

2020-2026 Strategic Update and 2019 Results

Enagás commits to achieving carbon neutrality by 2050

- The company plans to allocate around 300 million euros to hydrogen, biogas and biomethane projects in the 2020-2026 period
- For Enagás, it is a priority to operate with the maximum efficiency the Spanish Gas System in order to contribute towards ecological transition targets
- The projects for replacing traditional fuels with liquefied natural gas (LNG) in maritime transport (bunkering and small-scale) in which the company participates will avoid the emission of between 2 and 4 million tonnes of CO₂ up to 2030
- The company estimates an average annual dividend of affiliates of 300 million euros for the 2020-2026 period.
- Enagás has maintained its dividend increase at 5% in 2020 and 1% per year for 2021, 2022 and 2023, and undertakes to maintain a sustainable dividend of 1.74 euros per share for the 2024-2026 period
- The company has achieved net profit of 422.6 million euros in 2019 and has met its targets for the thirteenth consecutive year
- Milestones for the year include the acquisition of Tallgrass Energy in the United States and the 500-million-euro capital increase
- Enagás' infrastructures have operated with maximum operational efficiency, with a 32% increase in stored LNG compared with 2018, a 28% increase in regasification and the contracting of the storage facility standing at over 95%
- The demand for natural gas in Spain has grown by 14% in 2019, favoured by the replacement of coal by natural gas in the electricity mix and by the growth in industrial demand
- The increased share of natural gas has allowed for a 25% reduction in emissions from electricity generation in 2019, which represents a saving of 14 million tonnes of CO₂
- The company is the only one in its sector included in the CDP Climate Change "A List" and has renewed its leadership for the twelfth consecutive year in the Dow Jones Sustainability Index

Madrid, February 18, 2020. Enagás has obtained net profit of 422.6 million euros in 2019, a figure that is slightly higher than the target set for this year. The company has therefore met its targets for the thirteenth consecutive year.

This result has been possible thanks to Enagás' efficient management of the Spanish Gas System and the contribution to profit made by affiliates, which provided 162 million to the company's EBITDA last year.

In 2019, Enagás reached an agreement for the acquisition of approximately 30% of the US energy company Tallgrass Energy. This transaction, which was carried out in two stages (in March and December) and which is pending final closure this year, will involve a total investment for Enagás of 1,623 million dollars.

With this investment in the United States, Enagás practically offsets the effect of the regulatory reform that establishes the new remuneration methodology for regulated natural gas transmission and regasification activities for the 2021-2026 period. Furthermore, this transaction reinforces the sustainability of the dividend in the medium and long-term.

In order to finance the purchase of Tallgrass, Enagás performed its first ever capital increase in December 2019, for an amount of 500 million euros. This operation was subscribed in record time, which shows the market's confidence in the company, as well as its support for Enagás' international growth strategy. This was a capital increase without preferential subscription rights in the form of an Accelerated Book-Building (ABB), which achieved the smallest discount and the best subsequent market performance in the history of Spain for a figure of 500 million euros or more. This capital increase also strengthened Enagás' shareholder base with the participation in the capital increase of the SEPI, which maintains its 5%, and the entry of Pontegadea, which also has 5%.

In addition to Tallgrass' contribution since April, Enagás' annual income statement also records the noteworthy positive impact of the stake in the Greek operator of the natural gas transmission network, DESFA, and the investments made in the Quintero LNG regasification plant in Chile and in TgP in Peru.

Financial structure

The company's net debt is in line with the target set at the beginning of the year, taking into account the funds from the capital increase carried out in December, which will be used in the take-private (delisting) transaction of Tallgrass during the first half of this year. In addition, Enagás maintains a debt structure with over 80% at a fixed rate, which limits interest rate risk, and it does not have significant maturities until 2022.

The credit rating agencies Standard & Poor's and Fitch have conducted their annual review and have set Enagás' long-term rating at BBB+ with a stable outlook, in line with other similar European companies and TSOs (Transmission System Operators).

Efficiency of the Gas System

The infrastructures of the Spanish Gas System are a priority for Enagás and they enjoyed maximum operational efficiency in 2019, in a context of growth in the global LNG market and a greater volume of natural gas entering the system. Last year, the LNG stored in Enagás' infrastructures rose by 32%, regasification by 28% and the contracting of storage facilities stood at over 95%.

Natural Gas Demand

Total demand for natural gas in Spain grew by 14% in 2019 compared with the previous year and stood at 398 TWh, the highest figure since 2010. This increase was mainly due to the growth in demand for natural

gas for electricity generation (+80%), driven by the replacement of coal by natural gas in the electricity mix, and by greater consumption by industry (+2%), which accounts for around 60% of total national demand for natural gas.

In 2019, industrial demand for natural gas amounted to 214 TWh, the highest figure since disaggregated data on industrial consumption has been available, and it grew in practically every industrial sector, particularly in the services sector. Natural gas is irreplaceable in industry owing to its high calorific value and versatility.

The lower share of coal in the thermal gap has enabled a 25% reduction in CO₂ emissions in electricity generation, which meant avoiding the emission of 14 million tonnes of CO₂. These figures, in a context of ecological transition, show the important role played by natural gas in reducing emissions, guaranteeing supply and as a backup for renewable energies.

Enagás Renewable

In 2019, Enagás created a new subsidiary, Enagás Renewable, to promote non-electrical renewable energy projects (biogas, biomethane and green hydrogen) as new energy solutions that will enable progress to be made towards a more sustainable energy model.

Leader in sustainability

The company has strengthened its presence in the most significant sustainability indices. Enagás was the only company in its sector in the world included in the CDP Climate Change "A List" (the highest rating in this annual ranking), which places it as a benchmark in sustainability and environmental management due to its actions and transparency in reducing emissions and managing the risks and opportunities resulting from climate change. For the twelfth consecutive year, it has also been included in the Dow Jones Sustainability Index (DJSI) as a world leader in its sector with the Gold Class 2020 ranking.

In terms of people and corporate culture, Enagás has been included, for the second year running, in both the Bloomberg Gender-Equality Index (GEI) and the Equileap ranking that brings together the 100 leading companies in gender equality worldwide.

2020-2026 Strategic Update

In the presentation of its 2020-2026 Strategic Update, Enagás reaffirmed its commitment to carbon neutrality. As a result of the implementation of a technical plan with defined targets and rigorous measurement processes, the company already reduced its global emissions by 47% from 2014 to 2018. It also plans to continue to reduce them by a further 25% by 2030, 61% by 2040, and is committed to becoming carbon neutral by 2050.

As part of the company's role in energy transition, Enagás is promoting mobility initiatives using liquefied natural gas (LNG). Thanks to the projects for replacing traditional fuels with LNG in maritime transport (bunkering and small-scale) in which the company is participating, emissions of between 2 and 4 million tonnes of CO₂ will be avoided up to 2030.

Renewable gases are key to the decarbonisation of sectors that are difficult to electrify. Along these lines, the company plans to allocate around 300 million euros to the development of hydrogen, biogas and biomethane projects for the 2020-2026 period. In the area of hydrogen, Enagás has presented the “Green Spider” project to the European Union. This initiative seeks to position Spain as a logistics hub for this renewable energy source in Europe and is aiming to be included as an IPCEI (Important Project of Common European Interest).

With regard to the forecasts for the 2020-2026 period, the company estimates an average annual dividend of 300 million euros from the affiliates, compared with 123 million recorded in 2019, with a significant proportion from the affiliates in Latin America (40%) and the United States (46%), with the remainder coming from Europe (14%). For 2020, Enagás has forecast net profit of 440 million euros, which represents growth of 4.1% over the previous year.

With regard to the progress of international projects, the commercial start-up of the Trans Adriatic Pipeline (TAP) is expected for 2020, with 92% of this project now completed.

In its strategic update, Enagás also ratified its commitment to increasing the dividend by 5% in 2020 and by 1% per year for 2021, 2022 and 2023. In addition, the company is maintaining its sustainable dividend policy of 1.74 euros per share for the 2024-2026 period.

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