

2017 Results Figures

Enagás makes a net profit of 490.8 million euros

- The company meets its targets for the eleventh consecutive year
- Enagás reaffirms its commitment to increasing its dividend by 5% per year until 2020
- In their yearly review, Standard & Poor's and Fitch confirm their long-term rating for the company at A-
- National demand for natural gas grew by 9.2% in 2017. It is the third consecutive year of growth in natural gas consumption in Spain

Madrid, 20 February 2018. Enagás made a net profit of 490.8 million euros in 2017. This figure includes the accounting impact produced by the full consolidation of GNL Quintero since January 2017. Taking this impact into account, net profit increased by 17.6% on the same period last year.

Standalone net profit was 437.7 million euros, reflecting 5% growth on 2016, in line with the targets set for the year. This increase was mainly the result of the contribution from affiliate companies, which accounted for 19.6% of the total.

Investments

Enagás invested a total of 328.5 million euros in 2017 in assets in which the company already had a presence. Of this figure, approximately 175 million euros were destined for the construction of the Trans Adriatic Pipeline (TAP), a project in which Enagás holds a 16% stake, and which is key to guaranteeing the security of Europe's energy supply.

The European Investment Bank (EIB) has recently approved finance for the project to the amount of 1.5 billion euros, an important decision in the process for financing the TAP, for which financial closure is expected to be achieved in 2018. Start-up of this infrastructure is planned for 2020. Construction currently exceeds 65%.

Financial structure

Standalone net debt reported by Enagás at the close of 2017 was 4.364 billion euros, with more than 80% of the debt at a fixed rate. Also, in 2017 the cost of the standalone net debt was reduced to 2.2%, compared to 2.4% reported in 2016.

Financial resources stood at 2.484 billion euros, enabling the company to maintain high levels of solvency and to comfortably meet forthcoming maturities, which will not become significant until 2022.

Net standalone debt was reduced by 725 million euros in 2017, compared to the previous year, and the leverage ratio was improved. This was influenced by the strong performance shown by the national and international businesses and the transfer of the collection rights for the accumulated gas tariff deficit to 2014, an operation that was successfully completed owing to the economic and financial stability of the Gas System.

In their yearly review, the rating agencies Standard & Poor's and Fitch confirmed their long-term rating for the company at A-.

Gas demand

Demand for natural gas in 2017 grew by 9.2% in Spain, reaching 351 TWh. It is the third consecutive year of increased gas demand in the country.

This rise was mainly due to the strong performance shown by industrial demand –representing more than 60% of gas demand in Spain– in line with the positive evolution of the economy. The impact of greater use of gas for power generation was also felt, as a consequence of lower hydroelectricity and renewable energy generation.

The forecast for 2018 is that natural gas demand in Spain, already at very high levels, will remain stable, confirming the growth trend that has been observed since 2015.

2018 targets

Enagás expects to end 2018 with a net profit of approximately 443 million euros. This figure is in line with the target set for 2016–2020 of 3% average yearly growth. Another of the company's target is to continue to generate solid cash flow, enabling it to further reduce its net debt.

Furthermore, the company is committed to paying out a dividend charged to net profit in 2018 of 1.53 euros per share, a 5% increase on the previous year.

2018–2020 targets

The 2018–2020 period will be marked by four main challenges: regulation of the sector, the process of energy transition, international activity in an increasingly interconnected environment, and the development of new activities related to the company's core business, which are the result of changes brought about by the move to a low-carbon economy.

Natural gas is expected to play a greater role in this, boost by improving economic prospects, the greater competitiveness of gas against coal, and new policies for the use of environmentally friendly sources of energy.

Enagás will continue to study new means for growth in order to make the most of opportunities in its core business; to diversify into new businesses, by promoting entrepreneurship and innovation in key new energies in a low-carbon economy; and analysing potential opportunities for asset rotation.

In this context, the company aims to invest approximately 650 million euros during the period and to have its standalone debt at a level of about 3.650 billion euros by 2020. Moreover, the company retains its main strategic priority of offering its shareholders a solid and sustained dividend, with yearly growth of 5% until 2020.

Given the investments made to date and the projects underway, Enagás has laid the groundwork for meeting these commitments.

Gas System balance

The Gas System in Spain is expected to generate a net annual surplus as of 2018. This forecast, together with the expected growth in natural gas demand, will make it possible to fully absorb the accumulated debt by 2023, much earlier than estimated by the current regulatory framework.

Press release



Leader in sustainability

Enagás retained its leadership in sustainability in 2017 and was included on some of the most relevant sustainability indices. It was listed on Dow Jones Sustainability Index for the tenth year in a row, where it is acknowledged to be a leader in its sector (Oil & Gas Storage & Transportation). On 1 February this year, the company was also included in the RobecoSAM Sustainability Yearbook with a Gold Class ranking.

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