Redexis Gas, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2020 and Consolidated Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Redexis Gas, S.A.,

Opinion

We have audited the consolidated financial statements of Redexis Gas, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2020, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most Significant Audit Matters

The most significant audit matters are those matters that, in our professional judgement, were considered to be the most significant risks of material misstatement in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those risks.

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Measurement of the goodwill and intangible assets with an indefinite useful life arising from business combinations carried out in prior years

Description	Procedures applied in the audit
As described in Note 8 to the accompanying consolidated financial statements, the Group's non-current assets include goodwill amounting to EUR 219,175 thousand and intangible assets with an indefinite useful life relating to gas distribution and transmission licences amounting to EUR 542,914 thousand arising from business combinations carried out in prior years. The assessment of the recoverable amount of the goodwill and intangible assets with an indefinite useful life both allocated to the transmission and distribution operating segments requires the use of significant judgements and estimates by management, in estimating both the performance of the activity and the effect of the regulatory frameworks in force and new remuneration methodology to be applied from January 2021 to 2026. We identified this matter as one of the most significant matters in our audit based on both the magnitude of the amounts affected and the high degree of judgement required of management when assessing the recoverable amount of the goodwill and intangible assets with an indefinite useful life.	Our audit procedures included, among others, evaluating the reasonableness of the valuation methodology and key assumptions used by management. In this respect, we evaluated the reasonableness of the cash flow projections and the discount rates applied by comparing the assumptions made with data obtained from both internal and external sources, and performed a critical evaluation of the key assumptions in the models used. In particular, we verified the reasonableness of the remuneration formulae used in estimating the revenue and checked that they were consistent with current regulations and the regulations approved for the following regulatory period. We also evaluated the reasonableness of the calculation of the terminal value of the assets in accordance with generally accepted valuation methods, as well as the perpetuity growth rate estimated by the Group according to the historical information available, involving our internal valuation specialists for that purpose. Lastly, we checked that the disclosures included in Notes 3-g), 3-f) and 8 to the accompanying consolidated financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

Recognition of revenue from the gas system	
Description	**Procedures applied in the audit**
As described in Notes 1 and 4 to the accompanying consolidated financial statements, the Parent engages mainly in the distribution and transmission of gas and petroleum products of any nature, the revenue from which is calculated on the basis of the remuneration formulae included in the applicable regulations, subject to the settlement system of the Spanish National Markets and Competition Commission (CNMC). In this context, the accuracy and cutoff of the sales, due to the factors described above, were considered to be significant matters in our audit for 2020.	Our audit procedures included, among others, understanding the regulated revenue process followed by the Group, reviewing current legislation and evaluating compliance therewith. These tests were applied together with procedures to verify the applicable remuneration parameters and management information used by the Group to calculate the revenue for the year. In addition, the correct recognition of the settlements received in the year was verified, together with the collections made from and payments made to the associated gas system. Lastly, we checked that the disclosures included in Notes 3-o) and 28 to the accompanying consolidated financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

Other Matter

The Group's consolidated financial statements for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 2 March 2020.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2020, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the applicable audit regulations, consists of evaluating and reporting on whether the consolidated directors' report is consistent with the consolidated financial statements, based on our knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraph, the information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2020 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Parent's Directors for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on the following page, forms part of our auditor's report.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Jorge Izquierdo Mazón
Registered in ROAC under no. 18.194

26 March 2021

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Parent's directors, we determine those risks that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

REDEXIS GAS, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts and Consolidated Directors' Report

31/12/2020

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(With Independent Auditors' Report thereon)

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REDEXIS GAS, S.A. AND SUBSIDIARIES

Consolidated Statement of Financial Position for 31 December 2020
(Expressed in thousands of Euros)

Assets	Note	2020	2019
Property, plant and equipment	7	1,323,284	1,295,839
Goodwill	8	219,175	219,175
Other intangible assets	8	558,703	557,969
Right of use assets	9	11,630	12,029
Non-current financial assets	12	1,528	4,039
Trade and Other Receivables	15	2,726	-
Total non-current assets		2,117,046	2,089,051
Inventories	14	5,711	5,377
Trade and Other Receivables	15	56,941	61,499
Other current financial assets	12	278	166
Other current assets	15	1,629	6,580
Cash and cash equivalents	16	591,732	74,883
Total current assets		656,292	148,504
Total assets		**2,773,338**	**2,237,556**

Equity and Liabilities	Note	2020	2019
Capital		100,000	100,000
Share premium		105,433	105,433
Other reserves		392,065	418,692
Other comprehensive income		(6,815)	37,551
Equity attributable to equity holders of the Parent		590,683	661,676
Equity: Non-controlling interests		25	25
Total equity	17	590,709	661,701
Debt with related parties	19	990,064	1,141,780
Loans and borrowings	20	413,486	207,885
Other financial liabilities	18	1,181	744
Lease liabilities	9	9,754	10,007
Deferred tax liabilities	13	97,639	66,459
Provisions for employee benefits	24	126	5,623
Other provisions	25	943	576
Government grants and other liabilities	27	20,909	21,216
Total non-current liabilities		1,534,102	1,454,290
Debt with related parties	19	517,192	19,445
Loans and borrowings	20	12,431	1,514
Trade and other payables	21	112,535	94,992
Current income tax liabilities	13	1,179	502
Provisions for employee benefits	24	-	57
Other current liabilities	21	3,118	2,862
Lease liabilities	9	2,073	2,192
Total current liabilities		648,527	121,565
Total equity and liabilities		**2,773,338**	**2,237,556**

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

REDEXIS GAS, S.A. AND SUBSIDIARIES

Consolidated Income Statement for 2020
(Expressed in thousands of Euros)

	Note	2020	2019
Revenue	28	219,380	223,375
Other income	29	5,363	6,829
Self-constructed non-current assets		16,065	15,670
Consumption of raw materials and consumables		(20,901)	(18,567)
Employee benefits expense	31	(28,648)	(29,528)
Depreciation and amortisation	7, 8 and 9	(91,773)	(87,879)
Impairment losses on non-current assets		(1,056)	(396)
Other operating expenses	30	(25,596)	(25,559)
Results from operating activities		72,833	83,945
Finance income		286	166
Finance costs		(43,604)	(34,298)
Net finance income/(cost)	32	(43,317)	(34,133)
Profit before income tax		29,516	49,812
Income tax expense	13	(36,331)	(12,260)
Profit for the year		(6,815)	37,552
Profit for the year attributable to equity holders of the Parent		(6,815)	37,551
Profit for the year attributable to non-controlling interests		-	1

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

REDEXIS GAS, S.A. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income for the Year Ended 31/12/2020
(Expressed in thousands of Euros)

	Note	2020	2019
Profit for the year		(6,815)	37,552
Other comprehensive income:			
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income for the year, net of taxes		-	-
Total comprehensive income for the year		(6,815)	37,552
Total comprehensive income attributable to:			
Equity holders of the Parent		(6,815)	37,551
Non-Controlling Interests		-	1
		(6,815)	37,552

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

REDEXIS GAS, S.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity for
the Year Ended 31 December 2020
(Expressed in thousands of Euros)

	Equity attributable to equity holders of the Parent							
	Capital	Share premium	Legal reserve	Other reserves	Profit/(loss) for the year	Total	Interest Non-Controlling	Total equity
Balance at 31 December 2019	100,000	105,433	20,000	398,692	37,551	661,676	25	661,701
Profit/(loss) for 2020	-	-	-	-	(6,815)	(6,815)	-	(6,815)
Dividends	-	-	-	(60,000)	-	(60,000)	-	(60,000)
Other movements	-	-	-	(4,178)	-	(4,178)	-	(4,178)
Distribution of profit/(loss) for 2019	-	-	-	37,551	(37,551)	-	-	-
Balance at 31 December 2020	100,000	105,433	20,000	372,065	(6,815)	590,683	25	590,709

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

REDEXIS GAS, S.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity for
the Year Ended 31 December 2019
(Expressed in thousands of Euros)

	Equity attributable to equity holders of the Parent							
	Capital	Share premium	Legal reserve	Other reserves	Profit/(loss) for the year	Total	Interest Non-Controlling	Total equity
Balance at 31 December 2018	100,000	105,433	20,000	398,677	29,864	653,975	24	653,999
Profit/(loss) for 2019	-	-	-	-	37,551	37,551	1	37,552
Actuarial gains/(losses) on defined benefit plans	-	-	-	150	-	150	-	150
Dividends	-	-	-	(30,000)	-	(30,000)	-	(30,000)
Distribution of profit/(loss) for 2018	-	-	-	29,864	(29,864)	-	-	-
Balance at 31 December 2019	100,000	105,433	20,000	398,692	37,551	661,676	25	661,701

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

REDEXIS GAS, S.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flows for
the Year Ended 31 December 2020
(Expressed in thousands of Euros)

	Note	2020	2019
Cash flows from operating activities			
Profit for the year before tax		29,516	49,812
Adjustments for:			
Amortisations and depreciations	7, 8 and 9	91,773	87,879
Impairment losses on non-current assets		1,056	396
Change in provisions		(1,596)	1,418
Government grants taken to income		(1,232)	(1,049)
Finance income	32	(286)	(166)
Finance costs		43,604	34,298
		162,833	**172,589**
Changes in working capital		38,683	18,152
Inventories		(333)	555
Trade and Other Receivables		749	(5,858)
Other current assets		4,784	(931)
Trade and other payables		31,781	21,483
Other current liabilities		199	(478)
Other non-current assets and liabilities		1,504	3,380
Cash generated from operations		**201,516**	**190,741**
Interest and commissions paid		(33,726)	(32,350)
Interest received		286	166
Income tax paid		(4,312)	(5,346)
Net cash from operating activities		**163,765**	**153,211**
Cash flows from investing activities			
Payments for purchases of distribution and LPG assets in use		(10,764)	(5,309)
Payments for acquisition of property, plant and equipment and intangible assets		(124,818)	(139,949)
Net cash used in investing activities		**(135,582)**	**(145,258)**
Cash flows from financing activities			
Payments for acquisition of financial assets		(1,049)	-
Payments of loans and borrowings from credit institutions		(9,412)	(693)
Proceeds from loans and borrowings from credit institutions		224,770	50,000
Proceeds from loans and borrowings from related parties		494,820	-
Proceeds from the depreciation of bonds and other marketable securities		(158,281)	(3,550)
Payments of lease liabilities		(2,181)	(2,118)
Dividends paid		(60,000)	(30,000)
Net cash from financing activities		**488,666**	**17,189**
Net increase (decrease) in cash and cash equivalents		516,849	25,142
Cash and cash equivalents at 1 January		74,883	49,741
Cash and cash equivalents at 31 December		591,732	74,883

The accompanying Notes 1 to 36 form an integral part of the Consolidated Annual Accounts.

(1) Nature, activities and composition of the Group

Redexis Gas, S.A. (hereinafter the Company or the Parent) was incorporated with limited liability under Spanish law in Madrid on 6 April 2000. Its registered office is located at Mahonia nº 2, 28043 Madrid and its tax residence is at Avda. Ranillas, nº 1, bloque D, planta 2º. C.P. 50018, Zaragoza (Spain).

The statutory activity of Redexis Gas, S.A. primarily entails the distribution and transmission of all types of gas and oil-based products for domestic, commercial and industrial purposes, the use of any by-products, and related activities.

Redexis Gas, S.A. is the Parent of a group of subsidiaries(hereinafter the Group). Information on subsidiaries, associate and/or related entities is provided in Appendix I and Appendix II.

On 22 May 2014 the Company's Board of Directors approved the draft merger by absorption of the following companies that were wholly owned, either directly or indirectly, by Redexis Gas, S.A.: Redexis Gas Transporte, S.L.U., Transportista Regional del Gas, S.A., Redexis Gas Distribución, S.A.U., Distribuidora Regional del Gas, S.A.U., Redexis Gas Aragón, S.A.U. and Redexis Gas Baleares, S.A.U. The aim of the merger was to generate synergies while simultaneously achieving a more efficient structure. This merger was also approved by the governing bodies of these companies. The effective date of the merger for accounting purposes was 1 January 2014. The merger took place under the special protection regime.

Pursuant to articles 67 and 73 of Hydrocarbon Law 34/1998 of 7 October 1998, authorisation to convey the facilities and the pertinent authorisations for gas distribution and transmission were sought from the competent organisations.

At their General Meeting on 19 September 2014, the shareholders approved the merger by absorption on the terms proposed by the Board of Directors.

On 29 September 2014 the merger was announced in the Official Gazette of the Mercantile Registry.

After receiving the authorisations from the pertinent bodies, on 27 February 2015 Redexis Gas, S.A., Redexis Gas Transporte, S.L.U., Transportista Regional del Gas, S.A., Redexis Gas Distribución, S.A.U., Distribuidora Regional del Gas, S.A.U., Redexis Gas Aragón, S.A.U. and Redexis Gas Baleares, S.A.U. signed the merger deed whereby these companies were merged with and into Redexis Gas, S.A. The merger was duly entered in the Mercantile Registry.

On 30 January 2015, through the Parent, the Group acquired a 99.98% interest in Gas Energía Distribución Murcia, S.A. (now called Redexis Gas Murcia, S.A.). This company has its registered office in Murcia and its principal activity is the distribution and secondary transmission of natural gas, and the distribution and sale of liquefied petroleum gas through pipelines.

In addition, on 26 March 2015 the Company's Board of Directors and the sole director of Redexis Infraestructuras, S.L.U. approved the project to spin off the assets comprising the economic unit engaged in the primary transmission of natural gas from the Company to Redexis Infraestructuras, S.L.U. The effective date of the spin-off for accounting purposes was 1 January 2015. The spin-off was performed under the special regime provided in articles 76 to 89 of Title VII, Chapter VIII of Corporate Income Tax Law 27/2014 of 27 November 2014.

This spin-off took place in accordance with article 63.2 of Hydrocarbon Law 34/1998 of 7 October 1998, as described in the reports issued in December 2014 by the Regulatory Oversight Committee of the Spanish National Commission on Financial Markets and Competition (hereinafter CNMC) on the requests for a ruling received from the regional governments of the Balearic Islands, Aragón, Castilla y León and Castilla La Mancha, with respect to the requests submitted to these governments by Redexis Gas Transporte, S.L.U., Transportista Regional del Gas, S.A., Redexis Gas Distribución, S.A.U., Distribuidora Regional del Gas, S.A.U., Redexis Gas Aragón, S.A. and Redexis Gas Baleares, S.A.U. seeking to transfer ownership of their distribution and secondary transmission facilities, which are under authority of these regional governments, to Redexis Gas, S.A. (through the merger of these companies with the latter). In these reports the CNMC stated that Redexis Gas, S.A. should adapt its corporate structure project to ensure that the same company is not engaged in both primary transmission and distribution activity, in order to meet the requirements for the unbundling of activities contained in articles 63.2 and 63.4 of Hydrocarbon Law 34/1998 of 7 October 1998 and article 9.2, paragraph 2 of Royal Decree 1434/2002.

On 22 April 2015, the Company's shareholders and the Sole Shareholder of Redexis Infraestructuras, S.L.U. approved the spin-off of the natural gas primary transmission activity from the former to the latter.

On 23 April 2015, the spin-off was announced in the Official Gazette of the Mercantile Registry.

After receiving authorisation from the pertinent body, on 25 May 2015 Redexis Gas, S.A. and Redexis Infraestructuras, S.L.U. arranged the spin-off in a public deed, which was duly filed at the Mercantile Registry.

Lastly, on 16 February 2017 the Company's Board of Directors and the Sole Director of Redexis GLP, S.L.U. approved the project to spin off the assets comprising the economic unit engaged in liquefied petroleum gas (LPG) from the Company to Redexis GLP, S.L.U. The effective date of the spin-off for accounting purposes was 1 January 2017. The spin-off was performed under the special regime provided in articles 76 to 89 of Title VII, Chapter VIII of Corporate Income Tax Law 27/2014 of 27 November 2014.

On 20 April 2017, the Company's shareholders and the sole shareholder of Redexis GLP, S.L.U. approved the spin-off of the assets comprising the LPG activity from the former to the latter.

On 29 May 2017, the spin-off was announced in the Official Gazette of the Mercantile Registry.

On 30 November 2017, Redexis Gas, S.A. and Redexis GLP, S.L.U. arranged the spin-off in a public deed, which was duly filed at the Mercantile Registry.

At 31 December 2016 Redexis Gas, S.A. was 58.5% owned by Zaragoza International Coöperatieve, U.A. and 41.5% owned by Augusta Global Coöperatieve, U.A., both subsidiaries of private equity funds managed by Goldman Sachs & Co.

In July 2017, the shareholders of Redexis Gas, S.A. executed a corporate restructuring in the Company, by virtue of which the investment funds Universities Superannuation Scheme ("USS"); and Arbejdsmarkedets Tillægspension ("ATP"), formerly indirect shareholders of the Group, came to hold a direct position in the Company, through the companies Chase Gas Investments Limited (16.66%) and ATP Infrastructure II APS (14.45%).

Furthermore, USS and ATP acquired an additional 18.80% interest in Redexis Gas, S.A. through the acquisition of shares representing such percentage from Goldman Sachs & Co. As a result of this transaction, USS held 30% of the shares of Redexis Gas, S.A. and ATP held 19.90%.

In December 2017, Goldman Sachs & Co executed a corporate restructuring, transferring the shares in Redexis Gas, S.A. owned by Zaragoza International Coöperatieve, U.A. and Augusta Global Coöperatieve, U.A. to August Infrastructure UK Limited, a subsidiary of private equity funds also managed by Goldman Sachs & Co. As a result, this company held 50.1% of the shares of Redexis Gas, S.A.

Therefore, at 31 December 2017, Redexis Gas, S.A. was (i) 50.10% owned by Augusta Infrastructure UK Limited, a subsidiary of private equity funds managed by Goldman Sachs & Co; (ii) 30% owned by Chase Gas Investments Limited, a subsidiary of the USS private equity fund; and (iii) 19.90% owned by ATP Infrastructure II APS, a subsidiary of the ATP private equity fund.

On 3 April 2018, Augusta Infrastructure UK Limited, a subsidiary of private equity funds managed by Goldman Sachs & Co. as seller, and the companies Chase Gas Investments Limited, a subsidiary of the USS private equity fund; ATP Infrastructure II APS, a subsidiary of the ATP equity fund; and Guotong Romeo Holdings Limited, a company owned by the funds Guoxin Guotong Fund LLT and CNIC Corporation Limited, as buyers, arranged a sale and purchase agreement for 50.10% of the Company shares. This transaction was executed on 20 June 2018, after obtaining the corresponding authorisations from the competition authorities, with (i) Chase Gas Investments Limited acquiring an additional 3.33% of the share capital of the Company, (ii) ATP Infrastructure II APS an additional 13.43%; and (iii) Guotong Romeo Holdings Limited, 33.33%.

Therefore, at 31 December 2020 and 2019, Redexis Gas, S.A. is 33.33% owned by Chase Gas Investments Limited; is 33.34% owned by ATP Infrastructure II APS; and is 33.33% owned by Guotong Romeo Holdings Limited.

(2) Basis of Presentation

The Consolidated Annual Accounts for 2020 have been prepared on the basis of the accounting records of Redexis Gas, S.A. and of the consolidated companies and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of Redexis Gas, S.A. and subsidiaries at 31 December 2020 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Board of Directors of the Parent considers that the Consolidated Annual Accounts for 2020, authorised for issue on 19 February 2021, will be approved with no changes by the shareholders at their annual general meeting.

The standards or interpretations adopted by the European Union that will be obligatory in coming years are not expected to have a significant impact on the Group's financial statements, although they may entail additional disclosures in the Consolidated Annual Accounts.

a) Basis of preparation of the Annual Accounts

These Consolidated Annual Accounts have been prepared on a historical cost basis.

b) Comparative information

The Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the Consolidated Annual Report, in addition to the figures of the year 2020, include comparative figures for the previous year, approved by the shareholders at the General Meeting held on 9 June 2020.

c) Functional and presentation currency

The figures disclosed in the Consolidated Annual Accounts are expressed in thousands of Euros, the Parent Company’s functional and presentation currency, rounded off to the nearest thousand.

d) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group’s accounting principles to prepare the Consolidated Annual Accounts under IFRS-EU. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the Consolidated Annual Accounts, is as follows:

- Useful lives of property, plant and equipment and intangible assets (see notes 3.d and 3.f)

- The assessment of the recoverability of intangible assets with an indefinite useful life and goodwill to determine any impairment losses (see note 3.g)

- The assessment of whether deferred tax assets are likely to be recovered based on the business plan for the coming years and the recovery periods stipulated in Spanish tax legislation for the recovery of those assets, as well as the resolution of possible differences in interpretation with the Tax Administration (see Notes 3.p and 13)

Considering that the estimates are calculated by the Company's directors based on the best information available at 31 December 2020, future events may require changes to these estimates in subsequent years. Any effect on the Consolidated Annual Accounts of adjustments to be made in subsequent years would be recognised prospectively.

The COVID-19 outbreak in China at the end of 2019/beginning of 2020, its global spread and its impact on health, led to its classification as a pandemic by the World Health Organisation on 11 March 2020.

In general terms, the COVID-19 crisis has not a relevant impact (operational or financial) on Group operations, since approximately 90% of the Group's revenues consist of regulated revenues not subject to price volatility and a limited exposure to the demand for gas (owing in part to the inelasticity of demand) with an impact of less than 5% relating to the lockdown and its effect on new additions and gas connections, partially offset by increased consumption in homes during the lockdown period, even though 2020 was a warmer year than 2019.

As of that same month of March and throughout 2020, the Redexis Group Directors and Senior Management activated a comprehensive plan to ensure the continuity of its operations, caring for its employees and stakeholders while likewise monitoring the evolution of the pandemic and performing an on-going assessment of its potential impacts on the financial statements summarised as follows:

1. Impairment of non-financial assets: Due to the effects of the pandemic on all sectors of the economy, new indications of impairment may be revealed in the Group's CGUs. Following an analysis of all these factors, it was concluded that they do not entail a significant impact on the Group's strategic plan and were in all cases taken into consideration in the cash flows used in the impairment tests performed.

2. Financial instruments: On the basis of the analysis performed, no significant increase to the Group's credit risk is considered to have taken place, and neither has a significant increase been detected in the Group's average payment period or duration of its receivables.

3. Inventories: These correspond to purchases of LPG and their storage in consumer tanks. Their purchase and sale prices are regulated, and given the inelasticity of demand to the price and its climate-dependency for consumption, their value and future consumption is not affected by Covid beyond possible defaults in the recurrence of the business, which are constantly monitored and appropriately provisioned in keeping with accounting regulations, without having noted any significant, much less material changes, in the financial statements.

4. Leases: The majority of the leases have not been amended by the pandemic, and therefore there has been no impact on the financial statements. Only one of the leases covered under IFRS 16 was re-negotiated, without entailing any amendment, whereby it was recorded as a lower expense of insignificant amount.

5. Income tax: the hypotheses and assumptions used in the test for recovery of tax assets were consistent with the rest of the impairment tests, considering possible impacts on the economy deriving from the pandemic.

6. Provisions: no onerous leases have been identified, and neither do any provisions for restructuring exist.

7. Income statement: the total impact on the Group income statement for the measures and supplies aimed at safeguarding employee health and safety and at containing the COVID-19 pandemic come to Euros 227 thousand. An effort has also been made to reduce fixed expenses during the year.

8. The Group's liquidity has not been compromised by the health crisis, and its net financial position has improved with respect to 2019. Management monitors future cash flows to adjust the receivables and payables of each Company.

9. Group Management has conducted an analysis to confirm the stability of Group companies in terms of the principle of going concern.

At the date of these financial statements, the uncertainty of the pandemic continues, whereby the Directors and Senior Management will continue to monitor and following the evolution of the pandemic to prevent and decrease any possible impact on the financial statements.

e) <u>Standards and interpretations adopted early or other changes in accounting policies</u>

The following standards were published for their use in the European Union.

- ✓ Amendments to IAS 1 and IAS 8. Definition of materiality. Amendments to IAS 1 and IAS 8 to align the definition of materiality with the contents of the conceptual framework.

- ✓ Amendments to IFRS 9, IAS 39 and IFRS 7. Reform of Benchmark Interest Rates - Phase I and Phase II.

- ✓ Amendment to IFRS 3. Definition of business. Clarifications to the definition of business.

- ✓ Amendment to IFRS 16 Leases. Leasehold improvements. Amendment to facilitate leasehold improvement accounting for tenants with regard to COVID-19.

- ✓ Amendments to IFRS 4, Insurance Agreements - Deferred application of IFRS 9.

None of these standards has had a relevant impact on the Group's Financial Statements.

(3) Accounting Principles

(a) Subsidiaries

Subsidiaries are entities, over which the Company, either directly or indirectly through subsidiaries, exercises control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The income, expenses and cash flows of subsidiaries are included in the Consolidated Annual Accounts from the date of acquisition, which is when the Group takes control, until the date that control ceases. The subsidiary entities are excluded from the consolidation as of the date on which the control is lost.

Transactions and balances with Group companies and unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

(b) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's steering committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(c) Non-Controlling interests

Non-controlling interests in subsidiaries acquired are recognised at the acquisition date based on the ownership percentage of the fair value of the identifiable net assets.

Non-controlling interests are disclosed in consolidated equity separately from equity attributable to shareholders of the Parent. Non-controlling interests' share in consolidated profit or loss for the year and in consolidated total comprehensive income for the year is disclosed separately in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income.

The total comprehensive income for the year and changes in equity of the subsidiaries attributable to the Group and non-controlling interests, after consolidation adjustments and eliminations, are determined in accordance with the ownership percentage at year end.

(d) Property, plant and equipment

Property, plant and equipment are recognised at cost, less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets, mainly for the transmission and distribution of natural gas and liquefied petroleum gas, is determined using the same principles as for an acquired asset, while also considering the criteria applicable to production costs of inventories and the network construction required in properties until the supply points come into service. The production cost is capitalised by allocating the costs attributable to the asset to self-constructed non-current assets in the consolidated income statement.

The cost of an item of property, plant and equipment includes the estimated costs of dismantling or removal and restoration of the site on which it is located, provided that the obligation is incurred as a consequence of having used the item and for purposes other than to produce inventories.

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Group determines the depreciation charge separately for each asset based on its type.

Property, plant and equipment are depreciated using the following criteria:

	Depreciation method	Estimated years of useful life
Buildings	Straight-line	10-50
Technical installations and machinery:		
Liquefied natural gas plant	Straight-line	20
Regulation and metering stations	Straight-line	20-30
Community Receiving Facilities	Straight-line	20
Distribution networks	Straight-line	20
Meter-reading equipment	Straight-line	10
Gas pipelines	Straight-line	40
LPG facilities	Straight-line	20
Other items of property, plant and equipment	Straight-line	4-20
Other installations, equipment and furniture	Straight-line	4-20
Motor Vehicles	Straight-line	8

Transmission facilities are depreciated over their useful life according to the estimate made for items of property, plant and equipment. For gas pipelines this is 40 years and for regulation and metering stations it is 30 years. These estimates are in line with Royal Decree 326/2008 of 29 February 2008, which sets the remuneration for natural gas transmission activities for facilities that came into service subsequent to 1 January 2008.

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

Subsequent to initial recognition of the asset, only costs that will probably generate future economic benefits and which may be measured reliably are capitalised, including the costs required for the assets to operate as envisaged by management and in accordance with the applicable legal and regulatory requirements. Costs of day-to-day servicing are recognised in the income statement as incurred.

Replacements of property, plant and equipment that qualify for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it is not possible to determine the respective carrying amount, the replacement cost is used as indicative of the cost of the replaced items at the time of acquisition or construction.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g).

(e) Right of use assets

(i) Identification of a lease

At the start of a contract, the Group evaluates whether it contains a lease. A contract is or contains a lease, if it grants the right to control the use of the asset identified for a period of time in exchange for a consideration. The period of time during which the Group uses the asset, includes consecutive and non-consecutive periods of time. The Group only re-evaluates the conditions when an amendment of the contract occurs.

(ii) *Lessee reporting*

In contracts with one or more lease and various lease components, the Group assigns the consideration of the contract to each component of the lease in accordance with the individual sale price of the lease component and the aggregate individual price of the various components of the lease.

Any payments made by the Group that do not entail the transfer of goods or services to it by the lessor do not comprise a separate component of the lease, but instead form part of the total consideration of the contract.

In contracts with one or more lease and various lease components, the Group deems all components as one sole lease component.

At the start of the lease, the Group recognises one right of use asset and one lease liability. The right of use asset is comprised of the amount of the lease liability, any payment for the lease made on or prior to the starting date, less any incentives received, the initial direct costs incurred and an estimate of the costs for dismantling or restoration to be incurred, as indicated in the accounting policy provisions.

The Group measures the lease liability by the present value of the lease payments pending on the starting date. The Group discounts lease payments at the appropriate incremental interest rate, unless the implicit interest rate of the lessor may be determined reliably.

The pending lease payments are comprised of fixed payments, less any incentive to be collected, the variable payments that depend on an index or rate, initially appraised by the index or rate applicable on the starting date, the amounts expected to be paid for residual value guarantees, the price of exercising the purchase option whose exercise is reasonably certain and any compensation payments for contract termination, providing the term of the lease reflects the termination option.

The Group measures the right of use assets at cost, less depreciation and accrued impairment losses, adjusted by any re-estimate of the lease liability.

If the contract transfers the ownership of the asset to the Group at the end of the lease term or the right of use asset includes a purchase option, the criteria for depreciation indicated in the section on property, plant and equipment are applied from the starting date of the lease through the end of the useful life of the asset. Otherwise, the Group depreciates the right of use asset from the starting date until the earlier date between the useful life of the right or the end of the lease.

The Group applies the non-current asset impairment criteria indicated in section (g) to the right of use assets.

The Group measures the lease liability increasing it by the financial expense accrued, decreasing it by any payments made and re-estimating the carrying amount by amendments of the lease or to reflect any updates of in-substance fixed payments.

If the amendment does not result in a separate lease, on the amendment date, the Group assigns the consideration to the amended contract as indicated above, re-determines the term of the lease and re-estimates the value of the liability deducting any revised payments at the revised interest rate. The Group decreases the carrying amount of the right of use asset to reflect the partial or total termination of the lease, in those amendments that decrease the scope of the lease and records the profit or loss in the income statement. For all other amendments, the Group adjusts the carrying amount of the right of use asset.

(f) Intangible assets

- Goodwill

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination and the criteria described in section (g) (impairment) are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

- Licences

This item reflects the amounts measured by an independent expert on government authorisations, from the merger of the Group, for the distribution and transmission of gas in the various areas in which the Parent and the subsidiaries conduct or will conduct their activities, less any impairment, as appropriate.

In accordance with the legal framework under which they were granted, these authorisations do not have a limited duration.

- Computer software

Computer software is carried at cost, less any accumulated amortisation and impairment losses. Computer software maintenance costs are charged as expenses when incurred.

- Other intangible assets

This item reflects the amounts incurred by government authorisations, subsequently to the merger of the Group, for the distribution and transmission of gas in the various areas in which the Parent and the subsidiaries conduct or will conduct their activities, less any impairment as appropriate for accumulated amortisation and impairment losses. Costs incurred in relation to and prior to obtaining government authorisation are initially recognised under intangible assets and subsequently transferred to the income statement if the Group has reasonable doubts as to whether authorisation will be obtained.

(i) Useful life and amortisation rates

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

Intangible assets with indefinite useful lives or that are not limited in duration are not amortised but are instead tested for impairment on an annual basis or whenever there is an indication that the intangible asset may be impaired. The Group has estimated that government authorisation or licences for the distribution and transmission of gas have an indefinite useful life as, in accordance with the legal framework under which they were granted, they do not have a limited duration.

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a systematic basis over its useful life, by applying the following criteria:

	Amortisation method	Estimated years of useful life
Computer software	Straight-line	4-5
Other intangible assets	Straight-line	5-20

The depreciable amount is the cost or deemed cost of an asset, less its residual value.

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(ii) Impairment

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g).

(g) Impairment of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

The Group tests goodwill and intangible assets with indefinite useful lives for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of the assets is the higher of their fair value less costs of disposal and their value in use.

Negative differences resulting from comparison of the carrying amounts of the assets with their recoverable amount are recognised in profit and loss.

The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Impairment losses for cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the highest of its fair value less costs of disposal, its value in use and zero.

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in profit or loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

A reversal of an impairment loss for a CGU is allocated to the assets of that unit, except goodwill, pro rata with the carrying amounts of the assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

(h) Financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 “Financial Instruments: Presentation”.

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

For measurement purposes, the Group classifies financial instruments as financial assets and liabilities carried at amortised cost.

The Group classifies a financial asset at amortised cost if it remains within the scope of a business model whose purpose is to maintain financial assets to obtain cash flows and the contractual conditions of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the amount of principal pending.

(i) Offset principles

A financial asset and a financial liability can only be offset when the Group has a legally enforceable right to offset the recognised amounts or intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In order for the Group to have a legally enforceable right, it should not be contingent on a future event and should be legally enforceable in the ordinary course of operations, in cases of insolvency or of liquidation declared legally and in the event of non-payment.

(ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, plus or minus the transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

(iii) Reclassifications of financial instruments

The Group reclassifies financial assets when it changes the business model for its management. The Group does not reclassify financial liabilities.

(iv) Impairment

The Group recognises a valuation adjustment in the income statement for anticipated future credit losses of the financial assets measured at amortised cost.

On each closing date, the Group measures the valuation adjustment in an amount equal to the credit losses anticipated in the following twelve months, for the financial assets for which the credit risk has not increased significantly from the date of initial recognition or when it considers that the credit risk of a financial asset has no longer increased significantly.

The Group considers that the credit risk has increased significantly from initial recognition when non-payments exist for a period greater than 180 days.

(v) Financial asset disposals, modifications and cancellations

Financial assets are de-recognised when the rights to receive cash flows relating to these have expired or have been transferred and the Group has substantially transferred the risks and benefits deriving from their ownership.

(vi) Interest and dividends

The Group recognises interest by the effective interest method, which is the rate adjustment that equals the carrying amount of a financial instrument with the estimate cash flows throughout the expected lifetime of the instrument, starting from its contractual conditions and without considering the anticipated credit losses, except for financial assets acquired or originating with losses incurred.

(vii) Financial liability disposals and modifications

The Group de-recognises a financial liability or part thereof when it has complied with the obligation contained in the liability or if it is legally dispensed from the primary responsibility contained in the liability, whether by virtue of a legal process or by the creditor.

(i) Distributions to shareholders

Dividends, whether in cash or in kind, are recognised as a reduction in equity when approved by the shareholders at their annual general meeting.

(j) Inventories

Inventories are initially measured at the lower of cost of purchase and net realisable value.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, plus any additional costs incurred to bring the goods to a saleable condition, other costs directly attributable to the acquisition, as well as finance costs and indirect taxes not recoverable from the Spanish taxation authorities.

The cost of inventories is written down in those cases in which its cost exceeds its net realisable value. For these purposes, net realisable value is understood as its replacement price.

The Group uses the same cost model for all inventories of the same nature and with a similar use.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Government grants and Other liabilities

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received.

Capital grants awarded to the Group are primarily to carry out works and are non-refundable. These grants are measured at the fair value of the sum received, and are recognised under government grants in the consolidated statement of financial position and taken to other income over the same period and in proportion to the depreciation of the subsidised assets or when the assets are disposed of or impaired.

Other liabilities also includes connection charges as monetary consideration for the installation works and operations required to serve new gas supply points or extend existing ones. These connection charges are recognised as income in proportion to the annual depreciation of the assets being financed (20 years), or over the period specified in the contract if this is shorter, or, where applicable, when the assets are disposed of or impaired.

(m) Employee benefits

Defined benefit plans

The Group has pension obligations with certain employees, which vary depending on the company they worked for prior to the merger (see note 1). These obligations, including both defined benefits and defined contributions, are basically arranged through pension plans or insurance policies, except for certain benefits in kind, mainly electricity supply commitments, which due to their nature have not been externalised and are covered by in-house provisions that are updated annually.

Defined benefit liabilities recognised in the consolidated statement of financial position reflect the present value of defined benefit obligations at the reporting date, minus the fair value at that date of plan assets.

The Group recognises actuarial losses and gains in other comprehensive income in the year in which they occur. These actuarial losses and gains are recognised immediately in retained earnings. They are not recorded in the income statement in a subsequent year.

Income or expense related to defined benefit plans is recognised as employee benefits expense and is the sum of the net current service cost and the net interest cost of the net defined benefit asset or liability.

The present value of defined benefit obligations and the related current service cost and past service cost are calculated annually by independent actuaries using the Projected Unit Credit Method. The discount rate is calculated based on the yield on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations.

Assets and liabilities arising from defined benefit plans are recognised as current or non-current based on the period of realisation of related assets or settlement of related liabilities.

Defined contribution plans

The Group recognises the contributions payable to a defined contribution plan in exchange for a service when an employee has rendered service to the Group. The contributions payable are recognised as an expense for employee remuneration, and as a liability after deducting any contribution already paid.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

The financial effect of provisions is recognised as a finance cost in profit or loss.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the income statement item in which the related expense was recognised, and any surplus is accounted for in other income.

Provisions for dismantling, restoration and similar liabilities

These provisions are measured in accordance with the general criteria for provisions and are recognised as an increase in the cost of the associated property, plant and equipment (see note 3.d).

Changes in provisions resulting from changes in the amount, timing of the outflow of resources or the discount rate increase or reduce the cost of fixed assets up to the carrying amount thereof, whilst any excess is recognised in profit or loss.

(o) Recognition of revenue from contracts with customers

The revenue is evaluated on the basis of the consideration to be received in a contract with a customer and excludes any amounts collected on behalf of third parties. The Group recognises the revenue when it transfers the control of a product or service to the customer.

The following is a summary of the recognition criteria applicable for each one of the activities that generates income in the Group.

Distribution activity

With the distribution activity the regulatory framework identifies the following tasks: to build, operate and maintain networks and facilities for the distribution of natural gas intended for situating the gas at the points of consumption.

This set of tasks constitutes a commitment to the customers and the tasks cannot be performed independently from each other; therefore they are considered to be a single performance obligation which is fulfilled, indefinitely, in accordance with the administrative authorisation granted by the competent Institution on the basis of which it carries out its business, generating the right to receive remuneration or revenue. In this respect, consumers of gas simultaneously receive and consume the benefits of the service at the same time as the Group provides it.

The Group recognises revenue following the percentage of completion method.

The method to be used to measure the percentage of completion is the output method, since the service rendered is similar throughout the period, and revenue is recognised on a straight-line basis.

Regulated revenues received for distribution activity each year are set ex ante. Therefore, the Ministerial Orders and resolutions of the National Commission on Markets and Competition (CNMC) (which, as of the year 2020 have the authority to calculate the remuneration from the distribution activity), published at the end of each year, establish the remuneration for the coming year based on expected sales and new customers for that year. As a result, the amount of remuneration is subject to change for up to two years, until the definitive data on demand and new customers is available for the year analysed.

During the years 2019 and 2020, the CNMC has developed a series of Circulars that will define the remuneration methodology for the natural gas distribution and transportation activities for the following regulatory period (2021-2026). These methodologies establish conceptually very similar schemes to those in force, but will entail certain adjustments to remuneration as of the year 2021.

This remuneration is comprised of a fixed component and two variable components in keeping with the increase (or decrease) in the volume of gas supplied and the number of customers connected to the network. For variable components, unit tariffs are set on the basis of the pressure of the gas supplied and customer type.

The Group establish this variable remuneration each annual closing, using the methodology defined in the regulation with the best information available in that moment (both on supply points and on gas demand). This amount will be reviewed, with the accurate information when final information of the closed year is available. The Ministery/CNMC also determines, when final information is available, the definitive amount of this remuneration in the Order that is published the following year and which also determines the provisional remuneration of the year following the publishing and a regularization of the year that is published, with the best figures available in that moment.

Order TEC/1259/2019, published on 20 December 2019, adjusted the remuneration for 2019 and 2018 based on the most up-to-date figures on sales and consumers. In addition, on 18 December the CNMC published the resolution establishing an initial forecast for remuneration for 2020 through application of the parameters established by Law 18/2014 of 15 October 2014 approving urgent measures for growth, competitiveness and efficiency. This law reformed the remuneration for gas activities with a view to eliminating the deficit in the settlement system.

Order TEC/1259/2019, of 20 December, regulates the remuneration figures for 2019 and 2018.

This distribution activity remuneration will be adjusted once the final amounts of this remuneration have been set by the Spanish Ministry for Ecological Transition and the Demographic Challenge (or the CNMC as of 2020), based on the actual figures for the average increase in consumers and KWh distributed. The Group does not expect significant differences to arise between the amounts recognised and the final settlements. Nevertheless, any differences will be recognised as a change in accounting estimate in the consolidated income statement when they arise.

The orders establishing tolls and user charges for access by third parties to gas facilities and the remuneration of the regulated activities include, in addition, the price review of certain regulated concepts, such as connection charges, or the fees for meter rental. To this regard, Order ETU/1283/2017 adjusted the fees for meter rental, following the study published by the National Commission on Financial Markets and Competition (CNMC) on 16 March 2017 "Agreement for the issue of a study on the price applicable to the rental of gas meters of 3.1 and 3.2 toll groups and the median age of rental meters". The prices applied as of the entry into force of that Order will continue to be valid for 2020, and correspond to proposals of the CNMC and entail a discount of the 2017 price of between 16.3% and 76.7% (depending on the meter).

Order ETU/1367/2018 of 20 December defined the final interest rates associated with the cumulative deficit at 31 December 2014 and of the imbalances of revenues and costs for the years 2015, 2016 and 2017.

During 2020 the Group received the final settlement for regulated activities in the gas sector for 2019, which had an immaterial impact on the Consolidated Income Statement.

In accordance with Orders ITC/3126/2005, IET/2446/2013 and IET/2355/2014 and the gas system technical management standards (NGTS), the Group has recognised measurement differences (known as unaccounted for gas) as regulated distribution revenue in the consolidated income statements for 2020 and 2019 in the amount of Euros 676 thousand and Euros 1.691 thousand, respectively (see note 29). In 2020 the measurement differences for 2019 were settled and those for 2018 were settled in 2019.

Transmission activity

The regulatory framework identifies the following tasks within the transmission activity: to build, operate and maintain its own network of gas pipelines, supplying natural gas to the major areas of consumption.

As already indicated for the case of distribution, this set of tasks constitutes a single performance obligation which is fulfilled, indefinitely, in accordance with the administrative authorisation granted by the competent Institution on the basis of which it carries out its business on a straight-line basis.

Just like the distribution activity, the gas transmission business is regulated, and the remuneration is set annually on a provisional basis by Ministerial Order, in December of the previous year.

This remuneration is fixed for the annual period and is based on the start-up investment. If in the course of the year new facilities are put into use, the remuneration would be amended in keeping with the increase in facilities, which would be recognised prospectively as of that time.

The remuneration for transmission activity in 2020 was established in the CNMC Resolution of 18 December 2019, establishing the remuneration for 2020 of companies that perform regulated LNG plants, transmission and distribution activities, while the correction of the remuneration for uninterrupted supply (RCS) from previous years, was established in Order TEC/1259/2019 in accordance with the parameters established in Law 18/2014 of 15 October 2014 approving urgent measures for growth, competitiveness and efficiency. This law reformed the remuneration for gas activities with a view to eliminating the deficit in the settlement system.

Order TEC/1259/2019 includes the correction of the remuneration for uninterrupted supply from previous years.

In the case of transmission activity the main purpose of the regulatory review under Law 18/2014 is to vary the remuneration of developers of these assets so that it reflects the level of use of this infrastructure more accurately, this being the source of the revenues to cover their cost. For this purpose, with regard to the fixed remuneration model that had been introduced pursuant to Royal Decree 326/2008, the automatic 2.5% review rate was eliminated and the financial rate of return on these assets was changed from the "yield on 10-year government bonds plus 375 basis points" to "the average yield on 10-year government bonds in the secondary market among holders of non-segregated accounts in the 24 months prior to the entry into force of the legislation plus 50 basis points".

In contrast to this measure, a new remuneration component was introduced, defined as remuneration for uninterrupted supply, which is variable remuneration linked to the overall demand channelled through the transmission system. It consists of paying a fixed amount to the transmission agents in the sector, which is increased or decreased annually in line with demand in the sector. As a result, the remuneration for uninterrupted supply is set ex ante based on expected demand for the coming year and, therefore, it may be reviewed within two years, in a similar fashion to remuneration for distribution. Based on this, Order TEC/1259/2019 published on 28 December adjusted the remuneration for uninterrupted supply for 2019 and 2018 based on the most up-to-date demand figures for the sector and the replacement value of companies in the sector.

In the case of facilities for which a Resolution on definitive remuneration is still pending, until the Spanish Ministry for Ecological Transition the Demographic Challenge has the necessary information to dictate a Resolution to this respect, it has calculated the provisional remuneration on account, on the basis of the unit value indicated and the technical characteristics of each facility, in accordance with the Appendices to the corresponding Orders.

The Group records revenue based on its estimate of the remuneration pursuant to applicable legislation and in line with the level of investment.

As previously mentioned, during 2019 and 2020 the CNMC has developed a series of Circulars that will define the remuneration methodology for natural gas distribution and transportation activities for the next regulatory period (2021-2026). These methodologies establish conceptually very similar schemes to those in force, but will entail certain adjustments to remuneration as of the year 2021.

In accordance with article 5 of Order ITC/3128/2011 of 17 November on matters relating to third-party access to gas facilities and remuneration for regulated activities, the Group has recognised measurement differences as regulated transmission revenue in the Consolidated Income Statement for 2020 and 2019 at the amount of Euros 481 thousand and Euros 550 thousand, respectively (see Note 28).

The Group is also subject to the following regulatory framework, among others:

- Royal Decree 949/2001 of 3 August 2001, which regulates third-party access to gas facilities and establishes an integrated economic system for the natural gas sector, in accordance with the mandate in article 8 of Royal Decree-Law 6/2000 of 23 June 2000.

- Order ECO/2692/2002 of 28 October 2002, which regulates the settlement procedure for remuneration from regulated activities in the natural gas sector and for specifically allocated payments and establishes the reporting system for gas companies.

- Royal Decree 326/2008 of 29 February 2008, which stipulates the remuneration for natural gas transmission activities for facilities entering into service since 1 January 2008.

- Royal Decree 1434/2002 of 27 December 2002, which regulates transmission, distribution, trading and supply activities and the authorisation procedures for natural gas facilities.

The 2014 deficit in the gas sector, which includes the deficits accumulated in prior years, was set at Euros 1,025 million, which regulated entities will be able to recover in fifteen consecutive annual payments. On 1 December 2017 the Group assigned the credit right it held with respect to this deficit in the amount of Euros 41,656 thousand collected in its entirety.

Deficits were also generated with respect to the years that followed, from 2015 to 2017, that would be recoverable in five annual payments.

In 2015, the deficit figure closed at Euros 27 million (Euros 1.4 million correspond to the Group). In 2016, the deficit figure closed at Euros 90 million (Euros 4.8 million correspond to the Group). With respect to 2017, the deficit figure closed at Euros 25 million (Euros 1.4 million correspond to the Group).

On 10 May 2019 the Group assigned the credit right it held with respect to the deficits of 2015, 2016 and 2017 in the amount of Euros 5,713 thousand, collected in its entirety.

With respect to 2018 and 2019, the settlement system closed with a surplus 30.8 million of Euros and 353.9 million of Euros respectively, in accordance with the final settlements approved by the Spanish National Commission on Financial Markets and Competition. In accordance with the legal procedure established, the surplus will be allocated toward covering any temporary imbalances receivable from other years, applying these first to those associated with a higher interest rate (in other words, in the following order: 2017, 2015 and 2016) and, will be allocated next toward covering the balance receivable of the cumulative deficit at 31 December 2014.

Registration fees

The registration fees of a new supply consists of the operation to connect the gas receiving facility to the network of the distribution company, and the review and verification that these adapt to the regulatory technical and safety conditions. This operation usually takes place one sole time and the activities are inseparable, whereby this activity is considered as constituting a single performance obligation.

Registration fees are regulated by each Autonomous Region, at a set price.

The Group recognises the revenue for the registration fees at the moment at which the connection is made and verified, since it is at that moment when the customer obtains the benefits of the service rendered and there is no future obligation associated with it.

Rental of Natural Gas metering equipment

Metering equipment (meter) is installed in the facilities of the end-customer, therefore the service of renting the meter constitutes a performance obligation.

The payment for renting natural gas metering equipment is regulated by the regulatory framework of the sector, at a set price.

The Group recognises the revenue throughout the provision of the service, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides it.

The method to be used to measure the percentage of completion is the output method, since the service rendered is similar throughout the period, and revenue is recognised on a straight-line basis over time.

Rental of Community Receiving Facilities (CRF)

The Group collects a rental payment for the community receiving facility (CRF) from the owners association without any other type of consideration, therefore the Community Receiving Facility comprises a single performance obligation.

The payment for renting the community receiving facility is the price established in the contract signed with the owners association, which sets a fixed monthly price.

The Group recognises the revenue throughout the term of the contract, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides it.

The method to be used to measure the percentage of completion is the output method, since the service rendered is similar throughout the period, the revenue is recognised on a straight-line basis.

Inspections of individual receiving facilities (IRF)

In this case the service consists of the inspection of the individual receiving facility (IRF), involving a one-time action, considered as a single performance obligation.

The authority to set inspection prices is transferred to the Autonomous Regions and, therefore, the price may vary from one area to another.

The revenue is recognised at the moment of the inspection, since it is at that time when the customer obtains the benefits of the service rendered.

Sale of Liquefied Petroleum Gas (LPG)

The contracts for the sale of LPG identify two separate performance obligations, which are those corresponding to the supply of LPG and the rental of the meter since, as mentioned above, they comply with the definition for consideration as different from each other. For LPG, the Company supplies as well as distributes the product, and therefore there is a contractual relationship with the customer.

In the case of LPG consumption, the transaction price will be established applying the established official tariff, with a fixed portion (standard monthly rate) and a variable element associated with consumption (Euro cents per Kg.).

The Group recognises the revenue throughout the period of time in which the customer receives and consumes the benefits of the service rendered at the same time the service takes place. Therefore the revenue deriving from this service will be measured by percentage of completion.

For the purpose of measuring this completion, we consider that the output method is the one that best reflects the completion of the rendering of the service, whereby the revenue will be recognised as the service is rendered, by unit of LPG (kg) consumed by the customer.

Contracting party connection charges

The connection charge of the contracting party consists of the financial consideration for connecting the community receiving facility to the network and the commissioning of the facility. This operation usually takes place at one sole time, whereby it is considered as a single performance obligation.

The connection charges are regulated by the regulatory framework of the sector, at a set price.

The revenue is recognised at the moment of connection of the community receiving facility and the commissioning of gas, since this is the time at which control of the services rendered is transferred to the customer.

Applicant connection charges

The Group is authorised to receive a financial consideration for performing the set of installations and operations necessary to cover a new gas supply point or increase the capacity of one already in existence.

In this case a contract is arranged with the customer to establish the characteristics of the installation to be built and the quantity to be received for each service. Furthermore, it is established that the asset built by virtue of the contract will be the property of the Group and a remuneration for building the connection is established. This consideration is a determined fixed quantity.

The Group recognises these connection charges as income in proportion to the annual depreciation of the assets being financed (20 years), or over the period specified in the contract if this is less or, where applicable, when their disposal or impairment occurs, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides them. The method to be used to measure the percentage of completion is the output method, since the service rendered is similar throughout the period, and revenue is recognised on a straight-line basis over time.

(p) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or tax loss for the period. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused deductions. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

Current and deferred tax are recognised as income or expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

(i) *Recognition of deferred tax liabilities*

The Group recognises deferred tax liabilities in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(ii) *Recognition of deferred tax assets*

The Group recognises deferred tax assets provided that it is probable that sufficient taxable profit will be available against which they can be utilised or when tax legislation envisages the possibility of converting deferred tax assets into a receivable from public entities in the future. Nonetheless, assets arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income, are not recognised.

It is considered probable that the Group will generate sufficient taxable profit to recover deferred tax assets when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which are expected to reverse in the same tax period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from a deductible temporary difference can be carried back or forward.

(iii) *Measurement of deferred tax assets and liabilities*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

The Group reviews the carrying amount of deferred tax assets at the reporting date and reduces this amount to the extent that it is not probable that sufficient taxable profit will be available against which to recover them.

Deferred tax assets that do not comply with the above conditions are not recognised in the Consolidated Statement of Financial Position. At year end the Group reassesses whether conditions are met for recognising previously unrecognised deferred tax assets.

(iv) *Offset and classification*

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts, and they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(v) *Consolidated taxation*

The Group, which is composed of the companies indicated in Appendix I, files consolidated tax returns.

In addition to the factors to be considered for individual taxation, set out previously, the following factors are taken into account when determining the accrued income tax expense for the companies forming the consolidated tax group:

- Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.

- Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the deduction or tax credit.

(q) Classification of assets and liabilities as current and non-current

Assets and liabilities are classified as current when they are expected to be realised or settled in the Group's normal operating cycle, within 12 months after the reporting date. Otherwise they are classified as non-current.

(r) Environment

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred. By its nature, the Group's activity does not have a significant impact on the environment and as such no provisions have been recorded for this contingency.

Property, plant and equipment acquired by the Group for long-term use to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities (e.g. the replacement of road surfaces or land related to the laying of pipelines), are recognised as assets, applying the measurement, presentation and disclosure criteria described in note 3 (d).

(4) Sector Regulation

The regulatory framework for the natural gas sector in Spain is based on Hydrocarbon Law 34/1998, in part enacted by Royal Decrees 949/2001 and 1434/2002. The first of these Royal Decrees regulates third-party access to gas facilities and establishes an integrated economic system for the natural gas sector; the second regulates transmission, distribution, trading and supply activities and the authorisation procedures for natural gas facilities.

Over the years, as the sector was gradually liberalised, the aforementioned Hydrocarbon Law was amended on numerous occasions. The most recent amendment was pursuant to Royal Decree-Law 8/2014 of 4 July 2014, which approved urgent measures for growth, competitiveness and efficiency and was subsequently passed by the Spanish parliament and published as Law 18/2014 of 15 October 2014, approving urgent measures for growth, competitiveness and efficiency. The law introduces certain measures that update the regulatory-economic framework, the most salient of which are as follows:

- A reform of the general scheme of revenues and costs of the gas system was undertaken, which is based on the principle of economic sustainability and long-term economic balance, taking into account fluctuations in demand and the level of development of existing infrastructure, while sustaining the principle of adequate remuneration for investments in regulated assets, and security of supply. It therefore establishes the principle of economic and financial sustainability of the gas system, such that any legislation leading to a rise in costs or reduction in revenues must include a reduction in costs or an increase in revenues.

- Certain mechanisms were introduced to restrict any annual temporary imbalances in the settlement system, through the automatic review of tolls when certain thresholds are exceeded. If these thresholds are not exceeded, the imbalances are financed by the parties subject to the settlement system in proportion to their remuneration, generating receivables in the following five years, with a market interest rate set by Ministerial Order.

- With regard to the remuneration of regulated activities, the reform includes the basic principle of considering the necessary costs for an efficient and well-managed company to perform the activity at the lowest cost for the system.

- In line with electricity sector regulations and the need to ensure regulatory stability, regulatory periods of six years were defined, during which the financial rate cannot be reviewed and no automatic update formulas will be applied to the remuneration of any of the activities. However, as the regulatory reform was proposed in a deficit scenario that is expected to be remedied in the coming years, it allows certain remuneration parameters to be adjusted every three years if significant variations arise in the income and expense items.

- An in-depth, standard review (as described in note 3 (o)) was undertaken of the remuneration from all activities, encompassing all assets, including those already in service.

By means of Spanish Royal Decree-Law 1/2019, a reform of the scope of powers for the gas system was carried out, adapting the powers of the Spanish National Commission on Financial Markets and Competition (hereinafter, "CNMC") to the requirements of EU law in relation to Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council, of 13 July 2009, concerning common rules for the internal market in electricity and natural gas. Among these reforms, worthy of mention is the attribution of powers in favour of the CNMC regarding the establishment of methodologies for determining tolls and remuneration of the regulated activities, including the setting of their values. Therefore, as of the start of 2020, the CNMC will have the power to establish these issues, while anything regarding the establishment of new methodologies for determining the remuneration of regulated activities will not be applicable until 1 January 2021, upon the conclusion of the first 6-year regulatory period that was established in the aforementioned Law 18/2014. To this regard, in the course of 2019 and 2020, the CNMC has been working on a series of Circulars that have defined the methodologies for remuneration of the regulated activities developed by Redexis in the gas sector (Transmission and Distribution) and that will be applicable as of January 2021. The most relevant Circulars, insofar as they enable the determination of remuneration for the distribution and transmission activity, were as follows:

– Circular 9/2019, of 12 December, of the National Commission on Markets and Competition, regarding the establishment of the methodology for determining the remuneration of natural gas transmission facilities and of liquefied natural gas plants.

– Circular 4/2020, of 31 March, of the National Commission on Markets and Competition, regarding the establishment of the methodology for determining the remuneration of natural gas distribution.

– Circular 8/2020, of 2 December, of the National Commission on Markets and Competition, regarding the establishment of reference unit values for investment, operation and maintenance for the 2021-2026 regulatory period, and the minimum requirements for audits on investments and costs in natural gas transmission facilities and liquefied natural gas plants.

(5) Segment reporting

CNMC Circular 1/2015 establishes a new regulatory reporting system for costs, aimed primarily at the regulated activities of transmission, regasification, storage and technical management of the natural gas system.

While the detailed information furnished makes reference to the transmission activity, global amounts that make reference to the rest of the activities are also indicated: Distribution of Natural Gas, Transmission of Natural Gas, Distribution of LPG and Other Activities.

These activities will be assigned the revenues and costs directly attributable to them. Overheads that cannot be directly attributed to a specific activity will be allocated to final activities based on the allocation criteria in Circular 1/2015. Redexis Gas, S.A. has developed an allocation model based on profit centres, which are divided into final and allocable.

The accounting policies of the segments are as described in note 3.

The assets, liabilities, income and expenses presented in this note by segment/activity include the synergies and economies of scale generated within the Group as a result of its integrated management.

Had the segment or activity costs been managed independently, they would have been slightly higher than the figures reflected.

However, a complete and in-depth analysis of the revenue and costs of the transmission activity will be performed when the regulatory cost reporting is submitted to the CNMC.

The main segment details are as follows:

	31/12/20				
	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Goodwill	54,432	164,440	303	-	219,175
Non-current assets	1,169,750	557,762	158,274	12,086	1,897,871
Current assets	370,535	193,194	92, 563	-	656,292
Total assets	1,594,717	915,396	251, 139	12,186	2,773,338
Non-current liabilities	907,586	501,604	117,556	7,357	1,534,102
Current liabilities	388,640	197,073	59,171	3, 643	648,527
Total liabilities	1,296,226	698,676	176,727	11, 000	2,182,629

	31/12/2019				
	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Goodwill	54,432	164,440	303	-	219,175
Non-current assets	1,144,291	576,664	144,213	4,708	1,869,876
Current assets	82,077	24,649	40,629	1,149	148,505
Total assets	1,280,800	765,753	185,145	5,857	2,237,555
Non-current liabilities	842,734	506,206	101,729	3,622	1,454,290
Current liabilities	84,764	23,350	12,079	1,372	121,565
Total liabilities	927,497	529,556	113,808	4,993	1,575,854

	31/12/20				
	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Revenue	129,540	58,612	25,888	5,339	219,380
Other income	2,677	591	338	1,755	5,363
Self-constructed non-current assets	12,690	2,351	77	947	16,065
Supplies	(1,123)	-	(16,094)	(3,684)	(20,901)
Employee benefits expense	(20,284)	(5,955)	(122)	(2,287)	(28,648)
Depreciation and amortisation	(69,487)	(13,802)	(9,133)	(407)	(92,829)
Other operating expenses	(17,472)	(3,406)	(2,915)	(1,803)	(25,596)
Net finance income/(cost)	(26,166)	(12,440)	(4,717)	6	(43,317)
Profit/(loss) before tax	10,375	25,952	(6,677)	(133)	29,516

	31/12/2019				
	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Revenue	134,545	62,854	25,976	-	223,375
Other income	4,492	649	483	1,204	6,829
Self-constructed non-current assets	13,407	1,485	96	682	15,670
Supplies	(1,622)	-	(16,945)	-	(18,567)
Employee benefits expense	(21,864)	(5,179)	(396)	(2,089)	(29,528)
Depreciation and amortisation	(66,407)	(13,061)	(8,666)	(142)	(88,276)
Other operating expenses	(14,843)	(6,578)	(2,527)	(1,710)	(25,659)
Net finance income/(cost)	(20,341)	(11,449)	(2,248)	(95)	(34,133)
Profit/(loss) before tax	27,366	28,721	(4,226)	(2,150)	49,712

(6) Subsidiaries

(a) Composition of the Group

Information on the subsidiaries included in the consolidated Group is presented in Appendix I.

(b) Non-controlling interests

Non-controlling interests reflect the 0.02% equity investment in Redexis Gas Murcia, S.A.

(c) Related companies

Redexis Gas Finance B.V. was incorporated on 10 March 2014 in the Netherlands and at 31 December 2020 is an investee of Guotong Romeo Holdings Limited, Chase Gas Investments Limited and ATP Infrastructure II APS (same shareholders as the Parent). Its principal activity is the issue of debt.

All debt issues made by Redexis Gas Finance, S.A. are guaranteed by the Parent, and the funds obtained from the issues were transferred to the Parent by means of loans with the same maturity dates as the debt issued.

The amount of the loans received by the Parent at 31 December 2020 and 2019 is Euros 1,494,097 and Euros 1,150,000 thousand respectively, and these are the same amounts as the ones guaranteed by the Parent for the Redexis Gas Finance B.V. issues. The list of these loans is itemised in Note 19.

- The Redexis Foundation was incorporated on 12 July 2019 and its purpose, in general, is the promotion of technological innovation and the development of social, charity, assistance, training or cultural works.

  Specifically, the Foundation promotes the development and well-being of the social groups that exist in the territories where the Redexis Group operates, with special consideration given to promoting infrastructures that contribute to a sustainable development and cleaner economy.

(7) Property, plant and equipment

Details of property, plant and equipment and movement during the years ended 31 December 2020 and 2019 are as follows:

	Thousands of Euros						
	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Other property, plant and equipment	Under construction and advances	**Total**
Cost at 31 December 2019	**7,353**	**6,318**	**2,020,053**	**3,630**	**1,832**	**40,424**	**2,079,610**
Additions	-	-	10,745	-	-	102,474	**113,220**
Transfers	161	557	103,634	370	182	(106,040)	**(1,136)**
Disposals	-	(13)	(881)	(7)	-	(712)	**(1,614)**
Cost at 31 December 2020	**7,514**	**6,862**	**2,133,551**	**3,992**	**2,014**	**36,146**	**2,190,080**
Accumulated depreciation at 31 December 2019	-	(1,228)	(778,592)	(2,832)	(1,120)	-	**(783,771)**
Depreciations	-	(346)	(83,834)	(418)	(245)	-	**(84,843)**
Transfers	-	19	972	145	-	-	**1,136**
Disposals	-	2	680		-	-	**682**
Accumulated depreciation at 31 December 2020	-	(1,553)	(860,773)	(3,105)	(1,365)	-	**(866,796)**
Net carrying amount at 31 December 2020	**7,514**	**5,310**	**1,272,779**	**887**	**649**	**36,146**	**1,323,284**

	Thousands of Euros						
	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Other property, plant and equipment	Under construction and advances	**Total**
Cost at 31 December 2018	**7,276**	**6,126**	**1,889,926**	**3,456**	**1,188**	**39,389**	**1,947,362**
Additions	11	-	5,608	-		128,198	**133,817**
Transfers	124	192	125,685	174	644	(126,818)	**-**
Disposals	(58)		(1,166)	-	-	(345)	**(1,569)**
Cost at 31 December 2019	**7,353**	**6,318**	**2,020,053**	**3,630**	**1,832**	**40,424**	**2,079,610**
Accumulated depreciation at 31 December 2018	-	(939)	(699,691)	(2,608)	(929)	-	**(704,166)**
Depreciations	-	(289)	(80,007)	(421)	(191)	-	**(80,907)**
Disposals	-	-	1,106	197	-	-	**1,303**
Accumulated depreciation at 31 December 2019	-	(1,228)	(778,592)	(2,832)	(1,120)	-	**(783,771)**
Net carrying amount at 31 December 2019	**7,353**	**5,090**	**1,241,461**	**798**	**713**	**40,424**	**1,295,839**

The majority of the additions taking place in 2020 and 2019 are from the organic growth of the Group by means of the extension of distribution networks, in new municipalities as well as in locations already served by the Group. The rest come from corporate transactions for the integration of LPG networks and facilities that are described below:

- On 28 December 2020, Repsol Butano, S.A. and the Group entered into a framework agreement for the purchase and conveyance of LPG networks and facilities serving around 4,230 thousand supply points, for approximately Euros 4,838 thousand. This transaction is in the process of its communication to the CNMC for approval.

- On 27 December 2019, Cepsa Comercial Petróleo, S.A.U. and the Group entered into a framework agreement for the purchase and conveyance of LPG networks and facilities serving around 11.3 thousand supply points, for approximately Euros 11,670 thousand. The practical entirety of these assets has been conveyed in 2020.

- On 28 December 2018 several companies of the Nedgia group and the Group entered into a framework agreement for the purchase and conveyance of LPG networks and facilities serving around 2.6 thousand supply points, for approximately Euros 4,750 thousand. The CNMC was formally notified and this Commission issued its authorisation of the transaction, with no reservations, on 28 February 2019. The practical entirety of these assets was conveyed in 2019.

- At 29 December 2016 Cepsa Comercial Petróleo, S.A.U. and the Group entered into a framework agreement for the purchase and conveyance of LPG networks and facilities serving around 4.7 thousand supply points, for approximately Euros 7,500 thousand. The CNMC was formally notified and this Commission issued its authorisation of the transaction, with no reservations, on 2 February 2017. The bulk of these facilities was received in 2017 and 2018 and completed in 2019.

At 31 December 2020, property, plant and equipment under construction reflect investments in gas transmission and distribution networks that the Group expects to complete in the coming months.

At 31 December 2020, the Group has recognised gas plant dismantling costs of Euros 296 thousand under property, plant and equipment (Euros 296 thousand at 31 December 2019). These expenses were determined based on the Group's best estimate of the market costs of the various physical units involved in dismantling these plants.

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The cover provided by these policies is considered sufficient.

The cost of fully depreciated property, plant and equipment in use at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Buildings	96	96
Technical installations and machinery	205,942	176,542
Other installations, equipment and furniture	1,313	1,271
Other property, plant and equipment	987	851
	208,338	178,759

(8) Intangible assets

Details of intangible assets and movement during the years ended 31 December 2020 and 2019 are as follows:

	Thousands of Euros				
	Licences	Goodwill	Computer software	Other intangible assets	Total
Cost at 31 December 2019	542,914	219,175	41,625	6,210	809,924
Additions	-	-	5,213	353	5,567
Disposals	-	-	-	(148)	(148)
Cost at 31 December 2020	542,914	219,175	46,839	6,416	815,343
Accumulated amortisation at 31 December 2019	-	-	(31,776)	(976)	(32,752)
Amortisations	-	-	(4,576)	(108)	(4,684)
Disposals	-	-	-	-	-
Accumulated amortisation at 31 December 2020	-	-	(36,352)	(1,085)	(37,436)
Accumulated impairment at 31 December 2019	-	-	-	(29)	(29)
Accumulated impairment at 31 December 2020	-	-	-	(29)	(29)
Net carrying amount at 31 December 2020	**542,914**	**219,175**	**10,487**	**5,302**	**777,878**

The goodwill arising on the business combination carried out in 2010, amounting to Euros 213,053 thousand, and that generated on the business combination carried out in 2015 (see note 1) amounting to Euros 7,706 thousand, essentially comprises the future economic benefits from the ordinary activities of the Parent and the companies Redexis Gas Infraestructuras, S.L.U. and Redexis Gas Murcia, S.A., which did not qualify for recognition as a separate asset.

Details of the allocation of goodwill at 31 December 2020 and 2019, by cash-generating unit (CGU), are as follows:

	Thousands of Euros	
	2020	2019
Gas distribution	54, 432	54, 432
Gas transmission	164,440	164,440
LPG	303	303
	219,175	219,175

A summary of the CGUs to which intangible assets with indefinite useful lives, namely licences for gas distribution and transmission, have been allocated at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Gas distribution	333,493	333,493
Gas transmission	209,421	209,421
	542,914	542,914

The cost of fully amortised intangible assets in use at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Computer software	27,177	22,723
Other intangible assets	395	267
	27,573	22,990

(9) Right of use assets and lease liabilities

Details and movement in the accounts included in the Right of use assets by classes during the years ended at 31 December 2020 and 2019 are as follows:

	Thousands of Euros						
	Land	Buildings	Motor Vehicles	Information Processing Equipment	Subsoil use	Computer software	Total
Cost at 31 December 2019	**1,339**	**5,669**	**2,047**	**247**	**7,236**	**312**	16,850
Additions	316	1,067	436	28	-	-	1, 847
Disposals	-	(14)	-	(80)	-	-	(94)
Cost at 31 December 2020	**1,655**	**6,722**	**2,483**	**195**	**7,236**	**312**	**18,603**
Accumulated depreciation at 31 December 2019	(134)	(2,873)	(973)	(182)	(513)	(147)	(4,821)
Depreciations	(67)	(1,066)	(378)	(20)	(469)	(147)	(2,246)
Disposals	-	14	-	80	-	-	94
Accumulated depreciation at 31 December 2020	(300)	(3,925)	(1,350)	(122)	(981)	(293)	(6,973)
Net carrying amount at 31 December 2020	**1,355**	**2,796**	**1,133**	**73**	**6,255**	**18**	**11,630**

	Thousands of Euros						
	Land	Buildings	Motor Vehicles	Information Processing Equipment	Subsoil use	Computer software	Total
Cost at 31 December 2018	**-**	3,325	1,238	173	**-**	**-**	4,735
Additions	1,339	2,360	809	74	7,236	312	12,131
Disposals	-	(16)	-	-	-	-	(16)
Cost at 31 December 2019	1,339	5,669	2,047	247	7,236	312	16,850
Accumulated depreciation at 31 December 2018	**-**	(1,821)	(615)	(120)	**-**	**-**	(2,556)
Depreciations	(134)	(1,068)	(358)	(62)	(513)	(147)	(2,281)
Disposals	-	16	-	-	-	-	16
Accumulated depreciation at 31 December 2019	(134)	(2,873)	(973)	(182)	(513)	(147)	(4,821)
Net carrying amount at 31 December 2019	**1,205**	**2,796**	**1,074**	**65**	**6,724**	**165**	**12,029**

The Group performs a large part of its activities in properties and facilities leased from third parties. The leases are negotiated with several renewal and cancellation options for flexibility depending on how the business responds in each area. The leases expose the Group to a certain variability, albeit limited, due to the fact that the majority of these is CPI-linked.

Subsoil occupancy rates for the gas distribution activity are likewise included (under Subsoil Use) as well as the charges for subsoil occupancy for the gas transmission activity (under Subsoil Use), and those leases of land for facilities belonging to the Group (under Lands).

In addition, the Group has short-term lease contracts, for which it has recorded an expense in the amount of Euros 97 thousand (Euros 164 thousand in the previous year) (note 30).

The details and relevant amounts of lease contracts by asset type at 31 December 2020 and 2019 are as follows:

	Thousands of Euros						
	Land	Buildings	IT Equipment	Motor Vehicles	Subsoil use	Computer software	Total
31/12/2020							
Amounts							
Fixed lease payments	132	1,149	38	402	642	151	2,51
Financial expenses for lease liabilities	31	80	2	31	186	3	334
Long term lease liabilities	1,237	1,815	38	780	5,885	0	9,754
Short term lease liabilities	141	1,090	37	379	407	19	2,073
Conditions							
Lease term	10 years	3 to 4 years	4 years	4 years	1 to 35 years	2 years	

	Thousands of Euros						
	Land	Buildings	IT Equipment	Motor Vehicles	Subsoil use	Computer software	Total
31/12/2019							
Amounts							
Fixed lease payments	149	1,028	63	380	687	151	2,459
Financial expenses for lease liabilities	27	95	1	13	199	6	341
Long term lease liabilities	1,092	1,844	67	737	6,248	19	10,007
Short term lease liabilities	125	1,093	22	358	447	148	2,192
Conditions							
Lease term	10 years	3 to 4 years	4 years	4 years	1 to 35 years	2 years	

The analysis of the maturity date of the lease liabilities, including future interests to be paid, is as follows:

	Thousands of Euros	
	2020	2019
Up to six months	1,037	1,096
From six months to one year	1,037	1,096
From one to two years	2,000	2,027
From two to three years	1,556	1,556
More than four years	6,197	6,423
	11,827	12,199

The are no commitments deriving from short-term lease contracts.

(10) Impairment and Allocation of Goodwill and Intangible Assets with Indefinite Useful Lives to CGUs

For impairment testing purposes, goodwill and intangible assets with indefinite useful lives have been allocated to the Group's cash-generating units (CGUs) as detailed in Note 8.

The recoverable amount of a CGU is determined based on calculations of its fair value less costs of disposal. These calculations include estimated cash flow projections, less the post-tax average cost of the capital itself from the underlying CGU activity. The economic forecasts start from the best estimate by management of the evolution of the CGU business for a projection period of 15 years, and assume a terminal value upon its conclusion with a perpetual growth rate of 1.5%.

For the natural gas distribution and transmission activity, a post-tax average cost of capital calculated in accordance with CNMV Circular 2/2019, of 12 November, was used to establish the methodology for calculation of financial remuneration rate of the transmission and distribution activities of electric power, and the regasification, transmission and distribution of natural gas.

The Group determines budgeted gross margins based on past experience and forecast market performance. The weighted average growth rates are consistent with the forecasts included in sector reports. The discount rates used are after-tax values and reflect specific risks related to each CGU.

According to the projections and estimates available to the directors of the Group, the CGUs to which goodwill and various intangible assets with indefinite useful lives have been allocated are expected to generate sufficient cash flow to recover the value of the goodwill, intangible assets with indefinite useful lives recognised at 31 December 2020.

A sensitivity analysis of the post-tax average cost of capital during a forecast period of 15 years, reveals that impairment of the distribution of natural gas would only occur if the discount rate were to increase by more than a 24%; impairment of the transmission of natural gas would only occur if the discount rate were to increase by more than a 17%.

(11) Financial Assets by Category and Class

The classification of financial assets by category and class, is as follows:

	Thousands of Euros			
	Non-current		Current	
	2020	2019	2020	2019
Financial assets at amortised cost				
Loans	-	2,370	278	166
Security and other deposits delivered	1,436	1,578	-	-
Other financial assets	92	92	-	-
Finance lease receivables	-	-	-	-
Trade and Other Receivables				
Trade receivables	-	-	39,141	44,073
Other receivables	2,726	-	19, 162	18,523
Impairment	-	-	(1,362)	(1,097)
Cash and cash equivalents	-	-	591,732	74,883
Total financial assets	4,254	4,039	648, 951	136,548

The amount of net profits and losses, corresponding to the category of financial assets at amortised cost in the years 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	**2019**
Finance income at amortised cost	6	91
Losses for impairment	(383)	(138)
	(377)	(48)

Details of these items are provided in notes 12 and 15.

(12) Current and Non-Current Financial Assets

Details of current and non-current financial assets at 31 December 2020 and 2019 are as follows:

	Thousands of Euros			
	2020		2019	
	Non-current	Current	Non-current	Current
Security deposits paid	1,436	-	1,578	-
Loans to related parties	-	-	2,370	-
Loans to employees and other	-	278	-	166
Other financial assets	92	-	92	-
Total	1,528	278	4,039	166

Security deposits paid correspond essentially to the balances lodged with the Autonomous Regions, deriving from deposits received from customers when a service is arranged, by virtue of the provisions of applicable legislation in force at any given time. These security deposits are maintained for as long as the Group maintains the supply contract with the customer or if the customer maintains the agreement with its supplier, and its distribution company is a Group company.

(13) Income tax

At the annual general meeting held on 17 December 2010 the Company shareholders agreed that, with effect as of 1 January 2011, the Company would apply the consolidated taxation regime regulated in Title VII, Chapter VII of the now repealed Royal Legislative Decree 4/2004 of 5 March 2004, replaced by Title VII, Chapter VI of Law 27/2014, of 27 November, approving the Corporate Income Tax Law. Thus, the Company is the parent of a new tax group formed by the subsidiaries listed in Appendix I hereto.

Details of deferred tax assets and liabilities by type of asset and liability are as follows:

	2020		
	Thousands of Euros		
	Assets	Liabilities	Nets
Tangible assets	1.705	(33.719)	(32.014)
Goodwill	-	(6.726)	(6.726)
Deferred income	-	(2.631)	(2.631)
Intangible assets	-	(64.293)	(64.293)
Provisions	264	-	264
Amortization	2.933	-	2.933
Personal remunerations	1.931	-	1.931
	6.834	(107.369)	(100.535)
Credit loss carryforwards	2.896	-	2.896
Net assets and liabilities	9.730	(107.369)	(97.639)

	2019		
	Thousands of Euros		
	Assets	Liabilities	Nets
Tangible assets	1.682	(35.456)	(33.774)
Goodwill	-	(5.209)	(5.209)
Deferred income	-	(2.975)	(2.975)
Intangible assets	-	(62.969)	(62.969)
Provisions	1.070	-	1.070
Amortization	3.617	-	3.617
Personal remunerations	1.617	-	1.617
Financial expenses	18.637	-	18.637
	26.623	(106.608)	(79.985)
Credit loss carryforwards	13.526	-	13.526
Net assets and liabilities	40.149	(106.608)	(66.459)

Deferred tax liabilities relating to property, plant and equipment mostly derive from the application of the tax incentive approved in additional provision 11 of Law 4/2008 of 23 December 2008 and in Royal Decree-Law 13/2010 of 3 December 2010, on accelerated depreciation of property, plant and equipment, which the Group applied in 2009, 2010 and 2011, as well as from the fair value measurement of property, plant and equipment in the business combinations in 2010 and 2015.

Accelerated depreciation is only applied to investments brought into service in the 2009, 2010 and 2011 tax periods that correspond to new assets commissioned under works execution contracts or investment projects with an execution period, in both cases, of less than two years between the commission or investment start date and the date on which the asset becomes available or enters service. Investments in distribution assets are depreciated over a period of 20 years for accounting purposes and one year for tax purposes. Investments in transmission assets are depreciated over a period of 40 years for accounting purposes and one year for tax purposes.

All deferred tax liabilities associated with intangible assets and deferred income derive from the aforementioned business combinations.

The merger approved by the shareholders in 2014, discussed in note 1, became effective for accounting purposes on 1 January 2014. The Group therefore reversed the deferred tax liability in the amount of Euros 80,748 thousand in the consolidated income statement for 2014. The merger was carried out under the special protection tax regime contained in Chapter VII of Title VII of the Spanish Corporate Income Tax Law and, therefore, the tax value of the property, plant and equipment, intangible assets and goodwill at 1 January 2014 was Euros 23,846 thousand, Euros 245,314 thousand and Euros 6,030 thousand, respectively. The tax effects occur as of when the merger was entered in the Mercantile Registry on 27 February 2015.

On 23 December 2015, the Company requested a ruling from the Directorate-General of Taxes as to whether the tax loss carryforwards of the absorbed subsidiaries (Redexis Gas Transportista and Redexis Gas Distribución), arising from temporary differences to be reversed in the future, should be calculated as a reduction in the deductible merger difference, as was the case with the accelerated depreciation applied by these companies in 2009, 2010 and 2011. On 26 December 2016, the Company received a positive response to its query, stating that the tax loss carryforwards of the absorbed subsidiaries arising from temporary differences to be reversed in the future should not be calculated as a reduction in the deductible merger difference. As a result, the tax value of intangible assets and goodwill in 2016 increased by Euros 29,525 thousand and Euros 45,098 thousand, respectively. In 2016 the Group therefore reversed the Euros 7,441 thousand deferred tax liability in the consolidated income statement.

The tax value of intangible assets and goodwill in 2017 increased by Euros 43,031 thousand and Euros 75,253 thousand respectively. The Company obtained a tax certificate corresponding to the former Company shareholder, which reveals the capital gain included in the Seller's tax base, the resulting double taxation of the transferring shareholder Endesa Gas, and of the purchasing company Redexis Gas. The aforementioned capital gain could be eliminated by application of paragraph 5 of Transitory Provision 23 of Corporate Income Tax Law 27/2014.

Pursuant to Law 16/2012 of 27 December 2012, which introduced several tax measures to consolidate public finances and boost economic activity, depreciation of property, plant and equipment and amortisation of intangible assets was limited to 70% of the depreciation and amortisation charge for accounting purposes for the 2013 and 2014 tax periods. Consequently, the Group has recognised deferred tax assets of Euros 2,682 thousand at 31 December 2020 (Euros 3,350 thousand at 31 December 2019). As of 2015, any depreciation and amortisation that was not deducted for tax purposes in the tax periods commenced in 2013 and 2014, due to the aforementioned limit, may be deducted on a straight-line basis over a period of 10 years, or over the useful life of the assets. The Company has opted for the 10-year reversal period.

During 2015 the Tax Authorities conducted an inspection for Corporate Income Tax (for the years 2010, 2011 and 2012). The Tax Authorities issued a settlement to increase Corporate Income Tax payable for 2010 by Euros 348 thousand plus late payment interest, to reduce tax loss carryforwards generated in 2011 by Euros 35,295 thousand, and to reduce non-deducted net finance costs arising in 2012 and available for application in future years by Euros 35,391 thousand. The inspection team has considered certain participating loans extended to the Company to be capital contributions from the Group's shareholders, and therefore does not consider the finance costs accrued in connection with these loans in 2010, 2011 and 2012 as tax deductible. The Company deems the proposed adjustment unlawful and has therefore filed an administrative appeal and has lodged its submissions against the settlement at the Central Economic-Administrative Tribunal (TEAC). On 2 February the TEAC confirmed the decision of the inspection, which is why the Company filed a claim in the National High Court, submitting it on 9 October 2017. On 24 July 2019, the National High Court confirmed the inspection arguments and on 15 October 2019, the Group filed a notice of appeal in cassation before the Supreme Court. On 2 June 2020, the notice of appeal before the Supreme Court was dismissed as non-admissible, whereby an appeal for legal protection was filed before the Constitutional Court on 24 November 2020.

Using the same criteria, the taxation authorities settled a reduction of deductible net finance costs generated in 2013 and 2014, carried forward for amounts of Euros 35,295 thousand and Euros 9,379 thousand, as it considered the participating loans extended to the Company to be capital contributions from the Group’s shareholders, and therefore does not consider the finance costs accrued in connection with these loans in 2013 and 2014 as tax deductible. The Company deemed the proposed adjustment unlawful and therefore filed an administrative appeal against the settlement before the Central Economic-Administrative Tribunal on 7 July 2017, which declined jurisdiction and forwarded the claim to the Regional Economic-Administrative Tribunal (TEAR) of Aragon, by resolution dated 20 January 2020, which notified its rejection on 28 December 2020.

In consideration of the above, and given the non-admission of the appeal before the Supreme Court and even after filing the appeal for legal protection, the Parent Directors have decided to derecognise the deferred assets recognised at 31 December and pay the Euros 348 thousand and default interest corresponding to the infraction notice of 2010.

In accordance with legislation in force, the Group may offset its tax loss carryforwards for the 2019 and 2020 tax periods up to a maximum of 25% of taxable income before the offset. In its provisional calculation of income tax for 2020, the tax group has offset tax losses of Euros 5,755 thousand (Euros 7,440 thousand in the definitive income tax return for 2019).

Based on the best estimate of future consolidated profits, recovery of the deferred tax assets is considered probable and they have therefore been recognised in the consolidated statement of financial position.

Corporate Income Tax Law 27/2014 of 27 November 2014 amended the income tax rate. The tax rate is 25% for periods commencing on or after 1 January 2016, and for 2015 it was 28%. The Group adjusted all of its deferred tax assets and liabilities based on a tax rate of 25%, except for deferred tax assets arising from non-deductible amortisation and depreciation in view of the application of Law 16/2012 of 27 December 2012. In this respect, Transitory Provision 37 of the CIT Law provides for a deduction in total income tax of 5 % of the amounts included in taxable income for the tax period, for depreciation and amortisation not deducted in tax periods starting in 2013 and 2014. This deduction was 2% for the tax periods commencing as of 2015.

Details of total current and deferred income tax in relation to items recognised directly in other comprehensive income and in equity during 2020 and 2019 are as follows:

	Thousands of Euros			
	2020		2019	
	Current	Deferred	Current	Deferred
Other changes in equity	-	-	-	-
Actuarial gains and losses	-	-	-	(48)
	-	-	-	(48)

Details of the income tax expense are as follows:

	Thousands of Euros	
	2020	2019
Current tax		
Present year	**5,693**	**7,496**
Adjustment of prior years	**28,934**	**(136)**
Deferred tax		
Origination and reversal of temporary differences	**(3,152)**	**114**
Finance costs	-	4,097
Accelerated depreciation and amortisation	(1,481)	(1,506)
Depreciation and amortisation	666	662
Salaries payable	(254)	(241)
Goodwill	(2,486)	(2,486)
Provisions	404	(413)
Income tax expense for the year (companies)	**31,475**	**7,474**
Adjustments and eliminations on consolidation	4,856	4,787
Income tax expense for the year (Group)	36,331	12,260

A reconciliation of current tax with current income tax liabilities is as follows:

	Thousands of Euros	
	2020	2019

Current tax	5,693	7,496
Tax loss carryforwards offset and recognised in prior years	(1,459)	(1,860)
Consolidation adjustments	-	-
Income tax payable for the year (Group)	4,234	5,636
Payments on account during the year	(3,055)	(5,134)
Withholdings	-	-
Current income tax liabilities	1,179	502

The relationship between the income tax expense and profit for the year is as follows:

	Thousands of Euros	
	2020	2019
Profit for the year before tax	29,516	49,812
Tax at 25%	7,379	12,453
Adjustment of prior years	28,934	(136)
Other net movements	18	(57)
Income tax expense for the year (Group)	36,331	12,260

The Group has recognised the tax effect of unused tax loss carryforwards as deferred tax assets, the amounts and reversal periods of which are as follows:

At 31 December 2020

Company / Year	Thousands of Euros
Redexis Group / 2011	11,586
Total	11,586

At 31 December 2019

Company / Year	Thousands of Euros
Redexis Group / 2011	54,104
Total	54,104

In accordance with the taxation authorities in the CIT inspection (years 2010, 2011 and 2012) the Parent Directors agree to decrease the amount of the tax losses generated in 2011 by an amount of Euros 35,295 thousand.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the taxation authorities or before the inspection period of four years has elapsed.

In 2020 the Tax Authorities commenced an audit of the following companies of the group, for the years and taxes set forth below:

Tax	Years open
Corporate Income Tax (All Group companies*)	2015-2018
Value Added Tax (Redexis Gas)	2017-2018
Non-Resident Income Tax (Redexis Gas)	2016-2019

(*) The period under inspection for the Redexis Gas corporate income tax is from 2016 through 2018.

The Group has open to inspection by the taxation authorities the main taxes applicable for the following years:

Tax	Years open
Corporate Income Tax (*)	2019
Value Added Tax (**)	2017-2020
Personal Income Tax	2017-2020
All other applicable Taxes	2017-2020

(*) The period for filing corporate income tax is within 25 calendar days following six months after the end of the year, whereby the Corporate Income Tax corresponding to 2020 will not be open to inspection until 25 July 2021.

(**) Except Redexis Gas, whose period open to inspection is from 2016 through 2018.

Nevertheless, the right of the taxation authorities to inspect or investigate unused or offset tax loss carryforwards, and unused or applied deductions to promote the undertaking of certain activities, have a 10-year statute of limitations as of the day after the end of the period for filing the tax return or self-assessment corresponding to the tax period in which the right to offset or application was generated. Following that period, the Group should accredit any tax loss carryforwards or deductions by disclosing the settlement or self-assessment and the accounting records, with proof that they were filed at the Mercantile Registry within the above period.

Due to different possible interpretations of prevailing tax legislation, additional tax liabilities could arise in the event of inspection. In any case, the Parent's directors do not consider that any such liabilities that could arise would have a significant effect on the Consolidated Annual Accounts

(14) Inventories

Details of Inventories are as follows:

	Thousands of Euros	
	2020	2019
LPG inventories	5,189	5,248
Other materials	30	30
Supplier advances	492	100
	5,711	5,377

At 31 December 2020 and 2019, the Group had no commitments to purchase or sell gas.

(15) Trade and other receivables and other assets

Details of trade and other receivables and other assets are as follows:

	Thousands of Euros			
	2020		2019	
	Non-current	Current	Non-current	Current
Trade receivables	2,726	39,141	-	44,073
Receivables, settlements pending	-	17,968	-	16,515
Other receivables	-	1,194	-	2,008
Less impairment due to uncollectibility	-	(1,362)	-	(1,097)
Total trade and other receivables	2,726	56,941	-	61,499

	Thousands of Euros	
	2020	2019
Public entities		
Taxation authorities, recoverable VAT	965	5,873
Taxation authorities, withholdings	46	28
Other	92	88
Prepayments	526	591
Total other assets	1,629	6,580

Trade receivables primarily comprise balances receivable from suppliers of natural gas for tolls invoiced and propane gas invoiced to end customers.

Current receivables, settlements pending reflect settlements and measurement differences receivable from the gas system.

Movement in impairment due to uncollectibility is as follows:

	Thousands of Euros	
	2020	2019
Balance at 1 January	(1,097)	(1,130)
Impairment charge	(488)	(180)
Reversals for impairment	105	42
Cancellations	118	171
Balance at 31 December	(1,362)	(1,097)

Past-due unimpaired trade receivables amounting to Euros 37 thousand at 31 December 2020 (Euros 46 thousand at 31 December 2019) reflect balances receivable from local corporations for which no credit risk is foreseen.

(16) Cash and cash equivalents

Details of cash and cash equivalents are as follows:

	Thousands of Euros	
	2020	2019
Cash in hand and at banks	591,732	74,883
	591,732	74,883

(17) Equity

Details of equity and movement during the year are shown in the consolidated statement of changes in equity.

(a) Capital

At 31 December 2020 and 2019, the share capital of the Company amounted to Euros 100,000 thousand, represented by 10,000,000 shares of Euros 10 par value each, subscribed and fully paid.

At 31 December 2020 and 2019, Redexis Gas, S.A. is owned (i) 33.33% by Chase Gas Investments Limited, a subsidiary of the USS private equity fund; (ii) 33.34% by ATP Infrastructure II APS, a subsidiary of the ATP private equity fund; and (iii) 33.33% by Guotong Romeo Holdings Limited, a company owned by the funds Guoxin Guotong Fund LLT and CNIC Corporation Limited.

The Group actively manages its capital to maintain a structure capable of creating value for its shareholders and other stakeholders, as well as optimising the cost of this and safeguarding the principle of going concern.

The Group has several levers that allow it to adjust the capital structure. These range from the discretionality in the payment of dividends and in making investments for its organic growth, through the amortisation of debt, issue of shares or sale of assets.

To be able to achieve these objectives, the Group is committed to maintaining its investment grade category, in other words, BBB- or greater by the Standard & Poor’s rating agency or any other agency with which the Group maintains a rating request. This entails the fulfilment of a series of leverage ratios and cash generation in accordance with that rating. Specifically, the Group uses the Net Debt/EBITDA ratio to monitor capital structure.

(b) Share premium

This reserve, amounting to Euros 105,433 thousand at 31 December 2020, is freely distributable, provided that its distribution would not reduce the Company's equity to an amount lower than share capital.

(c) Reserves

Details of reserves are as follows:

	Thousands of Euros	
	2020	2019
Legal reserve	20,000	20,000
Other shareholder contributions	157,538	160,135
Other reserves	214,527	238,557
	392,065	418,692

Legal reserve

The legal reserve has been appropriated in compliance with article 274 of the Revised Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

At 31 December 2020 and 2019, the Company had appropriated to this reserve the minimum amount required by law, i.e. Euros 20 million (20% of share capital), and will therefore not allocate any further amounts to this reserve.

Other reserves

The goodwill reserve was appropriated in compliance with article 273.4 of the Revised Spanish Companies Act, which required companies to constitute a non-distributable reserve equal to the amount of goodwill recognised in the Company's individual statement of financial position. However, the amendment to article 39.4 of the Spanish Code of Commerce in 2016 provided for the systematic amortisation of goodwill (in annual accounts prepared under Spanish GAAP), thus eliminating the obligation to appropriate this reserve.

At 31 December 2020 and 2019, other reserves include goodwill reserves amounting to Euros 16, 350 thousand, which are non-distributable until the carrying amount of goodwill is lower than the amount of this reserve in the Annual Accounts of each Group company.

Details of reserves contributed by each Group company at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Redexis Gas, S.A.	391,693	410,220
Redexis Gas Finance, B.V.	-	3,429
Redexis Gas Murcia, S.A.	324	6,199
Redexis Gas Servicios, S.L.U.	(1,470)	47
Redexis GLP, S.L.U.	(3,354)	(1,203)
Redexis Infraestructuras, S.L.U.	4,872	-
	392,065	418,692

(d) Dividends

During 2020, the Parent has proceeded to pay two dividends to shareholders at the rate of Euros 3 per share in each distribution. The total amount distributed in 2020 was Euros 60,000 thousand (Euros 30,000 thousand in 2019), against its freely distributable reserves to shareholders of the Company as detailed in section (a).

(e) Profit/(loss) for the year

Details of profit/(loss) for the year contributed by each Group company at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Redexis Gas, S.A.	(9,593)	30,599
Redexis Gas Finance, B.V.	-	623
Redexis Gas Servicios, S.L.U.	(137)	(1,516)
Redexis GLP, S.L.U.	(2,204)	(2,151)
Redexis Gas Murcia, S.A.	1,244	2,199
Redexis Infraestructuras, S.L.U	3,875	7,799
	(6,815)	37,552

(18) Financial Liabilities by Class and Category

(a) Classification of financial liabilities by category

A classification of financial liabilities by category and class is as follows:

	Thousands of Euros	
	2020	
	Carrying amount Non-current	Carrying amount Current
Financial liabilities at amortised cost		
Debt with related parties	990,064	517,192
Loans and borrowings		
Variable rate	147.556	260
Fixed rate	265, 930	11, 648
Security and other deposits received	1,136	-
Other financial liabilities	46	523
Lease liabilities	9,754	2,073
Total financial liabilities	1,414,486	531,695

	Thousands of Euros	
	2019	
	Carrying amount Non-current	Carrying amount Current
Financial liabilities at amortised cost		
Debt with related parties	1,141,780	19,445
Loans and borrowings		
Variable rate	-	67
Fixed rate	207,885	1,447
Security and other deposits received	744	-
Lease liabilities	10,007	2,192
Total financial liabilities	1,360,416	23,152

The fair value of liabilities from issuing bonds and other listed marketable securities at 31 December 2020 is Euros 1,572,423 thousand (Euros 1,184,094 thousand at 31 December 2019). The average interest rate of these debts is 1.56% (2.22% in 2019). For the rest of the liabilities, the fair value is similar to the carrying amount.

Security deposits received essentially correspond to the deposits received from customers when a service is arranged, by virtue of the provisions of applicable legislation in force at any given time. These security deposits are maintained for as long as the Group maintains the supply contract with the customer or if the customer maintains the agreement with its supplier, and its distribution company is a Group company.

(b) Net losses and gains by financial liability category

Net losses and gains by financial liability category for 2020 comprise finance costs at amortised cost totalling Euros 42,774 thousand (Euros 33,288 thousand in 2019).

(c) Changes in Liabilities arising from Financing Activities

The reconciliation of liabilities classified as financing activities is as follows:

	Thousands of Euros			
	Debt with related parties	Loans and borrowings	Lease liabilities	Total
Net carrying amount at 01 January 2019	1,139,476	158,343	2,187	**1,300,006**
Cash flows	-	50,000	(2,118)	**47,882**
Other changes	2,304	(457)	12,130	**13,977**
Balance at 31 December 2019	1,141,780	207,885	12,199	**1,361,865**
Cash flows	336,539	215,358	(2,181)	**549,715**
Other changes	5677	(345)	1,809	**7, 141**
Balance at 31 December 2020	1.483, 996	422, 898	11,827	**1,918,721**

(19) Debt with related parties

As indicated in Note 6(c), at 31 December 2020 the Company was extended a series of loans by related company Redexis Gas Finance B.V. in a nominal amount of Euros 1,494,097 thousand (Euros 1,150,000 at 31 December 2019).

The origin of these loans are the issues of debt made by Redexis Gas Finance B.V. All issues are guaranteed by Redexis Gas, S.A. and the funds obtained from the issues were transferred to the Parent Company by means of said loans.

The list of loans at the close of 2019 and 2020 is as follows:

Year 2020

Issue date	Term (years)	Maturity	Coupon	Nominal
08/04/2014	7	08/04/2021	2.87%	494,097
27/04/2015	12	27/04/2027	1.99%	250,000
01/12/2017	9 and 5 months	27/04/2027	1.99%	250,000
28/05/2020	5	28/05/2025	1.91%	500,000
				1,494,097

Year 2019

Issue date	Term (years)	Maturity	Coupon	Nominal
08/04/2014	7	08/04/2021	2.87%	650,000
27/04/2015	12	27/04/2027	1.99%	250,000
01/12/2017	9 and 5 months	27/04/2027	1.99%	250,000
				1,150,000

The transactions performed in 2020 were as follows:

- In May 2020 the Parent formalised a loan with Redexis Gas Finance, B.V. in an amount of Euros 500,000 thousand for 5 years, to mature in May 2025. The amount of this loan was used to partially prepay Euros 155,903 thousand of the loan in the amount of Euros 650,000 thousand which helds the Parent with Redexis Gas Finance, B.V. and to mature on 8 April 2021, leaving an outstanding amount of Euros 494,097 thousand.

  The remaining funds, together with the bank loan in the amount of Euros 150 million formalised in May 2020 and which is detailed in Note 20, will be allocated toward early cancelling the aforementioned loan.

The amount corresponding to interest accrued and not yet due at 31 December 2020 and 2019 is recorded under "Payables to related companies" of the current liabilities in the Consolidated Statement of Financial Position, at 31 December 2020; it also includes the principal outstanding on the loan received in 2014 which, as indicated in note 36, was prepaid in full in January 2021.

(20) Loans and Borrowings

Details on loans and borrowings at 31 December 2020 and at 31 December 2019 are as follows:

	2020				
			Thousands of Euros		
				Carrying amount	
Type	Nominal rate	Maturity	Maximum available	Current	Non-current
Loans and borrowings:					
- ESG linked - Revolving Credit Facility	(1)	2026	300,000	63 [1]	(1,154) [2]
- EIB loan 2015	(3)	2036	150,580	10,287	141,040
- EIB loan 2017	(4)	2039	50,000	520	49,890
- EIB loan 2018	(5)	2040	75,000	841	75,000
- ESG linked - Term Loan	1%	2023	150,000	197	149,110
			726,103	11,908	413,486

(1) Commitment fee.
(2) Outstanding amortizable expenses

		Thousands of Euros		
			Carrying amount	
Type	Maturity	Limit	Current	Non-current
Loans and borrowings:				
- ESG linked - Revolving Credit Facility (RCF)	2026	300,000	67[1]	-
- EIB loan 2015	2036	160,000	930	158,005
- EIB loan 2017	2039	50,000	517	49,880
- EIB loan 2018	(2)	75,000	-	-
		585,000	1,514	207,885

(1) Commitment fee.
(2) 20 years from the drawdown

The maturity by year of the loans drawn is as follows:

At 31 December 2020:

	2020	2021	2022	2023	2024 and thereafter
EIB	9,412	9,412	162,353	16,765	227,647

The transactions performed in 2020 were as follows:

- On 20 February 2020, the Parent made the final drawdown on the loan from the EIB in an amount of Euros 75,000 million with a 20-year maturity and an annual repayment of capital and interest, with a capital grace period during the first 3 years.

- In May 2020 the Parent formalised a Term Loan with several Spanish and international institutions in an amount of Euros 150,000 thousand for 3 years, to mature in May 2023. Together with the transaction detailed in Note 19, the funds will be allocated toward cancellation of the bond issued by Redexis Gas Finance B.V. with the guarantee of the Parent, to mature on 8 April 2021 and which will be coordinated by cancellation of the loan between Redexis Gas Finance B.V. and the Parent to mature on 8 April 2021. Note 36 details the cancellation of the bond as well as the related loan as a post-closing event.

The transactions performed in 2019 were as follows:

- In May 2019 the Parent converted the syndicated Revolving Credit Facility arranged in 2017 with several Spanish and international banks, already described in the 2018 Consolidated Annual Accounts, into sustainable financing. It has furthermore extended its maturity for another two years with two optional extensions of one year each.

- In June 2019, the Parent drew down the loan from the European Investment Bank formalised in 2017 in an amount of Euros 50,000 thousand with a 20-year maturity, with an annual repayment of capital and interest, including the first 3-year capital grace period.

(21) Trade and other payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2020	2019
Suppliers	3,112	2,665
Trade payables	12,376	8,892
Payables, settlements pending	46,952	19,858
Salaries payable	7,170	3,831
Payables for acquisition of non-current assets	42,925	59,745
Total trade and other payables	112,535	94,991

	Thousands of Euros	
	2020	2019
Public entities, other		
Taxation authorities, personal income tax	401	392
Social Security payables	458	462
VAT payable	137	-
Public utility rates, taxes and local council payables	2,122	2,007
Total other liabilities	3,118	2,862

Payables, settlements pending at 31 December 2020 primarily include the balances related to provisional settlements pending final settlement by the regulatory body for 2018, 2019 and 2020 (for the years 2017, 2018 and 2019 at 31 December 2019).

Payables for acquisition of non-current assets at 31 December 2020 and 2019 mainly reflect payables for acquisitions of property, plant and equipment, primarily for transmission pipelines and the extension of distribution networks.

(22) Late Payments to Suppliers. “Reporting Requirement”, Third Additional Provision of Law 15/2010 of 5 July 2010.

Details of late payments to suppliers by Spanish consolidated companies are as follows:

	2020	2019
	Days	
Average supplier payment period	49	53
Transactions paid ratio	51	55
Transactions payable ratio	34	33
	Amount (thousands of Euros)	
Total payments made	192,101	203,687
Total payments outstanding	23,271	24,517

(23) Risk Management Policy

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits.

Risks are managed by the Group's finance management in accordance with policies approved by the Board of Directors. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units.

Credit risk

The credit risk is that which arises as a result of the breach or non-payment of the counterparty in a financial transaction.

Due to its activity, geographic distribution and to the particular characteristics of its customers given the sector in which it operates, the Group does not have significant concentrations of credit risk. In spite of this, the Group has implemented a credit risk control procedure, monitored by a Committee that furthermore evaluates exposure to certain transactions.

On the other hand, the Group policy for financial asset investments is to maintain the availability of their liquidity for use. These balances are maintained in top-tier financial institutions.

The tables below show the ageing of financial assets at 31 December 2020 and 2019:

	2020					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	From 3 months to 1 year	1 to 5 years	More than 5 years	Total
Trade and other receivables, fixed rate	10,254	28,719	17,968	1,787	939	59,667
Other financial assets	-	-	278	-	1,528	1,806
Total assets	10,254	28,719	18,246	1,787	2,467	61,473

	2019					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	From 3 months to 1 year	1 to 5 years	More than 5 years	Total
Trade and other receivables, fixed rate	13,983	27,658	19,858	-	-	61,499
Other financial assets	-	-	166	-	4,039	4,205
Total assets	13,983	27,658	20,023	0	4,039	65,703

Liquidity risk

The Group applies a prudent policy to cover its liquidity risks, based on having sufficient cash and available financing through credit facilities committed to covering the operating and financial needs of the Group.

The goal of the Group's finance management is to maintain flexible financing through the availability of the credit facilities contracted. At 31 December 2020 it maintains the availability of credit facilities amounting to Euros 300,000 thousand (Euros 375,000 thousand at 31 December 2019, see note 21) which, together with cash and cash equivalents (Euros 591,732 thousand in 2020 and Euros 74,883 thousand in 2019) cover the operating needs of the Group.

Details of the Group's exposure to liquidity risk at 31 December 2020 and 2019 are shown below. The tables reflect the analysis of financial liabilities by contractual maturity date.

	2020					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	From 3 months to 1 year	1 to 5 years	More than 5 years	Total
Loans and borrowings	-	260	11,648	202,850	210,636	425,394
Variable rate	-	260	-	147,556	-	147,816
Principal	-	-	-	147,556	-	147,556
Interest	-	260	-	-	-	260
Fixed rate	-	-	11,648	55,294	210,636	277,578
Principal	-	-	9,412	55,294	210,636	275,342
Interest	-	-	2,236	-	-	2,236
Trade and other payables	4,824	100,541	7,170	-	-	112,535
Debt with related companies	-	-	517,192	495,178	494,886	1,507,256
Fixed rate	-	-	517,192	495,178	494,886	1,507,256
Principal	-	-	493,932	495,178	494,886	1,483,996
Interest	-	-	23,260	-	-	23,260
Total liabilities	4,824	100,801	536,009	698,028	705,522	2,045,185

	2019					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	From 3 months to 1 year	1 to 5 years	More than 5 years	Total
Loans and borrowings	-	67	1,447	43,529	164,356	209,400
Variable rate	-	67	-	-	-	67
Principal	-	-	-	-	-	-
Interest	-	67	-	-	-	67
Fixed rate	-	-	1,447	43,529	164,356	209,333
Principal	-	-	-	43,529	164,356	207,885
Interest	-	-	1,447	-	-	1,447
Trade and other payables	2,421	88,739	3,831	-	-	94,991
Debt with related companies	-	-	19,446	648,037	504,494	1,171,977
Fixed rate	-	-	19,446	648,037	504,494	1,171,977
Principal	-	-	-	648,037	504,494	1,152,531
Interest	-	-	19,446	-	-	19,446
Total liabilities	2,421	88,806	24,724	691,567	668,850	1.476,368

(24) Provisions for Employee Benefits

Details of provisions for employee benefits and their classification as current and non-current are as follows:

	Thousands of Euros			
	31/12/2020		31/12/2019	
	Non-current	Current	Non-current	Current
Benefit obligations	126	-	3,972	57
Multi-annual incentive provision	-	-	1,651	-
Total	126	-	5,623	57

The multi-annual incentive provision was reclassified under current trade payables with the rest of the remunerations payable to employees.

(a) Post-employment and long-term employee benefits

Under the current pension scheme, certain Company employees still hold the rights acquired through the pension scheme of the group to which the Parent previously belonged. This scheme provides defined contribution plans for retirement and defined benefit plans for disability and death of serving employees. Insurance policies have been arranged to cover the Plan.

At 31 December 2020, there are no longer any obligations regarding the right to the subsidised supply of energy for life during retirement since, in December 2020, Group Parent Redexis, S.A. proceeded to renegotiate the conditions of these obligations for those rights, replacing them in their entirety with monetary compensation payable in 2021, for which a provision was made under current liabilities.

On the other hand, the social benefit obligations for deferred remuneration commitments in the form of length-of-service and retirement premiums are covered by internal provisions.

At 31 December 2020, obligations with staff provisioned with internal funds correspond to long-service bonuses for serving personnel; at 31 December 2019 they corresponded to the consumption of energy during retirement period and to long-service bonuses for serving personnel.

Details of and movement in provisions for long-term employee benefits are as follows (thousands of Euros):

	Other long-term employee benefits	
	2020	2019
Balance at 1 January	3,972	4,018
Personnel expenses	106	112
Finance costs	50	75
Applications recognised in profit or loss	(3,457)	-
Transfers	(539)	-
Actuarial gains and losses	(6)	(234)
Balance at 31 December	126	3,972

The present value of the commitments has been determined by qualified independent actuaries applying the projected unit credit method and with the following actuarial assumptions:

	2020	2019
Technical interest rate	-0.05%-1.54%	0.31%-1.7%
Annual pension review rate	1.54%	1.7%
Expected salary increase rate	1.54%	1.7%
Retirement age	60	60

The PERM/F 2000 mortality tables have been used to calculate the defined benefit obligation.

The contributions made by the Group to the pension plan amounted to Euros 609 thousand in the year ended 31 December 2020 and are included under personnel expenses in the consolidated income statement (Euros 533 thousand in the year ended 31 December 2019, see note 31).

At 31 December 2020 and at 31 December 2019, no accrued contributions were pending.

(b) Obligations for post-employment benefits and short-term benefits

The movement of provisions for benefits to current employees is as follows, in thousands of euros:

	Thousands of Euros	
	2020	2019
Balance at 1 Junuary	57	72
Payments	(51)	(57)
Transfers	-	42
Disposals	(6)	-
Balance at 31 December	-	57

(25) Other provisions

Movement in other provisions in 2020 and 2019 was as follows:

	Thousands of Euros	
	2020	2019
Balance at 1 January	576	624
Charges	885	-
Payments	(433)	(6)
Applications	(84)	(42)
At 31 December	943	576

These provisions mainly include provisions to dismantle facilities, several lawsuits and measurement differences in the transmission activity pending settlement.

Guarantees

The Group has extended guarantees to various government bodies totalling Euros 54,282 thousand at 31 December 2020 (Euros 48,499 thousand at 31 December 2019) to ensure compliance with its obligations as a company officially authorised to distribute gas in a number of municipalities and to carry out works on public thoroughfares. The Group does not expect any significant liabilities to arise from these guarantees.

(26) Environmental Information

The Group is aware of its responsibility to protect the environment and has undertaken a number of initiatives with this purpose within its area of influence. The Group conducts its activities in full compliance with prevailing environmental legislation.

The Group renders an important energy advisory service to its customers, including active participation in campaigns to replace other energies with natural gas, as well as supporting and facilitating the renewal of facilities, with consequent improvements in energy efficiency and reductions in pollutant emissions.

When so required by law due to the characteristics of the project in question, the Group commissions mandatory reports by independent environmental consultants when carrying out network extension works, and recognises the related costs as an increase in the value of the investment.

(27) Government grants and other liabilities

Movement in non-refundable government grants and other liabilities is as follows:

	2020					
	Thousands of Euros					
Body/Item	Scope	Balance at 1 January	Additions	Disposals	Amounts transferred to the income statement	Balances at 31 December
Public entities	PE[1]	15,120	-	(111)	(749)	14,260
Connection charges	Private	6,096	1,035	-	(483)	6,648
		21,216	1,035	(111)	(1,232)	20,909

(1) PE: Public entities.

	2019					
	Thousands of Euros					
Body/Item	Scope	Balance at 1 January	Additions	Disposals	Amounts transferred to the income statement	Balances at 31 December
Public entities	PE[1]	15,980	-	(111)	(749)	15,120
Connection charges	Private	5,368	1.027	-	(300)	6,096
		21,348	1,027	(111)	(1,049)	21,216

(1) PE: Public entities.

Capital grants awarded by public entities are earmarked for investment in gas pipelines and distribution networks.

(28) Revenue from Ordinary Activities

Details of revenue are as follows:

	Thousands of Euros	
	2020	2019
Remuneration for distribution activities	106,843	109,644
Remuneration for transmission activities	59,551	62,853
One-off adjustment to previous years' transmission revenue	(939)	-
Remuneration for transmission and distribution activities	165,455	172,497
Regulated LPG sales	22,559	22,306
Other regulated distribution revenue (connection charges, equipment rental, other services)	25,362	27,683
Other unregulated Income	6.004	889
	219,380	223,375

(i) Breakdown of revenue from regulated activities:

The following provides a breakdown by type of activity and/or service rendered and the time at which the revenue is recognised:

	Thousands of Euros	
	2020	2019
Service rendered and/or asset transferred over time		
Gas distribution	106,843	109,644
Gas transmission	58,612	62,853
Sale of LPG	22,559	22,306
Applicant connection charge	483	300
Rental of metering equipment	6,731	7,051
Renting and maintaining CRF	7,625	7,457
Service rendered and/or asset transferred at a specific time		
Registration fees	1,971	2,679
IRF Inspections	6,098	6,212
Contracting party connection charges	2,422	3,427

(ii) Contract balances

At 31 December 2020 and 2019, the Group has no accounts receivable, customer contract assets or liabilities.

(29) Other income

Details of other income are as follows:

	Thousands of Euros	
	2020	2019
Government grants taken to income (note 27)	1,232	1,049
Income from third-party offsets	387	100
Profits associated with property, plant and equipment	517	210
Lease income	497	539
Other income	2,730	4,932
Total	5,363	6,829

(30) Other Operating expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2020	2019
Operating lease expenses	97	164
Repairs and maintenance	7,681	6,763
Independent professional services	1,731	2,403
Bank and similar fees	385	322
Advertising and publicity	1,088	1,507
Utilities	372	411
Insurance premiums	588	509
Taxes	2,246	2,187
Outsourced services	6,882	8,032
Other expenses	3,161	3,122
Impairment losses / (profit) and uncollectibility of trade and other receivables (note 9)	383	138
Other non-recurrent expenses	982	-
	25,596	25,559

(31) Employee benefits expense

Details of the employee benefits expense for 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Salaries and wages	23,834	23,172
Social Security payable by the Company	4,905	4,779
Contributions to defined benefit plans (note 24(a))	609	533
Other employee benefits and Provisions	(2,646)	930
Non-recurrent expenses	1,947	114
Total	28,648	29,528

Other employee benefits and provisions include applying the provisions for the termination of the right of supply to retired staff mentioned in Note 24.

The average headcount of the Group in 2020 and 2019, distributed by category, is as follows:

	Number	
	2020	2019
Steering Committee	13	13
Executives and managers	111	112
Technical and Support Staff	224	225
Other categories	15	18
Total	363	368

At the 2020 and 2019 year ends the distribution by gender of Group personnel and the members of the Board of Directors is as follows:

	2020			2019		
	Male	Female	Total	Male	Female	Total
Board members	7	1	8	7	1	8
Steering Committee	8	3	11	8	2	10
Executives and managers	92	18	110	94	20	114
Technical and Support Staff	144	70	214	156	73	229
Other categories	6	5	11	20	9	29
Total	257	97	354	285	105	390

(32) Finance Income and Costs

Details of finance income and costs are as follows:

	Thousands of Euros	
	2020	2019
Finance income	286	166
Interest on loans and borrowings	(5,389)	(3,689)
Interest on loans and borrowings with related parties	(35,036)	(29,599)
Impairment and profit/(loss) from disposals of financial instruments	(2,560)	-
Other finance costs	(235)	(593)
Finance costs arising from provision adjustments (note 24)	(384)	(417)
Net finance cost	(43,317)	(34,133)

(33) Related Party Balances and Transactions

Details of balances receivable from related parties at 31 December 2020 and 2019 by category, and their main characteristics, are disclosed in note 12. The balances payable to related parties at 31 December 2020 are shown in Note 19 (none existed in 2019).

The Group's transactions with related parties are as follows:

	2020		
	Thousands of Euros		
	Associate Related	Key management personnel	Total
Expenses			
Interest	(35,036)	-	(35,036)
Donations	(177)	-	(177)
Expenses for employee benefits	-	(5,600)	(5,600)
	(35,213)	(5,600)	(40,813)

	2019		
	Thousands of Euros		
	Shareholders	Key management personnel	Total
Revenue			
Finance income	80	-	80
	80	-	80
Expenses			
Expenses for employee benefits	-	(5,851)	(5,851)
	-	(5,851)	(5,851)

(34) Information on the Members of the Parent's Board of Directors and the Group's Senior Management Personnel

At 31 December 2020 and 2019 the Parent's Board of Directors comprises eight members—one woman and seven men.

The members of the Board of Directors receive no remuneration for their role on the board, and no balances in this regard are payable to or receivable from these directors in 2020 or 2019. However, remuneration is paid to board members who perform executive duties in the Company.

In 2020, the executive board members and other directors who report directly to the board members received remuneration amounting to Euros 4,929 thousand for 13 recipients (13 recipients received Euros 4,800 thousand in 2019), which includes the settlement of the bonus accrued in 2019.

In 2017 a bonus plan was implemented on a three-year basis for the period between 2018 and 2020, both inclusive, and a five-year plan which expires in 2022.

The Group also has pension and life insurance obligations with its executive board members and other directors who report directly to the board. For this concept, the Group incurred an expense of Euros 110 thousand in 2020, Euros 101 thousand in 2019, for 13 recipients in both years.

The amount of civil liability insurance premiums for damages caused by acts or omissions of Directors and senior management personnel in the exercise of their posts came to Euros 25 thousand in 2020 (Euros 22 thousand in 2019).

No advances or loans were granted in 2020 or 2019 to executive board members or other directors who report directly to the board, nor were any guarantees extended on their behalf.

In 2020 and 2019 neither the members of the Board of Directors of the Parent nor other directors who report directly to the board carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent or any other Group company.

The members of the Board of Directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(35) Audit Fees

Deloitte, S.L. (KPMG Auditores, S.L. in 2019), the auditor of the Group's annual accounts, accrued the following fees for professional services during the years ended 31 December 2020 and 2019:

	Thousands of Euros	
	2020	2019
Audit services	199	244
Other audit-related services	22	32
Other services	-	3
	221	279

The amounts detailed in the above table include the total fees for services rendered in 2020 and 2019, irrespective of the date of invoice.

Other companies affiliated with Deloitte (KPMG Internacional in 2019) KPMG International invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2020 and 2019:

	Thousands of Euros	
	2020	2019
Other services	241	157
	241	157

(36) Events after the Reporting Period

On 8 January 2021, the Parent proceeded to cancel the loan held with Redexis Gas Finance, B.V. in an initial amount of Euros 650,000 thousands, leaving an outstanding capital amount of Euros 494,097 thousands on that date. Redexis Gas Finance B.V. in turn proceeded on that same day to cancel the emission of bonds to mature on 8 April 2021 and that had been guaranteed by the Parent. The refinancing process begun in May 2020, as explained in Notes 19 and 20 to this annual report, was thus completed.

REDEXIS GAS, S.A. AND SUBSIDIARIES
Details of Subsidiaries
at 31 December 2020

APPENDIX I

Company name	Registered office	Activity	Auditor	Company holding investment	% ownership	% of voting rights
Redexis Infraestructuras, S.L.U.	Madrid	Regasification of liquefied natural gas. Natural gas transmission and storage. Related and ancillary activities.	Deloitte, S.L.	Redexis Gas, S.A.	100	100
Redexis Gas Servicios, S.L.U.	Madrid	Holding of securities, mainly in energy companies Management, advisory and corporate services linked to the energy sector. Telecommunications operator. Planning, analysis, projects, execution, assembly and operation of infrastructure Purchase, transfer and financing of capital goods associated with the aforementioned activities and related repairs and maintenance.	Deloitte, S.L.	Redexis Gas, S.A.	100	100
Redexis GLP, S.L.U.	Madrid	Retail sale and supply of liquefied petroleum gas	Deloitte, S.L.	Redexis Gas, S.A.	100	100
Redexis Gas Murcia, S.A.	Murcia	Distribution and secondary transmission of natural gas. Distribution and sale of liquefied petroleum gas through pipelines.	Deloitte, S.L.	Redexis Gas, S.A.	99.98	99.98

REDEXIS GAS, S.A. AND SUBSIDIARIES
Details of Subsidiary Entities
at 31 December 2019

Company name	Registered office	Activity	Auditor	Company holding investment	% ownership	% of voting rights
Redexis Infraestructuras, S.L.U.	Madrid	Regasification of liquefied natural gas. Natural gas transmission and storage. Related and ancillary activities.	KPMG Auditores, S.L.	Redexis Gas, S.A.	100	100
Redexis Gas Servicios, S.L.U.	Madrid	Holding of securities, mainly in energy companies Management, advisory and corporate services linked to the energy sector. Telecommunications operator. Planning, analysis, projects, execution, assembly and operation of infrastructure Purchase, transfer and financing of capital goods associated with the aforementioned activities and related repairs and maintenance.	KPMG Auditores, S.L.	Redexis Gas, S.A.	100	100
Redexis GLP, S.L.U.	Madrid	Retail sale and supply of liquefied petroleum gas	KPMG Auditores, S.L.	Redexis Gas, S.A.	100	100
Redexis Gas Murcia, S.A.	Murcia	Distribution and secondary transmission of natural gas. Distribution and sale of liquefied petroleum gas through pipelines.	KPMG Auditores, S.L.	Redexis Gas, S.A.	99.98	99.98

APPENDIX II

Alternative performance measures (APM)

The Redexis Group financial information contains magnitudes and measures prepared in accordance with applicable accounting regulations, as well as others prepared in accordance with reporting standards established and developed internally, which are known as Alternative Performance Measures (APMs).

These APMs are considered magnitudes adjusted with respect to those presented in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), which is the applicable accounting framework for the consolidated financial statements of the Redexis Group, and should therefore be considered by the reader as supplementary but not replacing these, which should be read, interpreted and reviewed overall and not separately.

These additional financial measures deriving from the consolidated accounting records are not financial or liquidity performance measures of the Group according to the IFRS, and should not be considered as an alternative to consolidated net income; or as an indicator of Group performance; or as an alternative to cash flows from operating activities; or as a measure of Group liquidity. Therefore, they may differ from measures with similar titles reported by other companies and may not be comparable.

The Redexis Group reports these APMs to help users of financial information to understand its financial performance, since these constitute additional financial information and the Group considers that they represent useful alternative and additional indicators of the financial performance of the Group when read or interpreted together with the financial statements.

These APMs are consistent with the main indicators used by the community of investors and analysts in capital markets. To this regard, and in accordance with the contents of the Guidelines issued by the European Securities and Markets Authority (ESMA), in force since 3 July 2016 relative to the transparency of Alternative Performance Measures, the Redexis Group provides the following information deemed significant relative to those APMs included in the 2020 management information.

1. EBITDA

Acronym for “Earnings Before Interest, Tax, Depreciation and Amortisation”. This is an indicator of the results from operating activities of the Group, before deducting net interest, corporate income tax, depreciation and amortisation and prior to possible adjustments for non-recurring items relative to remuneration from gas transmission from previous years, possible non-recurring organisational restructuring and/or personnel expenses, other non-recurrent operating expenses or non-current asset impairment.

2. EBIT

Acronym for “Earnings Before Interest and Taxes”: indicator that measures the results from operating activities of the Group before deducting interest and corporate income tax.

3. EBT

Acronym for “Earnings Before Taxes”: indicator that measures the results from operating activities of the Group before deducting corporate income tax.

4. EBITDA margin

EBITDA figure of the total operating income and other revenue.

5. EBITDA margin less the dilutive effect of the LPG

EBITDA figure of the total operating income and other revenue, after deducting the cost of the LPG from these, so as to show the net margin of the LPG in the income as remuneration, in the same way as the gas distribution and transmission business.

6. Total income and other operating income

Total income and other operating income plus the work carried out by the company for its fixed assets:

7. Personnel expenses

Expenses for salaries and wages and other employee benefit expenses, without including non-recurrent expenses relative to organisational changes or other non-recurrent expenses.

8. Capital / Investment Expenses

Capital used in additions of non-current tangible assets, such as PPE (property, plant and equipment) including outlays for the acquisition of subsidiaries or business units and including additions of non-current intangible assets.

CONSOLIDATED DIRECTORS' REPORT

1. Position of the company

1.1. Organisational and corporate structure

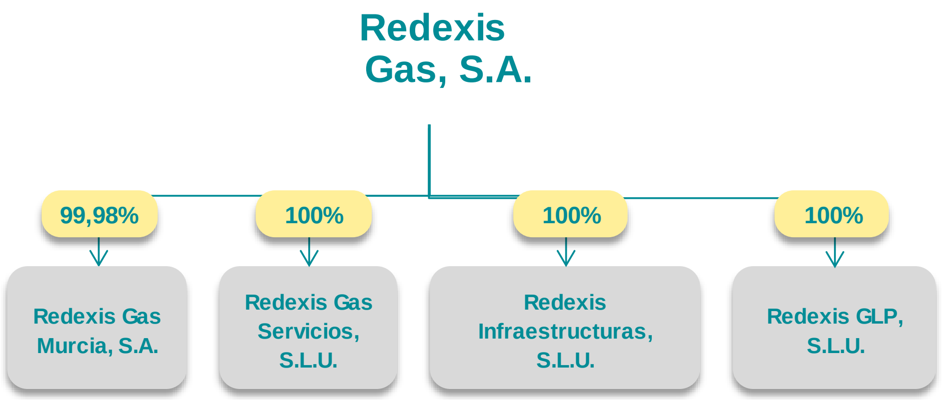
Redexis Gas, S.A., is the head of a group of energy infrastructure companies comprising the Redexis Group (hereinafter the Group), whose statutory activity primarily entails the distribution and transmission of all types of gas and oil-based products for domestic, commercial and industrial purposes, the use of any by-products, and related activities. The companies comprising the Group are:

- Redexis Infraestructuras, S.L.U. devoted to the regasification of liquefied natural gas, natural gas transmission and storage and related and ancillary activities. It is 100% owned by Redexis.

- Redexis GLP, S.L.U. is devoted to the retail sale and supply of liquefied petroleum gas. It is 100% owned by Redexis.

- Redexis Gas Murcia, S.A. is devoted to the distribution and secondary transmission of natural gas, and the distribution and sale of liquefied petroleum gas through pipelines. It is 99.98% owned by Redexis.

- Redexis Gas Services, S.L.U. is devoted, among others, to the planning, analysis, project, execution, assembly and operation of infrastructures, in addition to the management, advisory and corporate services linked to the energy sector. It is 100% owned by Redexis.



Related companies:

- Redexis Gas Finance, B.V., a company devoted to the issue of debt.

- The Redexis Foundation, devoted to the promotion of technological innovation and the development of social, charity, assistance, training or cultural works.

Redexis Gas, S.A. and Redexis Gas Finance B.V. are owned by:

- Universities Superannuation Scheme (“USS”): European pension fund, 33.33%.

- Arbejdsmarkedets Tillægspension ("ATP"): European pension fund, 33.34%.
- Guoxin Guotong Fund LLP ("GT Fund") and CNIC Corporation Limited ("CNIC"): financial investors that hold a 33.33% joint stake.

1.2. Activity

The Group activity is devoted to the development and operation of natural gas transmission and distribution networks, to the distribution and sale of liquefied petroleum gas (LPG) and to the promotion of renewable applications of natural gas and hydrogen.

The Group is fully committed to society and the environment, and includes all those actions in its activity that allow it to be a socially-responsible company and furnish resources and infrastructures for the attainment of a decarbonised economy. Thus, the Group's mission is to lead the development and operation of energy infrastructures, maximising growth and efficiency, and decisively contributing toward sustainable development and to the generation of value for its stakeholders.

The Group is conscious of the importance of the energy transition and its role in a sustainable future. To do so, it promotes projects in order to position itself as a leader in the development of infrastructures promoting clean and renewable energies such as vehicular natural gas, hydrogen, biomethane or photovoltaic energy. Therefore, in addition to expanding the infrastructures to make gas accessible, the Group promotes a future in which a sustainable energy source circulates through its networks, taking advantage of the opportunities for a circular and cleaner economy.

1.2.1. Key indicators

The Group is present in 864 municipalities in 38 provinces distributed over 11 autonomous regions, with over 733 thousand supply points and a network extension of more than 11 thousand kilometres throughout Spanish territory, all within a context of continuous and sustained growth year after year. This is in addition to other 99 municipalities in 2 additional provinces where Redexis has already obtained prior administrative authorisation.

Operating data	2020	2019	% Var.
Connection points	**733,174**	**714,681**	***2.6%***
Natural gas (NG) P<4bar	632,667	618,183	*2.3%*
LPG(*)	100,190	96,188	*4.2%*
Natural gas (NG) P>4 bar	317	310	*2.3%*
Provinces served	**38**	**29**	***31.0%***
Municipalities served (*)	**864**	**530**	***63.0%***
Length of the network (km)	**11,715**	**11,140**	***5.2%***
Distribution network (km)	10,073	9,498	*6.1%*
Transmission network (km)	1,643	1,643	*N/A*
Power distributed (GWh)	**36,260**	**35,643**	***1.7%***

(*) This includes 4,230 supply points acquired from Repsol on December 2020 pending integration, and 2,891 supply points from the purchase from Cepsa in December 2019 that, at the closing date, are still pending integration. These supply points allow us to be present in 117 new municipalities through 275 km of network included in the previous table.

From a financial standpoint, the Group closed 2020 with revenue of Euros 241.7 million. The consolidated EBITDA of the Group in 2020 amounted to Euros 169.5 million, and an EBITDA margin of 70.1% (75.1% if the net margin of LPG is included in Revenue).

Financial information	2020	2019	% Var.
Figures in millions of Euros, except where indicated			
Revenue	**241.7**	**245.9**	***(1.7%)***
Distribution – regulated	106.8	109.6	*(2.6%)*
Other distribution revenues – regulated	25.4	27.7	*(8.3%)*
Transmission – regulated	59.6	62.9	*(5.2%)*
Regulated LPG business	22.6	22.3	*1.3%*
Other operating income	11.4	7.7	*48.1%*
Self-constructed non-current assets	16.1	15.7	*2.0%*
EBITDA	**169.5**	**172.3**	***(1.6%)***
EBITDA margin	*70.1%*	*70.1%*	*0.0 p.p.*
EBITDA Margin (with net LPG margin in revenue)	*75.1%*	*75.1%*	*0.0 p.p.*

1.2.2. Activities

(a) Distribution

The Group builds, operates and maintains the distribution facilities to supply natural gas to different municipalities in Spain.

At the close of 2020, the Group has 632,667 natural gas supply points and a distribution network spanning 8,674 km in 265 municipalities of Spain.

The Group continues to expand its network to new municipalities in the regions in which it operates. To this regard, Redexis has begun to operate in 4 new municipalities in the autonomous regions of Andalusia, Aragon, Extremadura, and Valencia, and has obtained one prior administrative authorisation.

Taking advantage of its experience, the Group continues to extend and broaden its activity and services in a wager for growth and connecting with the real needs of society. Therefore, as of 2019 the Group wagers for the development of vehicular natural gas refuelling stations for the use of natural gas as a fuel for both heavy and light vehicles as an economic and sustainable alternative to traditional fuels. This wager materialised with the 2019 agreement with Cepsa of gas refuelling stations in its station network.

At the close of 2020, the Group had built and put into service 12 gas refuelling stations (1 in 2019) resulting from the Redexis agreement with Cepsa and which includes those built for the Transporte de las Islas Baleares (TIB) public transportation buses, the Cooperativa de Auto Taxi in Zaragoza or the Murcia ambulance service.

In the upcoming years, the Group has an ambitious plan for the development of gas refuelling stations throughout Spain.

The Group continues to invest in R+D which allows it to efficiently develop its activity, making gas more accessible. The Group uses artificial Intelligence that, by means of algorithms and advanced analytics, is able to reveal information that enables the construction of tools aimed at a more efficient expansion of the network, optimising contracts, improving levels of security and the quality of supply.

(b) Transmission

Redexis operates and maintains its own network of gas pipelines, supplying natural gas to the areas in which consumption is most concentrated.

At the end of 2020, Redexis had a network of 1,643 km, comprising 51 gas pipelines and transmitting gas at pressures exceeding sixteen bars to industrial hubs and connections with distribution networks.

(c) Liquefied Petroleum Gas (LPG)

Redexis distributes and sells liquefied petroleum gas (LPG), a regulated activity subject to the regime provided by Title IV of Hydrocarbon Law 34/1998.

The LPG business complements the natural gas distribution business, enabling Redexis to capitalise on growth opportunities in areas where it is not feasible to extend its distribution network, and to provide its end customers with an optimised high-quality service that is secure and efficient.

Redexis currently has more than 100 thousand LPG supply points and network of 1,399 km in 674 municipalities at a national level, which include the acquisitions made from Repsol and Cepsa between 2019 and 2020.

On the other hand, on 28 December 2020 an agreement was executed between Repsol Butano, S.A. and the Group for the purchase and conveyance of LPG networks and facilities that would service around 4,230 supply points in 35 municipalities distributed over one new province. This transaction is in the process of its communication to the CNMC for approval, and the Group does not anticipate changes to the perimeter, and trusts that it will be able to integrate all of them during 2021.

During 2019, Redexis reached an agreement with Cepsa for the acquisition of more than 11,300 LPG supply points. The integration of these points will culminate during 2021 with the completion of the last 2,891 supply points.

Building on its experience, Redexis converts these LPG supply points into natural gas points. These conversions take place gradually, taking into account certain technical and regulatory criteria.

1.3. Business model and strategy

The Group wagers to maintain itself as a reference in the development and efficient operation of energy infrastructures that enable a decarbonised economy. Gas plays an essential role in the energy transition model by means of the use of natural gas as a substitute for more contaminating energy sources, as well as in the decarbonised model with hydrogen and renewable gases like energy vectors of accessible, clean and sustainable energy. To do so it focuses its strategy on the following priorities:

- Balanced and sustainable growth, focused on businesses that provide long-term security, stability and visibility

- Operational excellence, focusing on customer satisfaction
- Innovation, by means of the use of the most advanced technology to obtain greater efficiency
- Proactive risk management based on prevention and anticipation.
- Creation of value for society and stakeholders
- Respect for and conservation of the environment.
- Its development is based on 3 key pillars for its proper execution:
- People: key to the development and growth of the past and future Group.
- Financial stability based on a prudent financial policy in which any investment should be financially sustainable, and that is reflected in the commitment of the Group to maintain an investment grade credit level.
- Sustainability in all economic, social and environmental spheres.

2. Business evolution and results

2.1. Key milestones in 2020

- In light of the health crisis caused by COVID-19, Redexis activated a comprehensive plan to ensure the continuity of its operations, with priority to the safety of its employees and stakeholders.
- Redexis Foundation placed an aid scheme into operation to finance the payment of gas to vulnerable groups, and support to several public administrations and entities.
- GRESB, the worldwide Sustainability benchmark and reporting framework, awarded Redexis with the maximum of five stars for the second consecutive year for its performance in ESG (Environmental, Social and Governance) for a total of 82 points out of 100 and obtaining results that are above average for the sector.
- The Vigeo Eiris CSR and Sustainability index awarded Redexis with a "robust" ranking and improved its score by 38% with respect to the previous year.
- Redexis executed an agreement with Iberdrola for the supply of 100% renewable energy for all of its facilities.
- Redexis successfully closed its debt refinancing in the amount of Euros 650 million, by means of the issue of bonds for Euros 500 million and the execution of a new sustainable loan in the amount of Euros 150 million.
- Attainment of the carbon footprint with the declaration of a positive opinion in compliance with ISO 14064
- Launch by the Redexis Foundation of the report titled "Hydrogen, key for a sustainable energy model"
- Redexis has joined the European Clean Hydrogen Alliance (ECH2A), an organisation promoted by the European Commission to deploy and develop projects based on renewable hydrogen, in line with the EU climate neutral objective set for the year 2050.

- Redexis participates in "Green Hysland", the first strategic Southern European project financed by the European Commission through the Fuel Cell and Hydrogen Joint Undertaking (GCH JU), for the creation of a green hydrogen ecosystem in the Balearic Islands that will create renewable hydrogen from solar energy in Lloseta. The consortium is made up of a total of 30 members from 11 different countries (9 of them from the European Union, Chile and Morocco), from the industrial, scientific and public sectors.
- Redexis takes part in the "Higgs" project financed by the European Commission through the Fuel Cell and Hydrogen 2 Undertaking, that will analyse the existing potential and requirements on infrastructure, its components and entails the injection of hydrogen into current high-pressure natural gas transmission networks, something that will undoubtedly contribute toward decarbonising gas uses.
- For the first time in Spain, Redexis has installed a hydrogen cell in the gas pipeline network to generate electricity and heat in a gas pipeline network Regulation and Metering Station (RMS).
- Redexis has the ISO 14001: 2015, environmental management system; the ISO 50001: 2018, energy management system, the ISO 45001: 2018; the occupational health and safety management system, and the ISO 50001:2018 transmission, storage and distribution of natural gas and liquefied natural gas (LNG) and liquefied petroleum gas (LPG).
- Participation in the 'Industria Conectada 4.0' [*Connected Industry 4.0]* of the Ministry of Industry, Commerce and Tourism to recreate its LNG facilities in virtual reality for educational purposes.
- During 2020, Redexis opened the first two gas stations as a result of the agreement signed with Cepsa in 2019 to deploy the largest gas station network in Spain. The gas stations are located in Puerto Lumbreras and Mercazaragoza.
- Redexis has started up a network of seven compressed natural gas refuelling stations for ambulances in the Servicio Murciano de Ambulancias [*Murcia Ambulance Service*].
- Redexis and FECE have signed an agreement to collaborate on the recruitment of new natural gas clients.
- Redexis has joined forces with the Conaif installation companies to expedite the recruitment of natural gas clients.

2.2. Analysis of results

Key indicators:

Key financial indicators	2020	2019	Var.	%
Figures in millions of Euros				
Revenue	**220.3**	**223.4**	**(3.1)**	***(1.4%)***
Regulated distribution revenue	106.8	109.6	(2.8)	*(2.6%)*
Other regulated distribution revenue	25.4	28.6	2.8	*9.8%*
Regulated transmission revenue	59.6	62.9	(3.3)	*(5.3%)*
Regulated LPG business	22.6	22.3	0.3	*1.1%*
Other operating income	**11.4**	**6.8**	**(1.5)**	***(21.5%)***
Self-constructed non-current assets	**16.1**	**15.7**	**0.4**	***2.0%***
Total Income	**241.7**	**245.9**	**(4.1)**	*(1.7%)*
Supplies	(20.9)	(18.6)	(2.3)	*12.4%*
Employee benefits expense	(26.7)	(29.4)	2.7	*(9.2%)*
Other recurrent operating expenses	(24.6)	(25.6)	0.9	*(3.5%)*
EBITDA	**169.5**	**172.3**	**(2.8)**	**-1.6%**
Non-recurring revenue adjustment for Transmission from prior years	(0.9)	0.0	(0.9)	*N/A*
Other non-recurrent operating expenses	(1.0)	0.0	(1.0)	*N/A*
Non-recurrent workforce expenses	(1.9)	(0.1)	(1.8)	*1800.0%*
Impairment losses on non-current assets	(1.1)	(0.4)	(0.7)	*175.0%*
Depreciation and amortisation	(91.8)	(87.9)	(3.9)	*4.4%*
Earnings before interest and taxes (EBIT)	**72.8**	**83.9**	**(11.1)**	***(13.2%)***
Net finance income/(cost)	(43.3)	(34.1)	(9.2)	***27.0%***
Earnings before tax (EBT)	**29.5**	**49.8**	**(20.3)**	***(40.8%)***
Income tax (expense)/revenue	(36.3)	(12.3)	(24.1)	*195.9%*
Profit/(loss) for the year	**(6.8)**	**37.5**	**(44.4)**	***(118.4%)***

Note 1: Redexis Gas revenues comprise the remuneration it receives from the gas system for its transmission and distribution activities, as awarded by the national regulatory authorities.

At the end of 2020, the Group recorded revenues of Euros 241.7 million, primarily due to its regulated activities.

The Group track record and the results it has achieved to date reflect its excellent capacity to face future challenges, reinforcing its growth strategy and supporting continued investment in rolling out new energy networks in Spain, as well as new business lines and value-added services relating to natural gas.

3. Liquidity and capital resources

3.1. Debt structure

The Group conducts a prudent management of the liquidity risk ensuring compliance with the payment commitments acquired, trade as well as financial, covering funding needs by means of the recurring cash generation from its businesses, as well as the contracting of long-term loans and credit facilities.

In these past few years, the Group has proven its ability to access capital markets by means of bank facilities, bond issues and loans with the EIB.

At 31 December 2020, the Group has liquidity in the amount of Euros 891.7 million, according to the following breakdown

Liquidity analysis (in € m)			
Type	**Total**	**Drawn down**	**Available**
Sustainable Revolving credit facility	300.0	-	300.0
Cash and cash equivalents	591.7	-	591.7
Total	**891.7**	**-**	**891.7**

The debt structure of the Group is as follows

Debt structure (in € m)				
Type	**Total**	**Drawn down**	**Available**	**Maturity**
Loan with the European Investment Bank	150.6	150.6	-	July 2036
Loan with the European Investment Bank	50.0	50.0	-	June 2039
Loan with the European Investment Bank	75.0	75.0	-	February 2040
Debt with related parties (*)	494.1	494.1	-	April 2021
Debt with related parties (*)	500.0	500.0	-	May 2025
Debt with related parties (*)	500.0	500.0	-	April 2027
Sustainable bank loan	150.0	150.0	-	May 2023
Sustainable Revolving credit facility	300.0	-	300.0	May 2024
Total gross debt	**2,219.7**	**1,919.7**	**300.0**	
Cash and cash equivalents	**591.7**		**591.7**	
Net Debt		**1,328.0**		

(*) Loans with Redexis Gas Finance B.V., devoted to the issue of debt, and that are related to the issue of bonds by Redexis Gas Finance B.V. with the guarantee of Redexis Gas, S.A.

In February 2020, the European Investment Bank (EIB) provided Redexis Gas, S.A. with the last tranche of the credit facility granted within the scope of EFSI (European Fund for Strategic

Investments) allocated toward the development of natural gas distribution networks throughout Spanish territory, corresponding to the funding framework.

In May 2020 the Group successfully completed the refinancing with the prepayment of a loan in the amount of Euros 650,000 thousand maturing in 2021, held by Redexis Gas, S.A. with the associated company Redexis Gas Finance B.V., and that was related to an issue of bonds with the same amount and maturity issued by Redexis Gas Finance B.V. and guaranteed by Redexis Gas, S.A. The formalised transactions were:

- Redexis Gas, S.A. formalised a sustainable loan with several Spanish and foreign bank institutions in an amount of Euros 150,000 thousand due in 2023.

- Redexis Gas, S.A. formalised a new loan with Redexis Gas Finance, B.V. in the amount of Euros 500,000 thousand due in 2025. This loan is associated with the issue of bonds by Redexis Gas Finance B.V. with the guarantee of Redexis Gas, S.A., with the same amount and maturity.

At the end of May Redexis Gas, S.A. proceeded to prepay Euros 155,903 thousand of the loan in the amount of Euros 650,000 thousand, leaving an outstanding amount of Euros 497,097 thousand. With the funds obtained, Redexis Gas Finance B.V. proceeded to partially repay the issue of debt associated with the loan in the amount of Euros 650 million, with Euros 494,097 pending cancellation.

As a post-closing event, on 8 January 2021 Redexis Gas, S.A. proceeded to cancel the remaining amount of the Euros 650,000 thousand loan (at that date, Euros 494,097 thousand). Likewise, with the funds obtained from that cancellation, Redexis Gas Finance B.V. in turn proceeded to cancel the issue of bonds associated with that loan in an initial amount of Euros 650,000 thousand (at that date, Euros 494,097), due to mature in April 2021.

The Group has liquidity and sufficient financial resources to ensure its growth, address its future investments and its financial commitments.

3.2. Credit rating

On 18 May 2020 the credit rating agency Standard & Poor's prepared the annual report for Redexis Gas, S.A., which maintained its BBB- rating with a stable outlook and investment grade category.

At year-end, there has been no update

Warning: the above rating may be reviewed, suspended or withdrawn by the rating entity at any time.

4. Events after the reporting period

Events after the reporting period are described in note 36 to the Consolidated Annual Accounts.

5. Information on outlook

Gas is and will continue to be the most competitive and clean source of energy for the financial viability of homes, businesses and industries. It is key to achieving a cleaner and sustainable circular economy. According to the Reports of the Energy Transition Experts Committee, gas will gain prominence in the next decade.

As a benchmark energy infrastructures company, leader in efficiency and firmly committed to its users, employees and shareholders, Redexis wagers for a move toward a more sustainable and efficient business model with the development of a business model whose objective is to address the new challenges facing the energy sector.

Redexis forms part of the energy transition. In coming years, it will continue promoting the Spanish gas sector, and will continue developing, operating and maintaining gas infrastructures in Spain, and offering alternative and complementary solutions based on an innovation model that seeks to provide a response to the technological changes with advanced artificial intelligence tools.

Furthermore, Redexis has a flexible infrastructure that adapts to the development of renewable energies without the need for additional investments, which makes it relatively easy to diversify the supply sources, increasing and improving the security of supply to Spanish homes and industries.

Its activity is regulated and defined within a regulatory framework that also stipulates the parameters that set the remuneration for regulated activities. This will permit the continued operational development of the Group's project via:

- Growth in distribution activities in new areas and greater saturation in existing areas.
- Growth of the LPG business, complementary to the distribution of natural gas
- Growth opportunities arising in this phase of energy transition, promoting clean and renewable energies such as vehicular natural gas (VNG), hydrogen, biomethane or photovoltaic energy.
- Improvement in operating efficiency thanks to the innovation of new technologies that make it possible to develop infrastructures more efficiently.
- Development of increasingly demanding health and safety and environmental standards.

6. Main risks associated with Redexis activities

Just like any other company or group of operating companies, the Group is exposed to several risks inherent to the sector, to the markets in which it operates and to the activities it performs that, were they to materialise, could prevent the attainment of its objectives and the successful execution of its strategies.

The Group has opted for a control and risk management model that makes it possible to adapt to the economic context and to the business activity of the Group, in order to be able to respond to any risks that it may face.

The Group has an Audit and Risk Committee whose duty is to oversee activity and risk management, reviewing policies and practices regarding this management, as well as ensuring the ability of the Group to identify new risks and monitor the effectiveness of the Group’s risk management. This Committee is composed of 3 non-executive directors of the Group, and reports directly to the Board of Directors.

7. Human resources

At the end of December 2020, Redexis had a total of 354 employees while the average headcount for the year was 363.

8. Own shares

Redexis did not hold any own shares at 31 December 2020, nor did it perform any transactions with own shares during 2020.

9. Financial instruments

The risk management policy is explained in note 23 to the Consolidated Annual Accounts.

10. Average payment period

The average payment period of the group is 49 days as detailed in note 22 to the Consolidated Annual Accounts.

11. Innovation model

Redexis opts for innovation, development, sustainability and contribution to the quality of life of society. It designs solutions to improve its service, in keeping with the objective to promote the gas sector in Spain and play a significant role in energy transition.

In response to the new challenges and opportunities posed by the present situation, it has implemented an innovation model that seeks to respond to the technological changes in the sector, encouraging an innovative culture within the Group focused along the following lines: Main Business, Hydrogen and Renewable Gases, Mobility and Digital.

- **Redexis innovating with new solutions in the Natural Gas sector**

Redexis has developed several projects aimed at proposing new solutions to the engineering challenges and processes regarding natural gas, and has received financial and institutional support to develop the following, among others:

- ✓ The PID AutoERM project for the Design, development and pilot tests for an energy independent transport position regulation and metering station, with financing from CDTI and closed satisfactorily in June 2020.

- ✓ The CERVERA VÓRTEX project for the experimental development of a new sustainable reheating system for liquefied natural gas by means of the Ranque-Hilsch phenomenon, signed with CDTI in 2020 and recognised in the Cervera transfer category that finances projects developed by companies collaborating with State Technology Centres on Cervera priority technologies.

The above PID AutoERM project (integration of a hydrogen fuel cell in the gas infrastructure) was chosen in 2020 from among 101 climate initiatives (#comunidad por el clima) as a pioneer project in our country, since it is the first integration of this technology performed in Spain.

- **Redexis, driver of hydrogen and renewable gas**

Redexis is promoting initiatives of renewable gas and hydrogen and the injection of natural gas to the network since:

- ✓ Hydrogen is a strategic global energy vector for economy decarbonisation.

- ✓ It provides a viable solution for the use of organic waste as an energy source with carbon neutrality.
- ✓ It enables the progressive decarbonisation of the transmission and distribution of gas.

- **Redexis, Hydrogen promoter**

Redexis wagers for the development of renewable energies like hydrogen, undoubtedly a key energy vector within a context of zero emissions and a natural evolution toward a decarbonised economy.

The company has announced investments over the next five years to promote initiatives at the national level regarding this energy vector, with the intention of relying on an emblematic initiative that addresses the use of hydrogen transported by gas pipelines, as well as the storage of the electricity produced from renewable energies.

Hydrogen is a cross-cutting vector that will benefit sectors like mobility or industry. It furthermore minimises the surplus caused by spikes in renewable energies, since it is capable of storing the electricity. It is emission-free whereby it is totally respectful of the environment and in line with the objectives of the European Commission that considers the development of Hydrogen essential for achieving a more environmentally respectful economy. The use of hydrogen and of fuel cells in mobility are key for completion of the decarbonisation of transport.

Redexis is a member of the Board of Trustees of the Foundation for the Development of New Hydrogen Technologies in Aragon, and of the Spanish Hydrogen Association.

The regulation on Hydrogen is in a very early stage, and is a key vector within the energy transition framework. Redexis has recently joined the most important project for the development of Hydrogen in Spain 'Power to Green Hydrogen Mallorca', a benchmark for initiatives in terms of the production and distribution of Hydrogen and that will allow its supply on the island for industries, hotels and transport.

Among the most relevant innovative projects developed in 2020, the following are worthy of mention:

- ✓ The H2020 HIGGS project, Hydrogen In Gas Grids: a systematic validation approach at various admixture levels into high pressure grids, which launched in 2020 after being chosen in the European H2020 FCH JU programme and whose main objective is to cover gaps in knowledge regarding the impact that different levels of hydrogen may have on the gas infrastructure, its components and its management.
- ✓ The AEI ComputameH2 project, Dynamic Computational Modelling of Methane-Hydrogen Blends in natural gas transmission networks, coordinated by the Aragon Hydrogen Foundation and chosen in the AEI Call for Proposals (Innovative Business Groups) of the Ministry of Industry, Commerce and Tourism in 2020
- ✓ The MISIONES OCEANH2 project, for the generation, storage and distribution of offshore green hydrogen, financed by CDTI in the 2019 Misiones Call for Proposals, that launched in 2020. This is an industrial research project for a generation, storage and distribution plant for green hydrogen from offshore renewable power generation. In this project Redexis will study the various technologies involved in the logistic-technological chain for the transmission, storage and land and/or maritime supply that enable the evacuation and

supply of hydrogen produced at sea, and will undertake the corresponding design and integration of optimal solutions.

- **Redexis pioneer in the development and implementation of Artificial Intelligence in networks**

The company is being more efficient, contributing to increased gasification of the country and reaching a greater number of industries, businesses and homes, which generates increased employment and well-being.

Therefore, Redexis provides a service of increased quality to the customer, identifying those who are more prone to accepting the gas, accurately tracing the network deployment for lower impact. The application of Artificial Intelligence to its business has turned Redexis into a pioneering company in:

- ✓ Business expansion: multiplied by two
- ✓ Network optimisation: saving 20% of the investment in network deployment
- ✓ Optimisation of inspection routes
- ✓ Early fraud detection
- ✓ Predictive management of network maintenance
- ✓ Risk prevention

In 2020 Redexis participated in the Gemelo Digital Zaragoza, Datos Inteligentes project as the basis for the Smartcity, coordinated by Inkolan, proposing the creation of a Digital Twin that addresses the transformation of its data model to a model based on intelligent data and comprising a virtual replica of the elements and processes that form part of the service/utilities networks and that, combined with other data, help plan, manage and design the city and its services.

Furthermore, in 2020 Redexis developed the first pilot projects in sensorisation and massive data processing for the predictive analysis of failures in gas installations.

- **Promoting sustainable mobility**

Vehicular gas in Spain is a real alternative to petroleum-based fuels for light and heavy transport, offering solutions for mobility that generate savings and decrease emissions by means of agreements with major manufacturers and connecting gas service stations to their networks.

12. Environmental protection

As a company devoted to the development and operation of energy infrastructures in Spain, Redexis renders an important service to its customers: it places clean energy at their disposal with a series of functional, financial and environmental advantages vis-à-vis other types of fuel.

Additionally, Redexis strives to minimise social costs with regard to environmental aspects and the negative effects that this may cause, undertaking projects that go beyond compliance with legal requirements and other environmental requirements that it voluntarily adopts, involving its suppliers and promoting the responsible use of energy.

The Group strategy maintains its commitment to the protection of the environment. It is one of its pillars and a factor of competitiveness. To be aware of the environmental impact of its operations and to develop a company culture that reduces environmental impact as much as possible is paramount for Redexis.

Redexis considers environmental excellence, energy management and efficiency, security and continuous improvement of working conditions and health protection as essential values of its business culture. This is duly reflected in its Integrated Policy approved by Senior Management.

Redexis reviews its Integrated Management System (IMS) annually to adapt it to new regulatory requirements, as well as for continuous improvement. It is currently adapted to the requirements of ISO 4500:2018 occupational health and safety management system,14001:2015 environmental management system and ISO 50001:2018 energy management system.

This process involved the implementation of the entire management system, involving greater alignment of the organisational strategy with environmental and energy management, manifesting clear leadership and involvement of Management in this area. This resulted in the establishment of the Leadership Committee on energy management, environment and safety and health.

In the course of 2020, 32 environmental, energy and carbon footprint verification audits were performed, internal as well as external, for improvement of the processes.

Redexis maintains scorecards with environmental and energy indicators for monthly measurement and reporting that will allow it to identify improvements in its management.

At the close of 2020, Redexis has the ISO 14001: 2015, environmental management system, the ISO 50001: 2018, energy management system, and the ISO 45001: 2018, the occupational health and safety management system and maintenance of its healthy organisation certification.

In addition, in November 2020 the Group recorded its carbon footprint, exceeding the greenhouse gas verification with no reservations and with the declaration of a positive opinion, in compliance with ISO 14064, by an external and independent entity.

The directors of the Group consider that at year end no expenses are likely to be incurred in connection with environmental risks for which provision should be made.

Information regarding the Group’s environmental activities is presented in note 26 to the Consolidated Annual Accounts.