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 considers the following information related to APMs included in the management information for Q1 2019 to be significant.

For the sake of clarity, reference is made herein to the concept referred to as ***"Pro forma"***. Since 15 February**, GNL Quintero is now consolidated under the equity method**. For comparative purposes, the **following variations with respect to the previous reporting period are presented in pro forma terms**, i.e. assuming the consolidation of GNL Quintero under the equity method since the start of both quarters.

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 from Operating Income seen in the financial statements for the period ended on 31 March 2019 is shown below:

	Q1 2019 Pro-forma	Q1 2019 Global
Operating revenues	278.2	309.8
Results from Affiliates	32.8	28.0 (*)
Operating expenses	-81.1	-86.3
EBITDA	**229.9**	**251.5**

(*) For management purposes, the concept " Results from Affiliates" shown under operating profit (loss) of €28 million (€32.8 million euros pro forma) does not include the impact of the amortisation of PPA for €5.7 million (€6.9 million pro forma), recognised as an increase in amortisation and depreciation and, therefore, excluded from EBITDA. Jointly, these two concepts would amount to €22.3 million (€25.9 million pro forma) as indicated in the income statement of the consolidated financial statements for the period ended 31 March 2019.

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 Q1 2019 is shown below and subsequently used to calculated leverage ratios:

	Q1 2019 Pro-forma	Q1 2019 Global	LTM Q1 2019 Pro-forma	LTM Q1 2019 Global
EBITDA	229.9	251.5	927.5	1,037.9
Dividends (*)	26.5	26.5	136.3	118.7
Results from Affiliates (**)	-32.8	-28.0	-118.7	-95.6
ADJUSTED EBITDA	**223.6**	**250.0**	**945.1**	**1,060.9**

(*) This basically refers to dividends received from companies accounted for using the equity method (€25.8 million in Q1 2019). 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 2019 climbed to €168.7 million (€155.0 million pro forma). 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 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. This also includes the adjustment for application of IFRS 16

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 2019 are shown below (in millions of euros):

	Q1 2019 Pro-forma	Q1 2019 Global
Cash and cash equivalents	782.4	782.4
Bank loans	-1,743.6	-1,743.6
Bonds and other marketable securities (1)	-3,095.2	-3,095.2
Other long-term loans (2)	-350.9	-350.9
Net debt	**-4,407.3**	**-4,407.3**

(1) Reporting in both pro-forma and global information-related data, an adjustment was made to reflect the amortised costs of the Aflac Bond of +€15.2 million
(2) The amount included in this section concerning the aggregated loans amounting to €3.9 million from the General Energy and Industry Secretariat, the General Energy Secretariat and Oman Oil. This also includes the adjustment of €347 million for application of IFRS 16.

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:

	LTM Q1 2019 Pro-forma	LTM Q1 2019 Global
Net debt	4,407.3	4,407.3
Adjusted EBITDA	945.1	1,060.9
Net debt/adjusted EBITDA	**4.7x**	**4.2x**

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:

	LTM Q1 2019 Pro-forma	LTM Q1 2019 Global
FFO (*)	724.7	799.4
Net debt	4,407.3	4,407.3
FFO/net debt	**16.4%**	**18.1%**

(*) 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 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 excluding profit (loss) from affiliates +/- taxes received/paid – interest paid +/- interest received/paid + dividends received from affiliates + interest on subordinated debt charged to affiliates.

The reconciliation between this APM and the figures seen in the financial statements for the period ended 31 March 2019 is shown below:

	Q1 2019 Pro-forma	Q1 2019 Global	LTM Q1 2019 Pro-forma	LTM Q1 2019 Global
Operating profit	155.0	168.7	648.7	709.5
Depreciation and amortisation (*)	74.9	82.8	278.9	328.3
EBITDA	**229.9**	**251.5**	**927.5**	**1,037.9**
Taxes received/(paid)	0.0	0.0	-123.9	-123.9
Interest received/(paid) (**)	-22.2	-44.3	-79.7	-120.7
Dividends (**)	26.5	26.5	136.3	118.7
Other adjustments	-3.9	-3.9	-118.7	-95.6
Profit/(loss) Affiliates (*)	-32.8	-28,0	-16.8	-17.0
FFO	**197.4**	**201.8**	**724.7**	**799.4**

(*) 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) for €5.7 million (€6.9 million pro forma) at 31 March 2019.
(**) Interest on subordinated debt charged to affiliates 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 amounted to €222.2 million in Q1 2019. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2019 is shown below (in millions of euros):

	Q1 2019 Pro-forma	Q1 2019 Global
FFO	**197.4**	**201.8**
Changes in working capital	20.7	20.4
OPERATING CASH FLOW (OCF)	**218.1**	**222.2**

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 2019 stood at €409.8 million. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2019 is shown below (in millions of euros):

	Q1 2019 Pro-forma	Q1 2019 Global
OPERATING CASH FLOW (OCF)	**218.1**	**222.2**
Payments for investments	-631.2	-632.7
Divestment proceeds	0.7	0.7
Free cash flow (FCF)	**-412.4**	**-409.8**

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 2019 reached €405.1 million. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2019 is shown below (in millions of euros):

	Q1 2019 Pro-forma	Q1 2019 Global
Free cash flow (FCF)	**-412.4**	**-409.8**
Dividends paid	0.0	0.0
Effect of changes in exchange rates	2.7	4.7
Discretional cash flow (DCF)	**-409.7**	**-405.1**

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 Q1 2019, this APM stood at €27.2 million. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2019 is shown below (in millions of euros):

	Q1 2019 Global	Q1 2019 Pro-forma
TOTAL INVESTMENT PAYMENTS AND PROCEEDS	**-632.0**	**-630.5**
(-) Payments for investments	-632.7	-631.2
DIVESTMENT PROCEEDS (*)	**0.7**	**0.7**
(+) Dividends (**)	26.5	26.5
CONTRIBUTION TO CASH FLOW OF AFFILIATES	**27.2**	**27.2**

(*) Corresponding entirely to the repayment of debt (principal) of affiliates.

(**) This basically refers to dividends received from companies accounted for using the equity method, namely €25.8 million. Interest on subordinated debt collected from affiliates is also included.