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 the reporting standards established and developed internally, known as Alternative Performance Measures (APMs).

These APMs are considered to be adjusted figures with respect to those presented in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU), which is the accounting framework applicable to the Enagás Group's consolidated financial statements, and the reader should therefore consider them as supplementary information yet not replacements.

APMs are important for users of financial information because they are the measures used by Enagás management to assess the Group's financial performance, cash flows or financial position for making operational or strategic decisions. These APMs are consistent with the main indicators used by the investment and analyst community in capital markets.

In this regard, and in accordance with the provisions of the Guideline issued by the European Securities and Markets Authority (ESMA), in force since 3 July 2016 on the transparency of Alternative Performance Measures, Enagás provides below information relating to those APMs included in the management information for Q2 2022 that it considers significant.

Furthermore, in line with what was reported in 2021 and 2020 in relation to the general situation arising from Covid-19 and in order to comply with the ESMA recommendations issued in 2020, it is indicated that no significant effects have arisen as the Enagás Group has continued to operate normally during this situation. On this basis, it was not necessary to introduce new APMs or to modify or adjust the APMs currently presented in these financial years.

1. Alternative Performance Measures relating to the Income Statement

EBITDA

EBITDA (*Earnings Before Interest, Tax, Depreciation and Amortisation)* is an indicator that measures the company's operating income before interest, taxes, impairments and amortisation. By stripping out financial and tax figures and accounting costs that do not involve cash outflows, it is used by management to assess results over time, allowing comparisons with other companies in the sector.

EBITDA is calculated as operating income plus depreciation and amortisation, impairment losses, if any, and other items that do not represent cash inflows or outflows in Enagás' operations (such as capital gains or losses on disposals, provisions, etc.).

The reconciliation based on the Operating Income shown in the Consolidated Financial Statements as at 30 June 2022 is shown below:

	Q2 2022	
Operating revenue	478.2	
Results from affiliates	99.8	(*)
Operating expenses	-186.0	
EBITDA	**392.0**	

(*) For management purposes, "Results from affiliates" presented as part of operating income, in the amount of 99.8 million euros, does not include the impact of the amortisation of the PPAs, for the sum of 27.3 million euros, which is considered to be a higher amortisation expense and is therefore excluded from EBITDA. Jointly, these two concepts would amount to 72.5 million euros, as indicated in the Income Statement of the Consolidated Financial Statements as of 30 June 2022.

Adjusted EBITDA[1]

Adjusted EBITDA[1] is an indicator that measures the company's margin of operating income before the deduction of interest, taxes, impairment, depreciation and amortisation, and includes both dividends received as well as interest on subordinated debt from associates that are included in the financial statements of the Enagás Group using 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. Below is the reconciliation of the Adjusted EBITDA[1] of Q2 2022, which is subsequently used in the leverage ratios:

	Q2 2022	LTM Q2 2022
EBITDA	392.0	836.1
Dividends (*)	87.4	184.0
Results from Affiliates (**)	-99.8	-204.4
ADJUSTED EBITDA [1]	**379.6**	**815.7**

(*) 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.).

EBIT for Q2 2022 amounted to 233.0 million euros. This figure matches the Operating Income for that period.

[1] Adjusted EBITDA or EBITDA adjusted for dividends

2. Alternative Performance Measures related 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 financial liabilities" 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 consolidated balance sheet for the period ending 30 June 2022 are shown below (in millions of euros):

	Q2 2022
Cash and cash equivalents	826.6
Bank loans	-1,798.6
Bonds and other marketable securities	-2,719.2
Other financial liabilities (1)	-407.4
Net debt	**-4,098.6**

(1) The amount included in this heading relating to the recognition of the financial liability for the application of IFRS16 amounts to 406 million euros. Additionally, the debt granted by different bodies to credit institutions amounts to 1.4 million euros.

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 **leverage ratio** is calculated as Net Debt/Adjusted EBITDA[2], calculated as shown below:

	Q2 2022
Net debt	4,098.6
Adjusted EBITDA [2]	815.7
Net debt / Adjusted EBITDA[2]	**5.0x**

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:

[2] Adjusted Ebitda or EBITDA adjusted for dividends

	LTM Q2 2022
FFO (*)	680.2
Net debt	4,098.6
FFO/Net Debt	**16.6 %**

(*) 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

<u>Funds from Operations (FFO)</u>

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 30 June 2022 is shown below:

	Q2 2022	LTM Q2 2022
Operating income	233.0	516.9
Depreciation and amortisation (*)	159.0	319.2
EBITDA	**392.0**	**836.1**
Taxes received/(paid)	-3.4	-57.3
Interest received/paid (**)	-52.5	-74.3
Dividends (**)	87.4	184.0
Other adjustments	-1.2	-3.8
Results from Affiliates	-99.8	-204.4
FFO	**322.5**	**680.2**

(*) For management purposes, in addition to the provision for impairment of assets, "Depreciation and amortisation" also includes the impact of the amortisation of the purchase price allocation (PPA), which is 27.3 million euros at 30 June 2022.
(**) 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 378.5 million euros in Q2 2022. The reconciliation between this APM and the figures seen in the consolidated financial statements for the period ended 30 June 2022 is shown below (in millions of euros):

	Q2 2022
FFO	**322.5**
Changes in working capital	56.1
OPERATING CASH FLOW (OCF)	**378.5**

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 2022 stood at 318.3 million euros. The reconciliation between this APM and the figures seen in the consolidated financial statements for the period ended 30 June 2022 is shown below (in millions of euros):

	Q2 2022
OPERATING CASH FLOW (OCF)	**378.5**
Payments for investments	-67.6
Proceeds from disposals	7.4
Free Cash Flow (FCF)	**318.3**

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 Q2 2022 stood at 346.8 million euros. The reconciliation between this APM and the figures seen in the consolidated financial statements for the period ended 30 June 2022 is shown below (in millions of euros):

	Q2 2022
Free Cash Flow (FCF)	**318.3**
Dividends paid	0.0
Effect of changes in exchange rates	28.5
Discretionary Cash Flow (DCF)	**346.8**