

1H2020 Results

28st July 2020



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Conference-call/Webcast:

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Spanish telephone number:

Phone N^o: +34 91 419 44 48 / Pin Code: 545978#

Phone N^o: +44 (0) 330 336 94 28 / Pin Code: 545978#

English telephone numbers:

Spain: +34 91 419 23 11 / Pin Code: 847270#

UK: +44 (0) 330 336 94 01 / Pin Code: 847270#

www.enagas.es

Highlights

Priorities, Contingency Plan and Enagás Management for COVID-19

- ⚡ In the current context of crisis in which we find ourselves caused by the COVID-19 virus, Enagás' priorities continue to be as follows:
 - People's health, safety and well-being
 - Continue to normally provide an essential service: supplying natural gas
 - Contribute to mitigate the social impact of the pandemic
- ⚡ The Spanish Gas System has operated completely normally despite the adverse conditions. Consequently, natural gas has been supplied normally, with full commercial and technical availability.
- ⚡ Similarly, all the affiliates in which the Enagás Group participates are operating normally, thus contributing to securing supply in their respective countries. All have implemented a contingency plan against COVID-19 in coordination with Enagás to ensure business continuity.
- ⚡ Enagás presents a stable regulatory framework (2021-2026) and no effects have been identified arising from the current context that might entail capital losses for the Company. Nor has the behaviour of gas demand during the first half of 2020 had a significant negative equity effect on the revenue of the turnover registered by the Enagás Group.
- ⚡ The effects derived from this situation at the international level, as well as the global evolution of the Oil & Gas market indices, have not significantly affected the income of the international companies in which it participates.
- ⚡ The Company has a strong liquidity position, which at the end of the first half of the year amounted to €2,486 million between cash and undrawn lines of credit. Also considering that on this date the Group's rating has remained at BBB+ with a stable outlook, both by Fitch and Standard & Poor's.
- ⚡ There have been no significant extraordinary expenses corresponding to the COVID-19 crisis, nor provisions or contingent liabilities that have been included in the Enagás Group's interim financial statements at 30 June 2020.
- ⚡ The expected after tax profit for 2020 should not be compromised.
- ⚡ From the analysis carried out by the Company, there has been no evidence of impact caused by the COVID-19 situation to be recorded in the financial statements for the first half of 2020. However, the Group continues to continuously monitor this situation.

2020 first half results

- ⚡ The **results obtained in the first half of the year are in line to reach the annual objective in terms of net profit ~ €440 million.**
- ⚡ **Net profit at 30 June 2020 stood at €236.3 million, which is +9.4%** higher than in the same period of the previous year. This good performance of net profit is fundamentally justified by:
 - **Control of operating expenses** and different scheduling of other operating expenses recorded in the first half of 2019.
 - **Better financial result** due to the non-recurring positive effect announced in the first quarter of **€18.4 million** originated by the positive exchange differences generated by the purchase of dollars made for Tallgrass Energy's Take Private (closed on 17 April), as well as by the financial update of the account receivable related to Gasoducto del Sur Peruano (€12.3 million).
- ⚡ The **operating cash flow (OCF)** at 30 June 2020 was **€465.7 million**, 5.7% lower than that obtained in 2019 mainly due to the effect of scheduling dividend collections by affiliates.
- ⚡ The accumulated net investments in the first half of the year amounted to €806.7 million, with the investment corresponding to Tallgrass Energy's Take Private operation being noteworthy. As a consequence of this operation, Enagás has increased its direct shareholding in Tallgrass Energy to 30.2% through the disbursement of €762.8 million.
- ⚡ **Net Debt** at the end of the first half of 2020 amounted to **€4,090 million**, with an average gross financial cost of 2.0%. The **FFO/DN ratio at 30 June 2020 stood at 17.0%**.
- ⚡ On 9 July, following approval by the shareholders at a General Meeting, a final **dividend** of €0.96 per share gross was paid for 2019, in line with the annual commitment for 2019 to distribute **€1.60 per share (+5% on 2018)**
- ⚡ The **accumulated demand for transported natural gas** at 30 June **decreased by 11.3%** compared to the same period the previous year.
- ⚡ Enagás is a **leader in the main sustainability indices**, particularly the **Dow Jones Sustainability Index World** (world leader in Oil & Gas Storage & Transportation), in which it attained the Gold Class classification and was included in the **A List of CDP** Climate Change after achieving the highest score in the sector, A. Enagás remains on the path of emission reduction, as it is on track to achieve carbon neutrality in 2050, in line with the commitments of the European Union.

Main highlights

Income Statement

January - June (millions of €)	1H 2019	1H 2019	1H 2020	Var.19-20
	Real ¹	Pro forma		
Total income	598.8	567.1	553.8	-2.3%
EBITDA	508.6	487.0	479.8	-1.5%
EBIT	345.7	332.0	320.4	-3.5%
Net profit	216.1	216.1	236.3	+9.4%

Note¹: GNL Quintero reported according to the global integration method until February 2019 and has been reporting under the equity method since March.

Pro forma: pro-forma data assuming the consolidation of GNL Quintero by equity method during the full 1H 2019.

Balance sheet and leverage ratios

	Dec-2019 Pro forma	Jun-2020
Net Debt (millions of €)	3,755	4,090
Net Debt / EBITDA ⁽¹⁾	3.9x	4.5x
FFO / Net Debt	20.1%	17.0%
Financial cost of debt	2.1%	2.0%

(1) EBITDA adjusted for dividends obtained from affiliates

Pro forma: pro-forma data assuming the consolidation of GNL Quintero by equity method during the full 1H 2019.

Cash flow and investments

January - June (millions of €)	1H 2019 Real¹	1H 2019 Pro forma	1H 2020	Var.19-20
Funds From Operations	395.8	391.4	332.9	-14.9%
Dividends received from affiliates	71.6	71.6	26.9	-62.4%
Net investment	-646.5	-645.0	-806.7	25.1%

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.

Note¹: GNL Quintero reported according to the global integration method until February 2019 and has been reporting under the equity method since March

Pro forma: pro-forma data assuming the consolidation of GNL Quintero by equity method during the full 1H 2019.

Earnings Performance

Income Statement

Millions of euros (unaudited figures)	1H 2019 Real ¹	1H 2019 Pro forma	1H 2020	Var.19-20
Income from regulated activities	535.7	535.7	520.3	-2.9%
Other operating income	63.1	31.4	33.4	6.5%
Total revenue	598.8	567.1	553.8	-2.3%
Personnel expenses	-60.5	-59.1	-60.8	2.9%
Other operating expenses	-104.9	-101.1	-89.4	-11.6%
Operating Expenses	-165.5	-160.2	-150.2	-6.3%
Results from Affiliates	75.3	80.2	76.2	-5.0%
EBITDA	508.6	487.0	479.8	-1.5%
Amortisation and depreciation	-148.1	-139.0	-135.4	-2.5%
PPA	-14.8	-16.1	-24.0	49.0%
EBIT	345.7	332.0	320.4	-3.5%
Financial results	-69.1	-62.6	-26.3	-58.1%
Corporate income tax	-55.6	-52.9	-57.3	8.4%
Profit attributed to non-controlling interests	-4.8	-0.5	-0.5	8.2%
Net profit	216.1	216.1	236.3	9.4%

Note¹: GNL Quintero reported according to the global integration method until February 2019 and has been reporting under the equity method since March
Pro forma: pro-forma data assuming the consolidation of GNL Quintero by equity method during the full 1H 2019.

Operating income

Total revenue at 30 June 2020 reached €553.8 million, representing a decrease of 2.3% compared to the same period in 2019. The impact of the COVID-19 crisis on regulated revenues, due to the decrease in the RCS component, amounted to -€6.4 million.

Operating expenses

The **operating expenses at the end of the first half of 2020** reached -€150.2million, **6.3% lower than the accumulated amount in the same period the previous year.** The progress of other operating expenses in the half-year period was positively affected by their control, as well as by a different schedule compared to the first half of 2019.

Results from Affiliates

At 30 June 2020, **results from affiliates was €76.2 million**, including the stake in GNL Quintero integrated using the equity method.

On 16 April, the Tallgrass Energy General Meeting of Shareholders approved the agreement for the acquisition of all the floating capital of the company (Take Private). Consequently, Enagás has disbursed €762.8 million to increase its direct shareholding in the capital stock of Tallgrass Energy from 12.6% to 30.2%. The contribution to Enagás's result, from this shareholding increase, was registered on 18 April 2020.

EBITDA

EBITDA at 30 June 2020 reached **€479.8 million, 1.5% lower** than that obtained on the same date of the 2019 financial year.

Amortization of fixed assets

Amortisation of fixed assets has decreased by 2.5% compared to the same period the previous year.

Additionally, the amortisation line of the PPA (*purchase price allocation*) has increased compared to 2019 (+49.0%), as a consequence of Tallgrass Energy. In 2019, said company began to contribute to the income statement from April.

Thus, **EBIT** at 30 June 2020 was **€320.4 million, 3.5% less** than that registered at the end of the first half of 2019.

Financial Results

The financial result obtained at 30 June 2020 recorded a negative balance of **-€26.3 million**, compared to the -€62.6 million recorded at the end of the first half of 2019.

This improvement is mainly due to two effects:

- 1) A non-recurring effect of €18.4 million originated by positive exchange differences generated by the purchase of dollars made for Tallgrass Energy's Take Private.
- 2) The financial update of the account receivable from GSP (Gasoducto del Sur Peruano) for €12.3 million.

Net profit

Profit after tax at 30 June 2020 reached €236.3 million, 9.4% higher than profit after tax at the end of the first half of 2019.

Cash flow and balance sheet

Consolidated cash flow statement

Millions of euros (unaudited figures)	1H 2019 Real ¹	1H 2019 Pro forma	1H 2020
EBITDA	508.6	487.0	479.8
Affiliates Results	-75.3	-80.2	-76.2
Tax	-27.3	-27.3	-30.3
Interest	-76.6	-54.6	-60.4
Dividends received from affiliates	71.6	71.6	26.9
Adjustments	-5.2	-5.2	-7.0
FUNDS FROM OPERATIONS (FFO)	395.8	391.4	332.9
Changes in working capital	102.1	102.4	132.9
OPERATING CASH FLOW (OCF)	497.9	493.8	465.7
Net investment	-646.5	-645.0	-806.7
International business	-623.6	-622.1	-770.2
Business in Spain	-22.9	-22.9	-36.5
FREE CASH FLOW (FCF)	-148.6	-151.2	-341.0
Dividends paid	0.0	0.0	0.0
Exchange rate effect	19.5	17.5	1.5
DISCRETIONAL CASH FLOW (DCF)	-129.1	-133.7	-339.5
Financing flows	243.4	243.4	103.4
Maturity of long-term debt	-162.6	-162.6	-74.3
Debt issues	404.4	404.4	200.0
Issue/maturity of policies and ECPs	1.7	1.7	-22.2
Capital increase	0.0	0.0	0.0
Proceeds from/(payments for) equity instruments	-7.8	-7.8	0.0
Effect of changes in the consolidation method	-346.7	0.0	0.0
NET CASH FLOWS	-240.3	101.9	-236.1
Cash and cash equivalents at start of period	1,171.5	829.4	1,099.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	931.3	931.3	862.9

Note¹: GNL Quintero reported according to the global integration method until February 2019 and has been reporting under the equity method since March

Pro forma: pro-forma data assuming the consolidation of GNL Quintero by equity method during the full 1H 2019.

Balance sheet

ASSETS	Dec 2019	June 2020
Total non-current assets	7,446.3	8,095.9
Intangible assets	73.7	71.6
<i>Goodwill</i>	25.8	25.8
<i>Other intangible assets</i>	47.9	45.7
Investment property	19.6	19.6
Property, plant and equipment	4,634.9	4,525.4
Equity-accounted investments	2,109.5	2,879.9
Other non-current financial assets	605.8	597.4
Deferred tax assets	2.9	2.1
Current assets	1,397.9	1,204.1
Non-current assets held for sale	5.0	1.8
Inventory	19.7	19.4
Trade and other receivables	260.8	311.8
Other current financial assets	7.9	1.3
Other current assets	5.6	6.9
Cash and cash equivalents	1,099.0	862.9
TOTAL	8,844.2	9,300.0
EQUITY AND LIABILITIES		
Equity	3,168.8	3,086.3
Shareholders' equity	3,170.1	3,158.2
Subscribed share capital	393.0	393.0
Share premium	465.1	465.1
Reserves	2,052.2	2,073.0
Treasury shares	-12.5	-12.5
Profit for the period	422.6	236.3
Interim dividend	-152.5	0.0
Other equity instruments	2.2	3.3
Valuation adjustments	-17.2	-87.7
Non-controlling interests (external owners)	15.9	15.8
Non-current liabilities	5,205.2	5,083.3
Non-current provisions	248.3	251.0
Non-current financial liabilities	4,744.3	4,633.9
<i>Bank borrowings</i>	1,401.0	1,269.5
<i>Bonds and other marketable securities</i>	2,929.8	2,928.5
<i>Non-current payables to fixed asset suppliers</i>	0.3	0.3
<i>Derivatives</i>	74.4	102.7
<i>Other financial liabilities</i>	338.7	332.9
Deferred tax liabilities	171.9	159.6
Other non-current liabilities	40.8	38.8
Current liabilities	470.2	1,130.4
Current provisions	2.0	1.9
Current financial liabilities	234.1	713.4
<i>Bank borrowings</i>	133.1	379.4
<i>Bonds and other marketable securities</i>	31.3	22.6
<i>Derivatives</i>	13.9	13.3
<i>Other financial liabilities</i>	55.8	298.1
Trade and other payables	217.6	406.3
Other current liabilities	16.5	8.9
TOTAL	8,844.2	9,300.0

Operating cash flow

Operating cash flow (OCF) at 30 June 2020 amounted to **€465.7 million, 5.7% lower** than that recorded on the same date in 2019.

The fundamental factor that explains this variation is the effect of scheduling on collecting dividends from affiliates, especially in the case of the Peruvian company TGP.

Investments

Net investment in the first half of the year was **€806.7 million**.

This figure mainly includes the investment in Tallgrass Energy's Take Private operation, for €762.8 million. With this operation, Enagás has increased its direct shareholding in Tallgrass Energy to 30.2%.

Net Debt

At the end of the first half of 2020 **Net Debt amounted to €4.090 billion**, representing an increase of €335 million compared to 31 December 2019 (€3,755 million) mainly due to the investment in Tallgrass Energy's Take Private last April.

The **FFO/DN** ratio of the last 12 months stood **at 17.0% at 30 June**.

The debt type at 30 June 2020 was as follows: Fifteen percent is institutional debt, 60% was issued in capital markets, 18% corresponds to commercial banking and the remaining 7% corresponds to leases, as a consequence of the application of IFRS 16. Seventy-three percent of the debt accounted for it is issued in euros and the remaining 27% in dollars (USD).

Over 80% of debt at Enagás is arranged at a fixed rate without any significant maturities to occur until 2022.

The financial cost at 30 June 2020 was 2.0%.

Liquidity

The Company has a sound liquidity position, which at the end of the first half of the year amounted to €2,486 million between cash and undrawn lines of credit.

Liquidity	1H 2020	2019	Current maturity
Cash	€863M	€1,099M	
Club Deal	€1,500M	€1,500M	December 2024
USD Lines	€114M	€58M	July 2024
Other ST lines	€9M	€60M	July 2020
TOTAL	€2,486M	€2,717 M	

OPERATING HIGHLIGHTS

Demand

The demand for natural gas at the end of the first half of 2020 reached 173.5 TWh, down 11.3% compared to the same period in 2019.

Industrial demand reached 99.9 TWh (down 8.8% compared to the same period in 2019), affected by the COVID-19 crisis, especially during March and April.

Natural gas demand for power generation at the end of the first half of 2020 stood at 34.7 TWh (down 19.7% compared to the same period the previous year). Demand for electricity generation has had a similar behaviour in all European countries since last March as a consequence of the confinement measures promoted in Europe.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Sustainability

Enagás is a leader in the main sustainability indices, particularly the **Dow Jones Sustainability Index World** (world leader in Oil & Gas Storage & Transportation) in which it attained Gold Class classification.

In recognition of our role in the energy transition, Enagás has been included in the **CDP Climate Change A List** after obtaining the highest score in its sector, (A).

Additionally, Enagás has increased its climate ambition and is committed to setting science-based targets, in line with 1.5°C emission scenarios. To fulfil this commitment to the European Union, Enagás has defined an **emission reduction path to reach carbon neutrality by 2050**.

PUBLIC DISSEMINATION OF PRIVILEGED 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 privileged 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 carries out privileged information and other relevant information communications, for public dissemination, through the specific communication and publication channels developed by the CNMV for this purpose.

APPENDIX I: CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Indices, 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 borne the European Seal of Excellence 500+ EFQM since 2012.</p> <p>Enagás was recognised as an Ambassador of European Excellence in 2016.</p>
	<p>Enagás has been a member of the Dow Jones Sustainability Index World (DJSI) since 2008. It has a Gold Class rating, and it was also named leader of the Oil & Gas Storage & Transportation sector in the 2019 review.</p>		<p>Since 2008, the content of Enagás' Annual Report has been externally verified and drawn up under the AA1000APS standard and in accordance with the Global Reporting Initiative (GRI). Since 2012, it has been prepared under the integrated reporting principles of the International Integrated Reporting Council (IIRC).</p>
	<p>Enagás has been a member of the FTSE4Good index since 2006.</p>		<p>Enagás renewed its presence on the Euronext Vigeo Europe 120 and European indices in 2020.</p>
	<p>Enagás has been a member of the Ethibel Pioneer and Ethibel Excellence Investment Registers since 2009.</p>		<p>Enagás has been rated "B Prime" by Oekom since 2010, and in 2014 joined the Global Challenges Indexes for the first time.</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 participating in the CDP Climate Change programme since 2009 and the CDP Water programme since 2015. In 2019 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 suppliers.</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 one of the Top Employers Spain since 2010.</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. The Company's Huelva and Barcelona plants and storage facilities at Serrablo and Yela have secured EMAS certification.</p>		<p>Enagás holds ISO 9001:2008 certification for its technical system (TSM), 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. In addition, it has certificates of voluntary emissions compensation from regasification plants, headquarters and corporate 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. 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>

	Enagás has been on the Bloomberg gender equality index since 2019.		Enagás was included among the 100 leading global companies in promoting gender equality in the workplace.
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APPENDIX II: CONTACT DATA

Corporate website:

www.enagas.es

Investor Relations contact details:

Phone: +34917099330

Email: investors@enagas.es

Address: Paseo de los Olmos, 19, 28005 Madrid