

1H2018 Results

17th July 2018



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Conference-call/Webcast:

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Highlights

- ⚡ **The results obtained in the first half of 2018 (1H18) are in line to achieve the targets for the year.**
- ⚡ **Net profit** at 30 June 2018 stood at **€219.8 million**, reflecting a **+1% growth** without including the accounting effect from reappraising GNL Quintero in the first half of 2017. The contribution of affiliates and GNL Quintero at 30 June 2018 rose to 21.2% of the net profit, higher than the 12.6% recorded in the first half of 2017.
- ⚡ Accumulated Operating Cash Flow (OCF) at 30 June 2018 was **€556.3 million**. This is a slight decrease in the figure obtained in the first half of 2017, primarily because of a different accrual of dividends received from subsidiaries. The **€44.3 million obtained from investee companies at 30 June 2018** are in line with the year's target of approximately €100 million (this target would rise to approximately €120 million when including the dividends of GNL Quintero).
- ⚡ **Net investments on 30 June 2018 were €102.1 million**. The largest investment is €84.8 million in TAP. Investment in Spain amounted to €13.4 million.
- ⚡ Accumulated Free Cash Flow (FCF) at 30 June 2018 was **€454.2 million**. This figure is **12.8% higher than the figure reported in the first half of 2017**.
- ⚡ The Company's **net financial debt** at 30 June 2018 is **€4,554 million**, which represents a **reduction of €454 million** compared to the €5,008 million recorded at the end of 2017. This amount includes €655 million associated with the net debt accounted for in GNL Quintero as of 30 June 2018.
- ⚡ The **net cost of stand-alone debt** at the end of the first half of 2018 stands at **2.2%**. **If we factor in the impact of the consolidation of GNL Quintero, the net average financial cost would be 2.7%**. The **stand alone FFO/Net Debt ratio improved** with respect to the 15.9% recorded in the first half of 2017 and as of 30 June 2018, stands at **18.6%**.
- ⚡ **S&P and Fitch Ratings have confirmed Enagás's "A-" rating**, underlining the company's solid credit rating, which is among the best ratings in the Spanish market.
- ⚡ On 5 July the final dividend of €0.876 gross per share was paid against fiscal year 2017 as approved at the General Shareholders' Meeting held on 22 March 2018.
- ⚡ The **demand for natural gas** from the national market reached 179.0 TWh, **5.9%** more than that on 30 June 2017.
- ⚡ Enagás maintains its leadership in the main sustainability indices. During the first half of the year, Enagás has been reconfirmed as a constituent of the **MSCI ACWI ESG Leaders Index**, maintaining its **AA rating** and as member of **Euronext Vigeo Eiris Europe 120 and Euronext Vigeo Eiris Eurozone 120**.

Main highlights

Income Statement

January-June (€ mn)	1H17 Global Int.	1H18 Global Int.	Var % 1H18-17 Global Int.
Total income	688.0	683.2	-0.7%
EBITDA	536.2	545.2	1.7%
EBIT	361.9	360.0	-0.5%
Net profit *	269.1	219.8	-18.3%*

Note*: **+1% increase in net profit Vs 2017 stand alone.** In line with the expected growth for the rest of the year.

Balance sheet and leverage ratios

	Global Int. Dec 17	Stand-alone jun-18	Global Int. jun-18
Net Debt (€ mn)	5,008	3,899	4,554
Net Debt / EBITDA ⁽¹⁾	4.4 x	4.1x	4.2x
FFO / Net Debt	17.4%	18.6%	17.7%
Net cost of debt	2.7%	2.2%	2.7%

(1) EBITDA adjusted for dividends obtained from investees

Cash flow and investments

January-June (€ mn)	1H17 Global Int.	1H18 Global Int.	% Var 1H18-17 Global Int.
FFO	481.2	416.6	-13.4%
Dividends received from investees ⁽²⁾	84.5	44.3	-47.5%
Net investment	202.0	102.1	-49.5%

(2) Includes subordinated net interest charged to investees

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)	1H17 Global Int.	1H18 Global Int.	% Var 2017/2018
Income from regulated activities	566.0	547.5	-3.3%
Other operating income	122.1	135.7	11.2%
Total income	688.0	683.2	-0.7%
Personnel expenses	-64.3	-64.1	-0.3%
Other operating expenses	-126.0	-124.2	-1.5%
Operating expenses	-190.4	-188.3	-1.1%
Result from affiliates	38.6	50.3	30.6%
EBITDA	536.2	545.2	1.7%
Amortisation and depreciation	-161.7	-173.8	7.5%
PPA	-12.7	-11.4	-10.2%
EBIT	361.9	360.0	-0.5%
Financial result	-17.8	-65.8	269.4%
Corporate income tax	-66.0	-64.0	-3.1%
Minority interests	-8.9	-10.4	15.9%
Net profit	269.1	219.8	-18.3%

Operating income

Total revenue as of 30 June 2018 is €683.2 million, virtually in line with the figures obtained in the same period of 2017, since the lower contribution of regulated revenue was partly offset by non-recurring other operating income and the effect of IFRS 15.

Operating expenses

Operating expenses at the end of the first half of 2018 stood at €-188.3 million, lower than the €-190.4 million recorded in the same period of the previous year, which represents a **decrease of -1.1%**. This operational improvement is a result of the application of efficiency policies and control of operating expenses and the effect of a different scheduling compared to the first half of 2017.

EBITDA

EBITDA as of 30 June 2018 was €545.2 million, higher than the €536.2 million obtained in the first half of 2017, which represents an **increase of + 1.7%**.

This positive performance of EBITDA is a result of the improved operating trend mentioned above and contribution to the result of investee companies.

In the first half of 2018, profit from investee companies was €50.3 million, higher than the €38.6 million obtained in the first half of 2017, which represents an increase of 30.6%. This is primarily due to non-recurring effects in the subsidiaries Soto de la Marina and Swedegas.

The half-year EBITDA is in line with the annual EBITDA target of €1,073 million by then end of 2018.

Affiliate business contribution	1H2017	1H18	Var.
Brownfield contribution to EBITDA	41.7	51.5	+23.5%
Greenfield contribution to EBITDA	-3.1	-1.2	+61.3%
Contribution to EBITDA from Investees	38.6	50.3	+30.6%
PPA depreciation	-12.7	-11.4	-10.2%
Contribution to net profit	25.9	38.9	50.2%
GNL Quintero and Affiliates contribution to Net Profit	12.6%	21.2%	

Amortization of fixed assets

Amortization of fixed assets have increased by 7.5% to **€173.8 million**, higher than the €161.7 million provided in the first half of 2017. As already reported in the results for the first quarter, the "depreciation" heading includes the effect of the valuation of certain assets that have been reclassified as "non-current assets held for sale".

Thus, **EBIT** as of 30 June 2018 was **€360.0 million, 0.5%** lower than the figure from the first half of 2017.

Financial result

The **financial result** obtained at the end of the first half of 2018 recorded a **negative balance of €65.8 million**, higher than the negative financial result of €17.8 million recorded in the first half of 2017.

The result of the first half of 2017 included the positive accounting effects derived from the consolidation of GNL Quintero for €52.4 million.

Excluding this effect, the financial result would have improved by 6.3% due to the lower volume of debt and the improvement in the average net cost of debt of 2.7% (2.2% stand alone) registered in the first half of 2018 Vs. 2.8% (2.3% stand alone) in 2017.

Net profit

Net profit as of 30 June 2018 was €219.8 million, lower than that obtained in the first half of 2017, which included the effect of the consolidation of GNL Quintero in 2017. **Without taking into account these accounting effects**, net profit **would increase by +1.0%**, in line with the expected growth for the whole year.

The **contribution of affiliates and GNL Quintero at 30 June 2018 was 21.2% of the net profit**, higher than the 12.6% registered in the first half of 2017.

Cash flow and balance sheet

Consolidated cash flow statement

€ mn (unaudited figures)	1H2017 GI	1H2018 GI
EBITDA	536.2	545.2
Result from affiliates	-38.6	-50.3
Tax	-31.5	-30.2
Interest	-83.7	-78.1
Dividends received from investees	84.5	44.3
Adjustments	14.2	-14.4
FUNDS FROM OPERATIONS (FFO)	481.2	416.6
Changes in working capital	123.7	139.7
OPERATING CASH FLOW (OCF)	604.9	556.3
Net investment	-202.0	-102.1
International business	-96.0	-89.9
Business in Spain	-35.0	-13.4
Other financial assets	-213.0	0.0
Proceeds from disposals	142.0	1.2
FREE CASH FLOW (FCF)	402.9	454.2
Dividends paid	-2.5	-3.3
Exchange rate effect	-34.4	6.8
DISCRETIONAL CASH FLOW (DCF)	366.0	457.7
Financing flows	-309.2	-113.3
Maturity of long-term debt	-369.2	-94.2
Long-term debt issues	-0.1	0.0
Issue/maturity of policies and ECPs	60.1	-19.1
Proceeds from/(payments for) equity instruments	0.0	0.0
Effect of changes in the consolidation method	243.1	0.0
NET CASH FLOWS	299.9	344.3
Cash and cash equivalents at start of period	785.5	627.9
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,085.3	972.2

Balance sheet

<u>ASSETS</u>	Global Int. Dec. 2017	Global Int. Jun. 2018
Total non-current assets	8,428.9	8,430.4
Intangible assets	929.9	941.9
<i>Goodwill</i>	181.7	186.8
<i>Other intangible assets</i>	748.2	755.1
Investment property	19.6	19.6
Property, plant and equipment	5,501.4	5,347.0
Equity-accounted investments	1,022.1	1,038.0
Other non-current financial assets	936.0	1,065.0
Deferred tax assets	20.0	19.0
Current assets	1,143.8	1,337.5
Non-current assets held for sale	0.0	26.1
Inventory	23.8	24.6
Trade and other receivables	478.9	301.2
Other current financial assets	6.7	7.1
Other current assets	6.5	6.4
Cash and cash equivalents	627.9	972.2
TOTAL	9,572.6	9,767.9
<u>LIABILITIES</u>		
Equity	2,941.3	2,985.0
Shareholders' equity	2,585.6	2,599.1
Subscribed share capital	358.1	358.1
Reserves	1,880.0	2,024.2
Treasury shares	-8.2	-8.2
Profit for the period	490.8	219.8
Interim dividend	-139.2	0.0
Other equity instruments	4.2	5.2
Valuation adjustments	-13.3	8.1
Non-controlling interests (external owners)	369.0	377.9
Non-current liabilities	6,174.7	5,935.5
Non-current provisions	178.4	174.3
Non-current financial liabilities	5,468.8	5,198.7
<i>Bank borrowings</i>	1,429.2	1,127.0
<i>Bonds and other marketable securities</i>	4,000.7	4,018.4
<i>Non-current payables to fixed asset suppliers</i>	0.0	0.1
<i>Derivatives</i>	32.8	47.5
<i>Other financial liabilities</i>	6.0	5.9
Borrowings from related companies	0.0	0.0
Deferred tax liabilities	485.2	488.8
Other non-current liabilities	42.3	73.7
Current liabilities	456.6	847.4
Current financial liabilities	230.0	618.4
<i>Bank borrowings</i>	152.9	351.7
<i>Bonds and other marketable securities</i>	49.9	31.6
<i>Derivatives</i>	13.0	13.7
<i>Other financial liabilities</i>	14.2	221.3
Trade and other payables	226.6	229.0
TOTAL	9,572.6	9,767.9

Funds from Operations

FFO (Funds from Operations) as of 30 June 2018 was €416.6 million. This figure is 13.4% lower than in the same period of 2017 due to the effect of the calendarisation of dividends collected from our subsidiaries in both period, which has been partially offset by a higher EBITDA contribution and lower interest payments.

Investments

Net investments at the end of the first half of 2018 were €102.1 million. Of this, **€13.4 million correspond to investments in Spain and €88.7 million to net investments outside Spain.** In international investments, the investment in TAP (Trans Adriatic Pipeline) stands at €84.8 million.

Free cash flow

Accumulated Free Cash Flow (FCF) at 30 June 2018 was €454.2 million. This figure is **12.8% higher than the figure reported in the first half of 2017.**

Net Debt

At the end of the first half of the year, **stand-alone net debt stood at €3,899 million,** compared to the €4,364 million reported at the end of 2017.

If we include the net debt of GNL Quintero, €655 million, the consolidated net debt was €4,554 million at the end of the first half of 2018, lower than the €5,008 million recorded as of 31 December 2017 and which represents a reduction of €454 million.

The debt ratio of **Net Debt/EBITDA** adjusted by the dividends of our subsidiaries at the end of the **first half of 2018 is 4.2x, lower than the 4.9x recorded in the first half of 2017.**

The **FFO/Net Debt** ratio recorded in the first half of 2018 was **17.7%** higher than the 15.9% recorded in the first half of 2017.

As of 30 June 2018, 22% is institutional debt, 68% was issued on the capital markets and the remaining 10% is commercial paper. 76% of the debt accounted for is issued in euros, 22% in USD and 2% in Swedish krona.

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

In their 2018 annual reviews, ratings agencies **S&P** and **Fitch** reaffirmed Enagás' **A-** rating.

OPERATING HIGHLIGHTS

Demand

The national demand for natural gas at the end of the first half of 2018 grew by 5.9% compared to 2017, reaching 179.0 TWh.

The industrial and domestic-commercial demand of natural gas, which represented about 85% of the total demand in the first half of 2018, has registered an increase of 7.8% compared to the first half of 2017, which highlights the positive performance of the Spanish economy.

The demand for natural gas for power generation has decreased -4.0% due to a greater generation of electricity from renewable sources.

The consumption of natural gas in homes, businesses and SMEs increased compared to the first half of 2017 due to colder temperatures in February and March, the good performance of the Spanish economy and the addition of new customers.

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 a Gold Class rating, and it was also named leader of 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 Indexes since 2010.</p>		<p>Enagás has been involved in the CDP Climate Change program since 2009. In 2017 it cemented its position of leadership with a rating of A-. Furthermore, it has held shares in CDP Water 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 the "Equality at Work Seal" from the Spanish Ministry of Health, Social Policy and Equality, first issued in 2010.</p>		<p>Enagás holds ISO 9001:2008 certification for its technical system (TSM), asset management, infrastructure development and information systems management processes.</p>
	<p>In 2015, Enagás was awarded the Bequal seal for its commitment to the inclusion of people with disabilities.</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>Since 2011, Enagás has held SSAE 16 certification for its "System capacity management and viability analysis" and "System security of supply/technical management of underground storage" procedures.</p>		<p>The Occupational Risk Prevention Management System of the Enagás GTS, S.A.U., Enagás Internacional S.L.U., Enagás S.A. and Enagás Transporte S.A.U. companies of the Enagás Group hold OHSAS 18001:2007 certification. Enagás has been certified as a healthy workplace since 2015.</p>
	<p>Enagás has been a member of the STOXX Global ESG Leaders index since 2011.</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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