



# Results 3Q2017

17 October 2017

# Change in the equity method reporting criteria



**This measure does not affect either the Net Profit, the Balance Sheet or the Cash Flow of the Company.**

- ✔ According to the standards and requirements established by the International Financial Reporting Standards (IFRS), and in agreement with the Company's auditors, from these semi-annual financial statements the equity method reporting criteria has been changed, so it can be included in the Operating Result and the EBITDA, in as much as equity affiliates are performing the same activity as Enagás Group's social objective.
- ✔ As set out in those accounting standards, the change has been done due to the fact that the weight of the contribution of these equity affiliates (result from equity method), on the Company's Net Profit is gaining relevance, and that this change improves the fair view of the Enagás Group.
- ✔ Equity Method will be reported within the Operating Result, in a single line (net of tax effect). For the purpose of this presentation, the PPA (Purchase Price Allocation) will be included in the amortization line of the P&L statement.
- ✔ This measure does not affect either the Net Profit, the Balance Sheet or the Cash Flow of the Company.

# 9M2017 Key Figures

Global consolidation of GNL Quintero since January 1, 2017

## Key figures

(Enagás stand alone: GNL Quintero pro-forma by equity method) (45.4%)

- ✓ FFO **643.3M€ (+5.2%)**
- ✓ Operating Cash Flow (OCF) **680.8M€ (+12.3%)**
- ✓ FFO/ Net Debt **17.1%**
- ✓ Net Profit **322.5M€ (+1.6%)**. Contribution to net profit of equity affiliates **15.1%**
- ✓ Net Debt **4,609M€**. Net cost of debt **2.3%**

## Key figures

(GNL Quintero full consolidation)

- ✓ FFO **706.7M€ (+15.6%)**
- ✓ Operating Cash Flow **732.1M€ (+20.8%)**
- ✓ Investments **252.8M€\***
- ✓ Net Profit **375.7M€ (+18.4%)** (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, as well as the exchange rate differences)
- ✓ Net Debt **5,276M€**

## National gas demand

- ✓ Natural gas national demand as of September 30, 2017 **+9.3%**
- ✓ Conventional demand **+4.5%**; Demand for power generation **+33.2%**

(\*) Includes guarantees provided in GSP for 213M€ and the sale of 15% of GNL Quintero (-140.6 M €).

# P&L statement



9M2017 results are in line with the targets set for the year 2017.

M€	9M2016 Proforma	9M2017 Stand alone(*)	9M2017 GNL Quintero	9M2017 Full Consolidation	Var % 2017 Stand alone/2016	Var % 2017 FC/2016
Total revenues	899.7	889.1	132.6	1,021.7	-1.2%	+13.6%
Operating expenses	-256.4	-259.9	-24.1	-284.0	+1.4%	+10.7%
Results from Equity Affiliates	63.9	73.5	-17.0	56.5	+15.0%	-11.6%
<b>EBITDA</b>	<b>707.2</b>	<b>702.7</b>	<b>91.4</b>	<b>794.2</b>	<b>-0.6%</b>	<b>+12.3%</b>
<b>EBIT</b>	<b>485.4</b>	<b>478.9</b>	<b>55.9</b>	<b>534.8</b>	<b>-1.3%</b>	<b>+10.2%</b>
Financial results	-75.9	-66.7	15.8	-50.9	-12.0%	-32.8%
Minority interests	-0.7	-0.7	-10.2	-11.0	3.0%	n/a
<b>BDI</b>	<b>317.4</b>	<b>322.5</b>	<b>53.2</b>	<b>375.7</b>	<b>+1.6%</b>	<b>+18.4%</b>

→ Different scheduling of the ILP (Long term incentive)

→ In line with our annuals targets:  
EBITDA *stand alone*: ~843M€  
EBITDA full consolidation without result from Equity Affiliates: ~987M€  
EBITDA FC including result from Equity Affiliates: ~1,080M€

→ Includes 52.4M€ for the revaluation of the stake in Quintero, including the exchange rate differences

→ In line with the annual target of + 5% in stand alone Net Profit

(\*) 45.4% of GNL Quintero accounted by the equity method

- ✔ Enagás keeps promoting efficiency as one of the key drivers that assure our business **sustainability** in a short, medium and long term. Our current efficiency plan is focused on the following areas:

## Efficiency Plan (action areas)

- ✔ **Infrastructures**, boosting new plans addressed to improve the efficiency and, through continuous improvement and operative excellence, the optimization of the maintenance management. This measure also includes the reduction of the CO<sub>2</sub> emissions through energetic efficiency and the removal of fugitive emissions.
- ✔ **People**, promoting measures that allow fixing the resources and the organizative structures to this strategy, as well as enhancing the human talent as a critical asset for the company.
- ✔ **Administration and Support**, initiating measures that assure the cost control and adjusting it to the needs of the business at any time.

- ✔ It is in this spirit that the Company is implementing a new organizational model with two main objectives:
  - I. **Enhancing the orientation of the company towards the long-term**, in a manner that allows the different strategic challenges to be dealt through the impulse of the Strategy and Transformation areas.
  - II. **Consolidation of the short-term view**, by means of the concentration of the technical functions, ensuring efficiency in the regulated business and promoting the technological leadership of the company.

# Contribution of international business stand alone



Contribution to P&L	9M2016	9M2017
<b>EBITDA without contribution from Equity Affiliates</b>	<b>643.3M€</b>	<b>629.2M€</b>
Brownfield contribution to EBITDA	54.4M€	77.7M€
Greenfield contribution to EBITDA	9.5M€	- 4.2M€
<b>EBITDA</b>	<b>707.2M€</b>	<b>702.7M€</b>
Amortization	-204.7M€	-198.9M€
PPA amortization	-17.0M€	-24.9M€
<b>EBIT</b>	<b>485.4M€</b>	<b>478.9M€</b>

## Contribution to Cash Flow

--> **93.9M€** Dividends from equity affiliates contribution to FFO stand alone

Dividends from **Equity Affiliates**, considering GNL Quintero by the equity method, in line to reach the planned **annual target (€ 120M)**

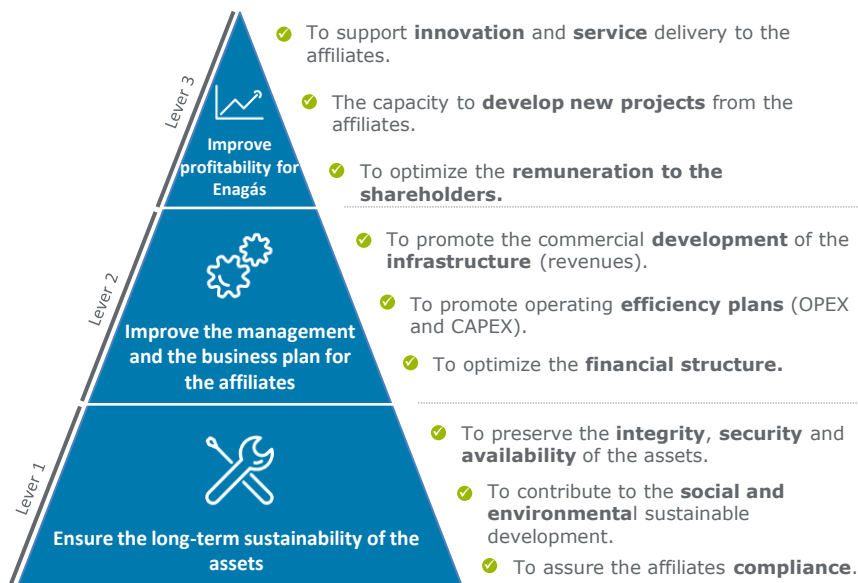
Note: Contribution of 45.4% of GNL Quintero accounted by the equity method

# Management model to create value for the affiliates



This model pursues to guarantee the profitability for the business plan objective and its sustainability in the long-term, providing experience, known-how and Enagás' best practices as an industrial partner.

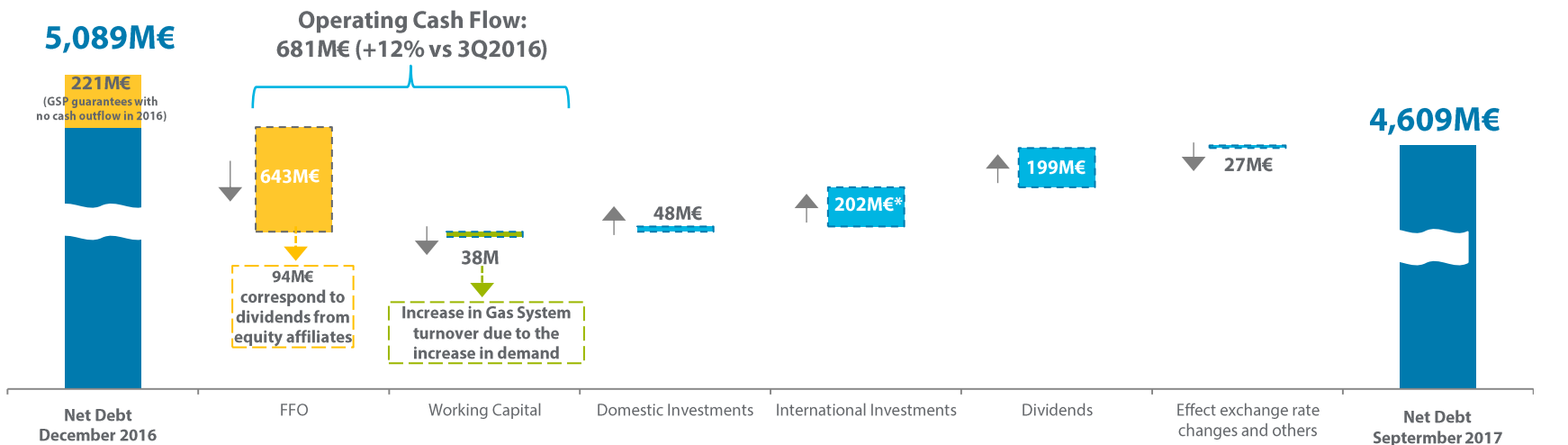
## Value creation levers



## Some examples of affiliates proceedings

- ✓ Services associated to the engineering of facilities, implementation of maintenance management system, etc.
  - ✓ Technical and commercial support to develop LNG projects (Bunkering and small-scale).
  - ✓ Analysis of opportunities to grow from the affiliates (inorganic growth).
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- ✓ The promotion of additional uses for the LNG terminals as a strategic storage.
  - ✓ The commercialization of additional capacity.
  - ✓ Efficiency plans in Opex with recurrent savings.
  - ✓ Leadership on financial closure (greenfield projects) and affiliates debt refinancing (brownfield projects).
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- ✓ Transmission of know-how through Enagás' participation in key positions:
    - 7/10 Board Chairmen
    - 1 CEO, 1 CFO, 3 COO, 1 Controller, 1 HSSE Manager y 1 Business Development Manager.
  - ✓ Leadership in the design and implementation of security standards.
  - ✓ Leaderships of the affiliates Audit and Risks Committees.
  - ✓ The Financial Committee Chair in charge of the projects financing.
  - ✓ Integration of Enagás' best practices in the maintenance management models of the affiliates.

# Cash flow stand alone



FFO / Net Debt

15%

FFO / Net Debt (last 12 months)

17.1%

**Strong deleveraging:** Reduction of net debt by 480M€ in the first nine months of the year

(\*) Includes guarantees provided in GSP for 213M€ and the sale of 15% of GNL Quintero.



# Investments

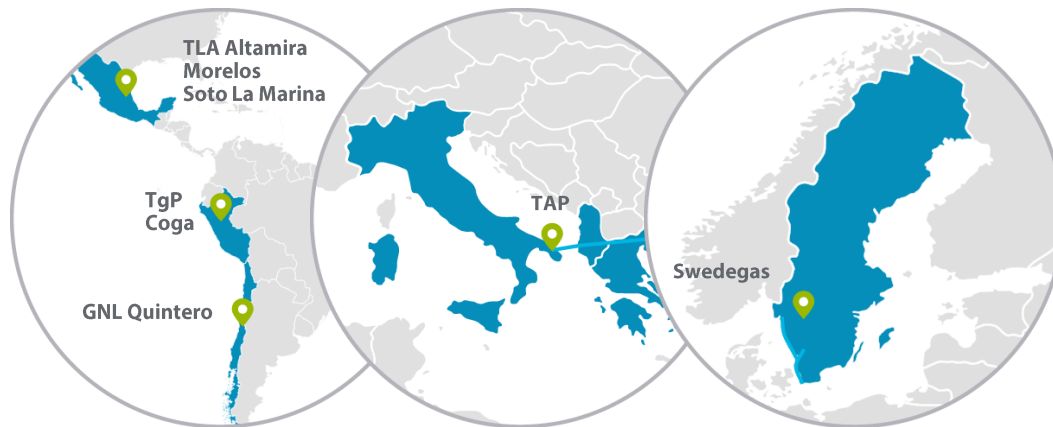


## Spain



47.7M€

## International



205.1M€

### Main international investments in progress,

- TAP: 122.9M€
- COGA: 8.3M€
- GSP(\*): 213.0M€
- 15% sale of GNL Quintero: -140.6M€
- GNL Quintero: 3.1M€

Total  
252.8M€

(\*) Payment of GSP guarantees.

# Gasoducto del Sur Peruano (GSP)



- ✓ In July, a new Energy and Mines Minister was appointed to the Peru Government. In September, a new Prime Minister was appointed and the Government was remodelled, but maintaining the Minister and Energy and Mines. The Minister has confirmed the commitment of the Peruvian State to re-tender the concession in the first half of 2018, considering that the project is viable and beneficial for the country.
- ✓ The concessionaire, GSP, S.A., with the agreement of all its partners, has subscribed on October 11th an agreement with the Ministry of Energy and Mines for the procedure to hand over the assets from the concession under the terms of the concession as a requirement to continue with the re-tender process.
- ✓ Discussions are being held with the Government during the hand-over process, with a view to resolving some discrepancies in the application and effects of the concession contract, of which GSP, S.A. has shown an express reservation, without prejudice to maintaining its collaboration with the Peruvian Government in order to facilitate, in any case, the re-tender of the project and the recovery of the investment.
- ✓ If Enagás' rights are not properly satisfied on the concession agreement, through the procedure regulated herein or under an alternative one, it could urge the legal actions established in the concession agreement to defend its interests.

# Trans Adriatic Pipeline (TAP)



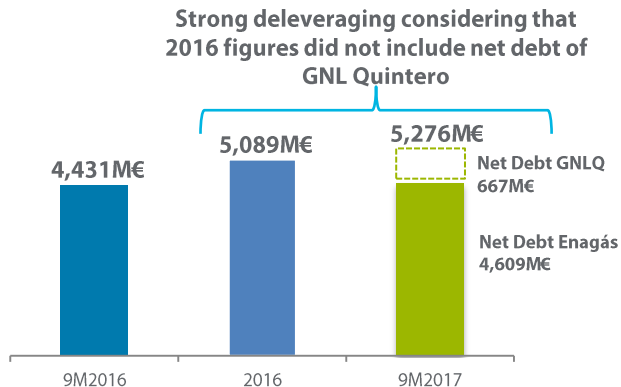
- ✓ TAP is part of the called **“Southern Gas Corridor”**, a project designed to **supply natural gas to Europe from the Caspian sea**. TAP gas pipeline has 878 kilometers and goes through Greece, Albania, the Adriatic Sea and Italy.
- ✓ The **total cost of the project is approximately 4,500 million euros**, and it will be refinanced with a combination of Debt and Equity.
- ✓ **The current degree of completion exceeds the 50%, without any deviation from the schedule.** The reference date to put the gas pipeline into operation is 2020.
- ✓ As of September 2017, **Enagás has invested 387 million euros in TAP**. TAP´s partners will keep making capital contribution until the financial closure. Then, Enagás will receive the true-up. With this arrangement, **Enagás´ final investment on TAP will be approximately 270 million euros**.
- ✓ Conversations with multilateral agencies are in an advanced stage and it is expected to achieve the **financial closure in the first semester of 2018**.



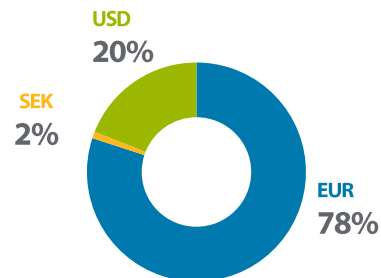
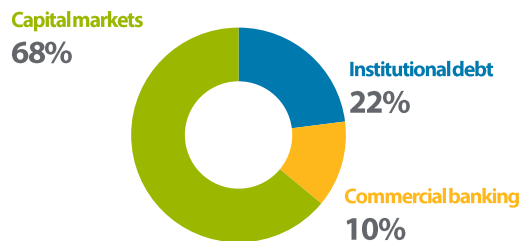
# Financial structure



## Net debt



## Debt structure (stand alone)



Fixed rate debt above 80%

## Leverage and liquidity

	9M2016	9M2017 <i>Stand alone</i>	9M2017 <i>Full Consolidation</i>
<b>Net debt/EBITDA* adjusted</b>	4.7x	4.6x	4.8x
<b>FFO/Net debt</b>	15.9%	17.1%	16.2%
<b>Net cost of debt</b>	2.4%	2.3%	2.8%
<b>Liquidity</b>	2,609M€	2,500.4M€	2,753.4M€

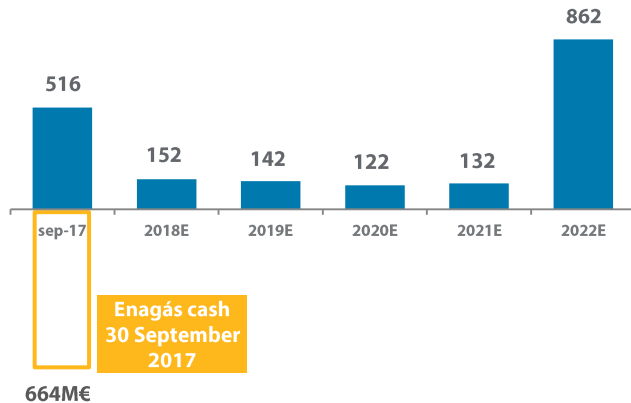
\* EBITDA adjusted by dividends received from affiliates.

Note: Leverage ratios included in 3Q2017 full consolidation figures are undervalued due to the consolidation of 9 months of FFO and EBITDA and 100% debt of GNL Quintero.

# Financial policy



**Enagás debt maturity profile stand alone (M€):**  
*No significant maturities until 2022*



**Note:** Not included ECP or withdrawn short-term credit facilities

**GNL Quintero debt (M\$)**

## GNL Quintero Bond

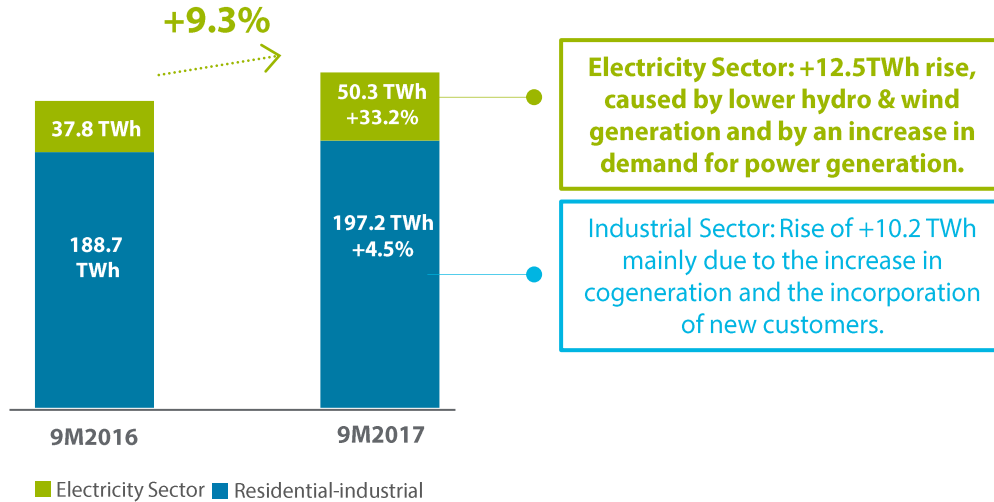
<b>Rating S&amp;P</b>	BBB (Strong Business Risk Profile)
<b>Class</b>	Bond 144A <i>unsecured without recourse to shareholders</i>
<b>Amount and coupon</b>	1,100M\$ (4.634%)
<b>Maturity</b>	July 2029
<b>Amortization</b>	Semiannual amortization starting in July 2021
<b>GNL Quintero cash September 30, 2017</b>	299M\$

**In its 2017 annual review, Fitch and S&P affirmed Enagás rating: "A-"**

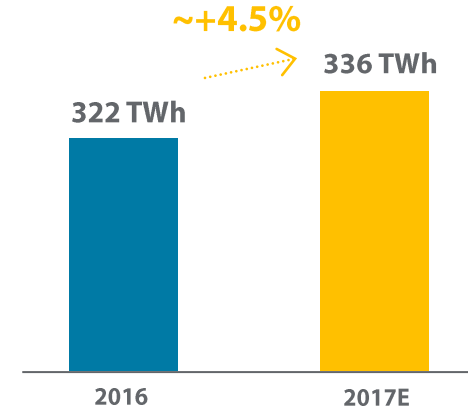
# Natural gas demand

Increase in gas demand normally attended

Natural gas demand evolution 9M2017



Expected natural gas demand evolution in 2017



## Gas system in equilibrium

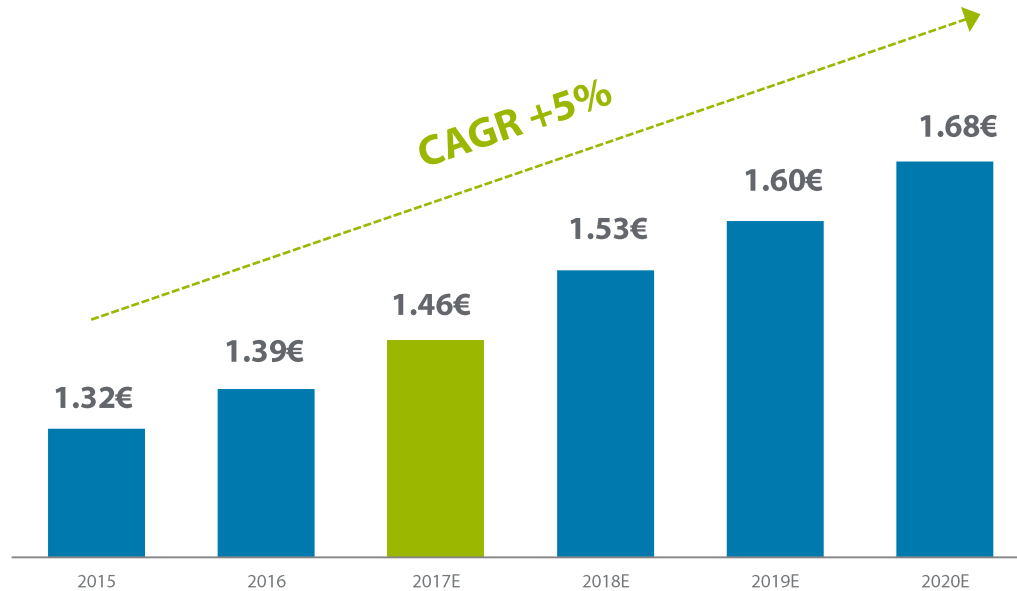
Source : Enagás GTS

LNG tankers included in industrial demand

# Shareholder remuneration



On July 5, 2017, Enagás paid the 2016 complementary dividend of €0.834/share, representing a total dividend of €1.39/share charged to 2016.



# Dow Jones Sustainability Index



The results obtained in the last evaluation of the **Dow Jones Sustainability Index World (DJSI)**, the world reference sustainability index, implies the recognition for the **Company's strong commitment to sustainability** as one of the five Strategic Update 2017-2020 drivers.



The **DJSI** has selected 2,500 companies and has chosen the 320 most sustainable to be part of the index. Only 14 of them are from Spain.



**For the tenth year consecutive**, Enagás has managed to be in the index, reaching the **Oil & Gas Storage & Transportation** world leader position with 86 points over 100.

Enagás is **leader in 9 of the 21 areas under consideration**:

## ENAGAS LEADERSHIP DIMENSIONS



- Human capital development
- Attraction and retention of talent
- Labor practices indicators\*
- Health and security
- Philanthropy and social action
- Human rights
- Social impact in communities
- Risk and crisis management**

**Environmental policy and other environmental management\***



Social  
Dimension



Government  
Dimension



Environmental  
Dimension

(\* ) Dimensions with highest score (100)



# 2017 Targets

- ✓ Global consolidation of **GNL Quintero** from **January 1, 2017**
- ✓ EBITDA full consolidation without result from Equity Affiliates ~ 987M€ / **EBITDA IG Global including result from Equity Affiliates ~ 1,080M€**
- ✓ Stand alone growth in net profit: ~ **5.0%** (GNL Quintero proforma consolidated using equity method)
- ✓ Growth in net profit ~ **+12%**
- ✓ FFO/ND stand alone above **15%** (proforma ratio with GNL Quintero using equity method)
- ✓ Dividends from equity affiliates ~**€120M**
- ✓ Planned investments ~**€650M**
- ✓ Dividend **€1.46/share** (+5%)
- ✓ Stand alone cost of net debt ~**2.4%**

Note: 1€ = 1.11 USD

# Conclusions



- ✔ 3Q2017 results are **in line with the targets set for the year 2017**.
- ✔ **Solid cash flow generation** and **strong deleverage** (480M€ of net debt reduction in the first nine months of the year).
- ✔ The rating agencies **Fitch and S&P** have reaffirmed the long term rating of Enagas at **"A-**".
- ✔ **Fixed net debt above 80%**, with no significant debt maturities until 2022.
- ✔ **Natural gas demand growth** as of September 30, 2017 (+9.3%).
- ✔ Enagás, "*Oil & Gas Storage & Transportation*" world leader in the last **Dow Jones Sustainability Index**.

# Legal disclaimer



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