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 yet not replacements thereof.

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 first quarter of 2017.

For the sake of clarity, reference is made herein to the concept referred to as ***"Stand alone"***. Enagás' management employs this term to refer to 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 Amortisation) is an indicator that measures a company's operating income before the 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 financial statements for the period ended on 31 March 2017 is shown below:

	Q1 2017 Stand alone	Q1 2017 Quintero	Q1 2017 Overall
Operating income	136.3	24.4	160.6
Depreciation and amortisation	66.4	14.7	81.1
EBITDA	**202.7**	**39.1**	**241.8**

In addition, the reconciliation between this APM and the figures relating to Total Revenue and Operating Expenses seen in the interim consolidated financial statements for the period ended on 31 March 2017 is shown below (in millions of euros):

	Q1 2017 Stand alone	Q1 2017 Quintero	Q1 2017 Overall
Total revenue (*)	295.5	47.1	342.6
Operating expenses (*)	-92.8	-8.0	-100.8
EBITDA	**202.7**	**39.1**	**241.8**

(*) For management purposes, the concept of "Change in traffic provisions" is entered under "Total revenue" or "Operating expenses" depending on the nature of its balance. As of 31 March 2017, the amount on record for this concept corresponds to an expense of -€0.495 million. In the Financial Statements for the period ended 31 March 2017, this item is included under "Other operating expenses" in the Income Statements.

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 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 Q1 2017 and the LTM (Last Twelve Months) is shown below, which is used to calculated leverage ratios:

	Q1 2017 Stand alone	Q1 2017 Overall	LTM Q1 2017 Stand alone	LTM Q1 2017 (**) Overall
EBITDA	202.7	241.8	878.4	917.5
Dividends (*)	29.1	29.1	111.2	111.2
Adjusted EBITDA	**231.8**	**270.9**	**989.6**	**1,028.7**

(*) Includes interest on subordinated debt charged to investees.

(**) For these purposes, the investment of GNL Quintero is considered by the equity method for the 9 months corresponding to 2016 (March to December).

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, 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 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 corresponding to Q1 2017 reached €160.6 million, of which €24.4 million 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 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 the **gross debt**, the headings "Bank borrowings", “Bonds and other marketable securities" measured at amortised cost and in relation to" Other financial liabilities" only includes the loans from the General Energy and Industry Secretariat, the General Energy Secretariat and Oman Oil, once the guarantees relating to the GSP project were paid in the month of January 2017

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 March 2017 are shown below (in millions of euros):

	Q1 2017 Stand alone	Q1 2017 Overall
Cash and cash equivalents	726.5	976.9
Bank borrowings	-2,038.0	-2,038.0
Bonds and other marketable securities (1)	-3,596.4	-4,612.1
Other financial liabilities (2)	-5.3	-5.3
Net debt	**-4,913.2**	**-5,678.5**

(1) The adjustment made to show the amortised cost of the Aflac Bond is €31.6 million.

(2) The amount included concerning the loans from the General Energy and Industry Secretariat, the General Energy Secretariat and Oman Oil €5.3 million.

Ratios linked to Net Debt

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

Both ratios compare net debt calculated at the date of the financial statements with the figures on the Income Statement (EBITDA) and Cash Flow statement.

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

	LTM Q1 2017 Stand alone	LTM Q1 2017 Overall
Net Debt	4,913.2	5,678.5
Adjusted EBITDA	989.6	1,028.7
Net debt/Adjusted EBITDA	**5.0x**	**5.5x**

The **ratio linked to the capacity to generate flows on net debt** is calculated as FFO / net debt of the LTM as follows:

	LTM Q1 2017 Stand alone	LTM Q1 2017 Overall
FFO (*)	786.7	800.4
Net debt	4,913.2	5,678.5
FFO/Net debt	**16.0%**	**14.1%**

(*) This figure is explained below in the Alternative Performance Measures relating to the Cash Flow and Investments section.

3. Alternative Performance Measures relating to the Cash Flow and Investments

Funds from Operations (FFO)

FFO is the main cash flow generation indicator analysed by Enagás' Management as it jointly measures cash generation in the regulated and unregulated domestic business and in the international business in the form of dividends from investees 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 investees + interest on subordinated debt charged to investees.

FFO in Q1 2017 amounted to €238.2 million. The reconciliation between this APM and the figures seen in the financial statements for the period ended 31 March 2017 is shown below:

	Q1 2017	Q1 2017	LTM Q1 2017	LTM Q1 2017
	Stand alone	Overall	Stand alone	Overall
Operating income	136.3	160.6	608.7	633.0
Depreciation and amortisation	66.4	81.1	269.7	284.4
EBITDA	**202.7**	**241.8**	**878.4**	**917.4**
Taxes received /(paid)	0.3	0.3	-115.9	-115.9
Interest paid (*)	-26.6	-50.8	-89.0	-113.2
Dividends (*)	29.1	29.1	111.2	111.2
Other adjustments	19.0	17.8	2.0	0.8
FFO	**224.5**	**238.2**	**786.7**	**800.4**

(*) Interest on subordinated debt charged to investees is included, for management purposes, under "Dividends."

Operating cash flow (OCF)

Operating Cash Flow measure 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 €225.3 million in Q1 2017. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2017 is shown below (in millions of euros):

	Q1 2017	Q1 2017
	Stand alone	Overall
FFO	**224.5**	**238.2**
Change in operating working capital	-7.5	-12.9
OPERATING CASH FLOW (OCF)	**217.0**	**225.3**

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 Q1 2017 amounted to €-38.7 million. The reconciliation between this APM and the figures seen in the interim consolidated financial statements for the period ended 31 March 2017 is shown below (in millions of euros):

	Q1 2017 Stand alone	Q1 2017 Overall
OPERATING CASH FLOW (OCF)	**217.0**	**225.3**
Payments for investments	-263.7	-264.6
Divestment proceeds	0.6	0.6
Other cash flows from investing activities	-	-
Free Cash flow (FCF)	**-46.0**	**-38.7**

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.

The **DCF** reported for Q1 2017 corresponds to the FCF, as there was no distribution of dividends whatsoever during the first quarter of 2017.