

9M2018

16 October 2018



9M2018 Key Figures



Key figures P&L (G. Integration)

- ✔ EBITDA **804.4M€ (+1.3%)**
- ✔ BDI **325.7M€** (+1% without including the accounting effect of the revaluation of Quintero in 2017)
- ✔ Contribution to net profit from equity affiliates **20.0%** (including GNL Quintero)

Key figures Cash Flow (G. Integration)

- ✔ Operating Cash Flow **710.2M€ (-3.0%)**
- ✔ Net investments **153.6M€** (77.6% international investments, mainly from TAP 112.6M€)
- ✔ Free Cash Flow **556.7M€ (+16.2%)**

Key figures Balance Sheet & leverage ratios

- ✔ Net Debt (G. Integration) **4,659M€** (Net cost of debt 2.7%; 349M€ of deleveraging regarding December 31, 2017)
- ✔ Net Debt (Stand Alone) **4,021M€** (Net cost of debt 2.2%)
- ✔ FFO/ Net Debt (Int. Global) **16.8%**
- ✔ FFO/ Net Debt (Stand Alone) **17.5%**

National gas demand

- ✔ National natural gas demand as of September 30, 2018 **+1.7%**
- ✔ Conventional demand (Industrial + residential & commercial demand) **+6.0%**

Results in line to reach the annual targets

Growth in line to reach the targets set for 2018 (G. Integration)



Income Statement

€Mn	9M 2017	9M 2018	Var%
Total revenues	1,021.7	1,012.5	-0.90%
Operating expenses	-284.0	-278.6	-1.91%
Results from Affiliates	56.5	70.5	+24.87
EBITDA	794.2	804.4	+1.29%
Amortization	-259.4	-268.4	+3.48%
EBIT	534.8	536.0	+0.22%
Financial results	-50.9	-98.5	+93.46%
Corporate Income tax	-97.2	-96.3	-0.93%
Minority interests	-11.0	-15.5	+41.14%
Net profit	375.7	325.7	-13.31%

- Lower operating expenses impacted by expenditure control and different scheduling.
- 1H2018 EBITDA in line to reach the expected annual target set 1,073M€
- “Amortization” includes the effect of valuation of certain assets that have been reclassified as “non-current assets held for sale”, as explained 1Q2018
- 9M2017 financial results include the revaluation of the holdings in GNL Quintero (52.4M€)
- Minority interests increase from 9M2017 due to the contribution to net profit from GNL Quintero

Net profit growth stand alone
9M2018/9M2017 +1%

Affiliate business contribution (Global Integration)



Contribution to Net Profit (€Mn)	9M 2017	9M 2018	Var.%
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Brownfield contribution to EBITDA	60.7	73.0	+20.2%
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Greenfield contribution to EBITDA	-4.2	-2.5	+48.0%
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Results from Affiliates (Contribution to EBITDA)	56.5	70.5	+24.0%
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PPA amortization	-18.5	-17.0	+8.1%
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Results from Affiliates (to Net Profit)	38.0	53.5	+40.8%
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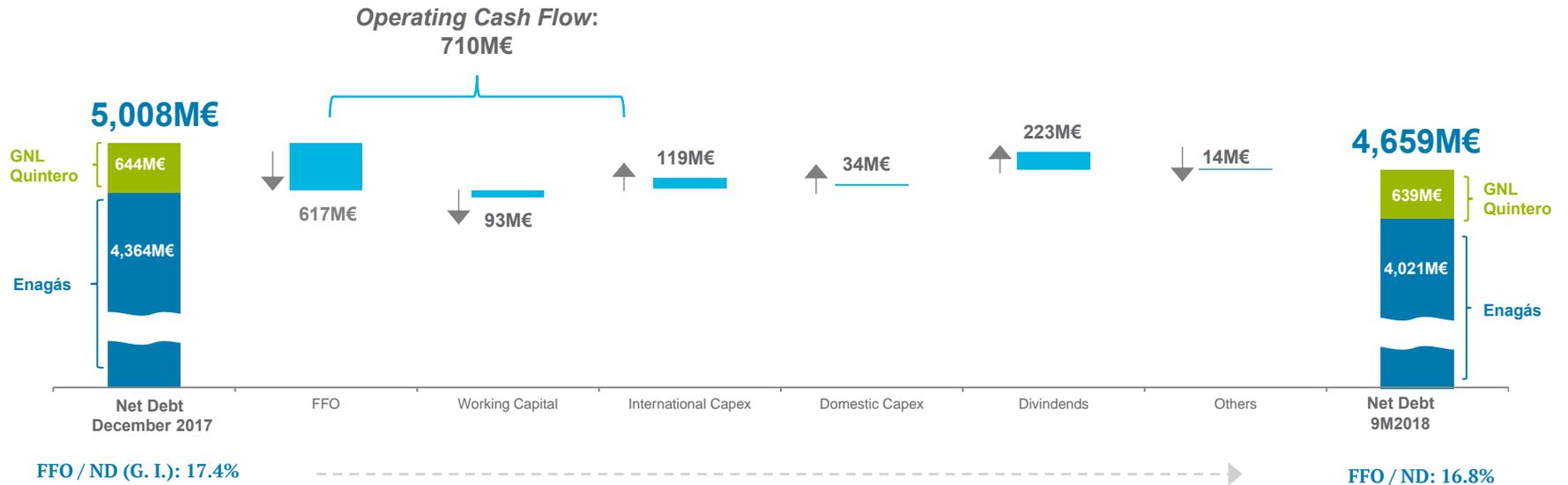
GNL Quintero and Affiliates contribution to Net Profit	12.9%	20.0%
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54.1M€ Dividends from equity affiliates contribution to Global Integration FFO

Dividends from Affiliates in 2018 around 120€M (including GNL Quintero)

9M2018 Net debt evolution

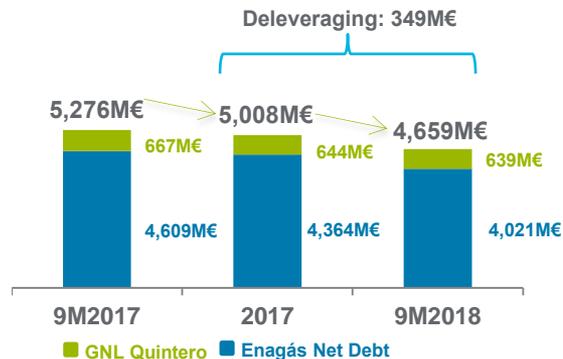


Net debt reduction as of September 30, 2018 ~ 349M€

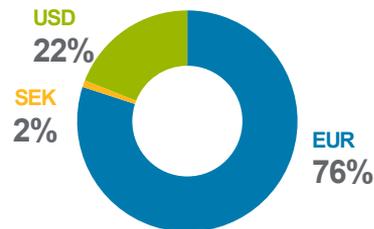
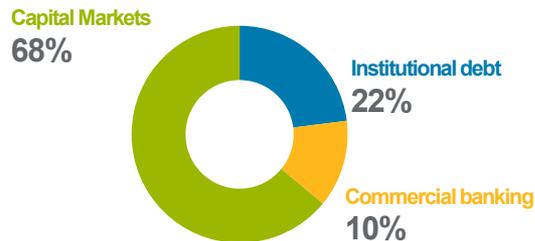
Financial structure



Net Debt (GNL Quintero included)



Types of debt (stand alone)



Fixed-rate debt higher than 80%

Leverage and liquidity

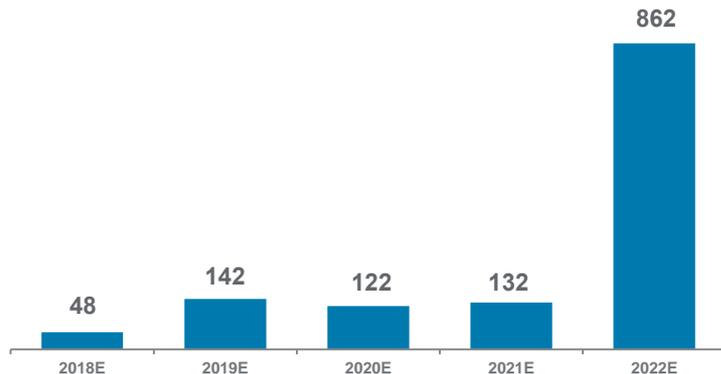
	9M2017	2017	9M2018
Net Debt/Adjusted EBITDA (*) G. Integration	4.8x	4.4x	4.3x
Net Debt/Adjusted EBITDA (*) Stand Alone	4.6x	4.4x	4.0x
FFO/Net Debt G. Integration	16.2%	17.4%	16.8%
FFO/Net Debt Stand Alone	17.1%	17.8%	17.5%
Net cost of debt G. Integration	2.8%	2.7%	2.7%
Net cost of debt Stand Alone	2.3%	2.2%	2.2%
Liquidity G. Integration	2,753M€	2,484M€	2,718M€

(*) EBITDA adjusted for dividends received from affiliates

Financial policy



Enagás debt maturity profile stand alone (€Mn):



Note: Excluding ECP and withdrawn short-term credit facilities.

GNL Quintero Debt (\$Mn)

GNL Quintero Bond

Rating S&P	BBB (Strong Business Risk Profile)
Issue	Bond 144A unsecured without recourse to shareholders
Amount and coupon	1,100M\$ (4.634%)
Maturity	July 2029
Amortization	Half-yearly amortization, beginning in July 2021
GNL Quintero Cash September 30, 2018	367M\$

No significant maturities until 2022

Trans Adriatic Pipeline (TAP)



- ✔ Progress currently exceeds 79%, without any deviations from the schedule.
- ✔ TANAP, the gas pipeline that precedes TAP, is already in operation and currently supplying natural gas to the Turkish Market.
- ✔ All the necessary permits have been obtained in Albania and Greece and constructions are being completed on schedule.
- ✔ Even if there are certain conflicts in Italy, the management team of TAP is negotiating with the Italian Government, obtaining the permits needed to continue working on the area.
- ✔ As of September 30, 2018, Enagás had invested €552 million in the TAP project.
- ✔ Enagás' final investment in TAP will be approximately €270 million..
- ✔ EBRD (500M€) and EIB (1,500M€) have approved the financing of the Project, whose financial closure is expected to be reached in 2018.

Gasoducto Sur Peruano (GSP)



- ✔ On the 2nd July last, published as a relevant fact, Enagas has filed to the ICSID a request for arbitration against the Republic of Peru before the ICSID, regarding a dispute involving its investment in GSP, under the terms of the Agreement for the Promotion and Reciprocal Protection of Investments signed between the Republic of Peru and the Kingdom of Spain ("APPRI Peru-Spain").
- ✔ The ICSID has admitted the beginning for arbitration and timing and procedures established are progressing as expected.
- ✔ The Company is still confident that an agreement will be reached to end the arbitration started and to this purpose, it remains at the disposal of the Republic of Peru to enter the necessary negotiations to reach an amicable solution.
- ✔ Based on expert reports and analyses performed by its legal and financial external advisors, the Company currently believes it would recover its investment in GSP within an estimated period of 3 years.

Swedegas



Enagás and Fluxys has announced last September 3rd the reach of an agreement to sell jointly the total stake in the Swedegas Transmission System Operator Swedegas to First State Investment, owner of the gas distribution network in Sweden.



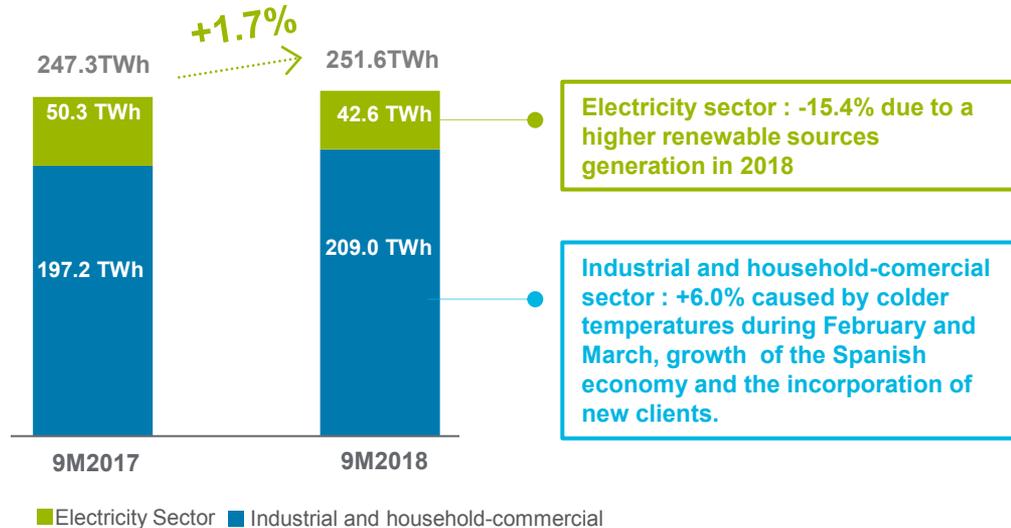
- ✔ The agreement involves a 100% of valuation of the Swedish TSO in 2,048 million kronas (SEK).
- ✔ The deal is subject to compliance with the conditions precedent for this type of deals.
- ✔ The sale of Swedegas would represent a return for Enagás, in terms of IRR after tax, of above 10%.
- ✔ This return is not subject to the evolution of the Swedish euro-krona exchange rate given that Enagás financed 100% of the investment in the local currency.
- ✔ Last September 21, the buyer presented the requirement for approval to *Konkurrensverket*, the Swedish competition authority.
- ✔ The closing of the transaction would imply the entry of ~ 96 million euros.

The transaction fits within the strategy announced by Enagás, which considers the possibility of rotation of some assets outside Spain, in order to undertake potential new investments

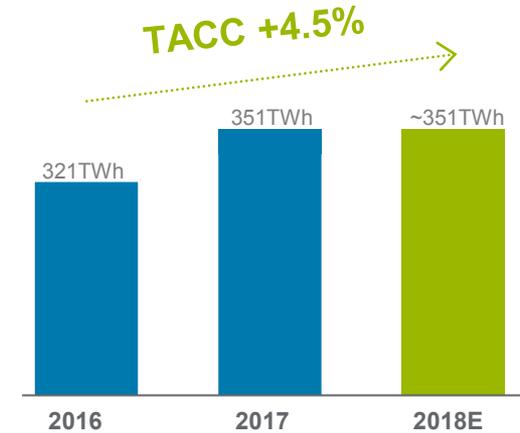
Natural Gas Demand

Gas demand for the industry represents around 60% of the total natural gas demand in Spain
At present, this energy is irreplaceable for its power (high calorific value) and versatility.

9M2018 natural gas demand trend



Natural gas demand growth



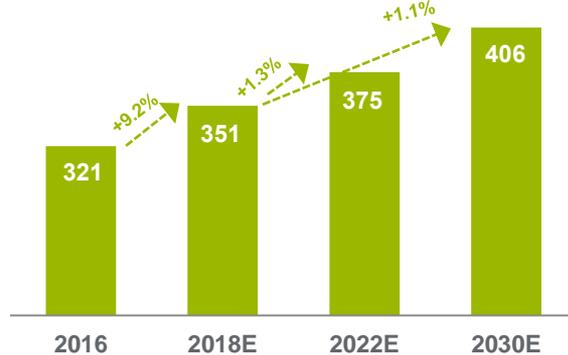
Source : Enagás GTS

LNG cisterns included in the industrial demand

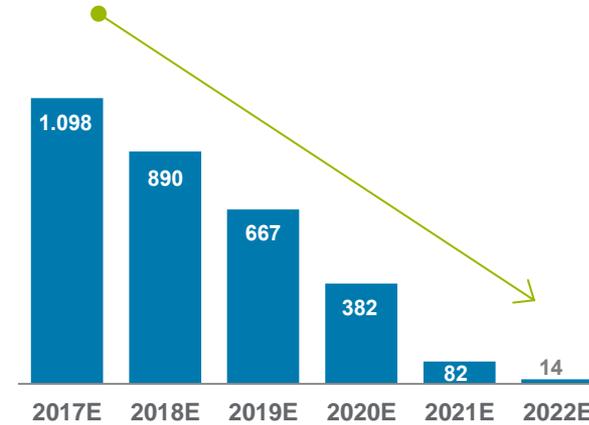
Gas System Balance

Since 2014, natural gas demand in Spain is growing above 5% in annual terms.

Gas demand evolution (TWh)



System debt recovery (M€)



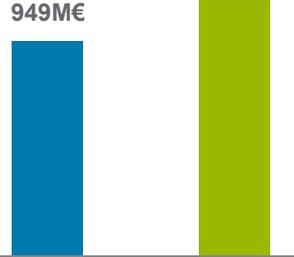
From 2018 onwards, the System will have a net annual surplus that allows to pay the outstanding debt earlier than expected

2018 Targets



EBITDA growth

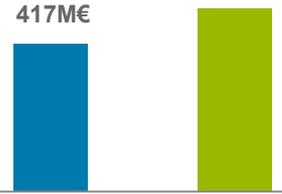
CAGR +6.3%



EBITDA 2016* EBITDA 2018E

Net profit growth in line with 2016-2020 target

CAGR +3%

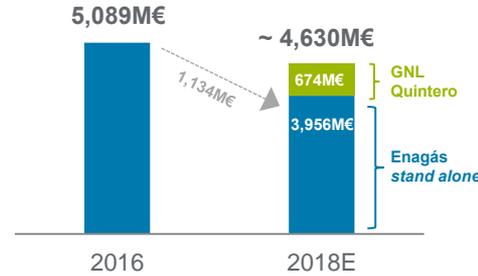


NP 2016 NP 2018E

Net profit Growth stand alone
2017/2018 +1%

Net Debt Reduction

459M€



FFO/ND: 15%

FFO/ND: ~ 18.2%

Dividend growth per share +5% 2016-2020 CAGR

CAGR +5%



DIV 2016

DIV 2018E

Sustainable net profit growth, reduction in the debt levels from the expected cash flow generation and strong commitment to the communicated dividend policy until 2020

Note: GNL Quintero contribution by Global Integration since 01/01/2017

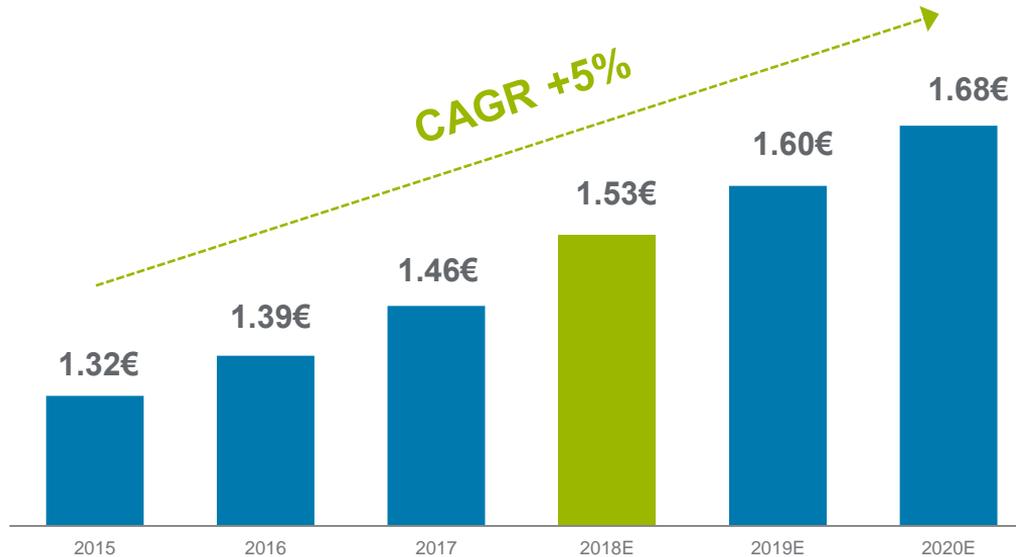
Note: 1€ = 1.13USD

(*) 2016 EBITDA adjusted by the new reporting criteria, including the contribution of affiliates in the operating profit.

Shareholder remuneration



The company's financial strength guarantees our dividend growth commitment +5% CAGR 2016-2020



Sustainability – Dow Jones Sustainability Index 2018



The results obtained in the last evaluation of the *Dow Jones Sustainability Index World (DJSI)*, the world reference sustainability index, implies the recognition for the *Company's strong commitment to sustainability* as one of the five Strategic Update 2017-2020 drivers.



The *DJSI* has selected 2,500 companies and has chosen the 320 most sustainable to be part of the index. Only 14 of them are from Spain.



For the eleventh year consecutive, Enagás has managed to be in the index, reaching the *Oil & Gas Storage & Transportation* world leader position with 86 points over 100.

Enagás is *leader in 11 of the 19 areas under consideration*:

ENAGAS LEADERSHIP DIMENSIONS



Risk and crisis management

Climate change strategy*

Environmental report*

Environmental policy and management*

Eco-efficiency

Human rights

Human capital development

Attraction and retention of talent

Philanthropy and social action

Health and security

Social impact in communities



Social
Dimension



Government
Dimension



Environmental
Dimension

(*) Dimensions with highest score (100)

Gas for Climate

The Gas for Climate Consortium, which includes Enagás, presented an action plan to boost the use of renewable gas in European gas infrastructures



- ✔ Set ambitious targets for renewable gas consumption by 2030
- ✔ Develop **harmonised legislation** with incentives for investing in **renewable gas**
- ✔ Foster actions that will **accelerate the reduction of costs for producing** renewable gas
- ✔ **Recognise the value** that renewable gas and existing gas infrastructures bring to the energy system
- ✔ Promote the **exchange of renewable gas** between countries

Commitment to the energy transition and decarbonisation of the gas network in Europe

Contribution to energy transition and decarbonisation



Gas system infrastructures are ready to carry renewable gas without any need for further investments



Enagás and Repsol agree to develop a technology to produce renewable hydrogen from solar energy

- ✓ Renewable hydrogen production will lower the carbon footprint by over 90% compared with other conventional gas production processes.
- ✓ Both companies may incorporate this renewable gas in their respective businesses in the medium term.



Enagás and Ferrovial have signed an agreement to jointly bolster biogas projects

- ✓ The biogas generated in the wastewater and solid waste treatment plants run by Ferrovial will be purified and converted into biomethane through technological process known as upgrading.
- ✓ This biomethane can be directly injected into pipelines in the gas network, consumed by industrial customers and even used as a sustainable alternative fuel for vehicles.

Enagás is committed to developing non-electrical renewable energies as new key energy solutions for decarbonisation

Conclusions



- ✓ 9M results are in line with the targets set for the period and the year 2018
- ✓ 9M2018 contribution to net profit from equity affiliates and GNL Quintero up to 20.0%, higher than the 12.9% reached on September 30, 2017
- ✓ Solid cash flow generation and continuity of deleveraging of the company
- ✓ Fixed net debt above 80%, with no significant debt maturities until 2022
- ✓ The sale of Swedegas would represent a return for Enagás, in terms of IRR after tax, of above 10%
- ✓ Until September 30, 2018 natural gas demand growth was +1.7%
- ✓ From 2018 onwards, the gas system will generate an accumulated operating surplus. Therefore, no additional debt will be generated and the debt will be paid year by year
- ✓ Enagás, “Oil & Gas Storage & Transportation” world leader in the last Dow Jones Sustainability Index (DJSI)
- ✓ Strong commitment to decarbonisation and energy transition objectives

Sustainability



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



Enagás has renovated its presence for the eleventh year consecutive in the **Dow Jones Sustainability Index (DJSI)**, being world leader in the Oil & Gas Storage & Transportation sector.



The Company has been reconfirmed as a constituent of the **Ethibel Sustainability Index (ESI) Excellence Europe**.



Enagás was positioned the **11th of 100 Best Companies to work for**, being the first of the Energy sector and published in “Actualidad Económica”.



Enagás was positioned as one of the TOP 10 from the Ibx 35 in the EcoAct for its environmental and climate change report.



2017 Enagás Annual Report was included in the best 25 according to **Reportwatch** thanks to its sustainability and digital versión.



Enagás was included among the **200 leading global companies** in promoting **gender equality** in the workplace, being the first Spanish Company in the ranking **Equileap**.



Enagás renewed the **European Seal of Excellence 500+ EFQM**, overcoming 600 EFQM points.

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