

Results 3Q2020

20 October 2020



Contents



01. Resistance

Gas system operation



02. Recovery

Results 3Q2020



03. Reinvention

EESG commitment and energy transition



04.

Shareholder remuneration



05.

Conclusions



We work to continue providing an essential service efficiently: the supply of natural gas

The Spanish Gas System has operated completely normally despite the adverse conditions



100 %

commercial availability

100%

technical availability



Increased use of the **tanker offloading service** reaching 187.3 TWh, **+2%** more than 2019



Increased use of the **regasification service** reaching 177.6 TWh, **+4%** more than 2019



Offloading from **190 methane tankers** in regasification plants



Levels of **utilisation of LNG Truck loading** remain in the order of 2019, reaching 9.7 TWh **+5%**



On 30 September, **contracting capacity in storage facilities** reached ~ **100%**

The gas system has been operated efficiently with absolute flexibility

Contents



01. Resistance

Gas system operation



02. Recovery

Results 3Q2020



03. Reinvention

EESG commitment and energy transition



04.

Shareholder remuneration



05.

Conclusions



2. Results 3Q2020

Main highlights 9M2020

9M2020 vs 9M2019



Main P&L highlights

EBITDA

**€727.4
mn**
(-5.2%)

Net Profit

€348.9mn
(+4.7%)

Results from affiliates

€118mn

Cash flow main highlights

Funds from Operations (FFO)

€537.3mn
(-15.5%)

Net investment

€819.7mn

Balance Sheet

Net debt

€4,119mn

Liquidity

€2,418mn

Fixed-rate debt
higher than

80%

**No significant
maturities until
2022**

Domestic gas demand

Domestic demand
for natural gas at 30
September 2020

-10.7%

Industrial demand
for natural gas at 30
September 2020

-7.4%

Demand for electricity
generation at 30
September 2020

-18.7%

Results 9M2020: Income statement

Results on track to reach the year's goal in terms of Net Profit ~ €440mn

| €mn | 9M2020 | 9M2019 | Var. % | |
|-------------------------------|--------------|--------------|--------------|----|
| Total revenues | 831 | 872.4 | -4.8% | 01 |
| Operating expenses | -221.6 | -230.9 | -4% | 02 |
| Results from affiliates | 118 | 125.5 | -6% | |
| EBITDA | 727.4 | 767.1 | -5.2% | |
| Amortisation and depreciation | -202.4 | -231.7 | -12.6% | |
| PPA | -38.4 | -27.2 | +41.3% | |
| EBIT | 486.6 | 508.2 | -4.3% | |
| Financial results | -52.1 | -89.4 | -41.7% | 03 |
| Corporate income tax | -84.9 | -84.9 | -0.1% | |
| Minority interests | -0.8 | -0.7 | +6.1% | |
| Net Profit | 348.9 | 333.1 | +4.7% | 04 |

01 Negative impact on RCS regulated revenues of 23.2 million, mainly due to the COVID-19 crisis

02 Control of operating expenses and different scheduling than in 9M2019

03 The financial result mainly includes a **non-recurring effect of +€18.4mn** originated by the purchase of USD and the update of the account receivable from **GSP** of **+€12.3mn**

04 Results in 2020 so far are on track to achieve the target for the year ~€ 440mn

Robust financial structure and high liquidity position

High liquidity position

BBB+ ratings with stable outlook

| Leverage and liquidity | 9M2020 | 2019 |
|------------------------------|----------|----------|
| Net debt | €4,119mn | €3,755mn |
| Net debt/Adjusted EBITDA (*) | 4.8x | 3.8x |
| FFO/net debt | 15.9% | 20.2% |
| Financial cost of debt | 1.9% | 2.2% |
| Liquidity | €2,418mn | €2,717mn |

| Liquidity | 9M2020 | 9M2019 | 2019 | Current maturity |
|----------------|-----------------|-----------------|-----------------|------------------|
| Treasury | €805mn | €707mn | €1,099mn | |
| Club Deal | €1,500mn | €1,500mn | €1,500mn | December 2024 |
| USD Lines | €113mn | €55mn | €58mn | July 2024 |
| Other ST lines | - | €6mn | €60mn | July 2021 |
| TOTAL | €2,418mn | €2,268mn | €2,717mn | |

(*) EBITDA adjusted for dividends received from affiliates

Financial structure

No significant maturities until 2022

Average life of debt 4.3 years

Debt type

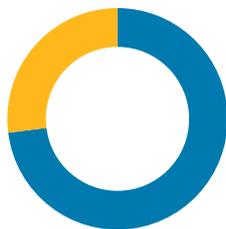
Leases
(IFRS 16)
7%



Institutional
debt
15%

Capital markets
60%

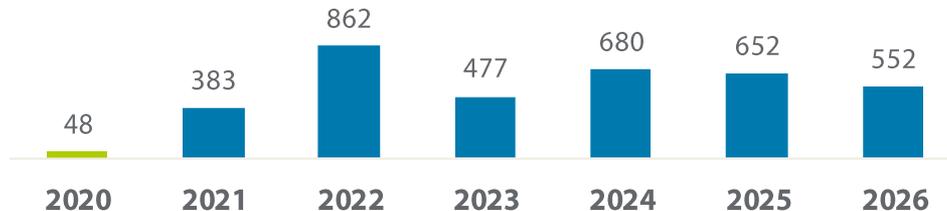
Commercial
banks
18%



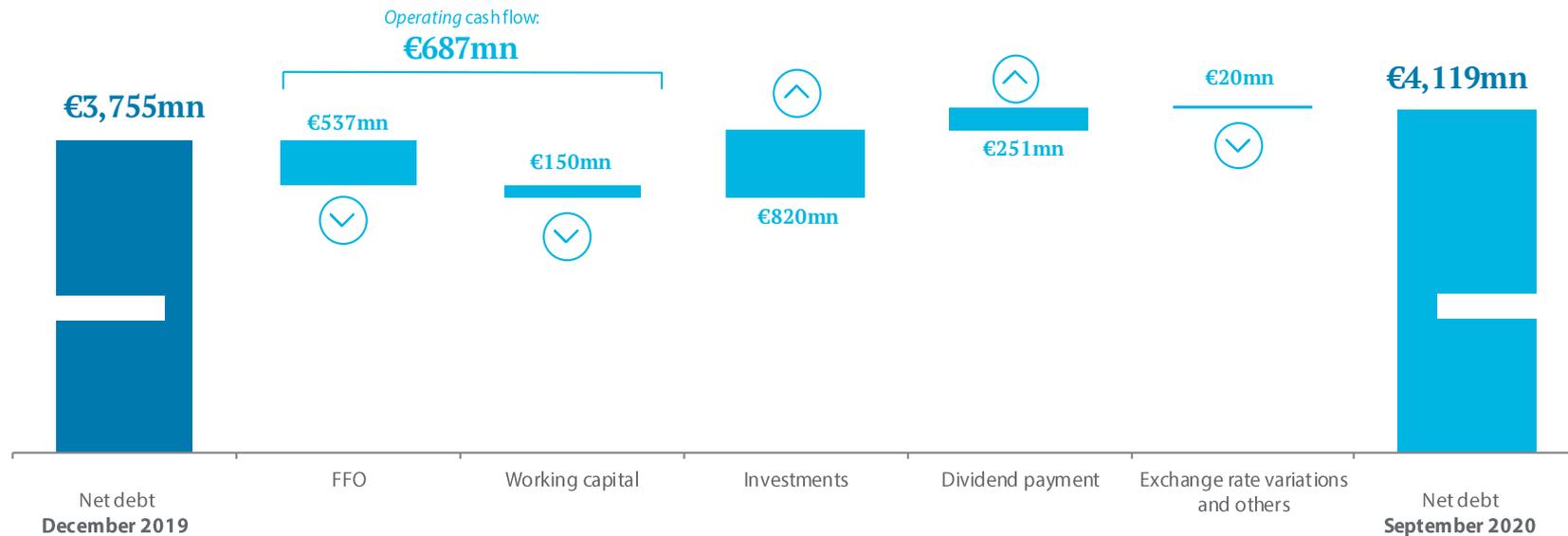
USD
27%

EUR
73%

Debt maturities (€mn)



Cash flow and net debt evolution



Fixed-rate debt higher than 80%

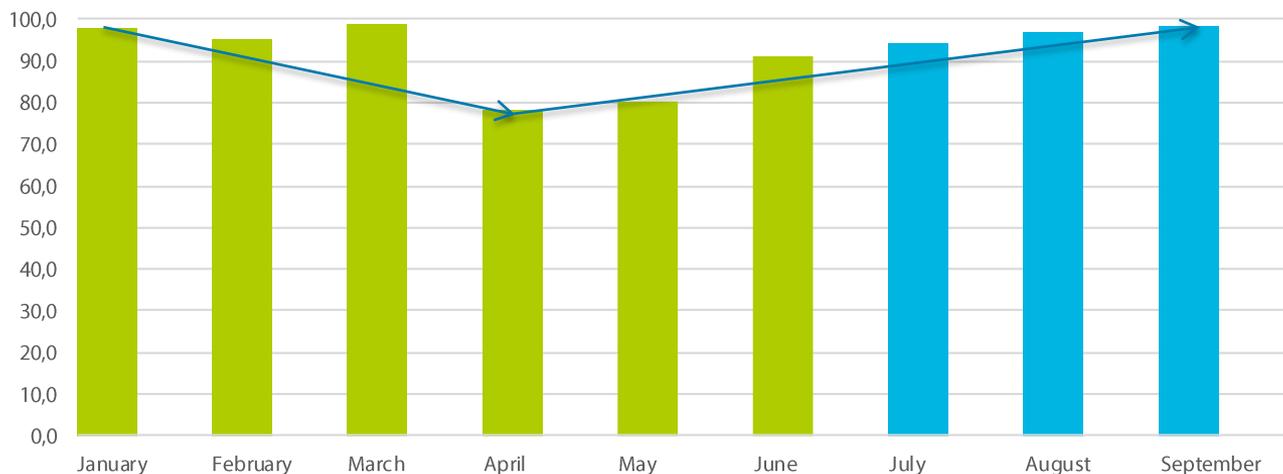
2020 outlook and annual targets

The results of the stress tests carried out by the company allow us to reaffirm our Net Profit growth objective and commitments established for 2020

- **Intensification of the control plan and savings in general expenses**, with elimination of all that is not essential for business continuity and for the maintenance of current and future activity and employment.
- Optimal and robust balance sheet structure, where the **FFO / ND ratio stands ~ 16%**.
- **Strong liquidity situation:** €2,418mn at 30 September 2020
- **Our Net Profit estimate for the end of the year (€ 440M) and the dividend target of 1.68 euros/share (+ 5% compared to 2019) are maintained.**
- **During 2020 Enagás** and according to the accounting standard IAS 36, **has carried out an impairment test of its main investments which concludes that it is not necessary to make any correction in the value of our investments on the balance sheet.** This analysis has been validated by an independent expert and reviewed by our auditor.

Growth in conventional demand

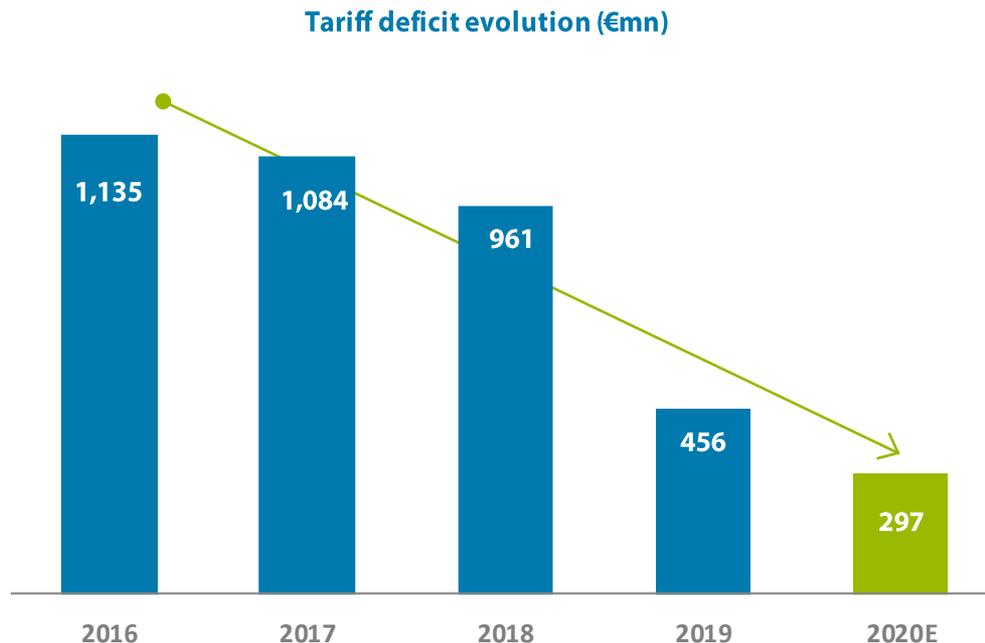
Demand for conventional gas fell by over 20% in April. In September, conventional demand (75% of the total) remained at a level similar to the months prior to the crisis



Despite the COVID-19 crisis, demand for natural gas in Spain will register levels higher than 2018 by the end of the year (~ 353TWh)

Balanced Gas System

During the last years the System has had a net annual surplus, which has made it possible to substantially reduce the System's debt



Tallgrass Energy

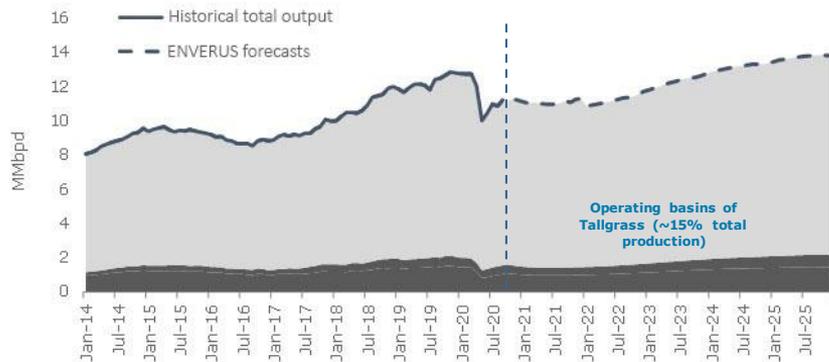
Improvement in market conditions and good medium-term prospects

- According to the US Energy Information Agency (EIA), oil production in the US has experienced strong growth in 3Q2020, given the signs of stabilisation in the price of crude oil of around \$40/bl. Market projections estimate sustained growth in production over the medium term (including the main Tallgrass production basins) driven by recovery in prices and demand.
- The price of natural gas (Henry Hub) has shown a notable increase during 3Q2020 due to the increased demand. The price of forward curves in the futures market continues to show a recovery in prices in the coming months.
- In 3Q2020, the average volume of oil transported on Pony Express (PXP) was ~415Mbpd and in August the monthly maximum of 438Mbpd was reached. Therefore, the volumes transported prior to the crisis have recovered and only May and June were affected.
- Rockies Express (REX) utilisation levels have remained very high. In the eastern section, utilisation has been close to 100%. Negotiations have resumed with the shippers to contract the pending capacity of the western section in the long term.
- The take or pay contract structure (representing ~70% of EBITDA) and client diversification protect Tallgrass' results (as a US midstream company) from unfavourable market conditions and the impact of the COVID-19 crisis.

Tallgrass Energy

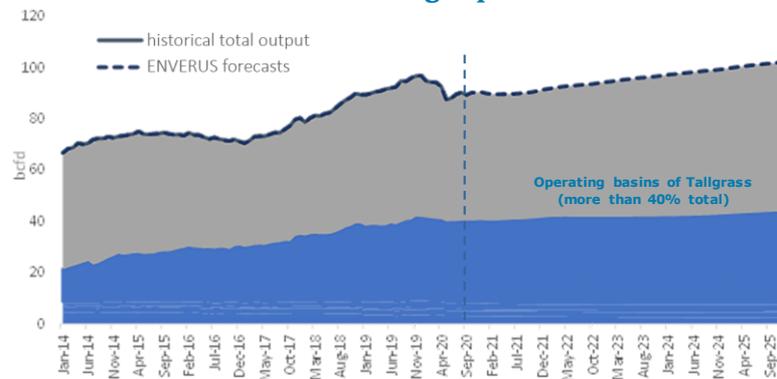
As anticipated in the 1H2020 results presentation, there has been a strong recovery in crude production in 3Q2020. Sustained growth in crude and natural gas production is expected in the medium and long term

Performance and forecasts of oil production in the USA.



- Strong recovery in production and demand in 3Q2020 given the signs of stabilisation in the price of crude oil around \$40/bl.
- Production is expected to stabilise in 2021 and part of 2022 and sustained growth thereafter in the medium and long term.

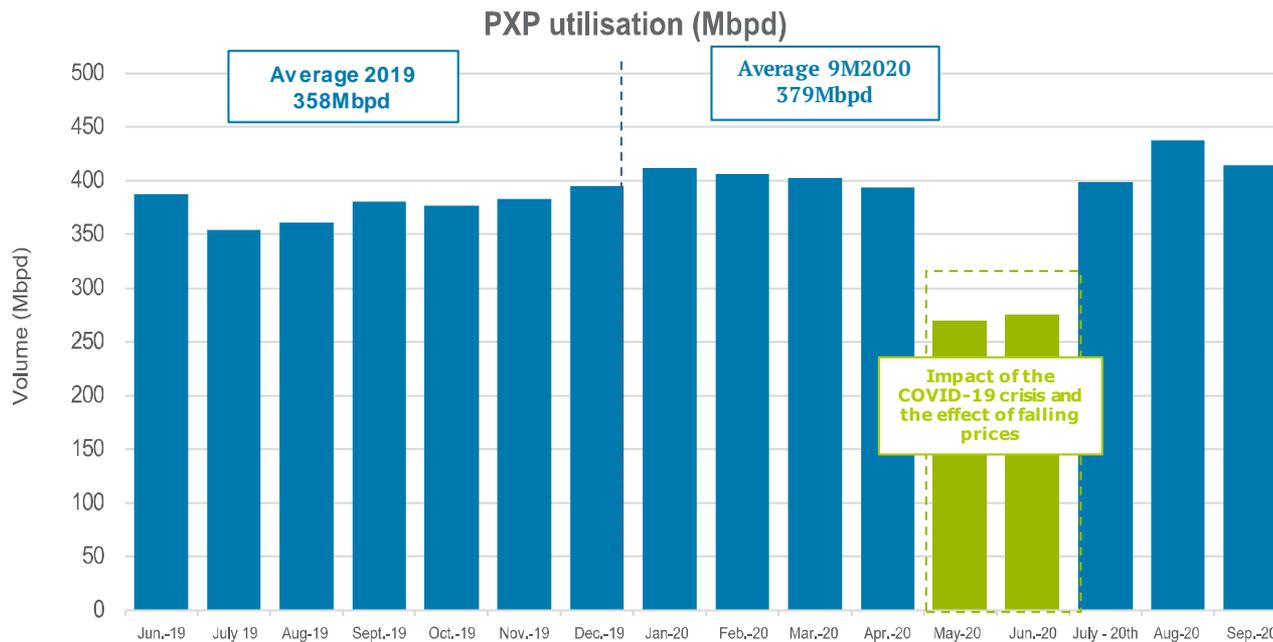
Performance and forecasts of gas production in the USA.



- The drop in natural gas production due to COVID-19 has been much lower than that of crude oil.
- Forecasts point to sustained growth in production in the medium and long term, supported by the increase in demand and prices.
- The main vectors of growth in demand will be exports and electricity generation.

Tallgrass Energy

The utilisation rate of PXP in 3Q2020 returns to the levels prior to the crisis, which only affected the months of May and June



Trans Adriatic Pipeline (TAP)



The Project is substantially completed and maintains the commercial operation date during 4Q 2020

- Four and a half years after the start of construction, TAP is substantially complete.
- The last gas pipeline weld was carried out on 24 July at the connection of the offshore-onshore sections on the Italian side.
- The infrastructure gas commissioning works are in an extremely advanced state, in line with plans, with the entire infrastructure having been pressurised with gas from the Turkish-Greek border to the reception terminal in Italy.
- TAP is currently finalising preparations for the launch of the commercial operation and offering transportation capacity to the market in coordination with the adjacent TSOs.
- The Interconnection Point between TAP and the Snam Rete Gas transmission network in Italy is expected to be completed and ready to transport gas by mid-November.
- Until the start-up of the Project, Enagás will continue, as planned, making capital contributions to TAP for a value of €4.8 million euros, until a total planned investment of €222mn is reached.

Commissioning work is progressing as planned and the entire infrastructure from Greece to Italy has already been pressurised with gas

Other international subsidiaries

GREECE

- The health situation in the country has stabilised. However, given the rebound in positive cases since August, new restrictions have not been ruled out.
- Gas demand has shown strong growth and is expected to close 2020 well above the previous year, due to the greater use of combined cycles given the reduction in the use of coal and the increased exports to Bulgaria.
- Results above expectations are expected at the end of the year thanks to strong demand and increased use of the Revithoussa LNG terminal due to low LNG prices.

MEXICO

- The health situation has improved, the contagion curve shows a downward trend and there is greater flexibility in economic activity.
- The demand for natural gas in 1H2020 was 3% lower than the same period of the previous year.
- Results are expected at the end of the year in line with expectations, as we have ship or pay contracts not affected by the lower demand.

CHILE

- The health situation has stabilised with a level of infections significantly lower than the June peak. A deconfinement plan is being implemented to guide the reactivation of the country.
- The data accumulated to August show that the demand for natural gas and the use of GNLQ are in line with the previous year despite the pandemic, with an average use during the Winter close to 72% and peaks of 90%.
- Results are expected at the end of the year in line with expectations.

PERU

- The health situation has stabilised with a level of infections that is significantly lower than the August peak. The State of Emergency extended until 31 October with a curfew and quarantine focused on specific groups of people and departments.
- The demand for local natural gas has recovered after the confinement, reaching pre-State of Emergency volumes.
- Results are expected without significant variations with respect to expectations.



- All companies are operating normally, contributing to supply security in their respective countries.
- All the companies implemented a contingency plan against COVID-19 in coordination with Enagás to ensure business continuity, including confinement plans for critical personnel.
- The companies are working on de-escalation plans.

Gasoducto Sur Peruano (GSP)



On 2 July 2018, Enagás filed a request for arbitration against the Republic of Peru before the International Centre for Settlement of Investment Disputes (ICSID) regarding its investment in GSP, under the terms of the Agreement for the Promotion and Reciprocal Protection of Investments (APPRI) entered into between the Republic of Peru and the Kingdom of Spain.



The arbitration procedure is progressing as per the established procedural calendar.



According to the procedural calendar approved by the Arbitral Tribunal, the legal advisors consider that the award that ends the arbitration procedure should be issued at the end of 2022.



The company is at the disposal of the Peruvian State to reach an amicable agreement to end the arbitration procedure.

Contents



01. Resistance

Gas system operation



02. Recovery

Results 3Q2020



03. Reinvention

EESG commitment and energy transition



04.

Shareholder remuneration



05.

Conclusions



Hydrogen Roadmap: A commitment to renewable hydrogen

The achievement of the 2030 objectives reflected in the Roadmap will facilitate the reduction of emissions by 4.6 million tonnes of CO₂ equivalent (CO₂eq).

2030 Spain targets



- The Council of Ministers has approved the Hydrogen Roadmap in Spain that sets the national objectives for 2030
- ~ € 8,900mn in investments during the period 2020-2030
- Rigorous action plan with 60 measures broken down into Regulatory, Sectorial and Promotion of R&D
- The document, aligned with the European Hydrogen Strategy, is part of the Integrated Energy and Climate Plan (PNIEC) 2021-2030 and states:
 - Installed power of electrolyzers: 4 GW
 - Industrial consumption of renewable hydrogen > 25%
 - Commitment to mobility: network of hydrogen generators, commercial trains, handling machinery in ports and airports, buses, light vehicles and heavy transport vehicles powered by hydrogen.

Hydrogen Roadmap: A commitment to renewable hydrogen

Enagás has more than a dozen projects for decarbonisation in different sectors and regions where energy transition can have a greater impact, these include the Power to Green Hydrogen Project in Mallorca

Power to Green Hydrogen Mallorca



3-Hub Balearic Islands: "Power to Green Hydrogen" Mallorca

Production of green hydrogen from photovoltaic solar energy, for various applications and injection into the gas network.



- Project selected by the FCH-JU (European Commission) to receive the second largest grant for a green H2 project (€10mn)
- First project in southern Europe to receive the recognition of a strategic (flagship) project for the deployment of green H2 in Europe.
- Planned signing of the "grant agreement" by the 30 partners: end 2020.

EESG (Employees, Environmental, Social and Governance) commitment

Enagás, in light of the health crisis, continues to further strengthen the SOCIAL field with special focus on everything related to our Employees (EESG)

Commitment to quality employment

- **Steady and quality employment** (97.3% staff with a permanent contract)
- Since the beginning of the health crisis, **the workforce was reinforced with 52 new hires.**
- Promotion of policies that increase the commitment of professional staff: **More than 100 reconciliation and flexibility measures, adapted to the needs of each professional**

Labour relations

- **Labour relations** based on **mutual respect and constant dialogue with the legal representation of the workers.**
- The **COVID-19 Action Plan** has been based on reciprocal commitment and the **proactive attitude of the company and the workers' representatives**, which has allowed the crisis to be solidly managed.
- Signed in July, the **Enagás Group Third Collective Agreement** that guarantees social stability from 2020 to 2023.

EESG (Employees, Environmental, Social and Governance) commitment

We have conducted the appropriate audits in our different Work Centres and Facilities and thanks to the rigour and discipline with which health and safety measures are implemented and the commitment of all our employees, Enagás has obtained the Certification Seal of the Action Protocol against COVID-19

Management of the health crisis

- **COVID-19 Action Plan:** Environment of **safe, healthy and flexible work** that guarantees the care of the physical and mental health of our workers: Distribution of PPE, preventive tests, adoption of hygienic and organisational measures, of spaces and awareness campaigns for professionals.
- **Certification of Protocols against COVID-19** (AENOR)
- **COVID-19 incidence** at Enagás **0.77%**, compared to 5.2% in the country (source: Ministry of Health).



3 ESG commitment and energy transition

EESG (Employees, Environmental, Social and Governance) Commitment

Updates in sustainability, environment and people management

- Sustainability indices and ratings



Enagás renews its presence in **FTSE4Good**.



Enagás maintains its **AA rating** in the evaluation of **MSCI ESG Ratings**.



Enagás maintains its **Prime rating** status in **ISS ESG Corporate Rating**.

- Recognitions in people management



Enagás lies in **position 21** on the list of **100 Best Companies to Work For** compiled by **Actualidad Económica** in 2020.



Enagás has renewed its certification as a **Family Responsible Company (EFR)** rated as **Excellent**



Enagás has obtained **ISO45001 certification** for health and safety at work, **ISO 39001** recertification for road safety and recertification for a **healthy working environment**.



- Environmental commitments and recognitions



Enagás signs the **Pact for Biodiversity** (Spanish Initiative for Business and Biodiversity)



Enagás has joined the **Oil & Gas Methane Partnership 2.0** initiative of the **United Nations Environment Programme (UNEP)** and the **Climate and Clean Air Coalition (CCAC)** and supported by the **EC** to advance in reducing **methane emissions**



Enagás has joined the **Business For Nature** call to action



Enagás remains in the **Top 10** of Ibx 35 companies for its **environmental and climate change report** according to **EcoAct**

Maintaining leadership in sustainability indices and rankings, recognitions and certifications:



Contents



01. Resistance

Gas system operation



02. Recovery

Results 3Q2020



03. Reinvention

EESG commitment and energy transition



04.

Shareholder remuneration



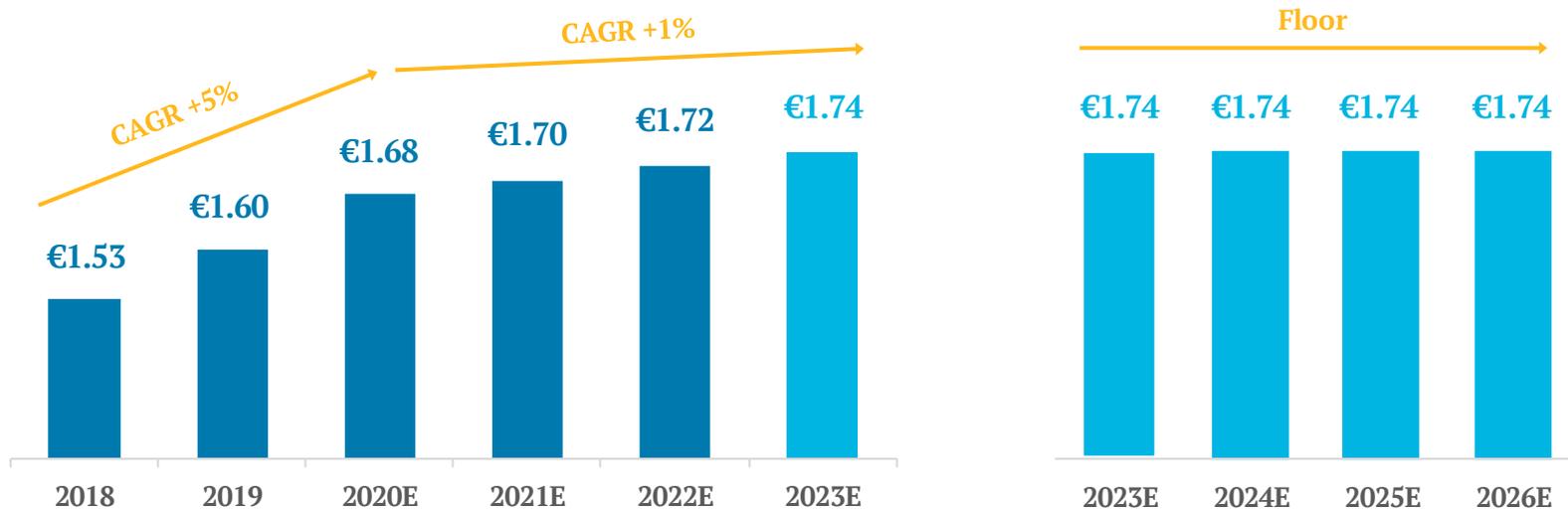
05.

Conclusions



Shareholder remuneration 2020E-2026E

Dividend sustainable in the long term



The high predictability of our cash flows and solid balance sheet structure have enough slack to ensure commitment to our 2020-2026 dividend policy

Contents



01. Resistance

Gas system operation



02. Recovery

Results 3Q2020



03. Reinvention

EESG commitment and energy transition



04.

Shareholder remuneration



05.

Conclusions



Conclusions

- The **gas system is operating normally** thanks to the rigorous contingency plan that has been put in place.
- **Recovery of conventional demand** in Spain at a similar level prior to the crisis. Natural gas demand in Spain could register levels higher than 2018 at the end of the year (~ 353TWh)
- Our estimate of **Net Profit for the end of the year is maintained (€440mn)**
- The high predictability of our cash flows and solid balance sheet structure have sufficient slack to ensure **commitment to our 2020-2026 dividend policy**
- **Excellent liquidity situation** that allows us to deal with the current situation with no problems.
- **Enagás' commitment to the Renewable Hydrogen Roadmap**, recently approved by the Government
- Enagás, in light of the health crisis, continues **to further strengthen the social field** with special focus on **everything related to our Employees (EESG)**.
- Commitment to **maintaining and reinforcing the leadership** of Enagás in **sustainability** as a cornerstone of the company's strategy

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
**very
much**