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 is the applicable accounting framework for the Enagás Group's consolidated financial statements, and therefore should 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 accordance with 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 fourth quarter of 2017.

For the sake of clarity, reference is made herein to the concept referred to as "Stand Alone‟. This has also been used by the Enagás management to refer to pro forma financial information, which integrates the stake in GNL Quintero through the equity method.

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 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.)

As reported in June, the Group has reclassified the income earned by the companies consolidated using the equity method, recorded under the heading "Profit on equity-accounted investments", as part of the Group's operating income. This figure is now included in EBITDA. The amount of this section as of 31 December 2017 amounted to 72.9 million euros (including the effect of the PPA depreciation).

The Company directors believe that the fact that the affiliates share the same corporate purpose as the Enagás Group and are increasingly contributing to the Group results justifies the need for this change in the way that the consolidated financial statements are presented since it will reflect the financial information more reliably, particularly as regards Decision EECS/0114-06 – "Change of Presentation of the Share in the Profit or Loss of Associates and Joint Ventures Accounted for Using the Equity Method" implemented by the European Securities and Markets Authority (ESMA).

The reconciliation from Operating Income seen in the financial statements for the period ended 31 December 2017 is shown below:

	Q4 2017 Stand-alone	Q4 2017 Quintero	Q4 2017 Overall	
Operating income	1,210.8	173.7	1,384.6	
Results from Affiliates	118.3	-21.2	97.2	(*)
Operating expenses	-338.9	-32.5	-371.46	
EBITDA	**990.2**	**120.1**	**1,110.3**	

(*) For management purposes, the concept "Results from Affiliates" presented as part of the operating income, shown as 97.2 million euros, does not include the impact of the amortisation of the purchase price allocation (PPA) for the sum of (24.3 million euros), which is regarded as the largest amortisation expense and is therefore excluded from EBITDA. Jointly, these two concepts would amount to 72.9 million euros, as indicated in the income statement of the consolidated financial statements for the period ended 31 December 2017.

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 consolidated by the Enagás Group under 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 those of other sector companies. The reconciliation of adjusted EBITDA for Q4 2017 is shown below, which is used to calculated leverage ratios:

	Q4 2017 Stand-alone	Q4 2017 Overall
EBITDA	990.2	1,110.3
Dividends (*)	125.1	116.0
Affiliates Results (**)	-118.3	-97.2
ADJUSTED EBITDA	**997.0**	**1,129.1**

(*) This basically refers to dividends received from equity-accounted affiliates (112.9 million euros during 2017 with GNL Quintero by Global integration). 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 Q4 2017 reached 732.1 million euros, 73.3 million euros of which correspond to GNL Quintero. 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 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.

Cash is taken from the 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 December 2017 are shown below (in millions of euros):

	Q4 2017 Stand-alone	Q4 2017 Overall
Cash and cash equivalents	349.7	627.9
Bank borrowings	-1,582.1	-1,582.1
Bonds and other marketable securities (1)	-3,127.2	-4,048.9
Other long-term loans (2)	-4.5	-4.5
Net debt	**-4,364.1**	**-5,007.7**

(1) The Stand Alone information has been adjusted to reflect the amortised costs of the Aflac Bond, which is 6.1 million euros. In addition to this adjustment, the Overall information has been adjusted to reflect the amortised cost of the GNL Quintero debt, which is 4.5 million euros.
(2) The amount included in this section concerning the loans from the General Energy and Industry Secretariat, the General Energy Secretariat and Oman Oil €5.4 million.

Ratios linked to net debt

Management uses two key figures to analyse the leverage and capacity of the Group to meet 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:

	Q4 2017 Stand-alone	Q4 2017 Overall
Net debt	4,364.1	5,007.7
Adjusted EBITDA	997.0	1,129.1
Net debt/adjusted EBITDA	**4.4x**	**4.4x**

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:

	Q4 2017 Stand-alone	Q4 2017 Overall
FFO (*)	778.9	871.2
Net debt	4,364.1	5,007.7
FFO / net debt	**17.8%**	**17.4%**

(*) This figure is explained below under Alternative Performance Measures relating to the 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 +/- taxes received/paid – interest paid + dividends received from affiliates + interest on subordinated debt charged to affiliates.

FFO for Q4 2017 amounted to 871.2 million euros. The reconciliation between this APM and the figures seen in the financial statements for the period ended 31 December 2017 is shown below:

	Q4 2017 Stand-alone	Q4 2017 Overall
Operating income	658.8	732.1
Depreciation and amortisation (*)	331.4	378.2
EBITDA	**990.2**	**1,110.3**
Taxes received /(paid)	-111.0	-111.0
Interest received/paid (**)	-104.7	-149.7
Dividends (**)	125.1	116.0
Other adjustments	-2.4	2.8
Results from Affiliates (*)	-118.3	-97.2
Funds From Operations (FFO)	**778.9**	**871.2**

(*) 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), which is (24.3 million euros) in the Overall column.
(**) 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 reached 1,192.4 million euros in Q4 2017. The reconciliation between this APM and the figures indicated in the consolidated financial statements for the period ended 31 December 2017 are shown below (in millions of euros):

	Q4 2017 Stand-alone	Q4 2017 Overall
Funds From Operations (FFO)	**778.9**	**871.2**
Changes in working capital	325.7	321.2
Operating Cash Flow (OCF)	**1,104.6**	**1,192.4**

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 Q4 2017 reached 863.9 million euros. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 December 2017 is shown below (in millions of euros):

	Q4 2017 Stand-alone	Q4 2017 Overall
Operating Cash Flow (OCF)	**1,104.6**	**1,192.4**
Payments for investments	-466.5	-472.3
Divestment proceeds	143.8	143.8
Other cash flows from investing activities	-	-
Free Cash flow (FCF)	**781.9**	**863.9**

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 Q4 2017 reached 485.3 million euros. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 December 2017 is shown below (in millions of euros):

	Q4 2017 Stand-alone	Q4 2017 Overall
Free Cash flow (FCF)	**781.9**	**863.9**
Dividends paid	-338.8	-354.1
Effect of changes in exchange rates	7.1	-24.5
Discretional Cash Flow (DCF)	**450.2**	**485.3**