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 established reporting standards 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 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, and in accordance with the provisions of the Guide issued by the European Union 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 Q1 2018 that it considers significant.

For clarification purposes, the "**Stand alone**" concept, used since 2017 in the proforma financial information to present the stake in GNL Quintero using the equity method (instead of global consolidation), is still being used by the 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 income 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 Income seen in the financial statements for the period ended on 31 March 2018 is shown below:

	Q1 2018
Operating revenues	342.2
Results from affiliates (*)	25.5
Operating Expenses	-93.4
EBITDA	**274.3**

(*) For management purposes, the concept "Results from affiliates" presented as part of the operating income, shown as 25.5 million euros, does not include the impact of the amortisation of the purchase price allocation (PPA) for the sum of (5.7 million euros), which is regarded as the largest amortisation expense and is therefore excluded from EBITDA. Jointly, these two concepts would amount to 19.9 million euros, as indicated in the income statement of the consolidated financial statements for the period ended 31 March 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 consolidated by the Enagás Group under 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 Q1 2018 is shown below, which is used to calculated leverage ratios:

	Q1 2018	LTM Q1 2018
EBITDA	274.3	1,119.6
Dividends (*)	10.2	97.0
Results from affiliates (**)	-25.5	-99.5
ADJUSTED EBITDA	**258.9**	**1,117.2**

(*) This basically refers to dividends received from equity-accounted affiliates (9.5 million euros during Q1 of 2018). Interest on subordinated debt charged to affiliates is also included.

(**) Since the dividends received from affiliates are indicated here, the results of these companies are 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 Q1 2018 reached 172.4 million euros. This figure matches the operating income 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 headings "Bank loans", "Bonds and other marketable securities" measured at amortised 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 interim consolidated balance sheet for the period ending 31 March 2018 are shown below (in millions of euros):

	Q1 2018 Overall	Q1 2018 Stand alone (1)
Cash and cash equivalents	722.3	448.1
Bank borrowings	-1,522.1	-1,522.1
Bonds and other marketable securities (2)	-3,987.0	-3,078.6
Other long-term loans (3)	-4.5	-4.5
Net debt	**-4,791.3**	**-4,157.2**

(1) For the Stand Alone calculation, the items relating to GNL Quintero (Obligations and other negotiable securities for an amount of 908.3 million euros and Cash and other equivalent liquid assets for an amount of 274.2 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 6.4 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 Q1 2018 Stand-alone	LTM Q1 2018 Overall
Net debt	4,157.2	4,791.3
Adjusted EBITDA	993.7	1,117.2
Net debt/adjusted EBITDA	**4.2x**	**4.3x**

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 Q1 2018 Stand-alone	LTM Q1 2018 Overall
FFO (*)	751.5	844.9
Net debt	4,157.2	4,791.3
FFO / net debt	**18.1%**	**17.6%**

(*) 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 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 +/- taxes received/paid – interest paid + dividends received from investees + interest on subordinated debt charged to investees.

FFO for Q1 2018 amounted to 207.5 million euros. The reconciliation between this APM and the figures seen in the financial statements for the period ended 31 March 2018 is shown below:

	Q1 2018	LTM Q1 2018
Operating income	172.4	726.8
Depreciation and amortisation (*)	102.0	392.8
EBITDA	**274.3**	**1,119.6**
Taxes received /(paid)	-0.2	-111.4
Interest received/paid (**)	-42.6	-141.5
Dividends (**)	10.2	97.0
Other adjustments	-8.7	-19.3
Results from affiliates (*)	-25.5	-99.5
FFO	**207.5**	**844.9**
FFO Quintero (***)	9.8	93.5
Stand-alone FFO	**197.7**	**751.4**

(*) For management purposes, in addition to the provision for impairment of assets, the concept "Provisions for depreciation and amortisation" also includes the impact of the amortisation of the purchase price allocation (PPA), which is (5.7 million euros) in the Overall column.

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

(***) The calculation of Quintero's FFO for Q1 took into account its EBITDA of 28.4 million euros (117.2 million euros for LTM Q1), interest payments amounting to 20.7 million euros (41.4 million euros for the LTM Q1), dividend collections for 3.6 million euros (12.7 million euros for the LTM Q1) and Investee companies amounting to 5.6 million euros (19.0 million euros for the LTM Q1).

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 €190.7 million in Q1 2018. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2018 is shown below (in millions of euros):

	Q1 2018
FFO	**207.5**
Changes in working capital	-16.8
OPERATING CASH FLOW (OCF)	**190.7**

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 Q1 2018 was 148.3 million euros. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2018 is shown below (in millions of euros):

	Q1 2018
OPERATING CASH FLOW (OCF)	**190.7**
Payments for investments	-43.0
Divestment proceeds	0.6
Other cash flows from investing activities	-
Free Cash flow (FCF)	**148.3**

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 Q1 2018 was 140.2 million euros. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2018 is shown below (in millions of euros):

	Q1 2018
Free Cash flow (FCF)	**148.3**
Dividends paid	-
Effect of changes in exchange rates	-8.1
Discretional Cash Flow (DCF)	**140.2**