2016 Results and Outlook 2017-2020

February 2017

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01
2016 Results

Meeting our targets for the 10th year in a row

Solid results

- **Result from Equity Affiliates 41.2M€** (10% Affiliates contribution to net profit)
- **Net profit 417.2M€** (+1.1%)

Solid cash flow generation

- **FFO 756.8M€** (+8.6%)
- **Dividends from Equity Affiliates 90.5M€** (Higher than the target set 65M€)
- **Investments 912M€**
- **FFO/Net debt 15%**
- **Dividend per share 1.39€** (+5%)

Positioning reinforcement in strategic assets

- **4.6%** additional in **TGP** (Peru)
- **42.5%** additional in **Saggas** (Spain)
- **40%** additional in **GNL Quintero** (Chile)

2016 Main financial actions and results

- **Bond issuance for a total value of 750M€**, with annual coupon of **1.375%** and **12** years maturity
- **Bond issuance for a total value of 500M€**, with annual coupon of **0.75%** and **10** years maturity
- **Net cost of debt 2.4%**
- **No significant maturities until 2022**
- As of December 31, 2016, the **average maturity of our debt was 6.3 years**
- The rating agency **Standard & Poor's**, in its annual review, has affirmed the long term rating of Enagas at **"A-",** the stable outlook and the business risk profile at "Excellent"

National gas demand

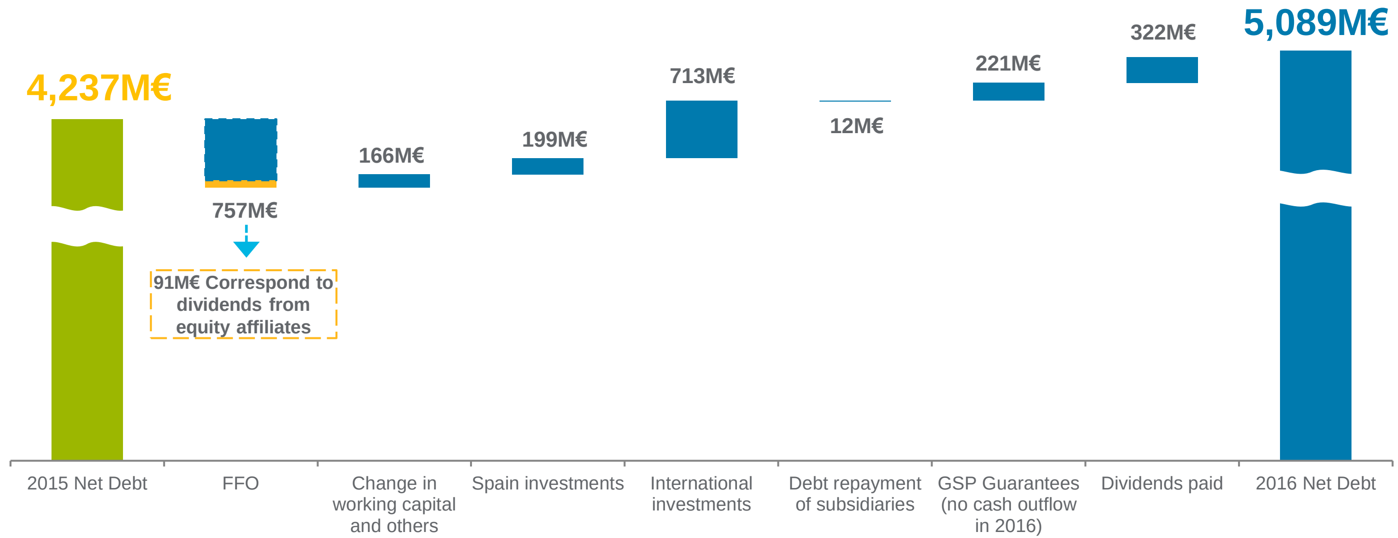
- **2016 National gas demand +2.1%** (Growing for the 2nd consecutive year)
- Good performance of **industrial gas demand (+3.3%),** consistent with the evolution of the Spanish economy

Sustainability

- Enagas is part, for the ninth consecutive year, of the **Dow Jones Sustainability Index** (DJSI), and the global leader of the Gas Utilities Sector

Cash Flow

Solid cash flow generation due to the business in Spain and the growing contribution of international activity.



FFO/ND : 16.4%

FFO/ND : 15%

P&L statement

M€	2015	2016	Change%
Total revenues	1,221.6	1,218.3	-0.3%
Operating expenses	-321.1	-335.6	+4.5%
EBITDA	**900.5**	**882.6**	**-2.0%**
EBIT	**602.0**	**610.5**	**+1.4%**
Financial result	-90.9	-113.4	24.7%
Result from Equity Affiliates	46.2	41.2	-10.9%
Net Profit	**412.7**	**417.2**	**+1.1%**

EBITDA **in line with market guidance**

Includes a **financial update on the receivables account of the guarantees for the termination of the** Gasoducto Sur Peruano concession (- 13.3M€)

- Contribution of latest acquisitions **(TGP, Saggas and GNL Quintero)** and better progress by other subsidiaries with respect to the original budget.
- Contribution of an additional quarter in 2016 (vs. 2015) of the **BBG** 10% stake, the **Saggas** 30% stake and the **Swedegas** 50% stake (integrated in 2Q 2015)
- Includes the effect of the financial discount of the equity plus the reversal of the positive contribution of GSP to date (-31.4 M€)

Contribution of international business

The contribution from equity affiliates to net profit has been 10%.

Contribution to P&L

Brownfield contribution to net profit	**90.2M€**
PPA amortization	- 25.0M€
Greenfield contribution	-2.2M€
GSP contribution	-21.8M€
Result from Equity Affiliates	**41.2M€**

Contribution to Cash Flow

90.5M€ Dividends from equity affiliates contribution to FFO

Accounting effect with no impact on cash flow

Dividends from subsidiaries in 2016 **(90.5M€)** have exceeded the annual target **(65M€)**

Termination of the GSP concession

- On **January 23, 2017**, the deadline for the financial closing of the project was met. This has led to the **termination of the concession.**
- To date, the Enagas **investment** in **GSP** stands at **275M$**. In addition, **162M$ in bank guarantees** were contributed in the bridge loan and **65M$ in performance guarantees**.
- The analysis conducted for the company by legal and financial consultants of the concession contract, subject to Peruvian law, and other agreements between the partners on the GSP project ,**lead us to estimate that Enagás would recover the investment and guarantees** for the project in a maximum estimated timeline of **3 years.**
- Enagás confirms its **commitment to the Peruvian Government** for the development of the project.
- **Standard & Poor's** has stated that the Enagas **rating and outlook** (A- /Stable/ A-2) **are not affected** by the termination of the concession contract.

Milestones for the recovery of GSP Investment

- On January 24th the Peruvian Government initiated the process for the termination of the concession.
- The grantor will auction the assets of the concession and award the assets to a new concessionaire.
- With the amount raised in the auction, GSP will be paid up to 100% of the Net Accounting Value (NAV) of the concession.
- If the proceeds of the auction are below 72.25% of the NAV, or if there were no bidders, or if no auction is celebrated within the period of 12 months, the grantor guarantees a minimum of 72.25% of the NAV in favor of GSP.
- Any non-technical discrepancy above 30M$ should be solved through the arbitrage of the ICSID.

Investments

The acquisitions made in 2016 reinforce our position in assets in which we were already present.

Total 912.2M€

Spain

International

199.3M€

Organic investments

42.5% additional Saggas

712.9M€

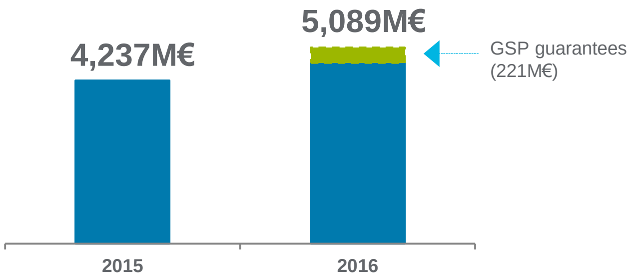
International investments in progress:
- TAP 134.7M€
- GSP 124.9M€
- Others 10.5M€

40% GNL Quintero 355.7M€

4.6% additional stake in TGP 87.1M€

Financial structure

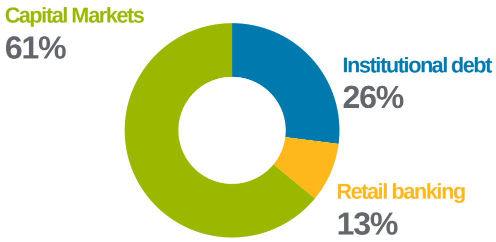
Net Debt

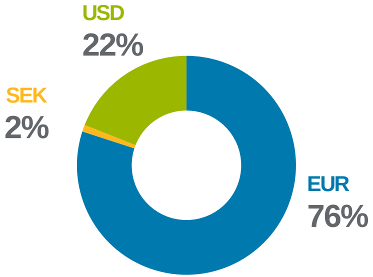


Leverage and liquidity	2015	2016
Net debt/EBITDA* adjusted	4.5x	5.2x
FFO/Net debt	16.4%	15%
Cost of debt	2.7%	2.4%
Liquidity	2,268M€	2,409M€

* EBITDA adjusted by dividends received from affiliates.

Debt structure



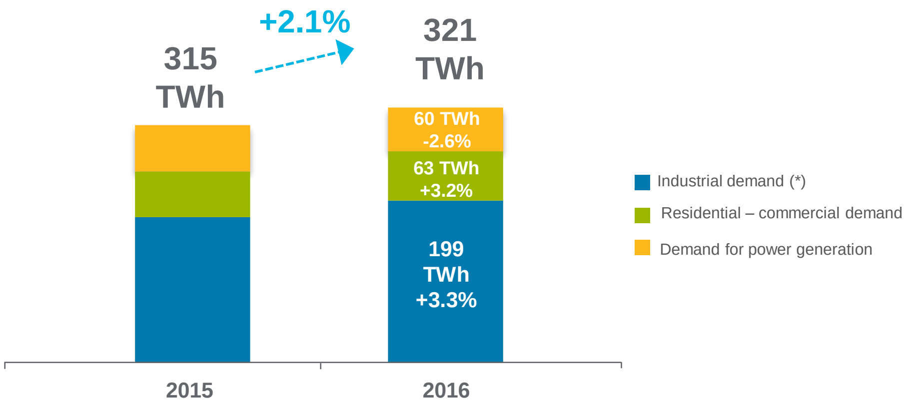


Fixed debt above 80%

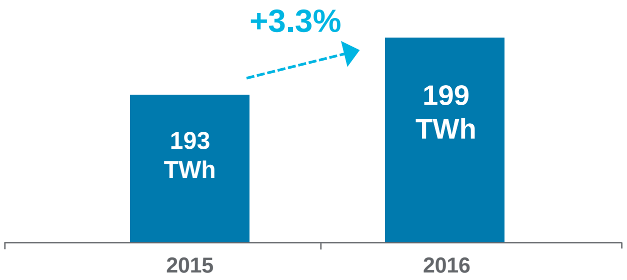
Natural gas demand

Second consecutive year with increases in gas demand, mainly due to the evolution of industrial demand, the main consumer of natural gas, which has risen by 3.3%, in line with the evolution of the economy

Natural gas demand evolution



Industrial demand evolution



- **Industrial demand remains robust and grew by** +3.3% versus 2015
- **Residential– commercial demand** grew by +3.2%
- Natural gas demand for **power generation** decreases (-2.6%) mainly due to increased hydro generation

Source: Enagás GTS
(*) LNG trucks included in industrial demand

Natural gas demand, record in 2017

- National gas demand up to 9 February 2017 had risen by **20.6%**, as the result of a cold spell, among other factors.
- On 19 January gas demand reached a daily **record** since February 2012.
- The record was surpassed **attending normally** all the System demand, singling out the role of the **underground storage** facilities and **regasification plants** in the **security of supply.**
- **Gas demand for power generation** up to 9 February rose by **32.9%** in 2017, highlighting the **essential role of natural gas in guaranteeing electricity supply** , in a context of lower production with other generating sources.

02

Strategic Priorities and Operational Environment 2017-2020

2017-2020 Strategic Priorities

Stable growth with high visibility in net profit and dividend.

Enagás is contributing to energy security and diversification of supplies in Europe, and intends to become a strategic operator in expanding markets, helping to replace fuels with higher levels of pollution.

Growth

- Consolidation of the position of Enagás in regions where it already operates, thanks to growth in its investees
- Global consolidation of GNL Quintero
- Greenfields coming into stream: TAP, Gascan and Midcat/STEP
- Monitor possible opportunities of assets already in operation

Robust financial and liquidity position

- Solid and visible cash flow generation
- Maintain FFO/ND > 15%
- No significant debt maturities until 2022
- Fixed debt above 80%

Efficiency and regulatory visibility

- Continue along the path towards better operational efficiency and safety
- Encourage greater use of Enagás facilities to deepen gas markets and drive down prices
- Regulatory stability, on the basis of a gradual elimination of the gas system deficit

Attractive and sustainable shareholder remuneration

- Dividend growth (5%) in line with the increase in net profit
- Sustainable dividend

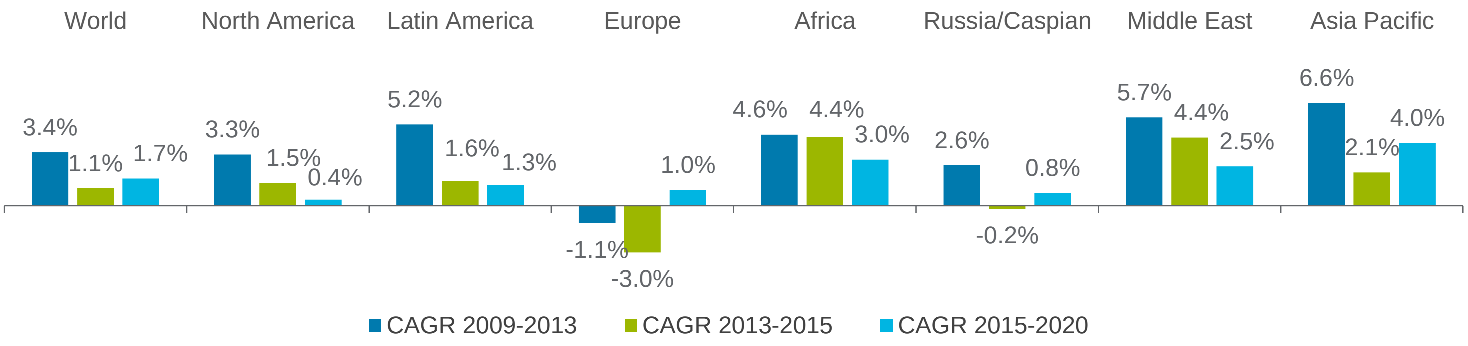
Sustainability leadership

- To promote new services and uses of natural gas in transport
- Commitment to reducing carbon footprint
- Commitment to conciliation and equal opportunities

Abundant supply/oversupply on gas markets

Moderate recovery of gas demand and excess of supply in the short/medium term are bringing downward pressure on prices during the period.

Trends and forecasts for annual growth of gas demand



Source: Self elaboration from BBDD IHS and EIA.

- The gas sector is going through a period of low investment in 2017-2020, although there are major differences between regions.
- New supply contracts tend to be for shorter timelines and smaller quantities, with greater flexibility (ie. destiny).
- This market context makes it easier for investment decisions to be made for import infrastructure, while no major upstream development is expected in the coming years.

Europe is leading the transition towards a low-carbon energy model

Enagás will play a major role in secure energy supply and integration of markets in Europe, with a presence in major gas infrastructure developments.

MIDCAT/STEP: Diversification of supplies for Europe and integration of markets.

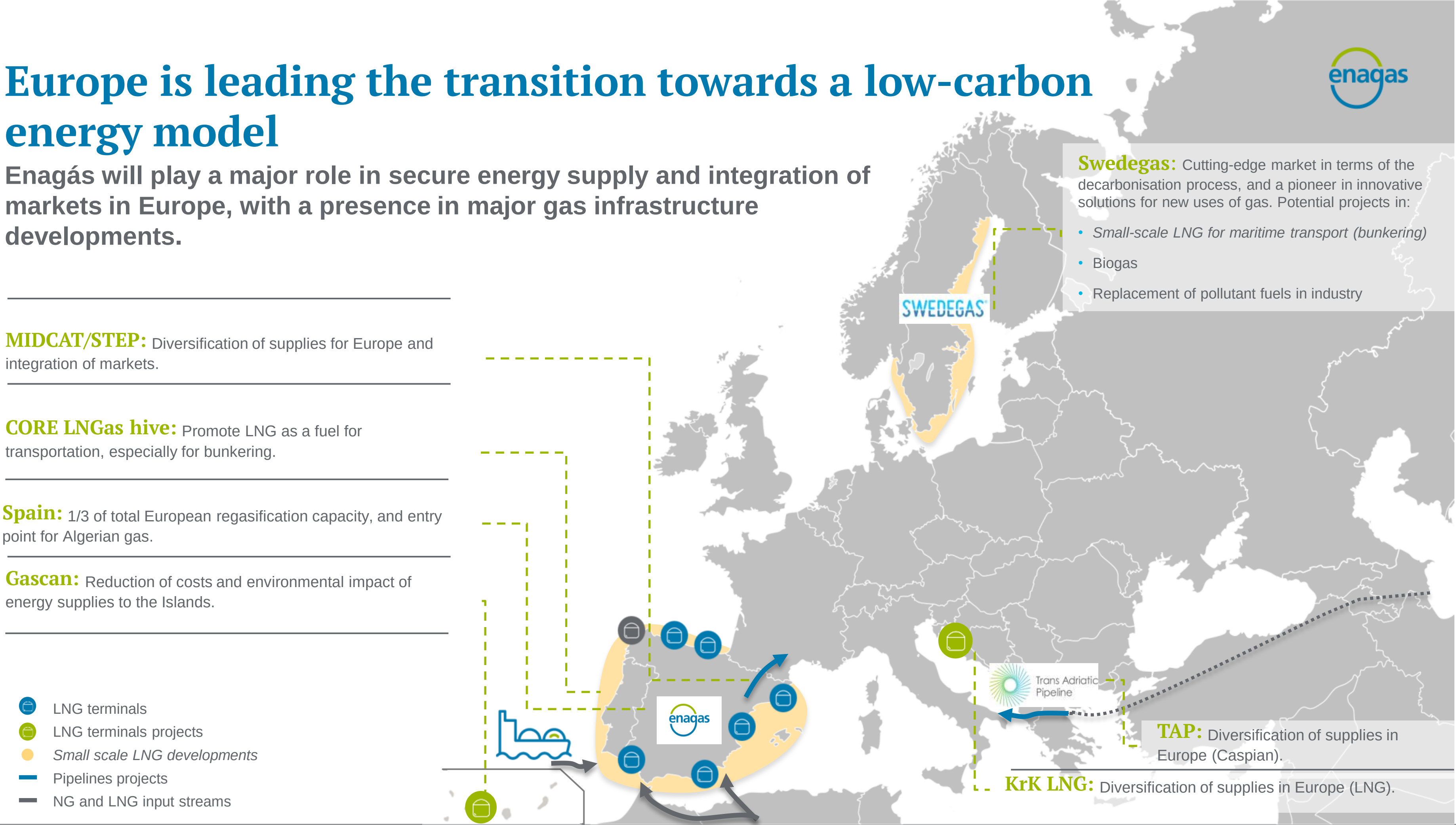
CORE LNGas hive: Promote LNG as a fuel for transportation, especially for bunkering.

Spain: 1/3 of total European regasification capacity, and entry point for Algerian gas.

Gascan: Reduction of costs and environmental impact of energy supplies to the Islands.

Swedegas: Cutting-edge market in terms of the decarbonisation process, and a pioneer in innovative solutions for new uses of gas. Potential projects in:

- *Small-scale LNG for maritime transport (bunkering)*
- Biogas
- Replacement of pollutant fuels in industry



TAP: Diversification of supplies in Europe (Caspian).

KrK LNG: Diversification of supplies in Europe (LNG).

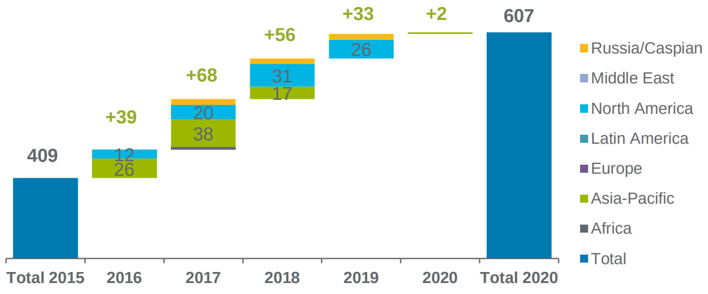
Growth in LNG trading

LNG trading is growing (CAGR 2015-2020: 6.3%), driven by the new liquefaction capacity in the US and Australia, regasification growth in new non-OECD markets and a greater proportion of floating solutions.

Recent Enagás investments in LNG and scheduled investments in 2017-2020 are consolidating us as leaders of the sector, with a focus on fully-fledged markets.

Evolution and forecast new liquefaction capacity 2020

(bcmy)



Source: Self elaboration based on public information of projects and BBDD IHS.

New regasification terminals under construction, and others proposed with entry pre-2020

Source: Self elaboration based on public information of projects and BBDD IHS.

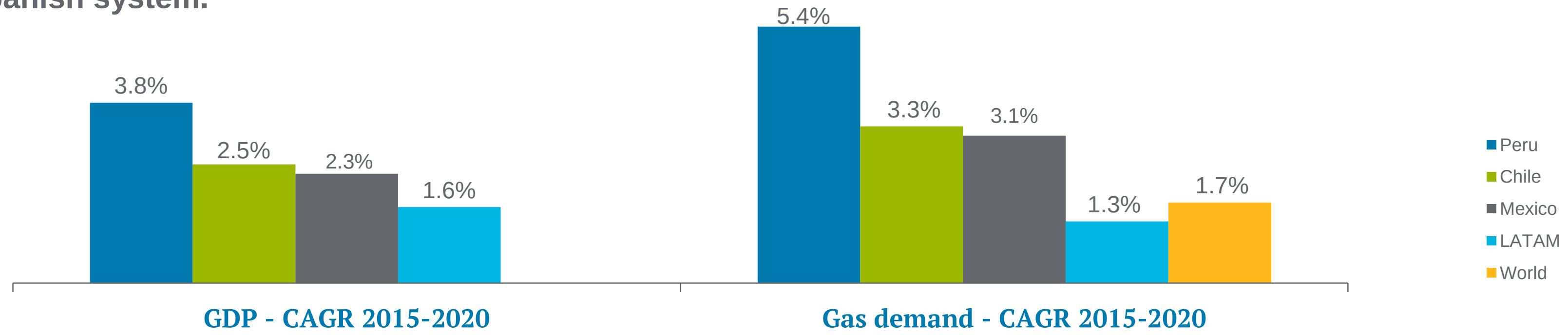
Note 1: *Projects with start dates announced by the promoter prior to 2020 were counted as new projects in the period, with the exclusion of a number of projects where the deadlines scheduled were not expected to be met*

Note 2: *The map does not include existing terminals where capacity is expected to increase*

Note 3: *The capacity of the terminal in South Africa has not yet been defined. A capacity of 4bcm has been undertaken, estimated as the minimum capacity required to cater for electricity demand with gas associated with the project.*

Enagás has taken up a position in expanding markets with solid fundamentals

The priority of Enagás will be organic development with a regional focus, in countries where it already operates and adjacent countries, taking advantage of the large growth potential in these markets and our experience in the Spanish system.



Source: Self elaboration using BBDD FMI

Fuente: Self elaboration using BBDD IHS and EIA

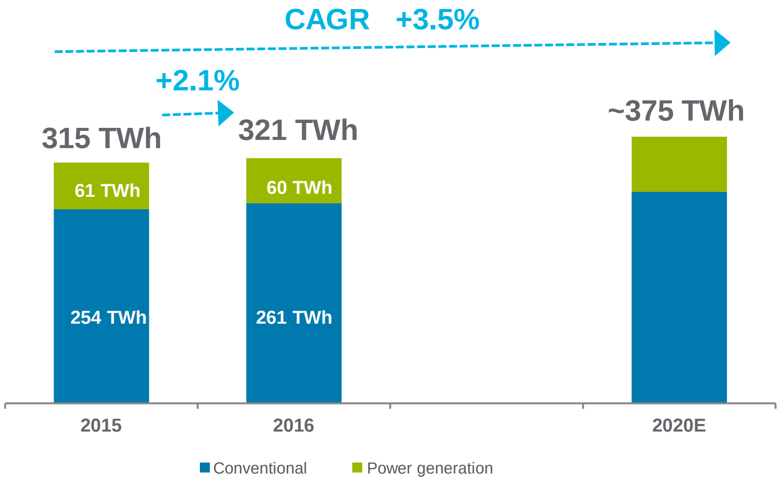
- **Rise in demand** expected in **Peru, Chile and Mexico well beyond the regional and world averages.**
- **Peru** has **solid market fundamentals** to support the country's strategy of "massification" of use of natural gas.
- **Chile** is consolidating as one of the most **dynamic LNG import market** for the production of electricity, reducing costs and facilitating the integration of renewable energies.
  - *Enagás has been increasing its presence at* **GNL Quintero** *since 2012 and is now the majority shareholder. Its participation will consolidate by global integration since January 2017.*
  - *During this period GNL Quintero has boosted its regasification capacity by 50%, and has doubled the LNG tanker loading capacity. Enagás is also focusing on future expansions (a project for a third LNG tank).*

03

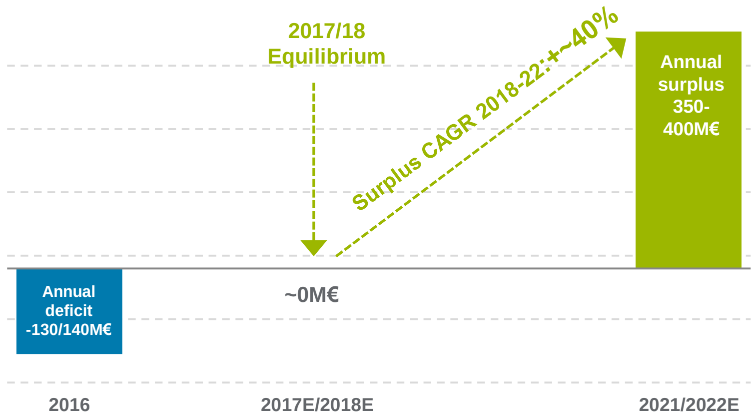
Targets 2017E – 2020E

Gas system equilibrium

Expected gas demand evolution (%)



Gas system equilibrium (M€)

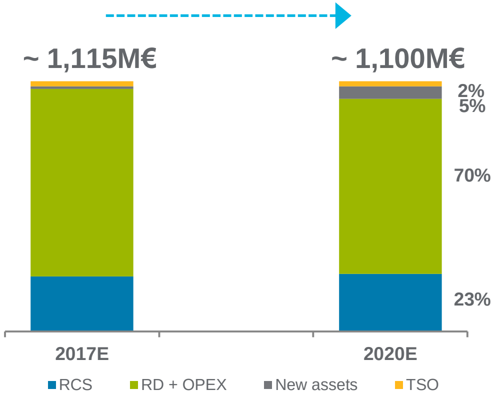


- Application of the present regulatory framework is now meeting its main objective of eliminating the imbalance between revenues and expenses in the gas system.
- Gas system in equilibrium in 2017-2018.
- With the estimated growth of demand, the cumulative deficit will be absorbed by 2021-2022, before the 15 years stipulated in law.
- This equilibrium means the generation of cash for Enagás thanks to improvements in working capital in 2017-2020.

Regulated revenues and operating efficiency

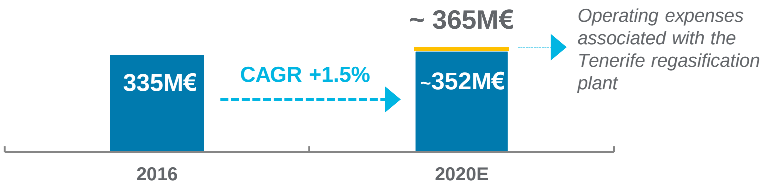
The CEER (Council of European Energy Regulators) has named Enagás as one of the most efficient European TSOs in the management and maintenance of gas infrastructures, with an efficiency rating of 100%.

High visibility in terms of regulated revenues thanks to a stable regulatory framework until the year 2020



Note: Non-recurring income is not considered

Opex trend: Additional efforts in terms of operating efficiency



Note: Operating expenses excluding GNL Quintero

Global consolidation of GNL Quintero

ENAP has a call option on 15% of GNL Quintero, which could materialise in 2017.

GNL Quintero. Main figures

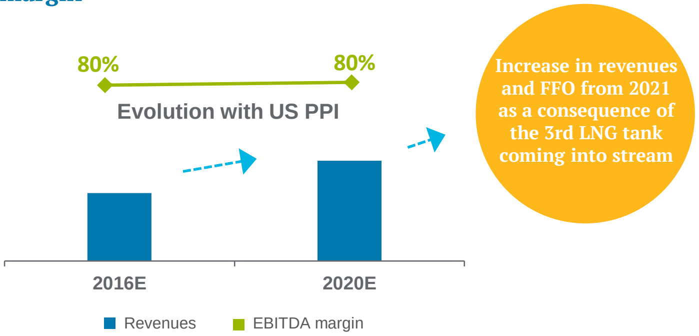
M€	2017E	2020E
Total revenues	177	210
EBITDA	144	166
Net profit	24(*)	49

Note: Contribution of 100% of GNL Quintero considering effects of consolidation

(*) Without taking into consideration the positive impact of ~ 29M€ from the revaluation of the first Quintero acquisition (2012)

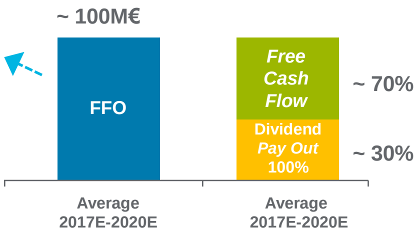
- Global consolidation from **1 January 2017**
- **Shareholder structure** : 60.4% Enagás, 20% ENAP, 19.6% Oman Oil
- ***Equity*** invested by Enagás: **576M$**
- **Shareholder`s agreement allow the full consolidation of GNL Quintero.** Once the **option is executed** by **ENAP**, **Enagás will continue to consolidate GNL Quintero globally**.

2016-20120 revenues evolution and EBITDA margin



- **Dollarised revenues on the basis of a take-or-pay contract,** updated each year with US PPI
- No exposure to volumes or LNG prices
- **100% of Opex** is a "pass-through" in earnings
- **D&A stable** until 2021 at around **50M€** (includes PPA)
- **Debt**: **1.1bn $** *US* denominated bond with 4.6% coupon, maturing in 2029. **S&P** rating: **BBB**

Cash flow 2017-2020

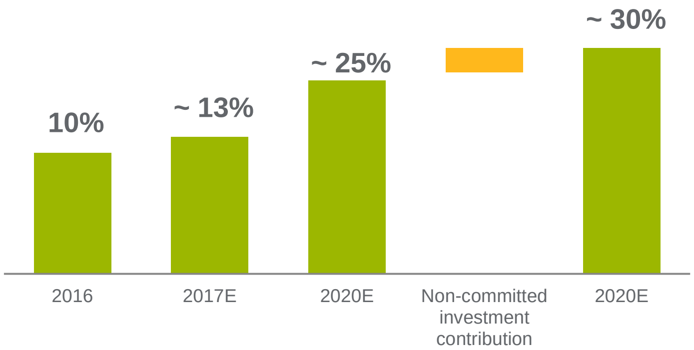


- **FFO** stable average generation 2017/2020 of FFO around **100M€/year**
- Liquidity position GNL Quintero at 31 December 2016 **257M$**
- **Investment** of ~ **300M$** to build the third LNG tank, expected to be operational by 2021
- **Expansion of plant capacity will mean more growth in earnings from 2021**
- **Dividend policy: 100% Pay Out**

Affiliates

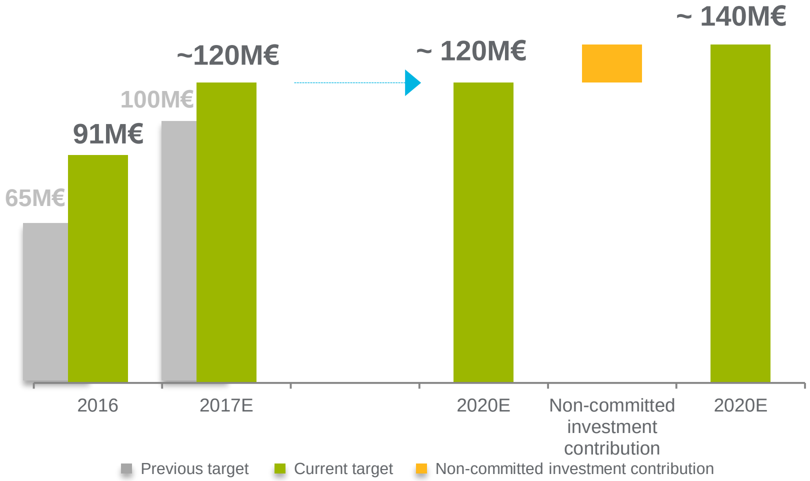
Contribution to net profit of equity affiliates and GNL Quintero proforma via equity method (45.4%)

Reaffirming established targets



Contribution to cash flow of equity affiliates and GNL Quintero proforma via equity method (45.4%)

Improving established targets



- Without exposure to possible depreciation of local currencies, with all subsidiaries in Latin America dollarized (revenues and dividends in dollars).
- Revenues from most Latin American subsidiaries updated by US inflation.
- High visibility of the estimated dividend of our equity affiliates, since they are regulated assets or are protected by long-term ship-or-pay contracts.

Note: 1€ = 1.11 USD

2017-2020 Investments

Total investment of ~1,450M€ compatible with maintaining a FFO/ND>15%

Total committed investment in Spain

Amount: ~750M€

Midcat interconnection **110M€**

Yela cushion gas **60M€**

Tenerife LNG Plant **260M€**
Coming into stream: 2020

Total committed investment in Chile

Amount: ~280M€

ENAP has a call option for the 15% that could materialize throughout the year 2017
135M€

Third LNG Tank 150,000 m^3
Coming into stream (estimated date): 2021-22

GSP Concession termination phase

Guarantees amount: 216M€

Investment recovery
458M€ (*equity* + guarantees)

Estimated maximum recovery time 36 months

Trans Adriatic Pipeline (TAP)

Amount: ~210M€

Equity True up
(~205M€) after the financial closing expected in 2017

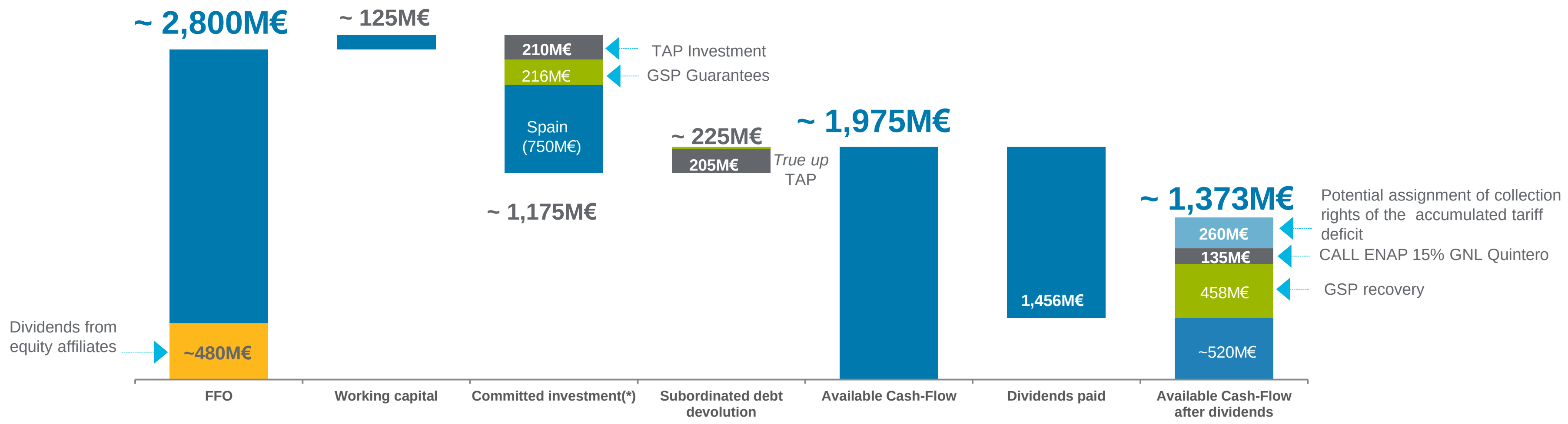
Note: (1€ = 1.11 USD).

Solid cash flow generation 2017-2020

Stand alone: GNL Quintero pro-forma by equity method 45.4%

FFO/DN always above 15%.

(M€) Totals 2017E–2020E



Note: (1€ = 1.11 USD)

(*): The stand alone scenario doesn't take into consideration the consolidation of GNL Quintero, therefore the investment of 280M€ in the 3rd tank of GNL Quintero is not included

Cash flow generation

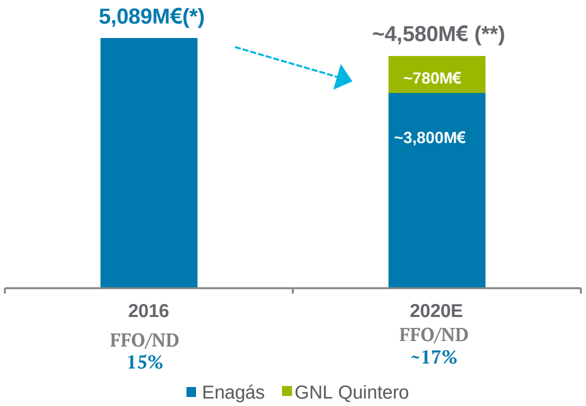
- Solid cash flow generation: FFO 2,800M€ over the next four years
- In addition, Enagas expects to receive around 1,000M€ for the recovery of the investment in Gasoducto Sur Peruano, TAP true up in accordance with the capital structure agreed in this project, the possible sale of 15% of GNL Quintero to ENAP in case they exercise the call option, and for the assignment of collections rights of the accumulated deficit in the final settlement of the year 2014.
- The available cash from GNL Quintero (Chile) and the possible financial structure optimization at TGP (Peru) could be used for new investment and growth opportunities in these countries.
- With the current capital structure, and maintaining a solid financial position, cash generation will allow us to continue to grow sustainable in the future.

Financial policy

Commitment to maintain FFO/ND > 15%

No significant maturities until 2022.

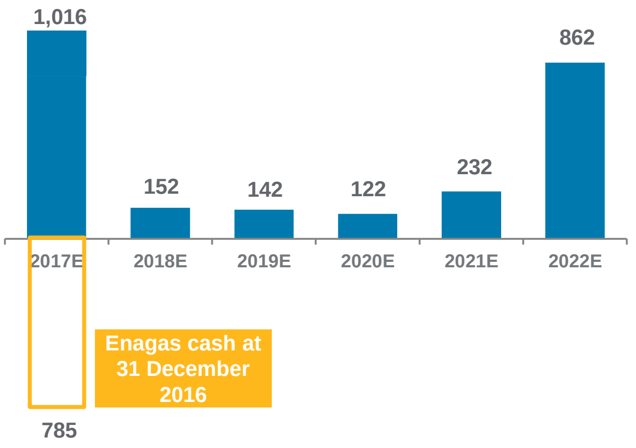
Net Debt Enagás Group



(*) 2016 Net debt without the accounting effect of the guarantees provided by the termination of GSP would have been € 4,868M

(**) The net debt could be adjusted according to the criteria used by the rating agencies, due to the potential guarantees granted to TAP lenders

Enagás debt maturity profile (M€)



Note: Not included short-term credit facilities or GNL Quintero maturities

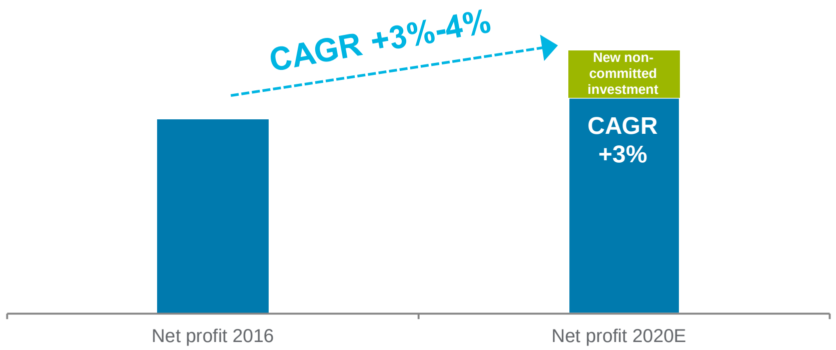
Debt GNL Quintero

	Bond GNL Quintero
Rating S&P	BBB
Class	Bond 144A *unsecured*
Amount and coupon	1,100M$ (4.634%)
Maturity	July 2029
Amortization	Semiannual amortization starting in July 2021

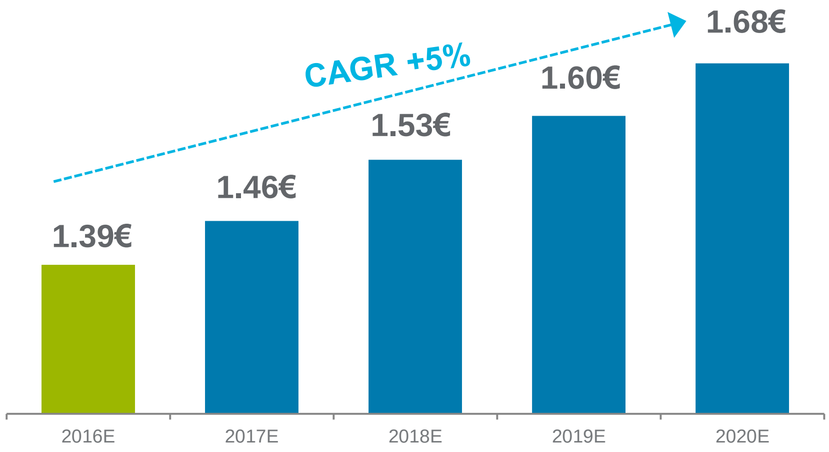
Net profit and dividend growth

Shareholder remuneration, with a minimum annual increase of 5%, continues to be the main strategic priority for Enagás.

Net profit growth



Dividend policy



NotE: Dividends subject to approval by the General Shareholders' Meeting, in accordance with Spanish corporate law.

04

2017

2017 Targets

- Global consolidation of **GNL Quintero** from **January 1, 2017**
- EBITDA **~ 987M€** (contribution GNL Quintero ~144M€)
- Growth in net profit **~ +12%** (includes accounting gain from the revaluation of the cost of the first Quintero acquisition (2012) according to the value of the acquisitions carried out in 2016 in the amount of ~29M €).
- Stand alone growth in net profit: **~ 5.0%** (GNL Quintero proforma consolidated using equity method)
- FFO/ND *stand alone* above **15%** (proforma ratio with GNL Quintero using equity method))
- Dividends from equity affiliates **~€120**
- Planned investments **~€650M** (GNL Quintero investments included)
- Dividend **€1.46/share** (+5%)
- Stand alone cost of net debt **~2.4%**

Note: 1€ = 1.11 USD

05
Sustainability

Leadership in sustainability

Enagás promotes an energy transition at the lowest cost for businesses and consumers.

Enagás 2040 Long-term strategic vision

Business model

- **Development of new infrastructures in growing markets, and in mature markets** linked to security of supply
- **Promotion of new services and uses of natural gas**
- Commitment to innovation and corporate entrepreneurship
- **Monitoring the energy transition process**

Environmental responsibility

- Commitment to **reducing the carbon footprint**
- Implementation of **energy efficiency initiatives**
- Encourage the use of gas as a key fuel in the **electricity generation** mix and in **transport**

Commitment to people

- Sustainable results for our **stakeholders**
- **Talent management**
- Commitment to work/life **balance and equal opportunities**
- Commitment to **local communities**

Enagás Strategic Vision 2040

In any plausible scenario, the natural gas chain is a tool for meeting objectives to combat climate change.

Enagás has devised a robust long-term strategy to guarantee future growth based on the creation of value within a context of gradual decarbonisation of the global energy mix:

- Gas is and will continue to be the **most competitive and cleanest** energy source to make **industry** economically viable.
- The major developments in gas infrastructures required by **dynamic or emerging markets** can serve both the **growing need for modern energy services and commitments to reduce emissions and improve air quality**, adding in renewable energies and removing coal from the mix.
- Taking advantage of the investments already made in the natural gas chain in **stable or mature markets** provides the necessary **support and flexibility** for the safety of an electricity supply with high penetration of renewables at the lowest cost.
- Natural gas has **great potential for growth in road and maritime transport sector** replacing polluting fossil fuels.
- Enagás is working on a complete catalogue of **innovative logistics services** and new applications to boost the **efficiency** of the gas system and **move forward in terms of digitalisation and adaptation of traditional business** (logistics-sales plan, CORE LNGas hive, Corporate Enterprise Programme)

Results in sustainability

Tenth most sustainable company in the world, and leader of the gas utilities sector on the **Global 100** index, published recently in Davos.

World leader in the utilities sector on the Dow Jones Sustainability Index (DJSI).

Included in the ***A-List of CDP*** (Carbon Disclosure Project), with the most advanced companies in **the management of climate change.**

06
Conclusions

Conclusions

- The expected cash generation in the period will allow us to pay the committed dividend and strengthen our balance sheet structure, reducing debt levels.
- Shareholder remuneration, with a minimum annual increase of 5%, continues to be the strategic priority of Enagás.
- We increase the expected cumulative average profit growth of the period from the previous 2% to 3%, which could reach 4% if we made new investments in the last part of the period.

Conclusions

- Debt structure with more than 80% at fixed rate, limiting the risk of interest rates.
- International strategy based on the consolidation and development of the investments already made and the recovery of the investment in GSP.
- Regulatory stability, security of supply in a growing demand environment and execution of pending projects are the priorities of the traditional Spanish business.
- Maintain and strengthen Enagás' leadership in sustainability as a fundamental pillar of the company's strategy.

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