

2022 Results and 2023 Targets

Enagás meets the forecasts of its Strategic Plan and achieves a net profit of 375.8 million euros

- Enagás has achieved all the objectives set for 2022 and the degree of execution of the 2022-2030 Strategic Plan is higher than expected
- The company has successfully implemented its Efficiency Plan, which has allowed recurring operating expenses to evolve below inflation
- Enagás' net debt in 2022 has been reduced by 19% due to high cash generation, dividends from investees, the divestment of GNL Quintero and improved working capital performance thanks to the high utilisation of infrastructure
- The affiliates have contributed 39% of the net profit and continue to contribute to the security of supply and the decarbonisation of the countries where Enagás is present.
- The infrastructures of the Spanish Gas System have operated with 100% availability. Underground storages have reached 93% capacity at the start of winter and LNG plants have had an average fullness level of around 70%
- In 2022, natural gas has reached Spain from 19 different origins and an all-time annual record of exports to France by pipeline has been achieved
- The sum of gas demand in Spain and exports was 4.4% higher than in 2021
- Enagás' net profit target for 2023 is between 310 and 320 million euros, due to the reduction in revenues established in the regulatory framework
- 2022 has been a landmark year for hydrogen with the agreement to boost H2Med and 2023 will be a key year with milestones such as the approval of the list of Projects of Common Interest (PCI) by the European Commission

Madrid, 21 February 2023. Enagás' net profit at 31 December 2022 amounted to 375.8 million euros, in line with its 2022-2030 Strategic Plan and exceeding the target for the year¹.

This result - which includes the net capital gains from the sale of the Chilean GNL Quintero, the Hy24 Fund's entry into Enagás Renovable's capital, and the *impairment* in the US investee Tallgrass - has contributed to the successful implementation of the company's Efficiency Plan, which has allowed recurring operating expenses to rise below inflation.

These recurring costs, which are in line with the target set out in Enagás' Strategic Plan, increased by only 4% in 2022 compared to 2021 - a percentage below current inflation figures - and are expected to remain stable in 2023.

The results include a 45 million euro reduction in regulated revenues in 2022 stemming from the implementation of the 2021-2026 regulatory framework, partially offset by the remuneration of electricity and other audited expenses.

¹ The target set included the capital gain from the sale of the Morelos pipeline (380-390 million euros). The deal is expected to close in the first four months of 2023

Increased operating cash flows

Operating cash flows and debt have performed even better than projected in the company's Strategic Plan and are on target for the year.

At 31 December 2022, the operating cash flow figure was 847.4 million of euros, an increase of 14.5%. This figure includes dividends received from affiliates and the positive change in working capital, which amounted to 235.3 million of euros.

This behaviour of working capital is a consequence of the high use of the Spanish Gas System's infrastructures, especially the regasification plants, which are key to the security of supply in Spain and Europe, which have led to an increase in the company's settlements in 2022.

Solid financial structure

Enagas' net debt in 2022 has been reduced by 19% (808 million euros), mainly due to high cash generation, the divestment in GNL Quintero and the good performance of Working Capital.

Furthermore, more than 80% of the debt is hedged at fixed rates, which allows for the mitigation of the impact of interest rate volatility. The financial cost of the company's debt remains at 1.76%.

The company also has a solid liquidity position, which at year-end amounted to 3.79 billion euros. In December 2022, a bank loan in the amount of 450 million euros expiring in 2025 was contracted on very competitive terms to cover all existing maturities in 2023.

In 2022, Standard & Poor's reaffirmed Enagás' *rating* at BBB with a stable outlook, demonstrating the strength of this rating. Maintaining the credit *rating* is a clear priority in Enagás' Strategic Plan.

The cash flows generated have sufficient slack to guarantee the dividend policy.

Affiliate contributions

In 2022, the investees had a result equivalent to 39% of net profit, despite the change in the scope of consolidation due to the exit of GNL Quintero in July 2022, and continue to contribute to the security of supply and decarbonisation of the countries in which Enagás operates.

In Europe, the *Trans Adriatic Pipeline* (TAP) continues to contribute to reducing dependence on Russian gas, especially in Italy, Bulgaria and Greece. As a result of the *market test* process carried out at TAP, an additional transport capacity of 1.2 bcm (*billion cubic metres*) has been contracted from 2026 onwards, in addition to the current 10 bcm. A second binding phase is planned to be launched in September 2023, which could increase its capacity to 20 bcm.

In 2022, TAP transported around 11 bcm of natural gas to Europe, with volumes delivered to Italy increasing by 41% compared to 2021. On 1 October 2022, commercial operation of the Greece-Bulgaria Interconnector (GBI) began, starting exports of Azeri gas to Bulgaria through its interconnection with TAP.

The Greek subsidiary DESFA is reinforcing the key role for security of supply in the country, which has experienced an all-time record gas demand in 2022 (7.5 bcm). The Revithoussa LNG plant accounted for 44.2% of Greece's total natural gas imports as of December.

Press release

Enagás investees in the United States, Mexico and Peru have also highlighted the key role of gas infrastructures in guaranteeing security of supply and advancing the energy transition process in these countries.

In the United States, Tallgrass Energy's infrastructure has had a high level of contracting and utilisation, with an average contracted capacity of the *Rockies Express* pipeline above 90% and a utilisation rate of the *Pony Express Pipeline* of 84%.

This high level of utilisation has enabled Tallgrass' adjusted EBITDA in 2022 to be around USD 735 million. Tallgrass' expected adjusted EBITDA in 2023 will be between USD 775 million and USD 815 million, according to the US company's projections.

The closing in January of this year of Tallgrass' acquisition of Ruby - a pipeline running through the states of Wyoming, Utah, Nevada and Oregon - for 291 million euros will contribute positively to the company's adjusted EBITDA growth in the coming years and will support future decarbonised energy projects.

In Mexico, the TLA Altamira plant had 100% availability. Enagás continues with the process of closing the sale of the Gasoducto de Morelos expected for the first four-month period.

In Peru, both local and export demand has increased by 20%. In 2022, Transportadora de Gas del Perú (TGP) acquired 100% of the gas operating company (COGA).

In Spain, the subsidiary Enagás Renewable has received a provisional award of 25.6 million euros for three hydrogen projects under the Strategic Projects for Economic Recovery and Transformation (PERTE) programme, and the first *Final Investment Decisions* (FIDs) to promote hydrogen and biomethane projects are expected to be taken in 2023.

100% availability of infrastructures

In a year marked by war in Ukraine and the high volatility in the energy markets, the Spanish Gas System has operated with 100% availability 24 hours a day, every day of the year. Moreover, the Enagás infrastructures are proving to be key this winter in the security of supply for Spain and the EU.

In 2022, an all-time annual pipeline export record of 35 TWh to France has been reached, roughly equivalent to the energy transported by 35 LNG tankers, and export capacity through the Pyrenees has been expanded by 1.5 bcm/year to 8.5 bcm/year.

The fill level of underground storage facilities in 2022 reached 93% at the beginning of the winter - exceeding the 80% requirements of European regulations - and the average level of LNG tanks, which provide an additional guarantee of security of supply, has been around 70%, with periods of operation at maximum fill level.

Spain has one of the most diversified supplies in the world and received natural gas from 19 different countries in 2022, including new origins such as Indonesia and Mozambique. In this line, the unloading of vessels has increased by 33% to 338 and the loading of vessels has increased by 45% compared to 2021, reaching the third highest historical value with 125 cargoes.

The sum of gas demand and exports (demand for gas transported in the Spanish Gas System) was 4.4% higher than in 2021, reaching a total of 432.4 TWh. Particularly noteworthy is the growth in demand for

electricity generation, which increased by 52.7%, highlighting the important role of natural gas as a back-up for renewable energies. Conventional demand fell by 21.4% to 226.4 TWh mainly due to lower industrial consumption, especially in sectors such as cogeneration, and to the Government's savings and energy efficiency measures.

Progress of the Strategic Plan

Enagás has met all the targets set for 2022 and has achieved a higher degree of execution of its 2022-2030 Strategic Plan than planned. The Plan, presented in July 2022, has adapted the company's strategy to the new energy paradigm in Europe set by the REPowerEU Plan to reduce dependence on Russia and accelerate the energy transition.

Enagás continues to make progress in the execution of the objectives set out in its Plan, fulfilling its *core business* strategy, asset rotation and other advances in the international sphere and adjacent businesses.

In the first area, and in accordance with the provisions of the Government's More Energy Security Plan, Enagás has taken all the steps to start up El Musel as an LNG logistics plant and is ready to begin operations as soon as the final administrative procedures are completed. This plant will enhance security of supply in Europe by a capacity of up to 8 bcm.

In November, the extension of the interconnection with France via Irun, which allows an additional 1.5 bcm of gas to be exported per year, and the extension of the jetty at the Barcelona plant for the reloading of smaller vessels transporting gas to Europe, were put into operation.

Also as part of the More Energy Security Plan, Enagás GTS (Gestor Técnico del Sistema) has been designated as the transitional entity responsible for the system of guarantees of origin for renewable gases.

Another recent milestone was the launch of the first LNG *bunkering* vessel in which Enagás participates as a shareholder through its subsidiary Scale Gas. The gross cost amounted to 40 million euros and a grant was received from the European Commission for 20% of the amount.

With regard to the company's asset rotation strategy, the main milestones achieved in 2022 are the sale of Enagás' 45.4% stake in GNL Quintero for 639 million euros, with a net capital gain of 135 million euros, and the divestment of Enagás Renovable, in which the company currently holds a 60% stake.

In addition, January 2023 saw the purchase of an additional 4% stake in TAP from AXPO for an investment of 168 million euros. Enagás has thus increased its shareholding in this infrastructure to 20%. In 2023, TAP will contribute dividends to Enagás of around 70 million euros.

The sale of Gasoducto Morelos is expected to close in the first four months of 2023, which would generate a capital gain of around 40 million euros in 2023.

Historic agreement in the EU with H2Med

Following a historic agreement to promote H2Med, Enagás, together with the *Transmission System Operators* (TSOs) of Portugal and France, submitted to the EU's Project of Common Interest (PCI) the first hydrogen corridor between these three countries to increase flexibility and ensure continuity of supply to Europe.

Press release

On 22 January the Spanish government announced an agreement for Germany to join the H2Med project. The project will allow for the transportation of 2 million tonnes of green hydrogen to Europe, which will be produced in Spain and Portugal.

To meet this challenge, Enagás plays a key role in the Spanish Hydrogen Backbone Network to connect the main hydrogen production centres with local demand and European interconnections.

The company's role as TSO is fully compatible with that of *Hydrogen Network Operator* (HNO) and Enagás' current pipeline network is 100% prepared to transport hydrogen and 80% coincides with the route of the hydroducts backbone network.

H2Med involves the development of a Spanish Hydrogen Backbone Network, which Enagás also submitted to the PCIs call on December 15. The total estimated gross investment in H2Med is 2.5 billion euros; that of the Spanish Hydrogen Backbone Network is of 4.67 million euros by 2030.

By 2023 Enagás foresees the launch of non-binding calls for interest for the Spanish Hydrogen Backbone, starting with the Vía la Plata Axis. Also this year, the list of projects submitted for designation as projects of common interest is due to be approved in Europe.

The binding future planning defined by the Government as part of the energy policy will mark the following steps.

Targets for 2023

The company forecasts a net profit for 2023 of between 310 and 320 million euros, due to the reduction in revenues established in the regulatory framework, and an EBITDA of around 770 million euros. The dividend forecasting of the subsidiaries for 2023 is between 190 and 200 million euros.

As part of compliance with the Efficiency Plan set out in the 2022-2030 Strategic Plan, Enagás will maintain strict control of operating expenses in 2023.

The company maintains its dividend policy of 1.74 euros per share for 2023.

ESG as a fundamental pillar of Enagás

Enagás maintains its leadership in the main sustainability indices, notably the Dow Jones Sustainability Index World, in which it remains for the 15th consecutive year, with one of the highest scores in its sector and the Top 5% in the S&P Global ESG Score 2022. Enagás is also a *world leader in its sector in Bloomberg's Gender Equality Index and has obtained the highest ESG rating in its sector in the FTSE4Good sustainability index.*

In line with its efforts to continuously improve in this area, Enagás has updated its Sustainability Strategy in accordance with its Strategic Plan, focusing on the decarbonisation of its operations and value chain, people-centred transformation and governance to ensure due diligence in human rights and the environment.

Press release



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