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).

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 them.

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, pursuant to the Guidelines issued by the European Securities and Markets Authority (ESMA), effective from 3 July 2016, concerning transparency of Alternative Performance Measures, Enagás provides information below related to those APMs included in the management information for H1 2018 that it considers significant.

For clarification purposes, the ***"Standalone" concept***, used since 2017 in the proforma financial information to present the stake in GNL Quintero using the equity method (instead of full consolidation), is still being used by management of Enagas in 2018 to express only certain indicators (net debt, FFO and associated ratios), as explained below.

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 profit (loss) 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 based on Operating profit (loss) presented in the consolidated financial statements for the period ended 30 June 2018 is shown below:

	H1 2018
Operating revenues	683.2
Share of profit/(loss) of investees (*)	50.3
Operating expenses	-188.3
EBITDA	**545.2**

(*) For management purposes, "Share of profit/(loss) of investees" shown under operating profit (loss) of 50.3 million euros, does not include the impact of the amortisation of PPA for (11.4 million euros), recognised as an increase in amortisation and depreciation and, therefore, excluded from EBITDA. Jointly, these two items would amount to 38.9 million euros, as indicated in the income statement of the consolidated financial statements for the period ended 30 June 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 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 H1 2018 is shown below, which is used to calculated leverage ratios:

	H1 2018	LTM H1 2018
EBITDA	545.2	1,119.3
Dividends (*)	44.3	75.8
Share of profit/(loss) of investees (**)	-50.3	-109.0
ADJUSTED EBITDA	**539.2**	**1,086.2**

(*) This basically refers to dividends received from companies accounted for using the equity method (42.8 million euros during H1 of 2018). Interest on subordinated debt charged to investees is also included.

(**) Since the dividends received from investees are indicated here, the share of profit/(loss) 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).

EBIT for H1 2018 reached 360.0 million euros. This figure matches the operating income for that period.

Contribution from Investees

Contribution from Investees is an indicator that measures the contribution from investees to profit after tax. This indicator helps management assess the growth in the share of profit/(loss) of investees.

Contribution from Investees is calculated as the full consolidation of the share of "standalone" profit/(loss) of investees dividend by profit after tax of GNL Quintero.

The reconciliation of operating income indicated in the consolidated financial statements for the periods ended 30 June 2018 and 2017 is shown below:

	H1 2018 Overall	H1 2017 Overall	H1 2018 Standalone	H1 2017 Standalone
Operating income	683.2	688.0	597.9	596.1
Share of profit/(loss) of investees (*)	50.3	38.6	62.1	51.1
Operating expenses	-188.3	-190.4	-172.8	-174.2
EBITDA	**545.2**	**536.2**	**487.2**	**473.1**
Depreciation and amortisation	**-185.3**	**-174.4**	**-163.4**	**-150.0**
From investees (*)	-11.4	-12.7	-15.4	-17.1
Other	-173.8	-161.7	-148.0	-132.9
EBIT	**360.0**	**361.9**	**323.8**	**323.1**

(*) For management purposes, "Investees" is presented separately within operating profit (loss), including the impact of the amortisation of the purchase price allocation (PPA) for the (11.4 million euros) as an increase in depreciation and amortisation and is therefore excluded from EBITDA. Jointly, these two items would amount to 38.9 million euros, as indicated in the income statement of the consolidated financial statements for the period ended 30 June 2018 (2017: 25.9 million euros).

	H1 2018	H1 2017
Share of profit/(loss) of investees (Standalone) (*)	**46.7**	**34.0**
Gross profit/(loss) of investees	62.1	51.1
Amortisation of PPA	-15.4	-17.1
Profit after tax	**219.8**	**269.1**
Equity-accounted/Profit after tax	**21.2%**	**12.6%**

(*) As indicated herein, the share of "standalone" profit/(loss) of investees includes the profit/(loss) of GNL Quintero accounted for using the equity method, net of amortisation of PPA.

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.

Gross debt is calculated by aggregating "Bank borrowings", "Bonds and other marketable securities" measured at amortised cost and "Other financial liabilities". 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 30 June 2018 are shown below (in millions of euros):

	H1 2018 Overall	H1 2018 Stand alone (1)
Cash and cash equivalents	972.2	649.8
Bank borrowings	-1,478.6	-1,478.6
Bonds and other marketable securities (2)	-4,042.6	-3,065.4
Other financial liabilities (3)	-4.5	-4.5
Net debt	**-4,553.6**	**-3,898.7**

(1) For the standalone calculation, the items relating to GNL Quintero (bonds and other marketable debt securities for 977.2 million euros, and cash and cash equivalents for 322.4 million euros) were eliminated.

(2) The adjustment has been included to record the Enagas Group yen bond at amortised cost as well as the adjustment made to the GNL Quintero bond to show its fair value at the date of the business combination. The total amount of these adjustments is 7.4 million euros.

(3) The amount included in this section corresponds, in aggregate, to the loans of the General Secretariat of Industry, General Secretariat of Energy and Oman Oil.

Ratios linked to Net Debt

Management uses two key figures to analyse the leverage and capacity of the Group to meet 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:

	LTM H1 2018 Overall	LTM H1 2018 Stand-alone
Net debt (at 30 June 2018)	4,553.6	3,898.7
Adjusted EBITDA	1,086.2	961.7
Net debt/adjusted EBITDA	**4.2x**	**4.1x**

The ratio linked to the capacity to generate flows on net debt is calculated as FFO over the last twelve months (LTM)/net debt, as follows:

	LTM H1 2018 Overall	LTM H1 2018 Stand-alone
FFO (*)	806.6	726.6
Net debt (at 30 June 2018)	4,553.6	3,898.7
FFO / net debt	**17.7%**	**18.6%**

(*) This figure is explained below under Alternative Performance Measures relating to the 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 domestic business and in the international business in the form of dividends from investees 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 +/- taxes received/paid – interest paid + dividends received from investees + interest on subordinated debt charged to investees.

FFO for H1 2018 amounted to 416.6 million euros. The reconciliation between this APM and the figures indicated in consolidated the financial statements for the period ended 30 June 2018 is shown below:

	H1 2018	LTM H1 2018
Operating income	360.0	730.2
Depreciation and amortisation (*)	185.3	389.1
EBITDA	**545.2**	**1,119.3**
Taxes received /(paid)	-30.2	-109.7
Interest received/paid (**)	-78.1	-144.1
Dividends (**)	44.3	75.8
Other adjustments	-14.4	-25.8
Share of profit/(loss) of investees (*)	-50.3	-109.0
FFO	**416.6**	**806.6**
FFO Quintero (***)	43.4	80.1
Stand-alone FFO	**373.2**	**726.6**

(*) For management purposes, in addition to the provision for impairment of assets, "Provisions for depreciation and amortisation" also includes the impact of the amortisation of the purchase price allocation (PPA), which is (11.4 million euros).

(**) Interest on subordinated debt charged to investees is included, for management purposes, under "Dividends."

(***) The calculation of Quintero's FFO for H1 took into account its EBITDA of 58.1 million euros (115.0 million euros for LTM H1), interest payments amounting to 24.7 million euros (45.8 million euros for the LTM H1), dividends received for 3.6 million euros (10.9 million euros for the LTM H1) and share of profit/(loss) of investees for 11.7 million euros (20.4 million euros for the LTM H1).

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 amounted to 556.3 million euros in H1 2018. The reconciliation between this APM and the figures in the interim consolidated financial statements for the period ended 30 June 2018 is shown below (in millions of euros):

	H1 2018
FFO	**416.6**
Changes in working capital	139.7
OPERATING CASH FLOW (OCF)	**556.3**

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 H1 2018 was 454.2 million euros. The reconciliation between this APM and the figures in the consolidated financial statements for the period ended 30 June 2018 is shown below (in millions of euros):

	H1 2018
OPERATING CASH FLOW (OCF)	**556.3**
Payments for investments	-103.3
Disposal proceeds	1.2
Other cash flows from investing activities	-
Free Cash flow (FCF)	**454.2**

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 H1 2018 was 457.7 million euros. The reconciliation between this APM and the figures in the consolidated financial statements for the period ended 30 June 2018 is shown below (in millions of euros):

	H1 2018
Free Cash flow (FCF)	**454.2**
Dividends paid	-3.3
Effect of changes in exchange rates	6.8
Discretional Cash Flow (DCF)	**457.7**