

1Q2022 Results

26th April 2022



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Conference-call/Webcast:

April 26th, 2022. 09.00 CET

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Highlights

First Quarter 2022 Results

- :: **Net Income** at 31 March 2022 reached **69.3 million euros**, in line with expectations for the first quarter of the year and to reach the target set for 2022 of exceeding 430 million euros, once the capital gains that could be derived from the asset rotation process carried out by the company in recent months are included.
- :: The **asset rotation process, pending authorisations and final closures**, includes:
 - Agreement for the **sale** of a **50%** interest in the **Morelos Pipeline** which will generate a capital gain of ~€32M.
 - **Agreement for the entry of the "Clean H2 Infra Fund"**, managed by Hy24 (an investment platform owned by Ardian and Five T Hydrogen), **into Enagás Renovable S.L.U.'s (EGR) shareholding structure, as a financial partner with an initial stake of 30%**. (EGR), as a financial partner with an initial stake of 30%. The transaction will generate a net capital gain of ~€46.9 million.
 - On 28 March 2022, the **sale** agreement of the **45.4% stake in GNL Quintero** was announced. This transaction will result in a cash inflow of ~€565M (*), it will generate net capital gains of ~€122M (*) and will have an impact on net profit of ~€97M (*), after the stake is deconsolidated.

If the potential capital gains derived from this rotation process would be not included, **the objective of Profit after taxes is to reach 360 million euros**.

- :: The **results from affiliates as at 31 March 2022 amounts to 44.2 million euros** (48.8 million euros in March 2021), giving a **contribution to the net profit of 42.9% in the first quarter of 2022**.
- :: **Operating cash flow (OCF)** at 31 March 2022 was **225.6 million euros, +16.6% higher** to that obtained in the same period of 2021.

The **increase in OCF** is explained, among other effects, by the **dividends received from investees, which at 31 March 2022 amounted to €49.2m** (vs €28.9m in Q1 2021). The variation corresponds to the payment of the TGP dividend in advance (+22.9 million euros) and 6.5 million euros of the 2021 dividend from Altamira that has been collected in the first quarter of 2022.

- :: **Net Debt** at the end of the first quarter of 2022 amounted to **4,143 million euros**, with a financial cost of debt of 1.6%. The **FFO/DN ratio at 31 March 2022 stood at 16.8%**.
- :: The Company has a **solid liquidity situation**, which at the end of the first quarter amounted to **3,536 million euros** between cash and undrawn lines of credit.

* Note: €1=USD 1.12

- ⚡ **Natural gas demand** shows a **positive increase of +11.5%** at 31 March 2022 compared to the same period of the previous year. This is mainly due to the increase in demand for electricity generation (+118.1% vs the same period in 2021).
- ⚡ The General Meeting of Shareholders held on 31 March 2022 approved all the proposals on the agenda, including the payment of a dividend of **1.70 euros gross per share**, which represents an **increase of 1% per annum**, in line with the company's strategy. This entails the payment of a final dividend of 1.02 euros gross per share for the 2021 financial year, which will be paid on 7 July.
- ⚡ Enagás maintains its leadership in the main sustainability indices, notably the **Dow Jones Sustainability Index World**, in which it has obtained the **Bronze Class** classification in the Gas Utilities sector, and inclusion in the **A List 2021 of CDP Climate Change**. In addition, it has achieved the highest ESG rating in its sector in the **FTSE4Good** sustainability index and remains in **Bloomberg's Gender Equality Index**.

Main highlights

Income Statement

January - March (millions of €)	Q1 2021	Q1 2022	Var.21-22
Total income	240.6	233.9	-2.8%
EBITDA	216.1	185.8	-14.0%
EBIT	140.1	104.9	-25.1%
Net income	92.9	69.3	-25.4%

Balance sheet and leverage ratios

	Dec-2021	Mar-2022
Net Debt (millions of €)	4,277	4,143
Net Debt / EBITDA ⁽¹⁾	5.1x	5.0x
FFO/Net Debt	16.4%	16.8%
Financial cost of debt	1.7%	1.6%

(1) EBITDA adjusted for dividends obtained from affiliates

Cash flow and investments

January - March (millions of €)	Q1 2021	Q1 2022	Var. 21-22
Funds From Operations	187.1	181.9	-2.8%
Dividends received from affiliates	28.9	49.2	70.1%
Net investment	-15.1	-36.5	142.3%

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)	Q1 2021	Q1 2022	Var.21-22
Income from regulated activity	232.4	230.4	-0.9%
Other operating income	8.2	3.5	-57.5%
Total revenue	240.6	233.9	-2.8%
Personnel expenses	-31.8	-35.8	12.5%
Other operating expenses	-41.4	-56.4	36.3%
Operating Expenses	-73.3	-92.3	26.0%
Results from Affiliates	48.8	44.2	-9.5%
EBITDA	216.1	185.8	-14.0%
Amortisation and depreciation	-62.6	-66.4	6.1%
PPA	-13.4	-14.4	7.4%
EBIT	140.1	104.9	-25.1%
Financial results	-25.8	-22.9	-11.3%
Corporate income tax	-21.2	-12.6	-40.7%
Profit attributed to non-controlling interests	-0.2	-0.2	-32.3%
Net income	92.9	69.3	-25.4%

Operating income

Regulated revenues at 31 March amounted to 230.4 million euros, -0.9% compared to the same date last year.

Firstly, **regulated revenues are reduced** due to the implementation of the 2021-2026 regulatory framework.

However, the regulatory impact has been partially offset by the remuneration of audited electricity expenses, CO2 allowance purchases and others.

The **Other Income accounted to 3.5 million euros.**

Operating expenses

Operating expenses at the end of the first quarter of 2022 reached -€92.3 million, **26.0% higher than the accumulated amount in the same period the previous year.**

Personnel expenses increased by +12.5% to 35.8 million euros. This figure includes a non-recurring amount of 1.6 million euros and other timing effects.

In addition, the other operating expenses line, as mentioned in the Operating income heading, includes the increase in expenses associated with electricity, purchases of CO2 rights and others for 11.2 million euros.

Results from affiliates

The results from affiliates as at 31 March 2022 amounts to 44.2 million euros (48.8 million euros in March 2021), giving a contribution to the net profit of 42.9% in the first quarter of 2022.

In the first quarter of 2021, Tallgrass' contribution included a non-recurring result of 9 million euros mainly due to the extreme cold snap in February, with a positive impact on Tallgrass' infrastructure contracting.

EBITDA

EBITDA at 31 March 2022 reached **185.8 million euros, 14.0% lower** than that obtained on the same date of the 2021 financial year.

Amortisation of fixed assets

Amortisation of fixed assets has increased by 6.1% compared to the same period the previous year.

The PPA amortisation line (*purchase price allocation*) is in line with 2021.

Thus, **EBIT** at 31 March 2022 was **104.9 million euros, -25.1% less** than that recorded in the same period of 2021.

Financial Results

The financial result obtained at 31 March 2022 recorded a negative balance of **-22.9 million euros**, compared to -25.8 million euros recorded at the end of the first quarter of 2021. The financial cost of debt at 31 March 2022 stood at 1.6%, compared to 1.8% in the first quarter of 2021.

Net income

Net Income at 31 March 2022 reached **69.3 million euros**, in line with expectations for the first quarter of the year and to reach the target set for 2022 of exceeding 430 million euros, once the capital gains that could be derived from the asset rotation process carried out by the company in recent months are included.

The **asset rotation process, pending authorisations and final closures**, includes:

- Agreement for the **sale** of a **50%** interest in the **Morelos Pipeline** which will generate a capital gain of ~€32M.
- **Agreement for the entry of the "Clean H2 Infra Fund"**, managed by Hy24 (an investment platform owned by Ardian and Five T Hydrogen), **into Enagás Renovable S.L.U.'s (EGR) shareholding structure**, as a financial partner with an initial stake of 30%. The transaction will generate a net capital gain of ~€46.9 million.
- On 28 March 2022, the **sale** agreement of the **45.4% stake in GNL Quintero** was announced. This transaction will result in a cash inflow of ~€565M^(*), it will generate net capital gains of ~€122M^(*) and will have an impact on net profit of ~€97M^(*) after the stake is deconsolidated.

Excluding the potential capital gains from this rotation process, **the target net income is 360 million euros.**

* Note: €1=USD 1.12

Cash Flow and Balance Sheet

Consolidated cash flow statement

Millions of euros (unaudited figures)	Q1 2021	Q1 2022
EBITDA	216.1	185.8
Results from affiliates	-48.8	-44.2
Tax	10.7	12.3
Interest	-19.7	-20.0
Dividends received from affiliates	28.9	49.2
Adjustments	-0.2	-1.2
FUNDS FROM OPERATIONS (FFO)	187.1	181.9
Changes in working capital	6.5	43.7
OPERATING CASH FLOW (OCF)	193.5	225.6
Net investment	-15.1	-36.5
International business	-0.3	0.0
Business in Spain	-14.8	-36.5
FREE CASH FLOW (FCF)	178.5	189.1
Dividends paid	0.0	0.0
Exchange rate effect	0.9	0.6
DISCRETIONAL CASH FLOW (DCF)	179.3	189.7
Financing flows	-47.6	-64.0
Maturity of long-term debt	-69.8	-53.7
Debt issues	0.1	0.0
Issue/maturity of policies and ECPs	22.1	-10.3
Capital increase	0.0	0.0
Proceeds from/(payments for) equity instruments	0.0	0.0
Effect of changes in the consolidation method	0.0	0.0
NET CASH FLOWS	131.7	125.7
Cash and cash equivalents at start of period	863.7	1,444.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	995.4	1,569.9

Balance sheet

ASSETS	Dec 2021	Mar. 2022
Total non-current assets	7,957.5	7,637.5
Intangible assets	86.6	81.3
<i>Goodwill</i>	23.2	23.2
<i>Other intangible assets</i>	63.4	58.1
Investment property	18.7	18.7
Property, plant and equipment	4,428.6	4,386.8
Equity-accounted investments	2,789.7	2,495.6
Other non-current financial assets	632.6	653.4
Deferred tax assets	1.3	1.7
Current assets	1,916.3	2,310.8
Total non-current assets held for sale	29.7	403.6
Inventory	26.4	30.7
Trade debtors and other short-term debts	395.1	292.8
Short-term financial investment	13.5	1.2
Other current assets	7.6	12.5
Cash and cash equivalents	1,444.2	1,569.9
TOTAL ASSETS	9,873.7	9,948.3
<u>EQUITY AND LIABILITIES</u>		
Equity	3,101.7	2,959.0
Total equity	3,158.4	2,959.6
Subscribed share capital	393.0	393.0
Share premium	465.1	465.1
Reserves	2,080.2	2,038.8
Treasury shares	-12.5	-12.5
Profit for the period	403.8	69.3
Interim dividend	-177.8	0.0
Other equity instruments	6.5	5.8
Valuation adjustments	-73.0	-17.0
Non-controlling interests (external owners)	16.2	16.4
Non-current liabilities	5,299.8	4,540.7
Non-current provisions	292.4	290.6
Non-current financial liabilities	4,808.9	4,053.1
<i>Bank borrowings</i>	1,664.8	1,295.8
<i>Bonds and other marketable securities</i>	2,700.0	2,304.5
<i>Non-current payables to fixed asset suppliers</i>	0.4	0.3
<i>Derivatives</i>	2.2	3.2
<i>Other long-term loans</i>	441.5	449.3
Deferred tax liabilities	160.3	159.5
Other non-current liabilities	38.2	37.5
Current liabilities	1,472.2	2,448.7
Current provisions	0.7	0.3
Current financial liabilities	1,056.1	2,064.6
<i>Bank borrowings</i>	113.1	460.5
<i>Bonds and other marketable securities</i>	781.8	1,181.9
<i>Derivatives</i>	86.1	95.7
<i>Other long-term loans</i>	75.2	326.5
Trade and other payables	415.4	383.7
TOTAL LIABILITIES	9,873.7	9,948.3

Operating cash flow

Operating cash flow (OCF) at 31 March 2022 was 225.6 million euros, 16.6% higher than that obtained in the first half of 2021. This increase is explained, among other effects, by a higher volume of dividends received from affiliates, which at 31 March 2022 amounted to 49.2 million euros. The variation corresponds to the payment of the TGP dividend in advance (+22.9 million euros) and 6.5 million euros of the 2021 dividend from Altamira that has been collected in the first quarter of 2022.

In addition, working capital (43.7 million euros) has improved mainly as a result of the collection in January and February of part of the December 2021 billing.

Investments

Net investment at the end of the first quarter of 2022 amounted to **36.5 million euros**, and exclusively includes investment in the national business. This amount includes 13.6 million euros earmarked for the Power to Green Mallorca project, inaugurated last March.

Net Debt

Strong free cash generation during the first quarter of 2022 (189.1 million euros), helped reduce net debt to 4,143 million euros, compared to 4,277 million euros at 31 December 2021.

In the change in net debt, exchange rate and other effects amounting to 55.1 million euros have to be taken into account.

FFO/ND at the close of the first quarter 2022 was 16.8%, while the Net Debt/EBITDA ratio adjusted for dividends received from affiliates increased to 5.0x.

The debt type at 31 March 2022 was as follows: 9% is institutional debt, 61% was issued in capital markets, 22% is commercial bank borrowings and the remaining 8% is leases (IFRS 16). 67% of the debt accounted for is issued in euros and the remaining 33% in dollars (USD).

Over 80% of debt is fixed rate.

The financial cost at 31 March 2022 was 1.6% compared to 1.8% in the first quarter of 2021.

Liquidity

The Company has a solid liquidity situation, which at the end of the first quarter 2022 amounted to 3,436 million euros between cash and undrawn lines of credit.

Liquidity	Mar. 2022	Dec. 2021	Current maturity
Treasury	€1,570 M	€1,444 M	
Club Deal	€1,500 M	€1,500 M	December 2026 (**)
USD Lines	€366 M	€355 M	January 2023
TOTAL	€3,436 M	€3,300 M	

(**) Of this amount, 19% matures in 2025

OPERATING HIGHLIGHTS

Demand

Very positive growth of total natural gas demand, supported by demand for electricity generation +118.1%. **Natural gas demand** at 31 March 2022 reached 110.8 TWh, +11.5% higher than the same period the previous year.

The demand for conventional natural gas (industrial and residential demand), which represents 74% of the demand for natural gas in Spain, reached **82.1 TWh at the end of the first quarter of 2022, -4.8% less than in the same period in 2021.**

Residential demand declines by -2.5% due to the effect of high temperatures in the first quarter of 2022.

Industrial demand declines by -5.5% compared to 31 March 2021.

The **demand for electricity generation** has increased by **+118.1%** as compared to 31 March 2021 due to lower generation with wind, solar and hydro.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Sustainability

Enagás maintains its leading position in the main sustainability indices, notably the **Dow Jones Sustainability Index World** in which it obtained the Bronze Class classification in the Gas Utilities sector, and the awarding of the **classification and the highest ESG rating in its sector in the FTSE4Good sustainability index**.

In terms of climate action, Enagás is included in the **'A List' 2021 of CDP Climate Change**. Along these lines, Enagás has defined emissions reduction targets in line with the 1.5°C scenario and targets relating to the decarbonisation of its value chain (scope 3). In addition, it maintains the Gold Standard qualification in the OGMP 2.0 initiative, led by UNEP, on methane emissions. The company is committed to achieving carbon neutrality by 2040 and by 2021 it reduced emissions by 53% compared to 2014.

Enagás has been recognised for its people management and gender equality model, and has maintained its position in the **Gender Equality Index de Bloomberg** index, while maintaining **Top Employer** certification, as well as in Actualidad Económica's ranking of the 100 best companies to work for and Merco's 100 Most Talented Companies. Additionally, the company has published the 2021 Annual Report in accordance with the requirements laid down by Law 11/2018 on non-financial information and diversity and by the European Taxonomy of sustainable activities.

PUBLIC DISCLOSURE OF INSIDE INFORMATION AND OTHER RELEVANT INFORMATION

In accordance with article 226 of Royal Legislative Decree 4/2015 of 23 October, which approves the revised text of the Securities Market Law, Enagás communicates to the CNMV, as soon as possible, the inside information that concerns it directly referred to in Article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014.

In accordance with article 227 of Royal Legislative Decree 4/2015 of 23 October, which approves the revised text of the Securities Market Law, Enagás also communicates to the CNMV the other financial or corporate information regarding the company itself or its securities or financial instruments that any legal or regulatory provision requires it to make public in Spain or that it deems necessary, due to its special interest, to spread among investors.

Enagás communicates inside information and other relevant information for public dissemination through the specific communication and publication channels developed by the CNMV for this purpose.

APPENDIX I: CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Indexes, 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 held the EFQM 500+ European Seal of Excellence since 2012. In 2021, Enagás obtained the EFQM 700+ European Seal of Excellence.</p> <p>Enagás was recognised as an Ambassador of European Excellence in 2020.</p>
<p>Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA</p> <p>Sustainability Award Bronze Class 2022</p> <p>S&P Global</p>	<p>Enagás has been a member of the Dow Jones Sustainability Index World (DJSI) since 2008. In 2022 it was awarded Bronze class status.</p>		<p>Since 2008, the content of Enagás' Annual Report has been externally verified and drawn up under the AA1000APS standard and the Global Reporting Initiative (GRI) reporting framework. Since 2012, it has been prepared under the integrated reporting principles of the International Integrated Reporting Council (IIRC). From 2020 it will be prepared according to SASB (Sustainability Accounting Standards Board) standards for the Oil & Gas – Midstream sector.</p>
	<p>Enagás has been participating in the CDP Climate Change programme since 2009 and the CDP Water programme since 2015. In 2021 it was included in the A List of leading companies in climate change management and recognised as one of the leading companies for its commitment to its value change.</p>		<p>ISS upheld its B Prime rating of Enagás, issued in 2010.</p> <p>Enagás has been a constituent of the MSCI Global Sustainability Indices since 2010 and has a AA rating.</p>
	<p>Enagás has been certified as a Family Responsible Company (FRC) since 2007 and obtained the Excellence A level in the 2019 recertification process.</p>		<p>Enagás has been a member of the FTSE4Good index since 2006.</p>
	<p>Enagás holds ISO14001 certification for management of gas transmission and storage infrastructure processes, asset management, central laboratory and corporate headquarters. In addition, it holds ISO50001 certification for management of gas transmission and storage infrastructure processes, asset management, central laboratory and corporate headquarters.</p> <p>The Company's Huelva and Barcelona plants and storage facilities at Serrablo and Yela have secured EMAS certification. In 2021 it obtained Aenor's Zero Waste certification</p>		<p>Enagás has been one of the Top Employers Spain since 2010.</p> <p>Enagás holds ISO 9001:2015 certification for its technical management of the system (GTS), asset management, infrastructure development and information systems management processes. The company is also SSAE 18 certified for its Security of Supply in the System / Technical Management of Underground Storage processes.</p>
	<p>Enagás certifies its carbon footprint yearly according to the ISO14064 standard and has the Calculo+Compenso+Reduzco seal by annually registering its carbon footprint with the Ministry for the ecological transition.</p> <p>In addition, it has voluntary emission offset certificates for its regasification plants, corporate headquarters and fleet.</p>		<p>The Occupational Risk Prevention Management System of the companies Enagás GTS, S.A.U., Enagás Internacional S.L.U., Enagás S.A. and Enagás Transporte S.A.U. belonging to the Enagás Group is ISO 45001 certified.</p> <p>Enagás has also been certified as a healthy workplace since 2015 and has ISO certification for road safety (ISO 39001) and information security (ISO 27001).</p>
	<p>In 2015, Enagás was awarded the Bequal seal for its commitment to the inclusion of people with disabilities. In 2019 it obtained Bequal Plus recognition.</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 has been on the Bloomberg gender equality index since 2019.</p>		<p>In 2020 Enagás received the "Certification of the Action Protocol against COVID-19" from AENOR, which recognises the effort made by the company to protect the health and safety of its professionals against the pandemic.</p>

APPENDIX II: CONTACT DATA

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