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.

Therefore, pursuant to the Guidelines issued by the European Securities and Markets Authority (ESMA), valid from 3 July 2016, relating to the transparency of Alternative Performance Measures, Enagás hereby provides the information relating to the APMs included in the management report for the second quarter of 2021 that are considered to be significant:

Furthermore, in line with what was reported in 2020 in relation to the general situation derived by COVID-19 and in order to comply with the ESMA recommendations issued in 2020, it is indicated that there have been no significant effects as the Enagas Group continued to operate normally during this situation. On this basis, it was not necessary to introduce new APMs or to modify or adjust the currently submitted APMs, and this situation was maintained for the first six months of 2021.

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 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 (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 2021 is shown below:

	Q2 2021	
Operating revenue	480.6	
Results from affiliates	112.9	(*)
Operating expenses	-142.2	
EBITDA	**451.3**	

(*) For management purposes, "Results from affiliates", presented as part of operating income in the amount of 112.9 million euros, does not include the impact of the amortisation of the purchase price allocation (PPA) for the sum of 26.8 million euros, which is considered an increase in amortisation expense and is therefore excluded from EBITDA. Jointly, these two concepts would amount to 86.1 million euros, as indicated in the income statement of the consolidated financial statements for the period ended 30 June 2021.

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 Q2 2021 is shown below, which is used to calculated leverage ratios:

	Q2 2021	LTM Q2 2021
EBITDA	451.3	914.4
Dividends (*)	64.5	155.9
Results from affiliates (**)	-112.9	-211.5
ADJUSTED EBITDA	**402.8**	**858.8**

(*) This basically refers to dividends received from companies accounted for using the equity method
(**) 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 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 Q2 2021 reached 299.5 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 ***gross debt,*** the Balance sheet items "Bank loans", "Bonds and other marketable securities" are added while being valued at amortised cost and in relation to "Other long-term loans", loans granted by organisations other than credit institutions are included as well as the adjustment derived from the application of IFRS16

The cash amount is taken from the consolidated 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 2021 are shown below (in millions of euros):

	Q2 2021
Cash and cash equivalents	1,234.6
Bank loans	-1,313.9
Bonds and other marketable securities	-3,454.9
Other long-term loans (1)	-485.4
Net debt	**-4,019.6**

(1) The amount included in this heading relating to the recognition of the financial liability for the application of IFRS16 amounts to 483.3 million euros and the debt granted by different bodies to credit institutions amounts to 2.1 million euros.

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:

	Q2 2021
Net debt	4,019.6
Adjusted EBITDA	858.8
Net debt/adjusted EBITDA	**4.7x**

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 Q2 2021
FFO (*)	697.6
Net debt	4,019.6
FFO/net debt	**17.4%**

(*) 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 indicated in the financial statements for the period ended 30 June 2021 is shown below:

	Q2 2021	**LTM Q2 2021**
Operating profit	299.5	593.7
Depreciation and amortisation (*)	151.7	320.6
EBITDA	**451.3**	**914.4**
Taxes received/(paid)	-10.2	-84.7
Interest received/(paid) (**)	-48.2	-70.7
Dividends (**)	64.5	155.9
Other adjustments (reserves)	-1.3	-5.7
Results from Affiliates (*)	-112.9	-211.5
FFO	**343.1**	**697.6**

(*) 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 26.8 million euros at 30 June 2021.
(**) 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 487.5 million euros in Q2 2021. The reconciliation between this APM and the figures in the interim consolidated financial statements for the period ended 30 June 2021 is shown below (in millions of euros):

	Q2 2021
FFO	**343.1**
Changes in working capital	144.4
OPERATING CASH FLOW (OCF)	**487.5**

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 Q2 2021 stood at 449.8 million euros. The reconciliation between this APM and the figures in the consolidated financial statements for the period ended 30 June 2021 is shown below (in millions of euros):

	Q2 2021
OPERATING CASH FLOW (OCF)	**487.5**
Payments for investments	-66.2
Disposal proceeds	28.5
Free cash flow (FCF)	**449.8**

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 Q2 2021 reached 449.1 million euros. The reconciliation between this APM and the figures in the consolidated financial statements for the period ended 30 June 2021 is shown below (in millions of euros):

	Q2 2021
Free cash flow (FCF)	**449.8**
Dividends paid	-1.3
Effect of changes in exchange rates	0.6
Discretional cash flow (DCF)	**449.1**