

Interview with the Executive Chairman of Enagás, **ANTONIO LLARDÉN** [GRI 102-14]

“We have a firm commitment to increasing our dividend by 5% per year to 2020”

***What are the main features of the 2017 results?***

First of all, for another year, we've met and even exceeded the targets we set out at the start of the year. Our net profit with GNL Quintero, consolidated by means of the full integration method, has grown by 17.6%, compared to the 12% we had estimated, to reach 490.8 million euros.

We received 125 million euros from our affiliates, more than the 120 million we set as our target at the start of 2017.

Yet again, in 2017 we raised the dividend paid to our shareholders by 5%, a yearly commitment we set for ourselves until 2020.

***What other aspects of the year stand out from a financial perspective?***

Mainly, the strong growth in operating cash flow generated by the company in 2017, which has risen by almost 90%. This was due to a number of factors: the good behaviour in Spain of the regulated business and the transfer of the collection rights to cover the deficit in the gas system, and on an international level, the full integration of GNL Quintero and the dividends paid by our affiliates. Because of them, we carried out significant deleveraging: we were able to reduce our net debt by 725 million euros.

This gives us breathing room with regard to the ratios required of us by the rating agencies in order to retain our A-, and it also provides an even greater solidity to our balance sheet that we had a year ago.

***How did Enagás shares perform in 2017?***

There was a lot of volatility in the markets during the year and all the European utilities were affected by expected interest rate rises and the evolution of factors unrelated to company performance.

Including the returns from dividends for the year, Enagás shares behaved positively with 4.82%, slightly higher to the benchmark sector indices, both in Spain and Europe.

***What comments can you make on the international investments made by Enagás?***

2017 was a year for maturing investments, after the strong investment actions we undertook in 2016. We focused our efforts during the year on managing those investments, in order to obtain greater efficiencies.

There were two particularly relevant points in our international activity in 2017. Firstly, we continued to invest in the European Trans Adriatic Pipeline (TAP), which is developing favourably, with progress ►



*“Thanks to the strong growth in operating cash flow, we were able to **reduce** our net debt by **725 million euros**”*

made of 65%, and which we expect to be in service by 2020.

Secondly, we've started a process of direct contact with the Government of Peru, with the aim of reaching an agreement on the Gasoducto Sur Peruano that is favourable to our interests and in the shortest possible time.

***How did the demand for gas evolve in 2017?***

2017 was particularly positive for gas demand. It was the third consecutive year of growth since the financial crisis. It grew by more than 9%, mainly the result of two factors: first was the 6% growth in industrial demand, in line with the positive evolution of the Spanish economy.

And secondly, the strong growth in consumption by the electricity sector, essentially caused by the reduction in hydroelectricity generation in a drought year. Once again, natural gas infrastructure showed the key role it plays as a back-up for the electricity system.

***Sustainability is one of the strategic priorities of Enagás. Did progress continue to be made during the year?***

Precisely. Sustainability has been key to our business strategy for many years now. It's present in our day to day, in our way of thinking, and in our decision-making processes. In short, it's a part of the company's DNA. It has allowed us to continue to generate value and manage risks in the short, medium and long term, and to strengthen our relationship with our stakeholders.

The ongoing efforts made by the entire company in order to be increasingly sustainable were acknowledged a number of times during the year: we were ranked as leaders in the Oil & Gas Storage and Transportation in the latest update to the Dow Jones Sustainability Index and we received the RobecoSam Gold Class Award.

In our relationship with people, we have been receiving Top Employer certification for several years now, as one of the best companies to work for, thanks to our initiatives to attract and retain talent. In addition, we were one of the companies acknowledged by the Spanish Ministry

of Health, Social Services and Equality this year for working under FRC (Family Responsible Company) certification over the decade, and for upholding our long-term commitment to work-life balance.

We also continued to deepen our support for for the UN Sustainable Development Goals (SDG) during the year, by aligning our performance with the goals set for the coming years.

***What progress did you make in the field of environment that could you comment on?***

Energy transition is going to be one of the key issues of 2018 and the coming years. Natural gas will play an essential role as an energy of the future in order to progress towards a low-carbon economy and improve air quality. We at Enagás are encouraging its use in sectors where it is technically and economically more efficient than other fuels, such as transport.

We continued our efforts to reduce atmospheric emission in 2017 and to invest in equipment and processes that enable us to keep on reducing these emissions into the future.

Furthermore, we are focused on reducing our carbon footprint through energy efficiency. We were one of the ten pioneering companies in taking on the commitment to report in accordance with the guidelines set out by the Task Force on Climate-Related Financial Disclosures (TCFD), which are useful to show how we're managing the challenges of energy transition and to strengthen the environmental credentials.

We know that innovation is key in the long term, which is why we're also working on renewable gas (biogas + hydrogen) projects.

***What measures were implemented in 2017 with regard to corporate governance?***

Throughout the year, the Board of Directors was evaluated by an independent external assessor, whose analysis concluded that there is an appropriate balance of knowledge and experience that will allow the Enagás strategy to be met. Moreover, we've

**'It was a particularly positive year for gas demand, which grew by more than 9%'**



continued with Board training processes in different financial and non-financial fields, which are key to company management.

As far as independence and diversity are concerned, our Board of Directors is still above the Ibex35 average, with 54% independent directors and 23% women.

Another of our main focal points in 2017 was to implement best practices in Corporate Governance in the international companies in which we have a stake, for the purpose of ensuring long-term asset sustainability and guaranteeing adequate returns.

***To finish, would you like to point out any other relevant topic or issue?***

I'd like to say that this Annual Report, which has been approved by the Enagás Board of Directors, stands for the renewal of our commitment to the ten principles of the Global Compact, and at the same time, it contains our contribution to achieving the United Nations Sustainable Development Goals. [\[GRI 102-32\]](#)

I'd like to thank the members of our Board of Directors for their responsibility and involvement throughout another year; their contribution is essential for the sound functioning of the company.

Thanks also go to the more than 1,400 professionals who make up Enagás, whose commitment and daily efforts are our main asset, allowing us to continue to grow as an international leader in energy infrastructure.

And, as always, I'm grateful to the Board of Directors and to all our shareholders for continuing to place their trust in us and to show their support. At Enagás, we work each day with the main aim of continuing to create value for you. ■ [\[GRI 102-14\]](#)