

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 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 APM-related information included in the management information for Q1 2020 to be significant.

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 income shown in the financial statements for the period ended on 31 March 2020 is shown below:

	Q1 2020
<u>Operating revenues</u>	<u>283.3</u>
<u>Results from Affiliates</u>	<u>34.6 (*)</u>
<u>Operating expenses</u>	<u>-82.3</u>
EBITDA	235.6

(*) For management purposes, "Results from affiliates", presented as part of operating income in the amount of 34.6 million euros, does not include the impact of the amortisation of the purchase price allocation (PPA) for the sum of 10.2 million euros, which is considered an increase in amortisation expense and is therefore excluded from EBITDA. Jointly, these two concepts would amount to 24.4 million euros, as indicated in the income statement of the consolidated financial statements for the period ended 31 March 2020.

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 2020 is shown below, which is subsequently used in leverage ratios:

	Q1 2020	LTM Q1 2020
EBITDA	235.6	1,000.5
Dividends (*)	10.3	107.2
Results from Affiliates (**)	-34.6	-163.8
ADJUSTED EBITDA	211.3	943.9

(*) This basically refers to dividends received from companies accounted for using the equity method

(**) Since the dividends received from affiliates are indicated here, the 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. Similar to the previous indicator, Management uses this figure to assess the company's earnings over time and compare them with the figures 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 involve cash inflows or outflows in Enagás operations (such as capital gains or losses on disposals, provisions, etc).

The EBIT for Q1 2020 reached 157.7 million euros. 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 **gross debt**, the headings "Bank loans" and "Bonds and other marketable securities" measured at amortised cost and in relation to "Other long-term loans" are added, only including the loans from the General Industry

Secretariat, General Energy Secretariat and Oman Oil. 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 2020 are shown below (in millions of euros):

	Q1 2020
Cash and cash equivalents	1,100.3
Bank loans	-1,390.3
Bonds and other marketable securities	-2,964.7
Other long-term loans (1)	-350.3
Net debt	-3,605.0

(1) Aggregate loans in this section from the General Energy and Industry Secretariat, General Energy Secretariat and Oman Oil amount to 3.3 million euros. This also includes the adjustment of €347 million arising from 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:

	Q1 2020
Net debt	3,605.0
Adjusted EBITDA	943.9
Net debt/adjusted EBITDA	3.8x

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 2020
FFO (*)	734.4
Net debt	3,605.0
FFO/net debt	20.4%

(*) 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 2020 is shown below:

	Q1 2020	LTM Q1 2020
Operating income	157.7	646.4
Depreciation and amortisation (*)	77.9	354.1
EBITDA	235.6	1,000.5
Taxes received /(paid)	0.0	-101.7
Interest received/paid (**)	-30.6	-90.6
Dividends (**)	10.3	107.2
Other adjustments	-3.7	-17.3
Results from Affiliates (*)	-34.6	-163.8
FFO	177.1	734.4

(*) 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 10.2 million euros at 31 March 2020.

(**) 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 187.6 million euros in Q1 2020. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2020 is shown below (in millions of euros):

	Q1 2020
FFO	177.1
Changes in working capital	10.4
OPERATING CASH FLOW (OCF)	187.6

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 2020 stood at 160.1 million euros. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2020 is shown below (in millions of euros):

	Q1 2020
OPERATING CASH FLOW (OCF)	187.6
Payments for investments	-30.8
Disposal proceeds	3.3
Free cash flow (FCF)	160.1

Discretionary cash flow (DCF)

Discretionary 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 2020 reached 162.6 million euros. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2020 is shown below (in millions of euros):

	Q1 2020
Free cash flow (FCF)	160.1
Dividends paid	0.0
Effect of changes in exchange rates	2.5
Discretionary cash flow (DCF)	162.6