

2019-2023 Strategic Update

The result from subsidiaries set to contribute to approximately 40% of Enagás' after-tax profit in 2023

- Enagás' goal for the 2019-2023 period is to continue growing sustainably, maintaining a focus on the efficiency and competitiveness of the Spanish Gas System
- The update entails three areas of growth: driving new businesses around renewable gases, developing its *core business* further in markets with greater growth prospects, and identifying complementary opportunities
- The acquisition of a stake in the U.S. company Tallgrass Energy fits perfectly with the Enagás strategy and bolsters medium-term visibility of the company's growth
- Enagás has entered into 13 agreements with institutions and companies to foster industrial projects within the field of renewable gases
- Through its Open Innovation and Corporate Entrepreneurship Programme, the company created seven startups in three years
- Enagás will maintain a sustainable dividend policy for the medium and long terms, with a 5% annual increase until 2020 and then at least a 1% annual increase for 2021, 2022 and 2023
- Industry consumes over 60% of our country's consumption of natural gas, whose calorific power and versatility make it an indispensable resource
- Natural gas and infrastructures have an essential role in the energy transition
- The average annual global natural gas demand will increase by 2% between 2017 and 2023, only outpaced by the 6% of Liquefied Natural Gas (LNG)
- Enagás has approved its 2019-2021 Sustainability Strategy, which is aligned with the company's strategic priorities and Sustainable Development Goals
- Regarding climate change management, the company has reduced its carbon footprint by 30% in the 2016-2018 period compared to 2013-2015

Madrid, 12 March 2019. Enagás Chairman Antonio Llardén has unveiled the company's 2019-2023 strategic update, which will aim to continue growing sustainably, maintaining a focus on the efficiency and competitiveness of the Spanish Gas System.

In this regard, Antonio Llardén affirmed that the update “is a continuation of a very clear strategy that we’ve been following since 2011,” whose main objectives include “maintaining our operational excellence, maintaining and creating jobs, and guaranteeing the trust of our investors and sustainable growth of the company.”

Enagás' strategic update entails three areas of growth: driving new businesses linked to the challenges of the energy transition such as renewable gases, developing its core business further in markets with greater growth prospects, and identifying complementary opportunities, mostly related to the development of new LNG infrastructures and services.

Enagás has also approved its 2019-2021 Sustainability Strategy, which is aligned with the company's strategic priorities and the United Nations' Sustainable Development Goals (SDG).

New businesses linked to the challenges of the energy transition

Natural gas and gas infrastructures have an essential role in the energy transition. The overall natural gas demand is expected to continue growing at an average annual rate of 2% in the 2017-2023 period¹. Over 60% of the natural gas consumed in our country is for industry. There is presently no substitute for the elevated calorific power and versatility of natural gas.

The promotion of new businesses renewable gases such as biomethane and hydrogen will prove to be key in the energy transition process. In this field, Enagás has already entered into 13 agreements with institutions and companies to foster industrial projects that contribute to the decarbonisation of the natural gas value chain, in keeping with the global objectives of the ecological transition.

Biomethane is a local and storable source of renewable energy with an already-available technology capable of short-term emissions reductions to contribute to the development of the circular economy and greater waste recovery. Injecting biomethane into the gas network contributes to a reduced carbon footprint and enables us to harness existing gas infrastructures.

¹ Source: Enagás according to data from IHS Markit and the U.S. Energy Information Administration (EIA)

Enagás is fostering renewable hydrogen as a long-term future energy vector because it could prove to be a substantial disruption in the field of energy storage from a renewable source.

The existing network of gas infrastructures is ready to carry renewable gas without any need for further investments.

Development of the *core business*

One major area of strategic growth for Enagás lies in the development of its core business in markets with greater growth prospects in terms of demand that the company has identified as being priorities with clear investment criteria. Namely Europe and the American Pacific Ring countries: Mexico, Peru, Chile, Colombia and the United States.

Enagás' recent acquisition of the U.S. company Tallgrass Energy LP fits seamlessly into this Enagás strategic line.

With this transaction and by the conclusion of the 2019-2023 period, the Enagás' subsidiaries results contribution to the company after-tax profit should be approximately 40%.

Complementary businesses

Another area of growth for the company lies in identifying complementary opportunities related to Enagás' main business, including new LNG infrastructures, services and the backing of energy startups.

When turning to LNG, the opening of new markets combined with a greater use of gas in transport contribute to the reduction of greenhouse gas emissions. In this regard, the global LNG demand is expected to grow by 6% annually between 2017 and 2032.

The new businesses contributing to the future growth of Enagás include the provision of services in engineering and operation and maintenance. These activities are already

² Source: Enagás according to data from IHS Markit and the U.S. Energy Information Administration (EIA)

bolstering the industrial role that the company has in its international expansion, enabling the company to profit from its experience in the sector.

The Open Innovation and Corporate Entrepreneurship programme is yet another complementary opportunity. Since the Enagás Emprende was created back in 2016, the company fostered the creation of seven startups in fields such as sustainable mobility, energy efficiency, renewable hydrogen and new uses for natural gas. Enagás Emprende startups have created 153 jobs with an invested capital of €6.9 million and a turnover of €5.3 million.

Sustainability

Sustainability as a cornerstone of the Enagás strategy. In this regard, Enagás has approved its 2019-2021 Sustainability Strategy, which is aligned with the company's strategic priorities and the United Nations' Sustainable Development Goals (SDG).

Regarding climate change management, the company has reduced its carbon footprint by 30% in the 2016-2018 period compared to 2013-2015.

Sustainable Dividend Policy

The company is committed to a medium and long-term sustainable dividend policy, with an expected annual growth of 5% by 2020, in which the dividend for an Enagás shareholder will be 1.68 euros gross per share. From that pledged 2020 figure and for the period beginning in 2021, the Enagás dividend will continue growing by at least 1% per year in 2021, 2022 and 2023.

This commitment is based on four factors: the company's financial discipline, solid cash flow generation, income from international activities and the financial sustainability of the gas system.

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