

2021-2026 Strategic Update and Results for 2020

Enagás brings forward its carbon neutral pledge to 2040

- In a year marked by COVID-19, the company has met all its targets for the fourteenth consecutive year, maintaining its firm commitment to employment.
- Enagás made a net profit of 444 million euros in 2020, a 5.1% increase on 2019.
- The Spanish Gas System has operated normally and Enagás' infrastructures have worked with maximum operating efficiency, to provide an essential service.
- The total demand of natural gas in Spain in 2020 was the second highest since 2012.
- In 2020, the Trans Adriatic Pipeline (TAP), one of the most important European energy infrastructures in recent years, was launched.
- The Tallgrass affiliate has held up well in what has been a difficult year for its sector in the US, and the outlook for the coming years is positive.
- Enagás has brought down its emissions by 63.2% between 2014 and 2020, and is engaged on more than 50 specific projects aimed at improving energy efficiency.
- It is the only company in the global gas sector included in the CDP Climate Change 'A List' and in 2020 it was, for the fifth consecutive year, the world leader in its sector in the Dow Jones Sustainability Index.
- The company has presented its Strategic Update for 2021-2026, a period in which the regulatory framework is fixed, providing visibility on regulated revenues over the next six years.
- Affiliates will contribute an average annual dividend of 250 million euros.
- Enagás has increased its dividend by 5% in 2020 and, thanks to its solid cash generation, is maintaining its dividend policy until 2026.
- Enagás is taking part in 46 renewable gases projects, linked to decarbonisation and with more than 50 partners, which could mobilise a joint investment of around 5 billion euros.
- Together with other European Transmission System Operators (TSOs), the company analyses requirements for hydrogen deployment in Europe.

2020 RESULTS

14 successive years meeting goals

Enagás made a net profit of 444 million euros in 2020, a 5.1% increase on 2019. In a very difficult year for the economy and businesses, marked by COVID-19, the company has met all its targets for the fourteenth consecutive year, maintaining its firm commitment to employment.

It has managed to do so through the efficient management of the Spanish gas system, efforts made to control operating and financial expenses, the contribution made by affiliates and a non-recurring positive contribution of 18.4 million euros due to exchange rate differences.

Enagás has a solid financial structure, with more than 80% of its debt at a fixed rate.

In 2020, affiliates proved resilient and made a strong commitment to their communities during the pandemic, ensuring security of supply. They ended up contributing 174.8 million euros to the company's EBITDA, up 7.9% on 2019.

Tallgrass has performed well in a very difficult year for the oil & gas industry in the United States, and outlook for the coming years is positive: there is expected to be sustained recovery in prices and production in the basins in which it operates, which began in the second half of 2020.

The Trans Adriatic Pipeline (TAP), a key infrastructure for European energy diversity and security, in which Enagás has a 16% stake and in which it has invested 218 million euros, started up in 2020 after four and a half years of construction. TAP will make a significant contribution to Enagás' solid cash generation in the coming years.

Guarantee of an essential service

In 2020, Enagás has managed to cope with the health, economic and social crisis in an exemplary way, carrying on with the essential supply of energy as always, guaranteeing the safety and proper functioning of its infrastructure and the Spanish gas system.

The gas network has operated at maximum technical and commercial availability levels. In 2020, 238 methane tankers unloaded at LNG plants from 14 different origins. Regasification activity at the system's terminals amounted to 220.8 TWh and, at 31 December, around 95% of storage capacity had been contracted.

The Spanish gas system has operated with total normality, flexibility and efficiency, despite the adverse conditions and the exceptional level of operations.

Demand for natural gas: the second highest since 2012

In 2020, total demand of natural gas in Spain grew by 3.1% vs. 2018 to 360 TWh. Despite the impact of COVID-19 and the fact that 2020 was a relatively warm year, this level of demand is the second highest since 2012 and 5% higher than that forecast by the Integrated National Energy and Climate Plan (PNIEC) in its target scenario for last year.

In January 2021, natural gas played a pivotal role in ensuring energy supply during Spain's biggest cold snap in recent years, prompting exponential growth in the demand for residential natural gas of up to 30%, and breaking all time highs.

Enagás' leadership in sustainability

The leading sustainability indices have recognised the company's commitment to EESG (Employee, Environmental, Social and Governance). Enagás was the only company in its sector in the world to be included in the CDP Climate Change 'A List' (the highest rating in this annual ranking), due to its outstanding track record in sustainability and environmental management through its performance and transparency in emissions reduction, risk management and opportunities arising from climate change. CDP has included Enagás in the 2020 Supplier Engagement Leaderboard for its efforts in decarbonisation, together with its suppliers, throughout the supply chain.

The company was also recognised, for the fifth consecutive year, as a world leader in its sector in the Dow Jones Sustainability Index, and this is the thirteenth successive year it is included in the index. This month, S&P Global awarded Enagás the Gold Class 2021 distinction for its sustainability strategy.

In terms of people and corporate culture, Enagás has been included for the third consecutive year in the Bloomberg Gender-Equality Index (GEI) as one of the companies most committed to transparency in gender information and the promotion of equality worldwide.

2021-2026 STRATEGIC UPDATE

Enagás has presented its Strategic Update for 2021-2026, a period in which the Spanish regulatory framework is already fixed, providing visibility for the company's regulated revenues over the next six years.

In the international arena, the company estimates that its affiliates will contribute an average annual dividend of 250 million euros, thanks to the fact that these are mainly international assets that are regulated or protected by long-term contracts (ship or pay).

Against the backdrop of the crisis, this solid cash generation will allow Enagás to maintain its dividend policy until 2026. The company has increased its shareholder remuneration by 5% in 2020, stands by its estimate of 1% annual growth for 2021, 2022 and 2023, and is committed to maintaining a sustainable dividend of 1.74 euros per share for the 2024-2026 period.

Commitment to decarbonisation: zero emissions by 2040

Enagás has announced that it is bringing forward its goal of becoming carbon neutral to 2040, 10 years earlier than the estimate it made just a year ago.

Enagás will work towards achieving this pledge through more than 50 energy efficiency projects, a key part of its strategy to be carbon neutral.

By deploying a technical plan, with defined objectives and rigorous measurement processes, the company has brought down its emissions by 63.2% between 2014 and 2020.

Enagás is promoting renewable gases projects in Spain that meet the following criteria: they must contribute to decarbonisation and a just and inclusive transition, they are drivers throughout their value chain, they contribute to the development of Spanish industry and they generate sustainable employment. The company is already working on 30 hydrogen and 16 biomethane projects, with more than 50 partners and in practically all the Autonomous Communities in Spain, which could mobilise a joint investment of around 5 billion euros.

Examples of specific projects in the field of renewable gases and LNG

The E-Fuels project, in which Enagás is participating together with Petronor-Repsol and the Basque Energy Board (*Ente Vasco de la Energía*), is an example of an initiative to replace grey hydrogen with green hydrogen. It consists of developing an industrial-scale pilot plant for the production of synthetic fuels ("e-fuels") from green hydrogen and captured CO₂.

The project for the largest green hydrogen plant in Spain at La Robla in León, in which Enagás is participating together with Naturgy, is an example of a project for the development of green hydrogen corridors and in which they are integrated with electric renewables to improve the manageability of the energy system.

Green Hysland in Mallorca is the most advanced project to replicate the complete green hydrogen chain and all its uses on a small scale. It will allow the generation of at least 300 tonnes of green hydrogen per year from solar energy with applications for mobility, electricity and heat generation and hydrogen injection into the gas grid. Enagás is partnering with Acciona, Cemex and Redexis on this project together with the support of the Ministry of Industry, the Ministry for Ecological Transition through the IDAE, and the Government of the Balearic Islands. Green Hysland was the first green hydrogen project selected for European funding from a Mediterranean country.

SUN2HY is a good example of an innovative initiative to promote the manufacture of goods and equipment linked to the hydrogen chain in Spain. The goal is to create a proprietary technology that allows direct transformation of solar energy into hydrogen through a photoelectrocatalysis plant, partnering in this case with Repsol.

Enagás is also developing biomethane projects to generate this renewable energy from efficient waste management.

In the railway sector, Enagás is participating in projects (H2Rail and BioRail) to develop technology that allows green hydrogen and biomethane to be used as fuel in non-electrified trains.

The company also promotes the use of liquefied natural gas (LNG) as a fuel for the decarbonisation of heavy transport, especially maritime, through the coordination of the 'CORE LNGas Hive' and 'LNGhive 2' public-private initiatives. These projects will prevent the emission of between 2 and 4 million tonnes of CO₂ in 2030.

The first hydrogen refuelling station in Spain for long-range electric fuel cell vehicles was launched in January 2021. With a supply capacity of 700 bar pressure, this hydrogen station is a joint project of Enagás —through the start-up Scale Gas—, Toyota Spain, Urbaser, Carburos Metálicos, Sumitomo Corporation España and CEEES.

Role of European TSOs in the development of green hydrogen

Enagás, together with the main European Transmission System Operators (TSOs), is working on the analysis of the needs derived from the development of green hydrogen in Europe. According to the European Hydrogen Backbone initiative, Enagás could make an incremental investment of between 4.2 and 6.3 billion euros between 2025 and 2040 due to the need for hydrogen transport infrastructures in Europe.

The future hydrogen network will largely make use of existing transmission infrastructure to develop the full potential of green hydrogen production and cover both domestic demand and exports to the rest of Europe.

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