The financial information disclosed by Enagás contains figures and measurements prepared in line with applicable accounting legislation, in addition to a series of measurements prepared in accordance with reporting standards established and developed internally, known as Alternative Performance Measures (APMs).

These APMs are considered to be adjusted figures compared to those disclosed under International Financial Reporting Standards as adopted in the EU (IFRS-EU), which is the applicable accounting framework for the Enagás Group's consolidated financial statements. They should therefore be considered by the reader to supplement but not replace these.

APMs are important for users of financial information as they are the measures used by Enagás management to assess financial performance, cash flows and financial position for the Group's operational or strategic decision-making. These APMs are consistent with the main indicators used by the investment and analyst community in the capital markets.

In this respect, and in accordance with the provisions of the Guidelines issued by the European Securities and Markets Authority (ESMA), in force since 3 July 2016, concerning the transparency of Alternative Performance Measures, Enagás provides information below related to those APMs included in the management information for Q4 2018 that it considers significant.

For the sake of clarity, reference is made herein to the concept referred to as "***Stand-alone***". This has also been used by the Enagás management to refer to pro forma financial information, which integrates the stake in GNL Quintero through the equity method.

1. Alternative Performance Measures relating to the income statement

EBITDA

EBITDA (*"Earnings Before Interest, Tax, Depreciation and Amortization"*) is an indicator that measures a company's operating income before the deduction of interest, taxes, depreciation and amortisation. By stripping out financial and tax figures, and accounting costs that do not imply a cash outflow, this indicator is used by Management to assess the company's earnings over time and compare them with those of other companies in its sector.

EBITDA is calculated as operating results plus depreciation and amortisation, in addition to any impairment, and other items that do not imply cash inflows or outflows in Enagás' operations (such as capital gains or losses on disposals, provisions, etc.)

The reconciliation from operating results of the financial statements for the period ended 31 December 2018 is shown below:

	Q4 2018 Stand-alone	Q4 2018 Quintero	Q4 2018 Global	
Operating revenue	1,168.7	173.5	1,342.2	
Results from affiliates (*)	117.0	-23.8	93.2	(*)
Operating expenses	-342.3	-32.5	-374.7	
EBITDA	**943.5**	**117.2**	**1,060.7**	

(*) For management purposes, the concept "Results from affiliates" presented as part of the operating income, shown as 93.2 million euros (117.0 million euros Stand Alone), does not include the impact of the amortization of the purchase price allocation (PPA) for the sum of 22.2 million euros (30.3 million euros Stand Alone), which is regarded as the largest amortization expense and is therefore excluded from EBITDA. Jointly, these two concepts would amount to 70.9 million euros (86.7 million euros Stand Alone), as indicated in the income statement of the consolidated financial statements for the period ended 31 December 2018.

Adjusted EBITDA

Adjusted *EBITDA* is an indicator that measures the company's operating income before the deduction of interest, taxes, depreciation and amortisation, and includes dividends received as interest on subordinated debt from associates that are accounted for by the Enagás Group using the equity method.

This measure is used by the Management to calculate the leverage ratios described in the section “Alternative Performance Measures relating to the balance sheet and leverage ratios”, enabling them to be compared with other sector companies. The reconciliation of adjusted EBITDA for Q4 2018, which is subsequently used to calculated leverage ratios, is shown below:

	Q4 2018 Stand-alone	Q4 2018 Global
EBITDA	943.5	1,060.7
Dividends (*)	123.6	102.3
Results from Affiliates (**)	-117.0	-93.2
ADJUSTED EBITDA	**950.0**	**1,069.8**

(*) This mainly refers to dividends received from equity-accounted affiliates (89.9 million euros during 2018 with GNL Quintero accounted for by global integration). Interest on subordinated debt charged to affiliates is also included (12.5 million euros).
(**) Since the dividends received from affiliates are indicated here, the results of these companies is excluded and included instead in EBITDA, as explained in the previous section.

EBIT

EBIT (“Earnings Before Interest and Taxes) is an indicator that measures a company's operating income before the deduction of interest and taxes. As with the previous indicator, it is used by Management to assess the company's earnings over time, and compare them with those of other companies in its sector.

EBIT is calculated the same way as EBITDA, deducting depreciation and amortisation, in addition to any impairment, as well as other items that do not imply cash inflows or outflows in Enagás operations (such as capital gains or losses on disposals, provisions, etc).

The EBIT for Q4 2018 reached 691.0 million euros, of which 72.4 million euros correspond to GNL Quintero. This figure matches the operating profit for that period.

2. Alternative Performance Measures relating to the balance sheet and leverage ratios

Net Debt

Net financial debt or net debt is the main indicator used by Management to measure the level of the Group's debt. It is gross debt less cash.

To calculate the ***gross debt*** the balance sheet headings "Bank loans", "Bonds and other marketable securities" measured at amortized cost and "Other long-term loans" are added. In the case of the latter, only the loans from the General Industry Secretariat, the General Energy Secretariat and Oman Oil are included.

The cash amount is taken from the consolidated balance sheet heading "Cash and cash equivalents".

The reconciliation between the APM and the figures corresponding to the consolidated balance sheet for the period ending 31 December 2018 are shown below (in millions of euros):

	Q4 2018 Stand-alone	Q4 2018 Global
Cash and cash equivalents	829.4	1,171.5
Bank loans	-1,363.0	-1,363.0
Bonds and other marketable securities (1)	-3,092.5	-4,079.2
Other long-term loans (2)	-3.9	-3.9
Net debt	**-3,630.1**	**-4,274.7**

(1) The stand-alone information has been adjusted to reflect the amortised costs of the Aflac Bond, which is +14.6 million euros. In addition to this adjustment, the Global information has been adjusted to reflect the amortised cost of the GNL Quintero debt, which is -4.3 million euros.
(2) The total included in this section for the loans from the General Energy and Industry Secretariat, the General Energy Secretariat and Oman Oil amounts to 3.9 million euros.

Ratios linked to net debt

Management uses two key figures to analyse the Group's leverage and capacity to meet its financial obligations over time, and compare them with those of other companies in its sector.

The **ratio linked to leverage** is calculated as net debt/adjusted EBITDA, as follows:

	Q4 2018 Stand-alone	Q4 2018 Global
Net debt	3,630.1	4,274.7
Adjusted EBITDA	950.0	1,069.8
Net debt/adjusted EBITDA	**3.8x**	**4.0x**

The **ratio that compares cash flow generation capacity to net debt** is calculated as FFO over the last twelve months (LTM)/net debt, as follows:

	Q4 2018 Stand-alone	Q4 2018 Global
FFO (*)	725.0	805.2
Net debt	3,630.1	4,274.7
FFO/net debt	**20.0%**	**18.8%**

(*) This figure is explained below under Alternative Performance Measures relating to cash flow and investments.

3. Alternative Performance Measures relating to cash flow and investments

Funds from Operations (FFO)

FFO is the main cash flow generation indicator analysed by Enagás Management since it jointly measures cash generation in the regulated and unregulated Spanish business and in the international business in the form of dividends from affiliates or interest charged on subordinated debt extended to these companies, after deducting both the payment of taxes and interest relating to the Group's financial debt.

It is calculated as:

FFO = EBITDA excluding results from affiliates +/- taxes received/paid +/- interest received/paid + dividends received from affiliates + interest on subordinated debt charged to affiliates.

FFO for Q4 2018 amounted to 805.2 million euros. The reconciliation between this APM and the figures of the financial statements for the period ended 31 December 2018 is shown below:

	Q4 2018 Stand-alone	Q4 2018 Global
Operating profit	618.7	691.0
Depreciation and amortisation (*)	324.8	369.7
EBITDA	**943.5**	**1,060.7**
Taxes received/(paid)	-124.0	-124.0
Interest received/(paid) (**)	-79.4	-118.9
Dividends (**)	123.6	102.3
Other adjustments	-21.6	-21.7
Results fro, Affiliates (*)	-117.0	-93.2
Funds from operations (FFO)	**725.0**	**805.2**

(*) For management purposes, in addition to the provision for impairment of assets, the concept "Provisions for depreciation and amortization" also includes the impact of the amortization of the purchase price allocation (PPA), which is 22.2 million euros in the Global column (30.3 million euros Stand Alone).
(**) Interest on subordinated debt charged to affiliates (12.5 million euros) is included, for management purposes, under "Dividends."

Operating cash flow (OCF)

Operating cash flow measures the company's capacity to generate operating cash flow after changes in working capital. The calculation is based on FFO and includes changes in working capital.

OCF reached 883.9 million euros in Q4 2018. The reconciliation between this APM and the figures indicated in the consolidated financial statements for the period ended 31 December 2018 are shown below (in millions of euros):

	Q4 2018 Stand-alone	Q4 2018 Global
Funds from operations (FFO)	**725.0**	**805.2**
Changes in working capital	76.7	78.7
OPERATING CASH FLOW (OCF)	**801.7**	**883.9**

Free cash flow (FCF)

Free cash flow measures cash generation from operating and investment activities, and is considered by Enagás to be a key APM since it is the indicator used to assess the funds available to pay dividends to shareholders and to service debt.

The reported **FCF** for Q4 2018 reached 1,146.6 million euros. The reconciliation between this APM and the figures seen in the consolidated financial statements for the period ended 31 December 2018 is shown below (in millions of euros):

	Q4 2018 Stand-alone	Q4 2018 Global
OPERATING CASH FLOW (OCF)	**801.7**	**883.9**
Payments for investments	-252.8	-261.8
Disposal proceeds	524.6	524.6
Other cash flows from investing activities	-	-
Free cash flow (FCF)	**1,073.5**	**1,146.6**

Discretional cash flow (DCF)

Discretional cash flow is an APM used by Management to manage existing funding needs. It is defined as free cash flow (FCF) less dividends paid to shareholders and certain exchange rate differences related to net debt.

The reported **DCF** for Q4 2018 reached 780.8 million euros. The reconciliation between this APM and the figures seen in the consolidated financial statements for the period ended 31 December 2018 is shown below (in millions of euros):

	Q4 2018 Stand-alone	Q4 2018 Global
Free cash flow (FCF)	**1,073.5**	**1,146.6**
Dividends paid	-355.6	-376.7
Effect of changes in exchange rates	-1.2	10.9
Discretional cash flow (DCF)	**716.7**	**780.8**

Contribution to cash flow of affiliates

The ***contribution to cash flow of affiliates*** is an APM which is equal to the dividends received from affiliates plus the repayment of subordinated debt (principal plus interest) and capital disposals of these companies.

In Q4 2018, this APM stood at 132.6 million euros. The reconciliation between this APM and the figures seen in the consolidated financial statements for the period ended 31 December 2018 is shown below (in millions of euros):

	Q4 2018 Global
TOTAL PROCEEDS RECEIVED FROM AFFILIATES (*)	**524.6**
Repayment of loans Trans Adriatic Pipeline	-415.2
Cash inflow from sale of the Swedegas Group stake	-100.5
DEBT REPAYMENT (PRINCIPAL)	**8.9**
+Dividends (**)	123.6
+Other	0.1
CONTRIBUTION TO CASH FLOW OF AFFILIATES	**132.6**

(*) Amounts corresponding to the cash flow statement of the consolidated annual financial statements at 31 December 2018.

(**) This mainly refers to dividends received from equity-accounted affiliates (89.9 million euros during 2018 with GNL Quintero accounted for by global integration). Interest on subordinated debt charged to affiliates is also included (12.5 million euros).