

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 regarding the transparency of Alternative Performance Measures, Enagás hereby provides the information relating to the APMs included in the management data considered to be significant for the second quarter of 2020 (Q3 2020).

Furthermore, in relation to the general situation derived from COVID-19, in order to comply with the ESMA recommendation of 20 May 2020, it is pointed out that as the Enagás Group continued to operate normally during this situation, there have been no significant effects, so it has not been necessary to introduce new APMs or modify or adjust the ones currently presented.

## 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 from Operating Income seen in the income statement for the period ended 30 September 2020 is shown below:

	<b>Q3 2020</b>
Operating revenue	831.0
Results from affiliates	118.0 (*)
Operating expenses	-221.6
<b>EBITDA</b>	<b>727.4</b>

(\*) For management purposes, "Results from affiliates", presented as part of operating income for 118.0 million euros, does not include the impact of the amortisation of the purchase price allocation (PPA) for 38.4 million euros, which is considered an increase in amortisation expense and is therefore excluded from EBITDA. Considering the two previous concepts together, the amount would amount to 79.6 million euros.

### **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 indicator 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 Q3 2020 is shown below, which is used to calculate leverage ratios:

	Q3 2020 Global	LTM Q3 2020 Global
EBITDA	727.4	955.2
Dividends (*)	41.9	63.4
Results from affiliates (**)	-118.0	-154.5
<b>ADJUSTED EBITDA</b>	<b>651.3</b>	<b>864.0</b>

(\*) This basically refers to dividends received from companies accounted for using the equity method. Likewise, interest on subordinated debt collected from companies that are 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 Q3 2020 reached 486.6 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 headings "Bank loans" and "Bonds and other marketable securities" and in relation to "Other long-term loans", only includes the loans from other organisms that are not banks and 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 30 September 2020 are shown below (in millions of euros):

	<b>Q3 2020</b>
	<b>Global</b>
Cash and cash equivalents	-805.5
Bank loans	1,613.4
Bonds and other marketable securities	2,966.7
Other long-term loans (1)	344.5
<b>Net debt</b>	<b>4,119.1</b>

(1) Aggregate loans in this section from the adjustment of €341.1 million arising from application of IFRS 16 and loans related to other organisms that amount to 3.4 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:

	<b>LTM Q3 2020</b>
	<b>Global</b>
Net debt	4,119.1
Adjusted EBITDA	864.0
<b>Net debt/adjusted EBITDA</b>	<b>4.8x</b>

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 Q3 2020  
Global

FFO (*)	655.7
Net debt	4,119.1
<b>FFO/net debt</b>	<b>15.9%</b>

(\*) 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 30 September 2020 are shown below:

	Q3 2020 Global	LTM Q3 2020 Global
Operating income (EBIT)	486.6	622.1
Depreciation and amortisation (*)	240.8	333.0
<b>EBITDA</b>	<b>727.4</b>	<b>955.2</b>
Taxes received /paid	-33.2	-106.4
Interest received/paid (**)	-70.8	-83.0
Dividends (**)	41.9	63.4
Other adjustments	-10.0	-18.9
Results from affiliates (*)	-118.0	-154.5
<b>FFO</b>	<b>537.3</b>	<b>655.7</b>

(\*) 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 38.4 million euros on 30 September 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 687.3 million euros in Q3 2020. The reconciliation between this APM and the figures in the interim consolidated financial statements for the period ended 30 September 2020 is shown below (in millions of euros):

	Q3 2020 Global
<b>FFO</b>	<b>537.3</b>
Changes in working capital	149.9
<b>OPERATING CASH FLOW (OCF)</b>	<b>687.3</b>

### **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 Q3 2020 reached (-132.5) million euros. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 30 September 2020 is shown below (in millions of euros):

	Q3 2020 Global
<b>OPERATING CASH FLOW (OCF)</b>	<b>687.3</b>
Payments for investments	-825.5
Disposal proceeds	5.8
<b>Free cash flow (FCF)</b>	<b>-132.5</b>

### **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 Q3 2020 reached (-382.9) million euros. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 30 September 2020 is shown below (in millions of euros):

	Q3 2020 Global
<b>Free cash flow (FCF)</b>	<b>-132.5</b>
Dividends paid	-251.4
Effect of changes in exchange rates	1.0
<b>Discretionary cash flow (DCF)</b>	<b>-382.9</b>