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 constitute the applicable accounting framework for the Enagás Group's consolidated financial statements and the reader should therefore consider them as supplementary information yet not replacements.

APMs are important for financial information users because they are the measures that Enagás' management employs to assess financial performance, cash flows and financial position for Group 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 regard, and pursuant to the Guidelines in force since 3 July 2016 regarding the transparency of Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA), Enagás hereby provides the information relating to the APMs included in the management data considered to be significant for the second quarter of 2019 (Q2 2019).

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 periods.

1. Alternative Performance Measures relating to the income statement

EBITDA

EBITDA (*Earnings Before Interest, Tax, Depreciation and Amortisation*) is an indicator that measures a company's operating income before deducting 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 Interim Consolidated Financial Statements for the period ended on 30 June 2019 is shown below:

	H1 2019 Pro forma	H1 2019 Global	
Operating income	567.1	598.8	
Results from Affiliates	80.2	75.3	(*)
Operating expenses	-160.2	-165.5	
EBITDA	**487.0**	**508.6**	

(*) For management purposes, the concept "Results from of affiliates" shown under operating income of €75.3 million (€80.2 million pro forma) does not include the impact of the amortisation of PPA for €14.8 million (€16.1 million pro forma), recognised as an increase in amortisation and depreciation expense and, therefore, excluded from EBITDA. Jointly, these two concepts would amount to €60.5 million (€64.1 million pro forma) as indicated in the income statement of the interim consolidated financial statements for the period ended 30 June 2019.

Adjusted EBITDA

Adjusted EBITDA is an indicator that measures the company's operating income before deducting interests, 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.

Management uses this measurement to calculate the leverage ratios described in the section "Alternative Performance Measures relating to the Balance Sheet and leverage ratios" so they can be compared with the figures of other sector companies. The reconciliation of adjusted EBITDA for Q2 2019 is shown below, which is used to calculated leverage ratios:

	H1 2019 Pro forma	H1 2019 Global	LTM H1 2019 Pro forma	LTM H1 2019 Global
EBITDA	487.0	508.6	943.4	1,024.1
Dividends (*)	71.6	71.6	144.6	129.6
Results from Affiliates (**)	-80.2	-75.3	-135.1	-118.2
ADJUSTED EBITDA	**478.4**	**504.9**	**952.8**	**1,035.5**

(*) This basically refers to dividends received from companies accounted for using the equity method (€70.8 million in Q2 2019). Interest on subordinated debt charged to affiliates is also included.
(**) Since dividends received from affiliates are indicated here, the results of these companies are excluded but instead included 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 and EBITDA are calculated similarly, deducting 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 EBIT for Q2 2019 climbed to €345.7 million (€332.0 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 finance 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.

Cash is taken from the Balance Sheet heading "Cash and cash equivalents".

The reconciliation between the APM and figures corresponding to the interim consolidated balance sheet for the period ending 30 June 2019 are shown below (in millions of euros):

	H1 2019 Pro forma	H1 2019 Global
Cash and cash equivalents	931.3	931.3
Bank loans	-1,627.3	-1,627.3
Bonds and other marketable securities (1)	-3,082.1	-3,082.1
Other long-term loans (2)	-338.8	-338.8
Net debt	**-4,116.8**	**-4,116.8**

(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 +€17.9 million
(2) The amount included in this section concerning the aggregated loans amounting to €3.9 million from the General Energy and Industry Secretariat, General Energy Secretariat and Oman Oil. This also includes the adjustment of €335 million for application of IFRS 16.

Ratios linked to net debt

Management uses two ratios to analyse leverage and the Group's capacity to meet its financial obligations over time, comparing these with other companies in the sector.

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

	LTM H1 2019 Pro forma	LTM H1 2019 Global
Net debt	4,116.8	4,116.8
Adjusted EBITDA	952.8	1,035.5
Net debt/adjusted EBITDA	**4.3x**	**4.0x**

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 2019 Pro forma	LTM H1 2019 Global
FFO (*)	743.2	784.4
Net debt	4,116.8	4,116.8
FFO / net debt	**18.1%**	**19.1%**

(*) 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 indicated in the interim consolidated financial statements for the period ended 30 June 2019 is shown below:

	H1 2019 Pro forma	H1 2019 Global	LTM H1 2019 Pro forma	LTM H1 2019 Global
Operating income	332.0	345.7	657.9	702.4
Depreciation and amortisation (*)	155.1	163.0	285.4	321.8
EBITDA	**487.0**	**508.6**	**943.4**	**1,024.1**
Taxes received/(paid)	-27.3	-27.3	-121.1	-121.1
Interest received/paid (**)	-54.6	-76.6	-80.5	-117.4
Dividends (**)	71.6	71.6	144.6	129.6
Other adjustments	-5.2	-5.2	-135.1	-118.2
Results from Affiliates (*)	-80.2	-75.3	-7.9	-12.5
FFO	**391.4**	**395.8**	**743.2**	**784.4**

(*) 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 €14.8 million (€16.1 million pro forma) at 30 June 2019.
(**) Interest on subordinated debt charged to affiliates is included under "Dividends" for management purposes.

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 €497.9 million in Q2 2019. The reconciliation between this APM and the figures indicated in the interim consolidated financial statements for the period ended 30 June 2019 is shown below (in millions of euros):

	H1 2019 Pro forma	H1 2019 Global
FFO	**391.4**	**395.8**
Changes in working capital (*)	102.4	102.1
OPERATING CASH FLOW (OCF)	**493.8**	**497.9**

(*) For management purposes, the concept of "Changes in working capital" includes €2.7 million as "Other Payments" (€2.7 million pro forma) at 30 June 2019.

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 as it is the indicator used to assess the funds available to pay dividends to shareholders and to service debt.

The reported **FCF** for Q2 2019 reached -€148.6 million. The reconciliation between the APM and figures corresponding to the interim consolidated financial statements for the period ending 30 June 2019 are shown below (in millions of euros):

	H1 2019 Pro forma	H1 2019 Global
OPERATING CASH FLOW (OCF)	**493.8**	**497.9**
Payments for investments	-645.7	-647.2
Disposal proceeds	0.7	0.7
Free Cash Flow (FCF)	**-151.2**	**-148.6**

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 Q2 2019 reached -€129.1 million. The reconciliation between the APM and figures corresponding to the interim consolidated financial statements for the period ending 30 June 2019 are shown below (in millions of euros):

	H1 2019 Pro forma	H2 2019 Global
Free Cash Flow (FCF)	**-151.2**	**-148.6**
Dividends paid	0.0	0.0
Effect of changes in exchange rates	17.5	19.5
Discretional Cash Flow (DCF)	**-133.7**	**-129.1**