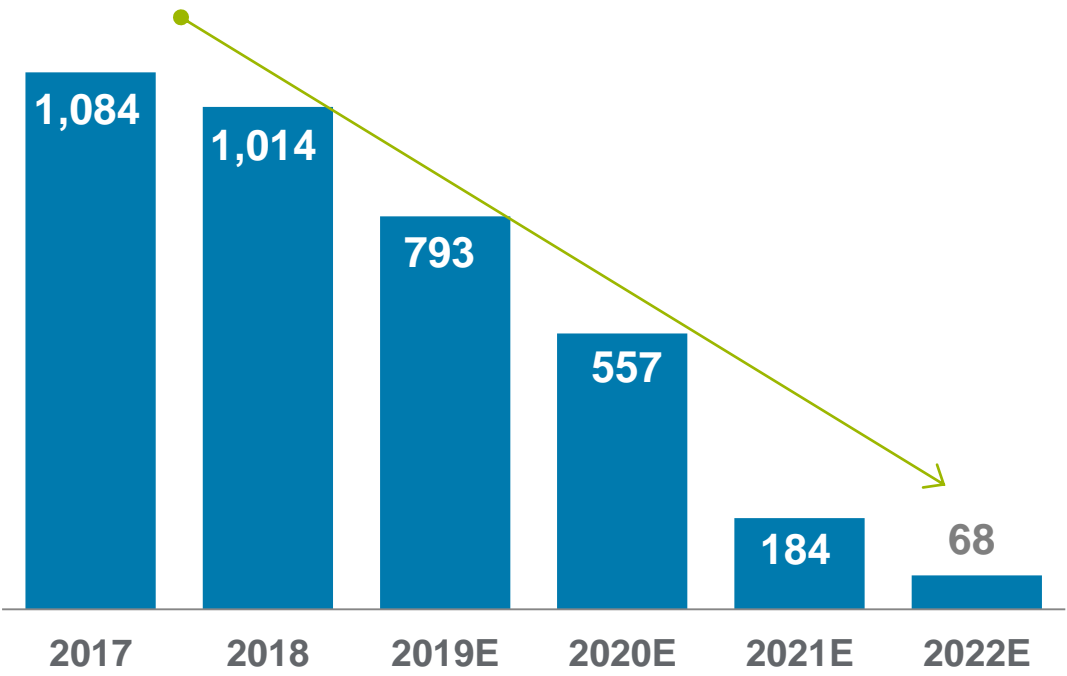
## Sustainability of the gas system

The natural gas demand in Spain has been growing above 4% a year since 2014

Demand trend (TWh)



System debt recovery (€m)



Note: €1 = USD1.18

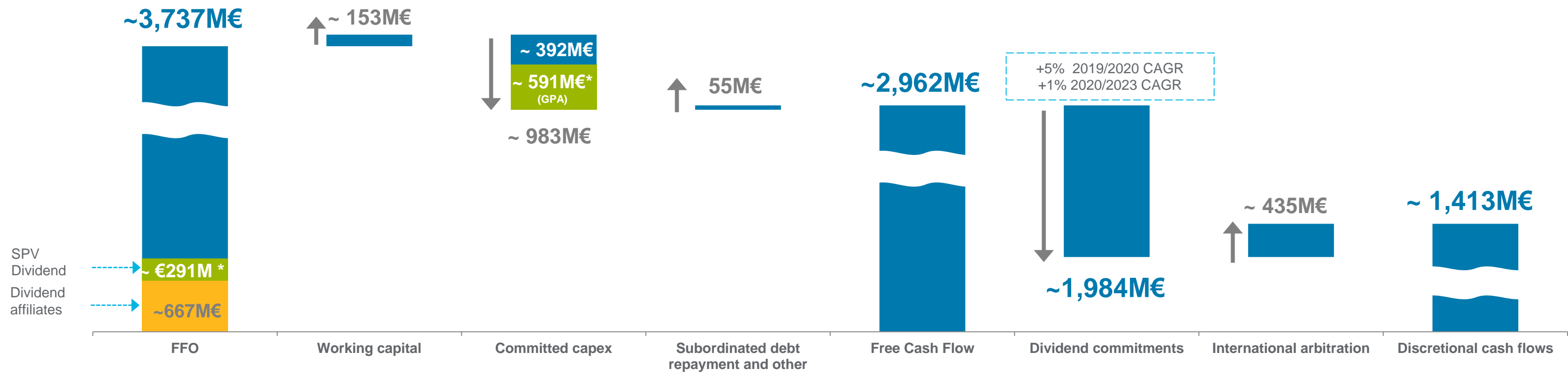
Note: No change has been considered regarding the regulatory framework for the projections from 2021 onwards.

The System will continue have a net annual surplus, enabling all of its debt to be paid off earlier than expected





# Outlook 2019-2023: Solid cash flow generation 2019-2023 post TGE transaction



Note: €1 = USD1.18

Note: We have not considered any change to the regulatory framework for the projections from 2021 onwards

(\*) Projections of the TGE transaction consider 28.4% of the SPV. €1=USD1.14

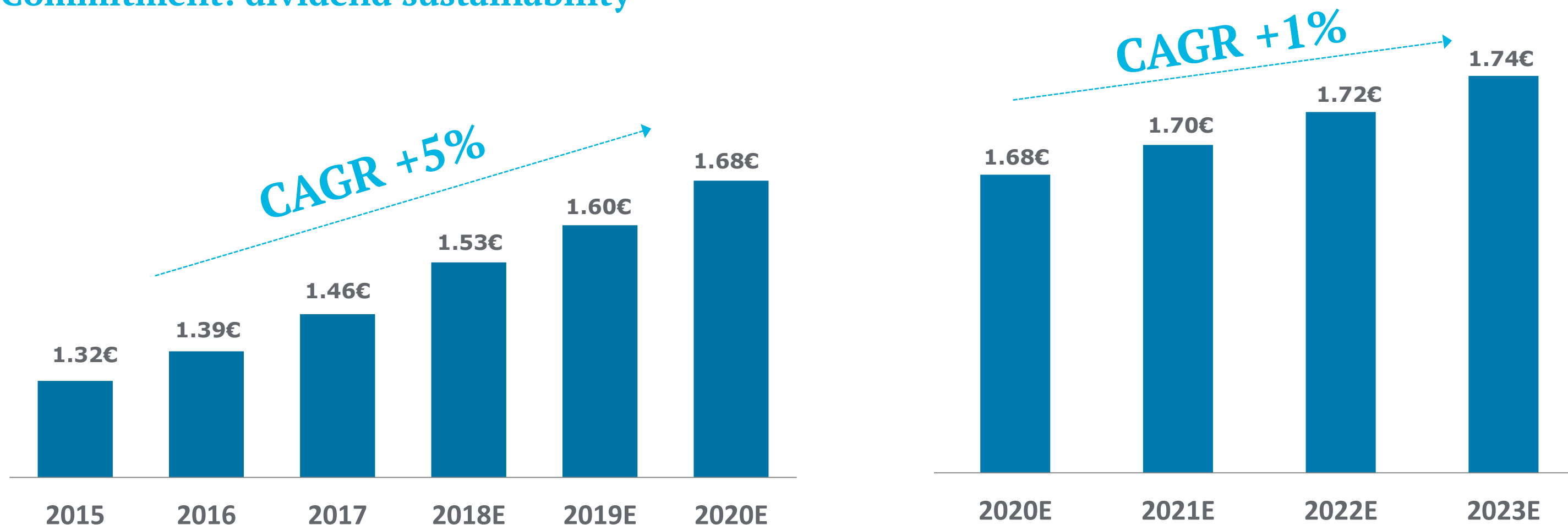
Note: Enagás has also agreed to invest up to ~300\$mill in future investments in TGE (described in Item 6 of the Schedule 13D filed by Enagás with the U.S Securities and Exchange Commission)

Discretionary cash flows generated, both for the regulated and international businesses in the period, are sufficient to ensure continued commitment to our dividend policy and sustainable future growth



# 2019-2023 Outlook: Value creation for our shareholders

## Commitment: dividend sustainability



Shareholder remuneration remains our strategic priority  
Growth of +5% CAGR until 2020 and at least +1% CAGR in the period 2020-2023

# Contents

---

## 1. Strategic focus: 2019-2023

- Natural gas plays a prominent role in the ecological transition
- Strategic focus: 2019-2023 growth areas

## 2. Blackstone, GIC and Enagás strategic partnership

## 3. 2019–2023 Outlook

## 4. Sustainability

## 5. Conclusions

# Sustainability

Enagás has approved its Sustainability Strategy, which is aligned with the Company's strategic priorities and Sustainable Development Goals:



## Energy efficiency and reduction of emissions

We must minimise the environmental impact of our operations through solutions that enable us to reduce our energy consumption, reducing our carbon footprint as much as possible.

## People and culture

We must be capable of attracting and retaining the best talent, creating work environments that allow us to continue transforming ourselves and provide creative solutions to be part of a more sustainable future.

## Role of natural gas and renewable gases in the energy model

We support the promotion of new uses for natural gas and the development of clean energy projects, such as biogas/biomethane and hydrogen.





# Sustainability

## Enagás maintains its leadership position in the main sustainability indices

For the 11th consecutive year, Enagás was included in the **Dow Jones Sustainability Index** (DJSI), topping the world ranking *in the Oil & Gas Storage & Transportation sector*.  
Gold Class Distinction **and Industry Mover 2019**



Enagás is the leader in **climate change management**



Enagás has **reduced its carbon footprint by 30%** in the period 2016-2018 compared to 2013-2015



Enagás is **carbon neutral** in relation to its regasification plants, corporate fleet and head office.



Enagás has been recognised for its **people management and gender equality model**





# Contents

---

## 1. Strategic focus: 2019-2023

- Natural gas plays a prominent role in the ecological transition
- Strategic focus: 2019-2023 growth areas

## 2. Blackstone, GIC and Enagás strategic partnership

## 3. 2019–2023 Outlook

## 4. Sustainability

## 5. Conclusions

# Conclusions

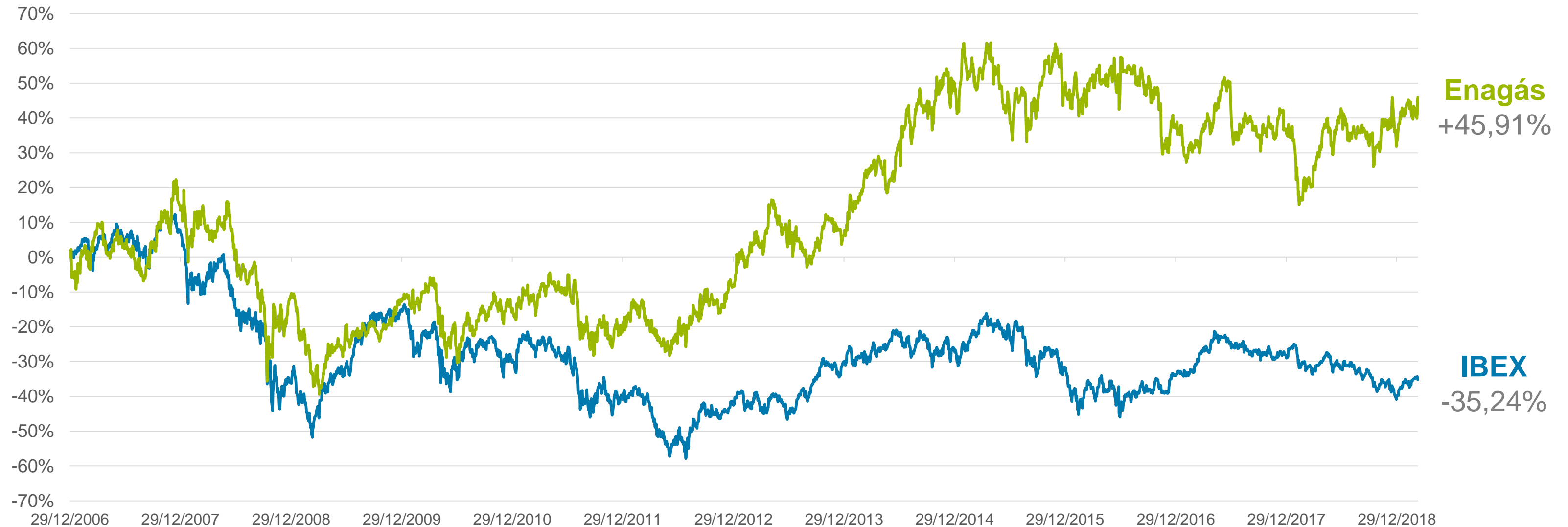
---

- Annual dividend growth +5% until 2020 and at least +1% CAGR in the period 2020-2023, manageable even in a stress scenario
- The forecast cash generation in the period is enhanced by the US transaction and will enable us to fulfill our dividend commitment, invest in new markets and new businesses while maintaining our solid balance sheet structure
- Debt structure with over 80% fixed, limiting interest rate risk
- Financial stability of the Spanish gas system, in an environment of increasing demand
- Sustainability as a cornerstone of the Company's strategy



# Enagás vs IBEX 35 2007-2019

A story of long term value creation



Enagás Total Shareholder Return + 95,54% (2007-2019)

# Disclaimer

---

This document could contain assumptions on the market, information from different sources and forward-looking statements regarding financial conditions, operating results and the business, strategy or plans of Enagás S.A. and its affiliates.

These assumptions, information and forward-looking statements are not guarantees of future profitability and entail risks and uncertainties, since the real outcomes could differ considerably from such assumptions and forward-looking statements resulting from many different factors.

Enagás, S.A. makes no guarantees regarding the exactness, integrity or accuracy of the information contained herein. This report should in no case whatsoever be construed as a promise or declaration of the past, future or present situation of the company or its group.

Analysts and investors are warned not to blindly rely on forward-looking statements entailing broad assumptions and subjective opinions that may therefore prove to be incorrect. Enagás makes no promise to either update the information or correct any inaccuracies contained herein, and shall not be held liable to publish the results of any revisions of such forward-looking statements to reflect events or circumstances occurring after the publication date of the present presentation, including yet not restricted to variations in the Enagás business or strategic acquisitions, or to reflect the influence of unexpected events or a variation in its measurements or assumptions.





Thank you