

# 1Q2018 Results

24<sup>th</sup> April 2018



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## **Conference-call/Webcast:**

April 24<sup>th</sup>, 2018. 09.00 CET

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## Highlights

- ⌘ **The results obtained in the first quarter of 2018 are in line to achieve the targets for the year.**
- ⌘ The **Net profit** as of 31 March 2018 was **103.9 million euros**, which is a **growth of +1%** without including the accounting effect derived from the revaluation of GNL Quintero in 1Q 2017.
- ⌘ The **OCF (Operating Cash Flow)**, accumulated as of 31 March 2018, was **190.7 million euros**. This figure is slightly lower than that obtained in the first quarter of 2017 due to the effect of scheduling the TGP dividend that will be collected in the second quarter of 2018. This effect has been partially offset by the higher EBITDA contribution and a lower payment of interests for the period.
- ⌘ **Net investments as of 31 March 2018 were 42.4 million euros**. The largest investment is 35.2 million euros in TAP. Investment in Spain amounted to 5.9 million euros.
- ⌘ On 19 April, **the European consortium formed by Snam (60%), Enagás (20%) and Fluxys (20%), was selected by the Greek Privatisation Agency (Taiped) as "preferred investor" for the purchase of 66% of the shares of DESFA**, the operator of the natural gas transport network in Greece. The consortium submitted a bid of 535 million euros to acquire 66% of DESFA and negotiations are now under way with a group of Greek and international banks to obtain non-recourse financing for the shareholders. If negotiations with the banks are successful, Enagás expects that this financing will reach around 60% of the cost of its investment.
- ⌘ The Company's **net financial debt** as of 31 March 2018 is **4,791 million euros**, which represents a **reduction of 217 million euros** compared to the 5,008 billion recorded at the end of 2017. This amount includes 634 million euros associated with the net debt accounted for in GNL Quintero as of 31 March 2018.
- ⌘ The **stand-alone net cost of debt** at the end of the first quarter of 2018 stands at **2.1%**. **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 has improved** with respect to the 16% recorded in the first quarter of 2017 and as of 31 March 2018, stands at **18.1%**.
- ⌘ The **demand for natural gas** from the national market reached 101,577 GWh, **+5.2%** more than that on 31 March 2017.
- ⌘ Enagás maintains leadership in the main sustainability indexes in the first quarter of the year. Enagás has received the RobecoSam Gold Class rating as the world leader in its sector in the latest evaluation of the Dow Jones Sustainability Index (DJSI) and has been reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe.
- ⌘ The General Shareholders' Meeting held on 22 March 2018 approved the payment of a complementary dividend of 0.876 euros gross per share charged to 2017, which will be paid on 5 July.

## Main highlights

### Income Statement

<b>Jan-Mar (€ mn)</b>	<b>1Q2017 Global Int.</b>	<b>1Q2018 Global Int.</b>	<b>Var % 1Q18-17 Global Int.</b>
Total income	342.6	342.2	-0.1%
EBITDA	265.1	274.3	+3.5%
EBIT	177.6	172.4	-3.0%
Net profit	156.3	103.9	-33.5%

### Balance sheet and leverage ratios

	<b>Global Int. Dec 17</b>	<b>Stand Alone Mar 18</b>	<b>Global Int. Mar 18</b>
Net Debt (€ mn)	5,008	4,157	4,791
Net Debt / EBITDA <sup>(1)</sup>	4.4 x	4.2x	4.3x
FFO / Net Debt	17.4%	18.1%	17.6%
Net cost of debt	2.7%	2.1%	2.7%

(1) EBITDA adjusted for dividends obtained from affiliates

### Cash flow and investments

<b>Jan-Mar (€ mn)</b>	<b>1Q2017 Global Int.</b>	<b>1Q2018 Global Int.</b>	<b>% Var 1Q18-17 Global Int.</b>
Funds From Operations	238.2	207.5	-12.9%
Dividends received from affiliates <sup>(2)</sup>	29.1	10.2	-65.1%
Investments	264.1	42.4	-83.9%

(2) Includes subordinated net interest charged to affiliates

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)	1Q2017 Global Int.	1Q2018 Global Int.	% Var 2017/2018
Income from regulated activities	278.7	269.6	-3.3%
Other operating income	63.9	72.6	+13.6%
<b>Total income</b>	<b>342.6</b>	<b>342.2</b>	<b>-0.1%</b>
Personnel expenses	-32.8	-31.8	-3.0%
Other operating expenses	-68.0	-61.7	-9.4%
<b>Operating expenses</b>	<b>-100.8</b>	<b>-93.4</b>	<b>-7.3%</b>
Results from affiliates	23.3	25.5	+9.7%
<b>EBITDA</b>	<b>265.1</b>	<b>274.3</b>	<b>+3.5%</b>
Amortisation and depreciation	-81.1	-96.3	+18.7%
PPA	-6.3	-5.7	-9.5%
<b>EBIT</b>	<b>177.6</b>	<b>172.4</b>	<b>-3.0%</b>
<b>Financial result</b>	<b>12.7</b>	<b>-33.6</b>	<b>+363.8%</b>
Corporate income tax	-31.8	-30.1	-5.4%
Minority interests	-2.3	-4.9	114.0%
<b>Net profit</b>	<b>156.3</b>	<b>103.9</b>	<b>-33.5%</b>

### Operating income

**Total revenues as of 31 March 2018 are 342.2 million euros, practically in line** with that obtained in the same period of 2017, since the lower contribution of regulated revenue has been offset with a higher non-recurring billing of unregulated income.

## Operating expenses

**Operating expenses at the end of the first quarter of 2018** was 93.4 million euros, lower than the -100.8 million euros recorded in the same period of the previous year, which represents a **decrease of -7.3%**. 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 quarter of 2017.

## EBITDA

**EBITDA as of 31 March 2018 was 274.3 million euros**, higher than the 265.1 million euros obtained in the first quarter of 2017, which represents an increase of **+3.5%**.

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

In the first quarter of 2018, contribution from affiliates was 25.5 million euros, higher than the 23.3 million euros obtained in the first quarter of 2017, which represents an increase of +9.7%.

Results from affiliates (€ mn)	1Q2017	1Q2018	Var.
Brownfield contribution to EBITDA	23.7	26.3	+10.8%
Greenfield contribution to EBITDA	-0.4	-0.7	-66.1%
<b>Contribution to EBITDA from affiliates</b>	<b>23.3</b>	<b>25.5</b>	<b>+9.7%</b>
PPA depreciation	-6.3	-5.7	-9.5%
<b>Contribution to net profit</b>	<b>17.0</b>	<b>19.9</b>	<b>16.8%</b>
Contribution to net profit (%)	10.9%	19.1%	

## Amortization of fixed assets

Provisions for depreciation of fixed assets have increased by +18.7% to **96.3 million euros**, higher than the 81.1 million euros provided in the first quarter of 2017. The "depreciation" section includes the effect of the valuation of certain assets that have been reclassified as "non-current assets held for sale".

As a result, **EBIT** as of 31 March 2018 was **172.4 million euros**, **-3.0%** lower than in the first quarter of 2017.

## Financial result

The **financial result** obtained at the end of the first quarter of 2018 recorded a **negative balance of 33.6 million euros**, compared to the positive financial result recorded in the first quarter of 2017 of 12.7 million euros.

The result of the first quarter of 2017 included the accounting effects derived from the consolidation of GNL Quintero for 52.4 million euros.

Excluding this effect, the financial result would have improved by 15.4% due to the lower volume of debt and the improvement in the average net cost of debt of 2.7% (2.1% stand alone) registered in the first quarter of 2018 to 2.8% (2.3% stand alone) in 2017.

## Net profit

**Net profit as of 31 March 2018 was 103.9 million euros**, lower than that obtained in the first quarter 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.

## Cash flow and balance sheet

### Consolidated cash flow statement

€ mn	1Q2017	1Q2018
(unaudited figures)	GI	GI
<b>EBITDA</b>	<b>265.1</b>	<b>274.3</b>
Results from affiliates	-23.3	-25.5
Tax	0.3	-0.2
Interest	-50.8	-42.6
Dividends received from affiliates	29.1	10.2
Adjustments	17.8	-8.7
<b>FUNDS FROM OPERATIONS (FFO)</b>	<b>238.2</b>	<b>207.5</b>
<b>Changes in working capital</b>	<b>-12.9</b>	<b>-16.8</b>
<b>OPERATING CASH FLOW (OCF)</b>	<b>225.3</b>	<b>190.7</b>
<b>Investment</b>	<b>-264.1</b>	<b>-42.4</b>
International business	-256.7	-36.5
Business in Spain	-7.4	-5.9
<b>FREE CASH FLOW (FCF)</b>	<b>-38.7</b>	<b>148.3</b>
Dividends paid	0.0	0.0
Exchange rate effect	0.0	-8.1
<b>DISCRETIONAL CASH FLOW (DCF)</b>	<b>-38.7</b>	<b>140.2</b>
<b>Financing flows</b>	<b>-12.9</b>	<b>-45.8</b>
Maturity of long-term debt	-241.2	-39.2
Long-term debt issues	0.0	0.0
Issue/maturity of CREDIT POLICY	201.3	-6.6
<b>Proceeds from/(payments for) equity instruments</b>	<b>0.0</b>	<b>0.0</b>
<b>Effect of changes in the consolidation method</b>	<b>243.1</b>	<b>0.0</b>
<b>NET CASH FLOWS</b>	<b>191.4</b>	<b>94.4</b>
<b>Cash and cash equivalents at start of period</b>	<b>785.5</b>	<b>627.9</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>976.9</b>	<b>722.3</b>

## Balance sheet

<b>ASSETS</b>	<b>Global Int. Dec. 2017</b>	<b>Global Int. Mar. 2018</b>
<b>Total non-current assets</b>	<b>8,428.9</b>	<b>8,307.5</b>
Intangible assets	929.9	894.5
<i>Goodwill</i>	181.7	175.2
<i>Other intangible assets</i>	748.2	719.4
Investment property	19.6	19.6
Property, plant and equipment	5,501.4	5,371.6
Equity-accounted investments	1,022.1	1,012.2
Other non-current financial assets	936.0	987.4
Deferred tax assets	20.0	22.2
<b>Current assets</b>	<b>1,143.8</b>	<b>1,220.9</b>
Non-current assets held for sale	0.0	26.1
Inventory	23.8	24.3
Trade and other receivables	478.9	439.8
Other current financial assets	6.7	3.9
Other current assets	6.5	4.5
Cash and cash equivalents	627.9	722.3
<b>TOTAL</b>	<b>9,572.6</b>	<b>9,528.4</b>
<b>LIABILITIES</b>		
<b>Equity</b>	<b>2,941.3</b>	<b>2,824.7</b>
Shareholders' equity	2,585.6	2,482.8
Subscribed share capital	358.1	358.1
Reserves	1,880.0	2,024.3
Treasury shares	-8.2	-8.2
Profit for the period	490.8	103.8
Interim dividend	-139.2	0.0
Other equity instruments	4.2	4.7
Valuation adjustments	-13.3	-11.9
Non-controlling interests (external owners)	369.0	353.8
<b>Non-current liabilities</b>	<b>6,174.7</b>	<b>6,074.6</b>
Non-current provisions	178.4	179.7
Non-current financial liabilities	5,468.8	5,342.0
<i>Bank borrowings</i>	1,429.2	1,368.6
<i>Bonds and other marketable securities</i>	4,000.7	3,955.9
<i>Non-current payables to fixed asset suppliers</i>	0.0	0.0
<i>Derivatives</i>	32.8	11.5
<i>Other financial liabilities</i>	6.0	5.9
Borrowings from related companies	0.0	0.0
Deferred tax liabilities	485.2	476.0
Other non-current liabilities	42.3	76.8
<b>Current liabilities</b>	<b>456.6</b>	<b>629.2</b>
Current financial liabilities	230.0	426.4
<i>Bank borrowings</i>	152.9	153.4
<i>Bonds and other marketable securities</i>	49.9	37.5
<i>Derivatives</i>	13.0	12.4
<i>Other financial liabilities</i>	14.2	223.0
Trade and other payables	226.6	202.9
<b>TOTAL</b>	<b>9,572.6</b>	<b>9,528.4</b>

## Funds from Operations

**FFO (Funds from Operations)** as of 31 March 2018 was 207.5 million euros. This figure is -12.9% lower than in the same period of 2017 due to the effect of the calendarization of the dividends collected in TGP, which has been partially offset by a higher EBITDA contribution and lower interest payments.

## Investments

**Net investments at the end of the first quarter of 2018** were **42.4 million euros**. Of this, **5.9 million euros relates to investments in Spain and 36.5 million euros to net investments outside Spain**. In international investments, the investment in TAP (Trans Adriatic Pipeline) stands at 35.2 million euros.

On 19 April, the European consortium formed by Snam, Enagás and Fluxys, which are also partners in the TAP project, was selected by the Greek Privatisation Agency (Taiped) as "preferred investor" for the purchase of 66% of the shares of DESFA, the operator of the natural gas transport network in Greece. The transaction is expected to be completed in the second half of the year, once all the approvals have been obtained from the competition authorities and is an investment of around 45 million euros for Enagás.

## Net Debt

At the end of the first quarter of the year, **stand-alone net debt stood at 4,157 million euros**, compared to the 4,364 million reported at the end of 2017.

If we include the net debt of GNL Quintero, 634 million euros, the consolidated net debt was 4,791 million euros at the end of the first quarter of 2018, lower than the 5,008 million euros recorded as of 31 December 2017 and which represents a reduction of 217 million euros.

The debt ratio of **Net Debt/EBITDA** adjusted by the dividends of our subsidiaries at the end of the **first quarter of 2018 is 4.3x, lower than the 5.5x recorded in the first quarter of 2017**.

The **FFO/Net Debt** ratio recorded in the first quarter of 2018 was 17.6%, higher than the 14.2% recorded in the first quarter of 2017.

As of 31 March 2018, 23% is institutional debt, 67% was issued on the capital markets and the remaining 10% is commercial banking. 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 2017 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 quarter of 2018 grew by + 5.2% compared to 2017, reaching 101.6 TWh.

The industrial demand of natural gas, which represented about 60% of the total demand in the first quarter of 2018, has registered an increase of 3.8% compared to the first quarter of 2017, which highlights the positive performance of the Spanish economy.

The demand for natural gas for power generation has decreased -2.9% 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 quarter 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](http://www.cnmv.es)) in the Relevant Facts section. As well as on the company's website ([www.enagas.es](http://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 &amp; Gas Storage &amp; 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 2016 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 index in 2017.</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 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 also have 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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