Annual Report **2019**

Redexis

Content Annual Report

Letter from the **Executive Chairman**

"IN 2019, WE HAVE CONTINUED THE PATH THAT MAKES US AN ENERGY COMPANY RECOGNISED FOR ITS RESPONSIBILITY AND STRENGTH"

We are presenting this report in a difficult time for the Spanish society due to health crisis caused by the COVID-19. That is why I would like to start with some words to express my support to all the victims and their relatives, on the name and behalf of the Board of Directors and my own. Since the declaration of the state of alarm in Spain last March, we made ourselves available to the administrations through the donation of material where it was needed the most and, through our Foundation, we helped vulnerable groups and people in hospitals. At all times we guaranteed the supply of natural gas and LPG to our users, a service qualified as essential during the health alert, and we provided our technicians with the required personal protection equipment. We also enabled the possibility of working from home to the staff in our offices.

Despite the rough path Spain is going through, as well as the rest of the countries worldwide, it is important to account for the company's performance in 2019. 2019 was a year in which we again complied with our growth plans and continued building up one of the essential companies in the Spanish gas sector. During this period, we have focused on attaining our business goals, developing gas structures nationwide and offering households, businesses and industries a cleaner and cost-efficient alternative. Moreover, we have launched other more sustainable energies such as natural gas for vehicles or hydrogen.

Furthermore, 2019 has been a particularly significant year in terms of regulation. In January, the Spanish Government transferred to the Spanish National Markets and Competition Commission (CNMC) a relevant part of the capacity to economically govern our sector. It had the mandate of approving before the end of the year, among others matters, the remuneration to gas transmission and distribution for the period 2021-2026. Since more than 90% of our income comes from regulated activities, this process has been a priority of our management in 2019.

The circulars for natural gas transmission and distribution have been eventually passed in 2020 with a focus on continuing the existing regulation, providing stability and predictability to our remuneration system. Although these circulars introduce gradual cuts to the remuneration to older assets, the impact on Redexis will be lesser than its weight in the market due to the young age of its assets and its growth trajectory. On the other hand, it includes new positive elements, such as the incentive to the connection of industries and natural gas for vehicles (NGV) or the recognition of additional costs in insular territories. In conclusion, the global impact this regulatory revision will have on Redexis is neutral.

2019 has been an excellent year in which we have rolled out more than 6,1% more kilometres of networks than in the previous year, reaching 11,140 km through we have distributed 4.6% more energy and reached 714,681 connection points in Spain, taking into account the agreement executed in December with Cepsa, authorised by the CNMC in March 2020. We have continued growing our LPG business, increasing contracts by 50% and the number of clients connected to our networks in 20%. We have also expanded our distribution networks offering a safe and efficient alternative for those areas where natural gas does not reach.

This has been possible due to our large capacity we have of investing in infrastructures which in 2019 has gone up 9.2% compared to 2018, going from €138.4 million to €151.1 million invested throughout the year. In addition, our gross operating profit (EBITDA) has been €172.3 million, up 1.7% compared to the previous year, and our income has increased by 0.7%. The year was known for a particularly warm winter and autumn compared to the record average. In terms of profit, Redexis generated €37.6 million, a rise of 25.8% compared to 2018.

In compliance with the goals of the 2030 Agenda, decarbonising Europe and promoting energy transition are some of the biggest challenges the company faces at present for which natural gas plays a key role. Since it is the cleanest and lowest in emissions fossil energy, a large part of society, from households to tertiary sector and the industry opt for their use, driving an increase in final demand. The same occurs with the use of electricity generation, which has gone up 80% in detriment of other more polluting forms of energy such as coal or fuel oil.

Thus, consumption of natural gas in 2019 has been 14% higher than in 2018 reaching 398 TWh. Currently this represents a great opportunity for the sector and for Redexis that, as comprehensive infrastructure operator, is present in the most critical stages of the value chain.

Regarding sustainable mobility, in 2019 we have developed the first gas stations through the agreement executed with Cepsa. Our goal is to expand our refilling natural gas stations network nationwide. We have built and put in service another station in the Cooperativa del Taxi in Zaragoza and started the construction of natural gas stations for the ambulance fleet in Murcia, which came into operation in 2020. This has been a crucial year for NGV in Spain. Gas vehicles rose by 60% compared to the year before, representing savings for the consumer and a decrease both gases and particles. Moreover, we have closed agreements with manufacturers and transformers of vehicles.

At Redexis we are working towards promoting the use of renewable gases such as hydrogen and we are part of ambitious projects oriented at this energy vector, such as Higgs or Power to Green Hydrogen. Additionally, Redexis is a trust member of Fundación del Hidrógeno de Aragón, a renowned entity both at Spanish and international level promoting the development of new technologies such as hydrogen.

Our investment capacity is based on the trust placed on us by our shareholders, investors and financial entities. We have a great access to capital markets, as shown by the success in the recent early refinancing of €650 million previously maturing in 2021. We also have a solid financial and liquidity position, endorsed by Standard and Poor's, which has rated us with the investment grade.

We focus our activity in satisfying the needs of the society and we contribute to the communities where we operate, which is a fundamental axis of our sustainability strategy. As proof of this commitment with society we have incorporated Fundación Redexis, to channel actions related to energy transition and help most vulnerable groups through donations and sponsorships. Precisely, it has been through Fundación Redexis how we have carried out the several initiatives to contribute to the fight against COVID-19.

This is the second year that we publish our Sustainability Report where we present in a clear, precise and detail manner the activities done within the framework of good corporate, social and environmental governance, and our drive to attain the Sustainable Development Goals agreed by the UN's Global Compact. This reflects our commitment to transparency and to our stakeholders. In 2019, we have also added sustainable items to our bank financing, linking interest rates to our performance in the area of environment, social and good governance.

We are firmly committed to employment, creating more than 3,000 direct and indirect jobs, and we have developed new training and communication tools for our employees, facilitating professional improvement, stimulating motivation and promotion the professional development of each and every one who is part of Redexis.

At these times of health crisis, and aware of the difficulties the Spanish economy will have to face in the short-term, the new challenges our sector will deal with are very present in our minds and we have a human team fully trained to face them and continue growing in a new environment of energy transition we are seeking to follow.

Fernando Bergasa
EXECUTIVE CHAIRMAN

Letter from the **Chief Operating Officer**

"WE HAVE INVESTED MORE THAN €1,300 MILLION IN THE LAST DECADE, WHICH HAS ALLOWED US TO SUPPLY NATURAL GAS TO 530 MUNICIPALITIES"

Firstly, I would like to acknowledge the efforts made by our employees, partners and collaborators during the COVID-19 health crisis. Their total commitment to Redexis to guarantee the continuity of our activity, which is essential for the functioning of society, deserves special recognition. I would also like to express my condolences to all the relatives of the victims of the COVID-19 pandemic and thank all the health personnel and essential workers, because thanks to their work and effort, Spain will manage to move forward.

Given the seriousness of the health crisis, at Redexis we anticipated the decree of the state of alarm in Spain, activating our crisis committee days before and taking the first measures to protect our employees. Thanks to this, we have ensured operational continuity, cancelling supply cuts and providing gas to critical infrastructures, in addition to having made ourselves available to the administrations in the areas where we operate. Likewise, we have been proactive in designing and implementing de-escalation in an orderly but decisive manner towards the recovery of the necessary normality, prioritising the safety of Redexis employees and their families, and complying at all times with the recommendations of the health authorities.

To begin our review of the previous year, in economic terms our income reached €245.9 million, increasing by 0.7%, influenced by the mild temperatures recorded in the winter and autumn months, 0.9º centigrade higher than the reference average in our municipalities, which has affected domestic consumption. Despite this, thanks to the continuous search for efficiency and operational improvements, the gross operating result grew by 1.7% to reach 172.3 million. Taking into account depreciation, interest and taxes, our company generated a net profit of €37.6 million, an increase of 25.8% compared to 2018.

Compared to the previous year, 2019 has been a year of great growth for Redexis, which has allowed us to remain key players in the Spanish gas sector. During 2019, we have deployed 642 kilometres of natural gas networks, 6.1% more than in 2018, reaching 29 provinces and 530 municipalities served by more than 11,140 kilometres of infrastructure, thanks to a strong investment policy that has led us to invest 9.1% more than in 2018, reaching €151 million. In the last 10 years Redexis has invested more than €1.3 billion in gas networks.

In addition, in 2019 we continue to grow and deploy liquefied petroleum gas (LPG) networks to provide a safe and efficient alternative where natural gas cannot reach, with a 50% increase in contracting. I would like to highlight the agreement reached with Cepsa for the acquisition of 11,366 LPG points, significantly increasing our geographic footprint, as we now operate in 40 Spanish provinces in 14 autonomous communities. This operation consolidates our position as the second operator of piped LPG in Spain with more than 95,000 customers, a market in which we have invested close to €200 million in the last four years.

By the end of 2019, we had 48,987 new customers, 8% more than in 2018, including both those who connected to our networks in 2019 and those we added because of the agreement reached with Cepsa, authorized by the National Commission on Markets and Competition (CNMC in Spanish) in 2020. As a result, our customer base grew by 5% during the year, reaching 714,681 connection points.

We supplied 35,642 GWh of energy, 4.6% more than in 2018, and the industries and companies in the tertiary sector connected to our networks consumed 9,109 GWh in their production processes. It is worth noting the growth in the connection of new industries and companies in the tertiary sector to our gas infrastructures, achieving a remarkable rate of 243.8% compared to the previous year, representing 1,374 GWh of new annualised demand. By segments of demand, the greatest increase occurred in the industrial sector, with 1,228 GWh and a growth rate of 368.1%.

Redexis supplies natural gas to a large part of the Spanish tertiary sector, enabling critical infrastructures such as hospitals, retirement homes and health centres to have this energy available. Likewise, gas is indispensable for industry due to its power and calorific needs, and this resulted in more than 60% of Spanish industry being supplied with natural gas by 2019. In addition to emitting less greenhouse gases, as it is considered the cleanest fossil energy, it allows savings in consumer bills of between 20% and 50%.

We continue to work on ambitious projects such as the creation of natural gas vehicle (NGV) infrastructure for which we have already signed agreements with other companies such as Cepsa, whose aim is to create the largest gas network in Spain. In addition to representing an economic saving of up to 50% compared to conventional fuels, NGVs emit 40% less NOx and 27% less CO2. We have already started up a natural gas station in the Cooperativa del taxi in Zaragoza and another in Puerto Lumbreras, which is the first in the agreement with Cepsa, and in 2019 we signed and began construction of the NGV infrastructure to supply ambulances in the region of Murcia, which will be put into service in 2020. Furthermore, in 2019 we have signed important agreements with manufacturers such as Seat and with transport companies.

As key players in the energy transition, we are promoting renewable gases, especially hydrogen, and we are part of several projects that have this energy vector as a protagonist so that it becomes a real option. We act as patrons in the Asociación del Hidrógeno de Aragón and we have signed collaboration agreements with others such as the Asociación Española del Hidrógeno, as well as participating in conferences and working groups such as Gasnam.

We know that innovation in this sector is key and therefore we make large investments in digitalisation, being pioneers in the use of Artificial Intelligence in networks. We are conducting several projects such as Simual, Microgrid-Blue or Auto-erm, among others, carrying out photovoltaic energy pilots and working with fuel cells to supply energy to our regulation and measurement stations.

We continue to register our carbon footprint and to work on waste reduction, and have migrated to ISO 14001:2015 and ISO 50001:2011 standards, certifying our energy management.

As part of our commitment to society and to the local communities in which we operate, we have set up the Redexis Foundation, a non-profit organisation that will act as an active agent in the energy transition and carry out sponsorship, social, educational and cultural work. Its first actions, however, have been aimed at channelling our contribution to alleviating the effects of the COVID 19 pandemic, donating materials in those places where it was needed and providing help to vulnerable groups and hospitalised people.

In order to achieve all our objectives and continue to grow, we rely on a key factor: people. Our workers are our main asset and that is why we are committed to them by providing training courses, flexible remuneration and guaranteeing stable and safe working environments. I would like to thank all our professionals for their great efforts and congratulate them on the good results obtained, as thanks to them we have managed to exceed our objectives and continue to grow.

Cristina Ávila

CHIEF OPERATING OFFICER

Review of the **year**

REVIEW OF THE YEAR

REDEXIS PROVIDES ACCESS TO **GAS** TO:

637 municipalities in **40** provinces of Spain through **11,140** kilometres of own networks

It has a **1,643** kilometres **TRANSMISSION** network consisting of **51** gas pipelines

Operates **714,681** connection points of which **618,493** use natural gas and **96,188** of liquefied petroleum gas

with a **DISTRIBUTION** network of **9,498** kilometreS

It is promoting the development of vehicular natural gas through investments in new infrastructure for mobility

it has the **EXPERTISE** and flexibility of **PROFESSIONALS**

384 direct jobs

and more than **3,000** indirect jobs

It has invested **€151** million in 2019, developing a sound expansion plan and development of energy infrastructures

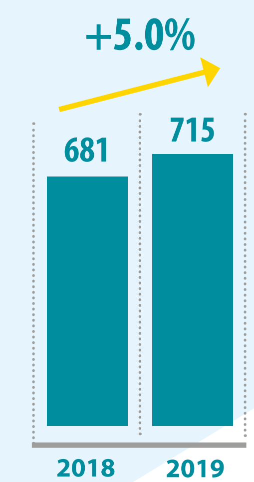
promotes technology, innovation and environmental sustainability

It incorporates advanced artificial intelligence tools

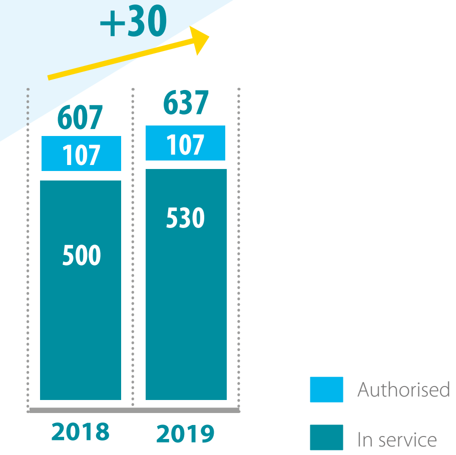
Revenues of **€245.9** million and a gross operating result of **€172.3** million

OPERATING FIGURES

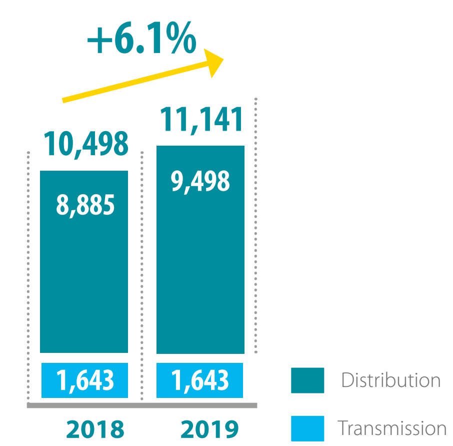
CONNECTION POINTS (THOUSAND)



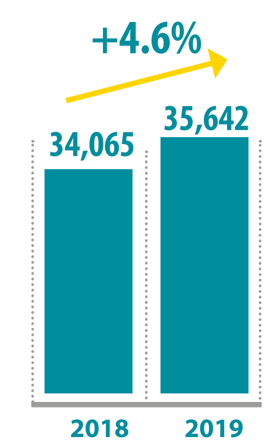
MUNICIPALITIES IN SERVICE AND AUTHORISED



NETWORK LENGTH (KM)

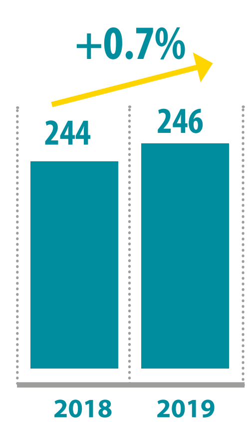


DISTRIBUTED ENERGY (GWH)

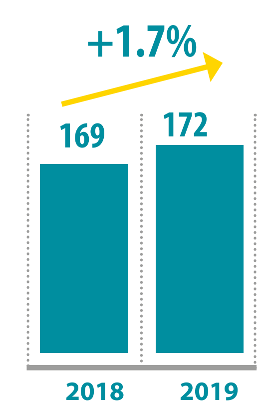


FINANCIAL FIGURES

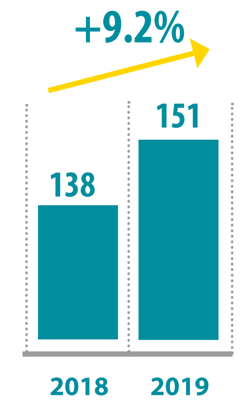
REVENUES (M€)



GROSS OPERATING PROFIT (M€)



CAPEX (M€)



MILESTONES OF THE YEAR

JANUARY

- Antonio España, new Chief Financial Officer (CFO) of Redexis.
- We promote the development of natural gas in Lebrija.
- The natural gas distribution network in the city of Ibiza reaches an extension of 38 kilometres of gas pipelines.

FEBRUARY

- Redexis presents the Government of Aragón different investment and employment initiatives, to promote the region's progress in energy matters.
- Signed an agreement for the development of the Plan Renove for the Boiler Rooms in the Community of Madrid.
- Presentation in Cartagena and Chiclana of the photovoltaic solar energy for the citizens 'pilot project'.

MARCH

- Redexis invests two million euros to provide natural gas to citizens and businesses in Villanueva de los Infantes.
- Redexis and the Spanish Hydrogen Association sign a collaboration agreement.
- Technical seminar Genera 2019 'The role of hydrogen in the energy transition'.
- Participation in the breakfast of the Heraldo de Aragón 'Hydrogen, a key renewable reality in a world moving toward decarbonisation'.
- Redexis will invest more than three million euros to provide natural gas to citizens and businesses in Cuevas del Almanzora.
- We inaugurated a new plant in Muro that will supply natural gas to 7,000 inhabitants of the urban nucleus.

APRIL

- Redexis and the Balearic Business Transport Federation (FEBT) sign a collaboration agreement to promote natural gas vehicles in the Balearic Islands.
- Redexis presents to the Regional Government of Murcia its investment plans for energy progress.
- Participation in the I Forum of the Energy Transition in Mallorca.
- Redexis participates in the Annual Meeting of the Balearic Business Transport Federation.
- Redexis participates in the VII Gasnam Congress.
- Signed a collaboration agreement with the City Council of Muro for the supply of natural gas to municipal facilities.

MAY

- Redexis joins the '*Power to Green Hydrogen Mallorca*' project.
- Redexis and Coar promote vehicular natural gas.

- Participation in the II Convention of Buildings with almost zero energy consumption: from renovation to new work in Mallorca.
- The Second Business Race La Verdad, sponsored by Redexis, brings together more than 900 runners.
- Redexis signs the II Equality Plan.
- Redexis converts its €300 million bank credit line into sustainable financing.

JUNE

- Redexis and Cepsa sign a framework agreement for the construction of natural gas stations in Spain.
- The first direct connection of a distribution network to a primary gas pipeline.
- Launch of the 'Now Redexis' advertising and promotional campaign.
- Redexis collaborates in the great retransmission of the opera Il Trovatore of the Teatro Real in municipalities throughout Spain.

JULY

- Antonio España, recognized as one of the 100 best financiers in Spain.
- The *Machine Learning* team wins the 2nd prize at the AWS Datathon 2019.
- Redexis, national sponsor of the rebroadcast of the opera Il Trovatore at the Teatro Real.
- Held the 2019 Annual Employee Meeting and the Technical, Commercial and Special awards ceremony.
- Andrés Oliva, appointed as new Residential Commercial Director of Redexis.
- Redexis participates in the III Business Tournament of Padel Heraldo de Aragón 2019.

SEPTEMBER

- Redexis participates in the 4th Annual Energy Forum of El Economista.
- Redexis supplies natural gas to 19 public schools in Palma de Mallorca.
- GRESB appointed Redexis as a leader in the Infrastructure Sustainability Index, conferring it a five-star rating.
- Redexis presents to the Board its investment plans for energy progress.
- Redexis becomes part of the Board of MIBGAS, the main entity for the exchange of natural gas in Spain.
- New policies on Safety and Health, Environment and Energy.
- Redexis joins the #aliadosdelosODS campaign promoted by the Spanish Global Compact Network.

OCTOBER

- Redexis is chosen to coordinate the new Gasnam Hydrogen Working Group.
- The Company participates in the eighth edition of the Inter-company Challenge 2019 of Action Against Hunger race.
- Redexis participates in the VI Control Centers Seminar
- Development with Orange of a comprehensive technology solution (*Internet of Things* – IoT) for remote monitoring of gas installations.
- Redexis invests €3.5 million to provide natural gas to citizens and businesses in Huercal de Almería.
- Redexis formed the Leadership Committee for Energy Management, Environment and Safety and Health at Work.

NOVEMBER

- Redexis will invest €3.5 million to facilitate natural gas to citizens and businesses in Vejer de la Frontera.
- We participated in the 'The future and the feasibility of natural gas-powered vehicles' seminar.
- Redexis participates in the Smart Mobility cycle of El Espanol: II Vehicle Gas Forum.
- We inaugurated our first vehicular natural gas filling station in Zaragoza.
- Redexis takes part in the 'Dijous Bo' fair in Inca.
- 'Redexis Commitment', a new communication channel.

- Redexis establishes the Inter-regional Committee on Safety and Health (CISS).
- Redexis participates in the Operation Kilo of the Food Bank Foundation.
- We agreed with Servialsa on the construction of the first vehicle natural gas filling station in Mallorca.
- Creation of the Psychosocial and Welfare Working Group.

DECEMBER

- Redexis and Seat unite to promote natural gas mobility.
- Redexis participates in the Campaign for the Safety of Gas Installations in the Community of Madrid
- Redexis participates in COP25 in the round table 'Renewable gas, transformation and future vector' organised by Sedigas.
- Redexis participates in UAM's Climate Law and Governance Day 2019 on occasion of COP25.
- Redexis participates in the round table, 'Gas, Biomethane and Hydrogen Solutions for Sustainable Mobility' organised by Gasnam during COP25.
- Redexis invest €3.5 million to provide natural gas to citizens and businesses in La Puebla.
- Redexis will invests €3.5 million to provide natural gas to citizens and businesses in Jodar.
- Redexis is certified ISO 45001:2018 in its occupational health and safety management system.

HISTORY

AN EXCELLENT TRACK RECORD

S.XIX

- First gas plant of the Group in Zaragoza.
- *Societé pour léclairage des villes de Biarritz et Saragosse* acquires the plant and other assets.

1927

- Incorporation of Gas de Zaragoza as part of Electricas Reunidas de Zaragoza.

1985

- Incorporation of Gas Huesca. Endesa acquires Electricas and its respective holdings.

1989

- 100,000 connections points.

1993

- Merger of Distribuidora de gas de Zaragoza and Gas Huesca giving rise to Gas Aragón.

1997

- Incorporation of Endesa Gas comprised of different distributing companies.

2001

- Incorporation of Endesa Gas Transportista y Transportista Regional del Gas initiating transmission activity.

2007

+ 300,000 connection points.

+ 3,000 km of network.

2010

- Two investment funds administered by Goldman Sachs acquire 80% of the capital of the asset-holding parent company of Endesa Gas T&D.

+ 364,000 connection points.

+ 4,700 km of network.

2013

- Goldman Sachs acquires control of the Company, which changes its name to Redexis Gas, S.A.

2014

- Acquisition of Redexis Gas Murcia and other additional distribution assets to EDP.
- Inaugural bond issue (€650 million, maturity in 2021).

+ 396,500 connection points.

+ 5,800 km of network.

2015

- Corporate reorganisation
- Successful integration of Redexis Gas Murcia and other additional distribution assets.
- Acquisition of 71,500 LPG connection points from Repsol.
- New bond issue (€250 million, maturity in 2027).
- Formalisation of a loan with the EIB (€160 million, maturity in 2036).
- I Collective Agreement signed.

2016

- Integration of 71,500 LPG points acquired from Repsol in 2015.
- Acquisition and integration of 3,400 additional LPG points from Repsol.
- Purchase of approximately 4,700 LPG points from Cepsa.

2017

- The European pension funds, USS and ATP, agree to increase their share in Redexis Gas to 49.9%.
- New bonds issuance (€250 million).
- Bank financing agreement amounting to €300 million.
- Milestone in job creation, an increment of 5.6% of direct workers.
- Development of artificial intelligence tools.

2018

- New shareholding structure: ATP 33.3%, USS 33.3% and GT Fund and CNIC 33.3% jointly.
- Formalisation of a loan with the EIB (€125 million with a 20 year repayment term).
- Promoting the development of renewable gases such as hydrogen or biomethane.
- Signing of the II Collective Agreement.
- Development of new artificial intelligence tools.

+ 680,500 connection points.

+ 10,400 km of network.

2019

- Development of hydrogen and biomethane projects.
- Promotion of photovoltaic solar energy projects.
- Collaboration agreements with FEBT, Cepsa and Seat to promote vehicular natural gas.
- Signature of the II Equality Plan.
- Sector leader in the Infrastructure Sustainability Index according to GRESB.
- Bank financialy converted into sustainable.
- Development of innovation and digitisation projects.
- Committed to energy transition and compliance with the 2030 Agenda.
- Redexis Foundation

714,681 connection points.

11,140 km of network.

GOVERNING BODIES

The Redexis Group is formed by a group of energy infrastructure companies dedicated to the development and operation of natural gas transmission and distribution networks, the distribution and marketing of liquefied petroleum gas and the promotion of natural gas vehicles and renewable applications of natural gas and hydrogen. The corporate office is located in Madrid and has work centers in Madrid, Valladolid, Ávila, Palma de Mallorca, Ibiza, Alicante, Murcia, Granada, Almería, Cádiz, Badajoz, Zaragoza, Teruel, Huesca and Girona.

It is equally owned by two pension funds, Universities Superannuation Scheme ('USS') and Arbejdsmarkedets Tillægspension ('ATP'), and the infrastructure funds Guoxin Guotong Fund LLP ('GT Fund') and CNIC Corporation Limited ('CNIC'), which hold a joint interest. ATP and USS are two European pension funds that make significant long-term investments in top-tier infrastructure companies. Both have been investors of Redexis as partners of GSIP since their initial investment in 2010; first as indirect investors and then, after the acquisition, as direct investors. GT Fund and CNIC are long-term financial investors with a mandate to invest in world-class infrastructure assets around the world.

GROUP STRUCTURE:

REDEXIS GAS, S.A.

- 100% REDEXIS GAS SERVICIOS, S.L.U.
- 100% REDEXIS GLP, S.L.U.
- 100% REDEXIS INFRAESTRUCTURAS, S.L.U.
- 99.98% REDEXIS GAS MURCIA, S.A.

BOARD OF DIRECTORS

Mr Fernando Bergasa Cáceres
19 May, 2016
Executive
Chairman of the Board of Directors

Mr Gavin Bruce Merchant
24 July, 2017
Non-Executive Director
(proposed by USS)
Board Member

Mr Stephen Alan John Deeley
11 April, 2019
Non-Executive Director
(proposed by USS)
Board Member

Mr Ignacio Pereña Pinedo
March 19, 2013
Secretary Non-Director

Ms Cristina Ávila García
11 April, 2019
Executive
Board Member and General Director

Mr Ulrik Dan Weuder
11 April, 2019
Non-Executive Director
(proposed by ATP)
Board Member

Mr Niels Konstantin Jensen
23 May, 2019
Non-Executive Director
(Proposed by ATP)
Board Member

Mr Ng Chik Sum Jackson
June 20, 2018
Non-Executive Director
(proposed by Guotong)
Board Member

Mr Oliver Jan Schubert
20 June, 2018
Non-Executive Director
(proposed by Guotong)
Board Member

MANAGEMENT COMMITTEE:

Mr. Fernando Bergasa Caceres

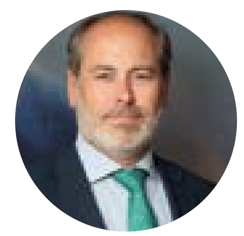
Executive Chairman

- Executive Chairman of Redexis Gas, S.A.
- PhD in Chemistry at Princeton University, and executive training at the universities of Harvard and Chicago.
- Between 2007 and 2011 he was Chief Executive Officer of Naturgas Energia and Director at HC Energía.
- Previously, he held different executive offices in Endesa S.A. and was a consultant at Mckinsey&Co.
- Fernando Bergasa has also been a Director and Vice-chairman of the Executive Board of Sedigás.
- He is a member of the American Chemical Society and member of the Alumni Advisory Board of the Universidad Autónoma de Madrid.

Ms. Cristina Ávila García

Chief Operating Officer

- Chief Operating Officer of Redexis Gas, S.A.
- Industrial Engineer from ICAI and MBA from IESE.
- Between 2007 and 2011 she was the Chief Operating Officer at Naturgas Energia and a Director at Naturgas Energia Transporte and Naturgas Energia Distribución.
- Previously, she held executive roles in Endesa and was a consultant at Arthur D. Little.
- Cristina Ávila is also a member of the Executive Board of Sedigás.



Mr. Antonio España Contreras

Chief Financial Officer

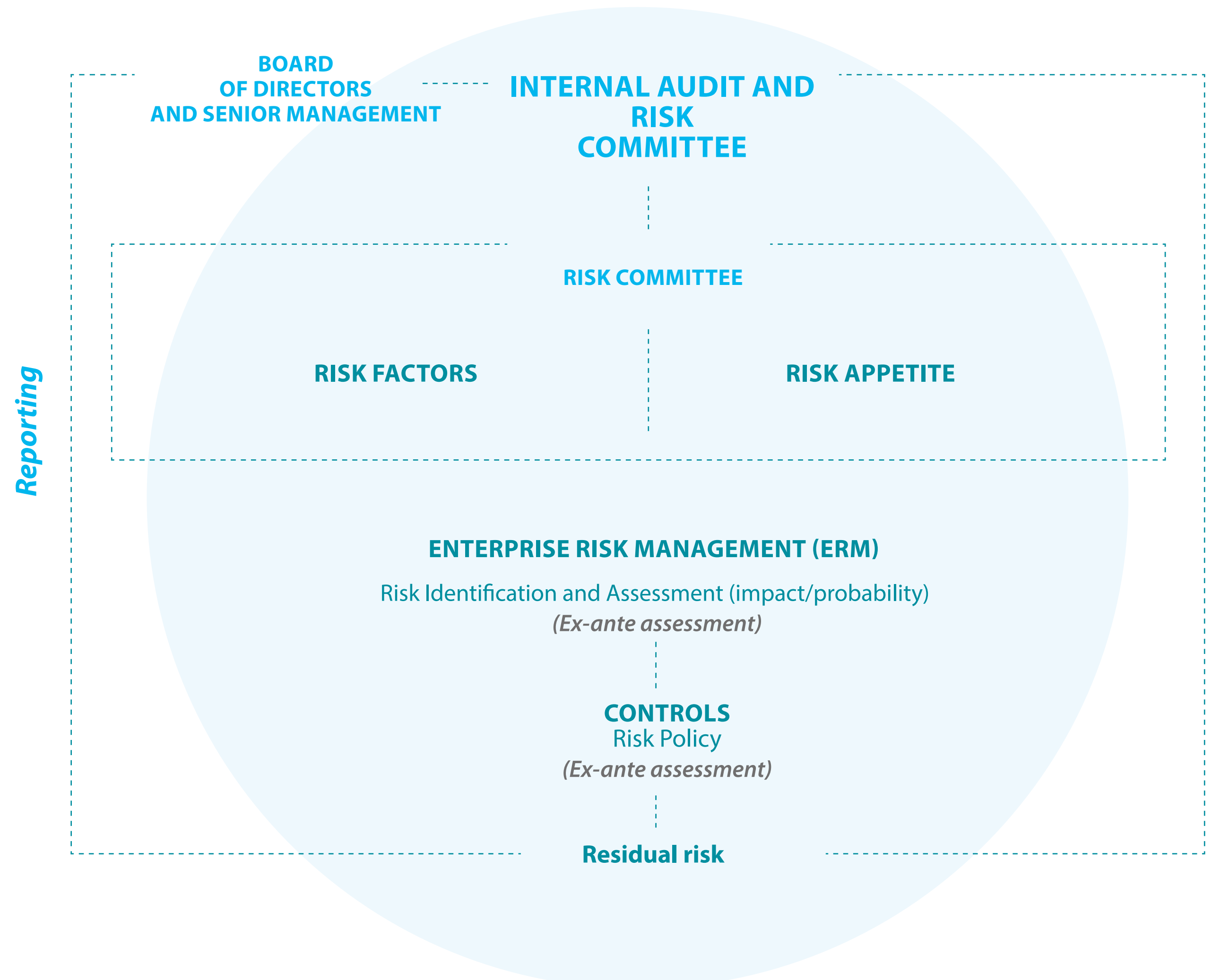
- He is Chief Financial Officer of Redexis Gas, S.A.
- Telecommunication Engineer from the University of Málaga, MBA from IESE and Master in Economics from the Universidad Rey Juan Carlos.
- He has been Chief Financial Officer of Prosegur Cash, S.A. since its IPO public in 2017. Between 2013 and 2017, he was Corporate Manager of Treasury and Finance and Chief Financial Officer for Europe at Prosegur Group, a global listed company.
- From 2007 to 2013 he developed his professional activity in the Energy area of KPMG and Arthur D. Little. Previously, he held various management positions in the telecommunications sector.
- Antonio España is also a Director of Redexis Gas Finance B.V. and a member of the Executive Board of Sedigás.

- **Mr Fernando Bergasa Cáceres**, Executive Chairman
- **Ms Cristina Ávila García,** Chief Operating Officer
- **Mr Antonio España Contreras**, Chief Financial Officer
- **Mr Ignacio Pereña Pinedo**, General Counsel and Company Secretary
- **Mr Borja Polo Baños**, Director of Strategy and Business Development
- **Mr Javier Crespo Millán**, Director of Operations
- **Mr Diego Sánchez Muslera** Director of Engineering, Bids and Execution
- **Mr Andrés Oliva García**, Commercial Residential Director (B2C)
- **Mr Javier Migoya Peláez**, Business and Industrial Director (B2B)
- **Ms Susana Lorenzo de la Orden**, Director of Corporate Resources[1]
- **Mr Miguel Mayrata Vicens**, Director of Business Diversification
- **Ms Estefanía Somoza Villar**, Director of Corporate Communications, Public Affaires and CSR
- **Ms Mireya Martínez San Martín**, Director of Internal Audit and Risk

[1] Appointed in February 2020.

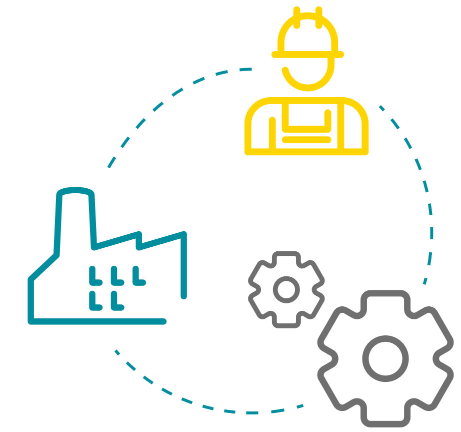
RISK MANAGEMENT AND **CONTROL**

Redexis has launched the *Enterprise Risk Management* (ERM) system with the objective to provide a comprehensive and reliable overview of all risks that may affect the Company, taking advantage of opportunities and minimising negative impacts that may occur. The system is based on the international COSO standards and ISO 31000.



RISK ASSESSMENT PROCESS

1. **IDENTIFICATION**
2. **EVALUATION**
3. **RESPONSE** strategies
4. **CONTROL** activities
5. **COORDINATION** and reporting



Redexis has a risk identification and assessment process, supervised by the Audit and Risk Committee, which is established in all areas of business.

The **MAIN FUNCTIONS** of this Commission are:

- **REVIEW AND EVALUATE POLICIES AND PRACTICES** regarding to risk management and internal control.
- **MONITOR THE EFFECTIVENESS** of internal control and risk management systems.
- **REVIEW SOCIETY'S ABILITY** to identify and manage new types of risk.
- **ENSURE THAT THE BOARD OF DIRECTORS** receives periodic reports.
- **CONTROL THE EFFECTIVENESS** of the Risk Management System and the internal control of the Group.
- **CONTROL THE COMPLIANCE** of the applicable external legal and regulatory requirements and the Code of Ethics and other Company's internal control and risk management policies.

Once all risks have been identified within the sector and the market in which it operates, Redexis selects the main risks to be continuously monitored and establishes action plans year after year to mitigate the impacts of these risks if they occur.

The **RISKS** are classified into four categories, mainly:

- **STRATEGIC RISKS,** related to external factors of the environment such as political, legal, economic, socio-cultural, technological and environmental (where we include climate change) as well as all those that can have a significant impact on the strategic planning of the Company.
- **OPERATIONAL RISKS**, associated with the security of people, processes and infrastructures, with the quality of service and efficiency in the work, as well as with the security of information and communications technologies (ICTs).
- **FINANCIAL RISKS,** related to the financial management of a company (liquidity management, solvency, interest rates...).
- **SUSTAINABILITY/COMPLIANCE RISKS,**related to environment, people management, ethics, integrity and regulations compliance.

REDEXIS FACING **COVID-19**

At the end of 2019, COVID-19 coronavirus began in China and later spread to the rest of the world, with a high incidence in Spain. This led to the declaration of the state of alarm by the Government on 14 March 2020 and the consequent confinement of the entire population.

Redexis created a follow-up committee composed of managers from different areas to manage and coordinate decision-making. After the closure of schools, 100% of the staff were guaranteed teleworking to ensure family reconciliation and the health of all employees, providing remote access and connection tools.

The workers were kept informed at all times through the periodic internal bulletins and a complete disinfection of the offices was performed.

A Contingencies and Protocols Plan was established and level 1 of internal alarm was declared, providing protection measures for all technicians who needed to carry out work in person.

Accredited residential activities continued to be performed regarding supply continuity, emergency services for network and facilities, tank discharge operations at gas plants, preventive and corrective maintenance work, engineering work, processing and construction and emergency care.

As an essential activity, the supply was guaranteed at all times and the Backup Control Center was enabled in addition to the main one, thus having two infrastructures at different points to ensure the operational continuity being able to monitor and control the infrastructures in circumstances of total security.

Supply cuts were suspended and natural gas was supplied to critical infrastructures during the health-alert such as health centers or hospitals, as well as providing exceptional measures to workers in the home operations area, safeguarding the health of employees and the rest of the population at all times.

Redexis has wanted to support and guide workers on two key aspects that have been considered fundamental to understanding their needs and circumstances of how this crisis is affecting their living, working and family conditions: ergonomic and emotional wellness. For this, Redexis employees have at their disposal psychological assistance, coaching sessions and personalised wellness programmes.

REDEXIS GUARANTEED THE SUPPLY OF NATURAL GAS AT ALL TIMES

Fundación Redexis

The Redexis Foundation, within its welfare activities, made various donations for the purchase of health equipment and established aid for the most vulnerable groups.

Financial donations were made for the purchase of health equipment and protective equipment for the Autonomous Communities of Madrid, Aragón and Castilla-La Mancha. In addition, the Redexis Foundation took over the payment of LPG invoices for its most vulnerable customers who were doing some work to alleviate the effects of the pandemic such as parishes, nursing homes, etc. After the IFEMA exhibition center was set up as a field hospital in Madrid, 2,000 battery chargers were donated so that patients could connect their mobile devices and be in contact with friends and family.

THE REDEXIS FOUNDATION MADE DONATIONS TO THE MOST VULNERABLE GROUPS

Sustainable business model

ENERGY INFRASTRUCTURE OPERATOR

REDEXIS WORKS DAILY TO ACHIEVE ENERGY EFFICIENCY, COMMITTED TO ECONOMIC DEVELOPMENT AND RESPECT FOR THE ENVIRONMENT

Redexis is an integral energy infrastructure company dedicated to the development and operation of natural gas transmission and distribution networks, the distribution and marketing of liquefied petroleum gas and the promotion of natural gas and hydrogen applications.

91% of its activity is regulated and aimed at providing an optimum, safe, efficient and quality service to the end user by designing, building, maintaining and improving transmisson and distribution infrastructures to guarantee the supply of natural gas.

WHO ARE WE?

Comprehensive energy infrastructure company.

WHAT DO WE OFFER?

Access to natural gas and other renewable and efficient energy.

HOW DO WE IMPLEMENT IT?

With a team of experts with extensive experience in their field to respond to the needs of society.

MISSION, VISION AND VALUES

MISSION:

Being an **integral energy infrastructure company**, maximising growth and efficiency, and contributing decisively to sustainable development and the creation of value for customers, employees and shareholders

VISION:

Being a reference energy infrastructures company, firmly **committed** to its customers, employees and shareholders, and admired for its **capacity for achievement and the creation of value** in the communities in which it operates

VALUES:

MOVING FORWARD
LIVING
OVERCOMING
TAKING CARE
TO INSPIRE

Redexis is committed to growth and responds to the needs of society with the development of infrastructures based on innovation, with parameters of *big data* and artificial intelligence.

It is also promoting vehicular natural gas (NGV) through investments and agreements with other companies for mobility, betting on the development of NGV filling stations, promoting their demand as alternative fuel in transport and providing a comprehensive and complete solution to transport fleet companies or individuals.

The Company is committed to the energy transition and advances in the development of new projects that promote clean and renewable energies. It has safe and modern gas infrastructures, compatible to transport not only natural gas but also renewable gases in the future and thus to be able to meet the objectives established in the UN 2030 Agenda.

REDEXIS CONTRIBUTES TO THE ENERGY TRANSITION AND PROMOTES THE DEVELOPMENT OF SUSTAINABLE MOBILITY INFRASTRUCTURES, MANAGING ITS NETWORKS IN AN EXCELLENT WAY

STRATEGIC MODEL

Redexis is committed to natural gas and to evolve toward a more sustainable business model, building and operating energy infrastructures to adapt to the current and future context. Additionally, it is in the process of developing new forms of energy that are more environmentally friendly by promoting sustainable policies and has a flexible infrastructure that adapts to this development without the need to make additional investments.

A BUSINESS MODEL THAT RESPONDS TO THE CHALLENGES OF THE FUTURE

THE COMPANY FOCUSES ITS STRATEGY ON THE FOLLOWING **PRIORITIES:**

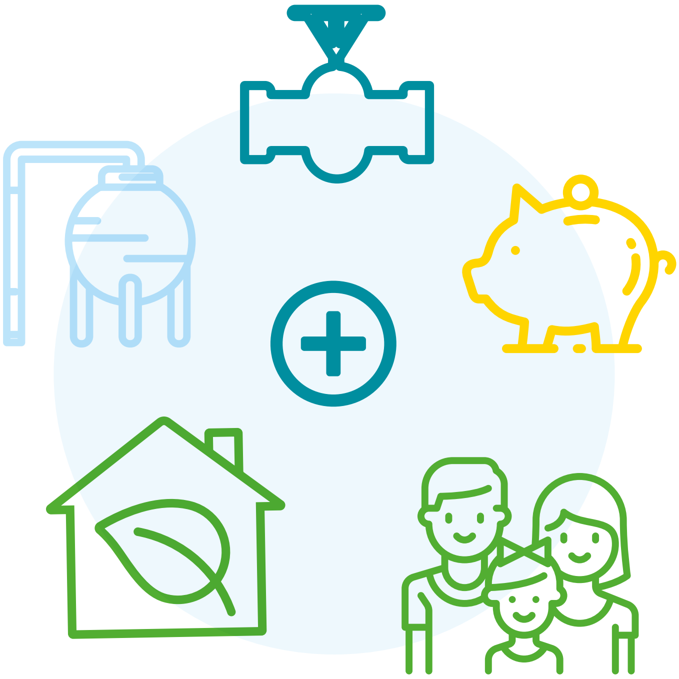
- **BALANCED AND SUSTAINABLE GROWTH** focused on regulated businesses that provide long-term security, stability, and visibility.
- Adoption of the most advanced **TECHNOLOGY** and of **INNOVATION.**
- **RISK MANAGEMENT**, identifying security, safety, health and environmental standards in advance, and evaluating risky events according to their occurrence probability and its potential impact on the Company's strategy.
- Commitment to **CREATE VALUE** for society and to preserve the environment.

THE DEVELOPMENT OF THESE STRATEGIC PRIORITIES IS BASED ON THE FOLLOWING **PILLARS:**

- **PEOPLE**, who have an extensive training and experience in their field and move Redexis.
- **SUSTAINABILITY** , economic, social and environmental.
- **FINANCIAL STABILITY**, through in controlling costs and generating cash flow, developing investments financing future growth and maintaining the investment grade credit rating.

GAS MARKET IN SPAIN IN 2019

Thanks to government support and its advantages over other energy sources, natural gas, being one of the cleanest fossil energies, has a significant role within Spain's energy matrix and an important role in the context of energy transition.



ADVANTAGES OF **NATURAL GAS**

ECONOMICAL
its higher performance makes that the final consumption is lower assuming a cost reduction.

RELIABLE
generates a continuous supply without supply disruption.

CONVENIENT
allows you to use more power without having storage spaces.

ECOLOGICAL
it does not emit solid residues, fumes or unpleasant odours and it is the fossil energy that emits less CO_2.

FLEXIBLE:
its marketing authorised for which you can choose with whom to hire the service from.

SAFE
dissolves quickly in the event of an accident and installed equipment have better maintenance.

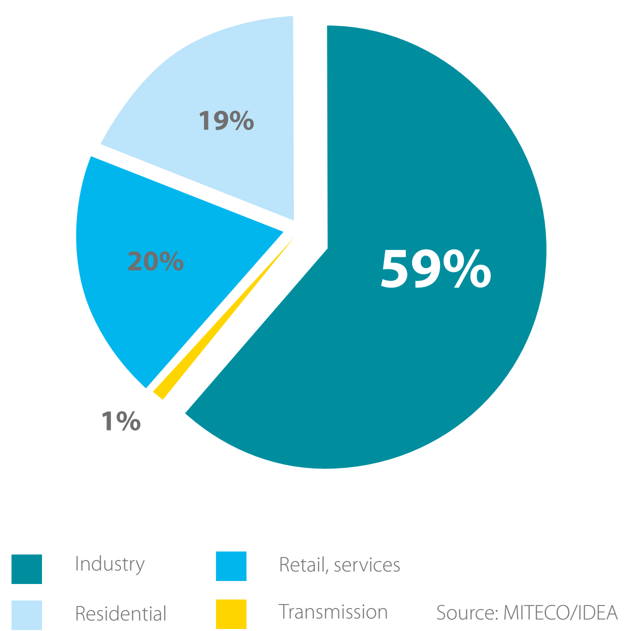
Throughout 2019, natural gas has continued to increase its demand in Spain, largely due to the decline in consumption of other fossil fuels such as coal. One of the main problems of the gas market in Spain is that its domestic production is very limited, being positioned number 100 of the world reserves. The main country from which Spanish municipalities are supplied is Algeria, which covers almost 60% of the national demand.

THE REPLACEMENT OF COAL BY NATURAL GAS HAS REDUCED CO_2 EMISSIONS BY 25% IN 2019 COMPARED TO THE PREVIOUS YEAR

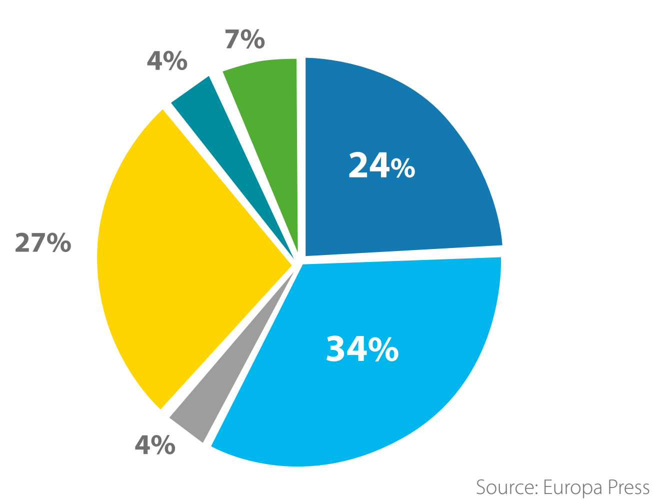
Natural gas consumption grows 14% in 2019 and breaks records in Spain, reaching 398 TWh. It is expected demand will keep growing. Industrial consumption represents 55% of natural gas consumed, reaching 214 TWh, up by 2% compared to 2018[1].

[1] Source: Enagás

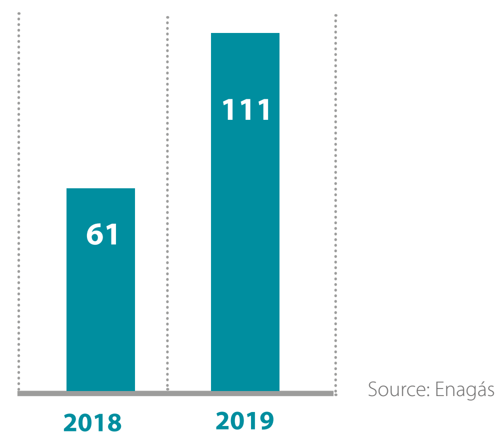
NATURAL GAS: PERFORMANCE BY SECTORS



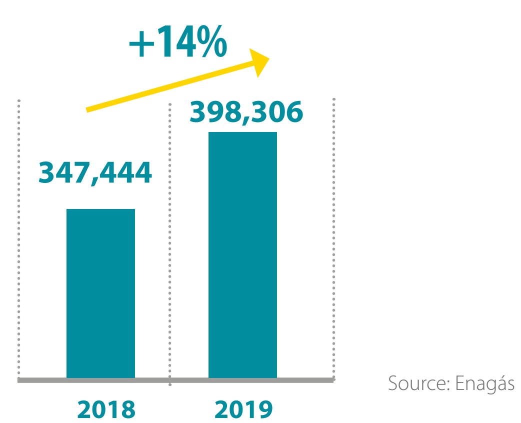
ENERGY CONSUMPTION **MIX WORLDWIDE**



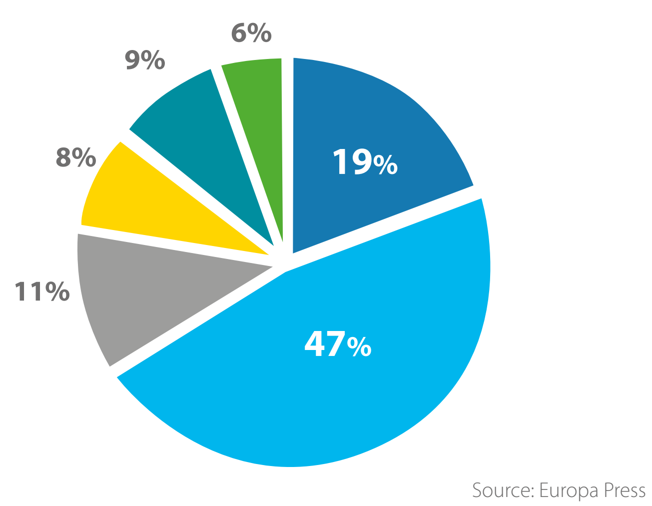
GAS CONSUMPTION **FOR ELECTRICITY (TWh)**



GAS CONSUMPTION IN **SPAIN (TWh)**



ENERGY CONSUMPTION **MIX** IN **SPAIN**



Natural gas | Petroleum | Renewable energies | Coal | Nuclear energy | Hydroelectric energy

SECTOR TRENDS

Energy transition is one of the greatest challenges that the sector has had to face in the last years. Natural gas plays an important role due to the low emission of damaging gases. It is therefore one of the cleanest energies and contributes to the decarbonisation of the planet. More than 60% of the Spanish industry was supplied with gas in 2019. This energy is considered to be irreplaceable due to the needs of power and the calorific power certain industries required: paper, metallurgy, ceramics, cogeneration, chemical, glass, refinery or textile industries carry out their activities intensively with gas. In addition, natural gas has a positive impact on the manufacturing costs of companies, improving their competitiveness.

Circular economy is very present and it is expected this trend will keep growing to reduce waste and achieve a cleaner society.

Compliance with the UN's 2030 Agenda is defining the actions of most companies and corporation, focused on the attainment of the SDGs set.

The promotion of certain types of energy that are more sustainable like NGV, which is massively being developed in Spain, show that natural gas is one of the most reliable, safe, clean alternatives with a greater capacity.

SUSTAINABLE DEVELOPMENT GOALS AND CIRCULAR ECONOMY: ESSENTIAL FOR THE ENERGY SECTOR IN 2019 AND IN THE FUTURE

RENEWABLE GASES, HYDROGEN AND BIOMETHANE, WILL HAVE A RELEVANT ROLE IN THE GAS SECTOR

The sector is experiencing a deep change due to innovation and digitisation. New control and supervision methods based on new technologies, such as virtual reality, user apps, modern control Centers and remote methods to detect risks or incidences are coming up. As a result, the sector increases its safety, with the aim of reducing unexpected events to none so there are not hazards.

REGULATORY FEATURES OF THE SECTOR

Within the Spanish gas sector many agents intervene and, although the supply and retail of this activity are fully liberalised, the other stages where Redexis carries out most of its business are regulated.

The Spanish natural gas industry has experienced in the last years changes in its structure and performance, motivated largely by the adaptation of its regulatory framework to the principles set in European Directives regarding common rules for the EU natural gas market and its related regulations.

The goal of this European regulations is to set the framework required for the performance of the EU gas market, built on the basis of effective competitiveness among agents, safety of supply and transparency.

Nationwide, regulatory stability has contributed to a more efficient planning of investment from the operators' side.

The development of renewable energies is one of the goals of the regulations package "Clean energy for all Europeans", published by the EU in May 2019. It completes the process started by the European Commission in November 2016, when an important package of measures was presented with which the EU pretended to lead energy transition towards decarbonisation and prevalence of energy generated from renewable sources.

On 22 November 2019 a Royal Decree Law to drive fair energy transition was passed. Due to climate change and transition towards a sustainable energy system in Spain, Governments are adopting measures directed at achieving an emission-free system. This is planned to attain the goals within the Energy and Climate Strategic Framework. This Royal Decree will try to favour the use of clean energies and set a reasonable profitability value for renewable facilities, cogeneration and waste, establishing measures for using waste and reaching circular economy.

The results have shown that the gas sector is responding by increasing its capacity to adapt, expanding new markets, making progress in attracting users and fostering its competitiveness.

So much so that, without losing sight of the important impact on the system's revenues of certain aspects that cannot be managed directly by the gas system (such as the consumption of combined cycles or the weather patterns), but which can cause these revenue figures to vary in the short term, after the aforementioned adjustments in the system's costs, and even in a scenario of economic crisis, the system is proving to meet the system's economic and financial sustainability criteria. As a result, the sector's revenue is adequately correlated with costs, and therefore it has not been necessary to raise the tolls.

To all the above, it must be added that Redexis has recently increased its connection points portfolio by acquiring channelled LPG assets. In the short and medium term, these assets may progressively be converted to natural gas supply, thereby contributing to an increase in the natural gas penetration rate and system demand.

SINCE REDEXIS' BUSINESS IS REGULATED, ITS PREDICTABILITY PROVIDES A SOLID BASIS TO GROW AND INNOVATE

EVOLUTION OF THE REGULATORY SYSTEM APPLICABLE TO THE TRANSMISSION AND DISTRIBUTION OF NATURAL GAS IN SPAIN

1998: Act 34/1998, of 7 October, on the Hydrocarbon Sector (LSH), entailed a fundamental change in the gas market model in Spain, developing the framework necessary for the promotion of competition between agents, and the separation of the different activities that make up the business. It includes a remuneration regime both for the transmission and the distribution of gas.

2001: 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.

2012: Royal Decree-act 13/2012, which transposes the Directives on matters of the electricity and gas internal market, advancing in the separation of the agents' functions, in particular, the ones of the network manager. Among the changes introduced is the requirement of effective separation of any transmission activity.

2014: Act 18/2014 deals with a reform of the general scheme of the system's revenues and costs based on ensuring economic balance (Principle of economic and financial sustainability of the gas system). In the case of the transmission activity, the basis is to make variable the remuneration of the developers of such assets, so that it more accurately and easily adjusts to the level of use of the infrastructures. Regarding the distribution activity, the remuneration base of agents are reduced to contain the sector's costs, and the parametric formula is maintained, changing only some of its parameters, incentivising to a greater extent the expansion of gas to new municipalities.

2015: Act 8/2015 enacts the reform of the LSH and RD 984/2015, of 30 October, providing a new remuneration regime for gas pipelines with a local influence and develops the regulated market for gas.

RDL 1/2019: It carries out a reform of the framework applicable to the tasks applicable to the gas system, allocating tasks in favour of the CNMC with regards to setting methodologies to determine tolls and the remuneration to regulated activities.

Order 9/2019: It sets a new remuneration methodology for the transmission of natural gas and of liquefied natural gas plants, effective from 2021.

Order 4/2020: It sets a new remuneration methodology for the distribution of natural gas, effective from 2021.

REMUNERATION FRAMEWORK FOR REGULATED ACTIVITIES

DISTRIBUTION

- The remuneration regime for the natural gas distribution activity is based on a parametric formula linked to the growth in connection points and volume of energy distributed, so that it rewards efficiency in the incorporation of consumers.
- Additionally, the entry into new municipalities without gas service is incentivised by an additional remuneration intended to expand the natural gas networks in the national territory.

TRANSMISSION

- The remuneration regime of the transmission activity is based on a remuneration model according to assets built, and includes a part to remunerate the investment, another one to remunerate the operation and maintenance, and a new item that varies according to global demand.
- Starting from the fact that they are capital-intensive activities, the new modifications have allowed a better adjustment of the costs to the sector's revenues.

LIQUEFIED PETROLEUM GAS (LPG)

- The LPG business for distributing companies is constrained by the regulation, insofar as the purchase price of the raw material from the wholesaler, as well as the sale price to the final consumer, are both regulated.

NATURAL GAS IS GOING TO HAVE A CRUCIAL ROLE IN GLOBAL ENERGY TRANSITION SINCE IT IS A CLEANER SOURCE OF ENERGY AND FOR THE INCREASING INJECTION OF RENEWABLE GAS IN ITS INFRASTRUCTURE

Business **performance and results**

Redexis carries natural gas from the points of delivery of the backbone or primary network in Spain to consumption points, households or industries. This activity has a great importance in the improvement of competitiveness, since it ensures the continuity of gas supply, allows the introduction of technologies that improve its energy use and create direct and indirect jobs.

CHAIN VALUE IN THE GAS SECTOR

PRODUCER OR IMPORTER	Carries out the exploration, research and exploitation of hydrocarbon deposits.	LIBERALISED ACTIVITIES
REGASIFICATION PLANT	Owner of regasification plants transforming liquefied natural gas shipped and introduced in the system.	REGULATED ACTIVITIES
UNDERGROUND STORAGE	Owner of natural gas storage facilities in the gas form.	REGULATED ACTIVITIES
TRANSMISSION	Owner of the natural gas transmission infrastructure for main networks with a pressure level higher than 60 bar and backbone networks with a pressure level between 60 and 16 bar.	REGULATED ACTIVITIES
DISTRIBUTION	Owner of the natural gas distribution infrastructure connecting the transmission system with connection points. Its facilities work at a maximum pressure equal or lower to 16 bar.	REGULATED ACTIVITIES
RETAILER	Purchases natural gas to producers to subsequently sell it to consumers. It uses the Spanish gas system to take gas to consumption points.	LIBERALISED ACTIVITIES

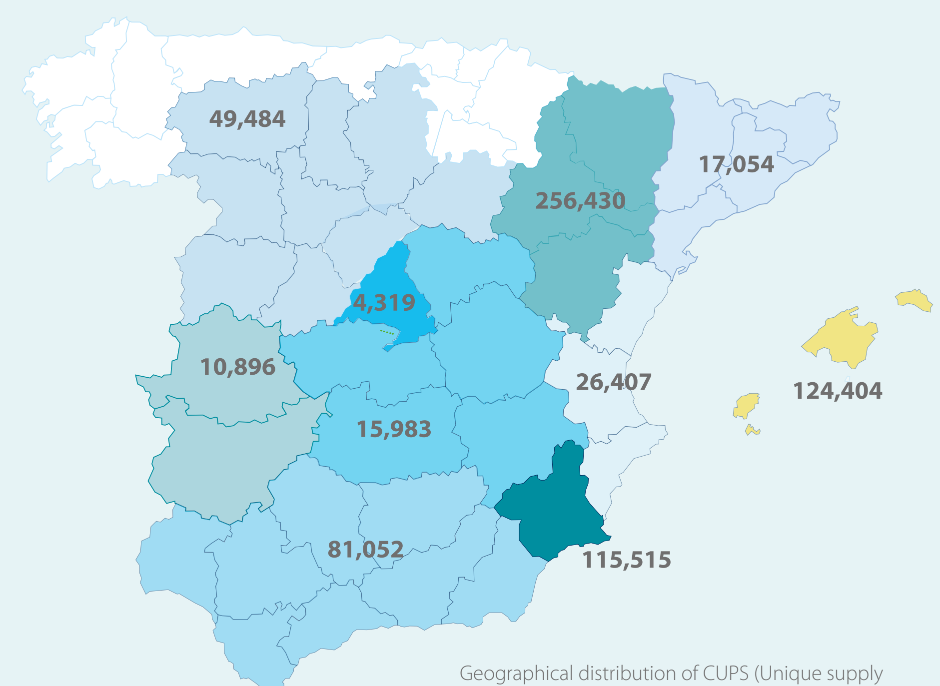
OPERATIONAL DIMENSION

Operational data	Unit	2018	2019
NG (P<4b)	#	595,067	618,183
NG (P>4b)	#	286	310
LPG	#	85,159	96,188[1]
Connection points	#	680,512	714,681
Provinces served	#	27	29
Municipalities in service	#	500	530
Length of the network (km)	Km	10,498	11,140
Length of the distribution network (km)	Km	8,855	9,498
Length of the transmission network (km)	Km	1,643	1,643
Energy distributed	GWh	34,065	35,642
No. of gas pipelines	#	51	51

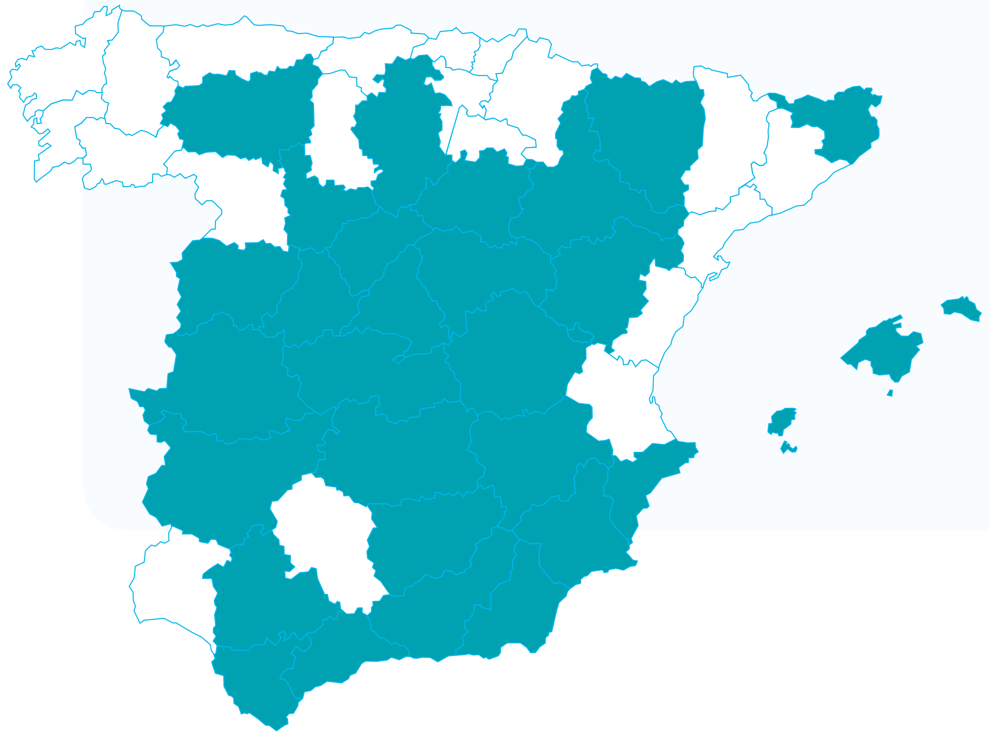
[1] The detail of LPG connection points includes 11,366 connection points acquired from Cepsa.

REDEXIS HAS EXTENDED THE LENGTH OF GAS NETWORK BY 642 KILOMETRES IN 2019, REACHING 11,140 KILOMETRES IN TOTAL

IN 2019 REDEXIS HAS INCREASED ITS **CONNECTION POINTS** BY 5%



Geographical distribution of CUPS (Unique supply point meter code) under Redexis agreements.



Regions where Redexis operates

TOTAL MUNICIPALITIES
IN SERVICE **OF REDEXIS IN 2019**

Andalucía	**71**
Aragón	**216**
Islas Baleares	**37**
Castilla y León	**76**
Castilla-La Mancha	**35**
Comunidad Valenciana	**37**
Murcia	**37**
Extremadura	**3**
Madrid	**4**
Cataluña	**14**

TRANSMISSION

Redexis builds, operates and maintains its own transmission network, which facilitates access to natural gas for millions of people. Such network consists of high pressure gas pipelines that brings natural gas from the primary network to industrial Centers, power stations or distribution networks in accordance with current legislation and regulations.

With gas transmission as a regulated activity several benefits are achieved such as exhaustive control, which results in greater safety and certainty that is going to benefit the society.

Moreover, it obtains a greater quality service, since it guarantees certain investment and controls so that there are not cuts in supply. Therefore, all resources are placed ub the hands of risk control, safety and quality of the network.

DISTRIBUTION

Redexis is also present in the distribution phase, the last stage of the process that culminates with the arrival of the gas at places of consumption, homes or industries. The Company builds, operates and maintains the necessary facilities to supply natural gas and allows access by third parties. This activity is regulated.

Gas pipelines used in the transmission stages connect all distributions networks, which have a lower diameters and can handle different pressures. Distribution networks may also be connected to a LNG plant.

THE MAIN FUNCTIONS IN THIS PHASE ARE:

MANAGE
effectively and efficiently its regulated distribution assets.

DISTRIBUTE
gas to the end user and guarantee an excellent quality service.

INCENTIVISE
the use of natural gas accentuates its benefits compared to other most costly and polluting energies.

Regions with natural gas	Connection points		Distribution network (km)		Municipalities in service		Transmission network (km)	
	2018	2019	2018	2019	2018	2019	2018	2019
Andalucía	60,342	68,275	1,315	1,496	52	54	294	294
Aragón	234,299	239,621	1,900	1,942	70	71	559	559
Islas Baleares	109,504	112,593	1,217	1,294	17	17	181	181
Castilla y León	40,768	42,816	691	715	45	48	358	358
Castilla-La Mancha	8,868	9,746	177	203	14	15	83	83
Comunidad Valenciana	17,104	18,169	365	416	17	17	103	103
Murcia	100,081	101,940	1,907	1,977	28	31	65	65
Extremadura	8,010	8,664	166	178	1	2	0	0
Madrid	660	921	29	38	2	2	0	0
Cataluña	15,717	15,748	142	142	4	4	0	0
Total	**595,353**	**618,493**	**7,908**	**8,402**	**250**	**261**	**1,643**	**1,643**

Redexis offers a serie of REGULATED SERVICES directly related to gas distribution to end users:

1. RENTS RECEIVING FACILITIES in the communities and measurement equipment.

2. TAKES READINGS OF HOUSEHOLD METERS in areas where the facilities are to measures the gas consumption of the user.

3. GUARANTEES THE EFFICIENCY AND SAFETY in the use in as receiving facilities through periodic inspections.

4. IT PROVIDES A SERVICE FOR NETWORK EMERGENCIES and reception facilities, ensuring the safety of facilities.

LIQUEFIED PETROLEUM GAS (LPG)

LPG is a by-product of oil refining. It is extracted and transmitted to be stored until it is sent by road to channelled LPG distribution satellite plants. This is made through medium and low pressure networks up to the connection points.

Within the framework of its piped gas distribution activity, Redexis also engages in the distribution and marketing of piped liquefied petroleum gas (piped LPG), a regulated activity subject to the regime provided for in Title IV of Act 34/1998, on the hydrocarbon sector.

LPG supply bears certain similarities with that of natural gas, and from a regulatory perspective it is a sector in which the same administrations and regulatory entities (CNMC, MITECO and Autonomous Communities) intervene, although their remuneration scheme is different.

Redexis offers an alternative and complementary solution by means of the development of LPG distribution facilities for the channelled transmission of this fuel to the end client.

IN 2019 REDEXIS HAS INCREASED THE NUMBER OF MUNICIPALITIES RECEIVING DISTRIBUTION, THE NUMBER OF CONNECTION POINTS AND THE LENGTH OF THE LPG DISTRIBUTION NETWORKS

LPG PROCESS

With the aim of expanding the Company's liquefied petroleum gas, a new public bid offer for LPG facilities saturation and a retail online channel, and an added value phone sales services have been launched and marketing material for supporting sales has been developed. In addition, a specific campaign to launch new turnkey price catalogues has been carried out to attract new connection points and build new facilities.

GROWTH OF REDEXIS LPG BUSINESS IN 2019:

- Increase in **CONTRACTING** by **50%**
- Increase in **NEW CLIENTS CONNECTED** to our networks by **20%**
- Contracting of more than **3,500** added value **SERVICES**

LPG	Connection points		Distribution network (km)		Municipalities in service	
Regions	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
Andalucía	13,096	13,041	138	157	56	55
Aragón	17,066	15,688	214	249	195	199
Islas Baleares	12,771	11,957	34	36	37	37
Castilla y León	6,875	6,815	91	93	61	63
Castilla-La Mancha	6,298	6,432	79	85	33	33
Comunidad Valenciana	8,247	8,805	97	124	18	30
Murcia	13,868	14,242	236	251	28	28
Extremadura	2,266	2,263	12	12	3	3
Madrid	3,403	3,395	37	37	4	4
Cataluña	1,269	2.184	9	53	2	12
Total	**85,159**	**84,822**	**947**	**1,096**	**437**	**464**

Note: The detail of LPG connection points does not include 11,366 connection points acquired from Cepsa.

At operating level, in 2019 the Company has started redesigning preventive maintenance for different types of LPG facilities owned by Redexis to adequate them more to each type of facility and their needs

Also, improvement actions on the existing infrastructures are carried out with the aim of improving and make their operation more efficient. Some examples are the launch of a self-consumption improvement plan for LPG, carrying out the first actions in 2019: execution of corrective actions on a significant volume of storage Centers, aimed at improving their condition and ensuring their correct operation, and the installation of new remote metering equipment in many deposits, for having a better control and safety level of stock in the deposits.

Moreover, in order to give coverage to new areas, operation bases in new provinces have been established and collaboration agreements have been signed with new maintenance companies.

Redexis, through Orange, has added a comprehensive solution of the Internet of Things (IoT) to monitor and supervise in real time LPG distribution facilities. This will allow to improve field operations, alert of potential inefficiencies and anticipate fuel demand, increasing quality of service and safety of supply.

OTHER NON-REGULATED ACTIVITIES

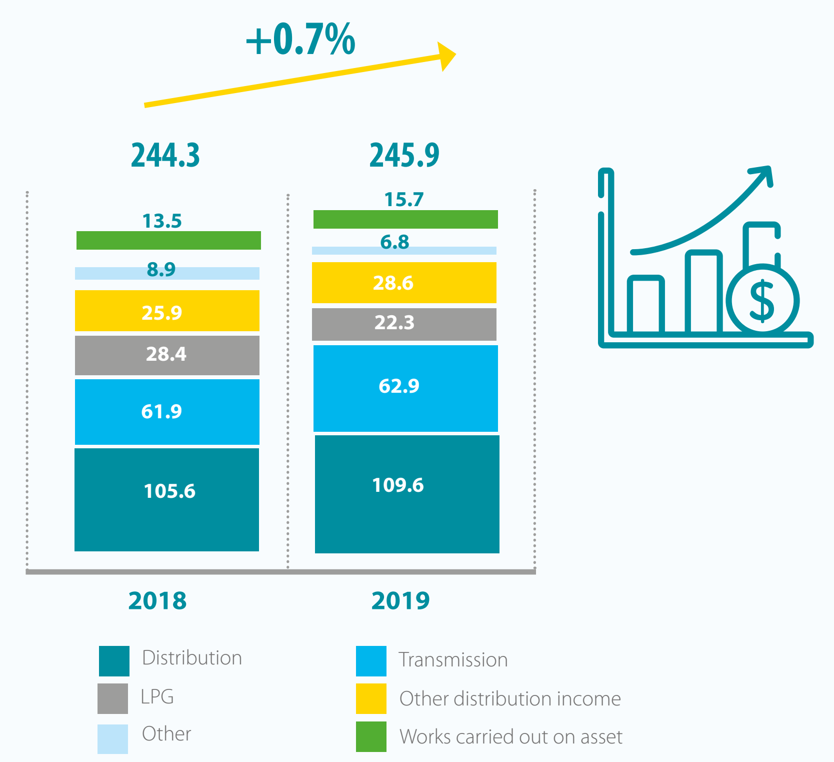
- **RENTAL OF THE COMMON RECEIVING FACILITY (CRF):** to carry the gas from the gas connection to the Individual Receiving Facilities.
- **OTHER DISTRIBUTION SERVICES:** Connection and reconnection, change of gas meters, verification of installations, etc.
- **ADDED VALUE SERVICES:** preventive maintenance, meter reading, breakdown notification services and corrective maintenance work on your clients' gas and thermal installations.

ECONOMIC AND FINANCIAL DIMENSION

Financial data	2018	2019
Figures in millions of Euros, except where indicated		
Revenue	**244.3**	**245.9**
Distribution - regulated	105.6	109.6
Other distribution revenues - regulated	25.9	28.6
Transmission - regulated	61.9	62.9
LPG regulated business	28.4	22.3
Other operating income	8.9	6.8
Group works for non-current assets	13.5	15.7
Gross operating profit	**169.4**	**172.3**
Margin	69.3%	70.1%
Margin (excluding the dilutive effect of the LPG Margin)	75.6%	75.1%
Capex	**138.4**	**151.1**
Profit for the year	**29.9**	**37.6**

REVENUES

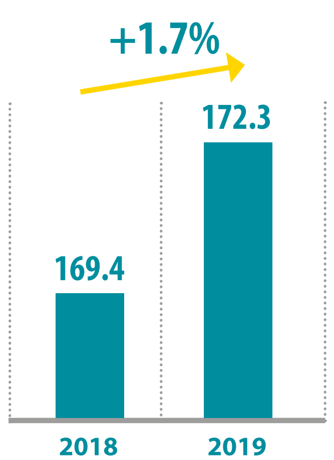
Redexis' revenues come mainly from the remuneration received from the gas system for the development of natural gas and PLG transmission and distribution activities, which allow the Group to recover the investment made, obtain profitability and incentivise an efficient management. In 2019 Redexis' revenue increased by 0.7% compared to the previous year.



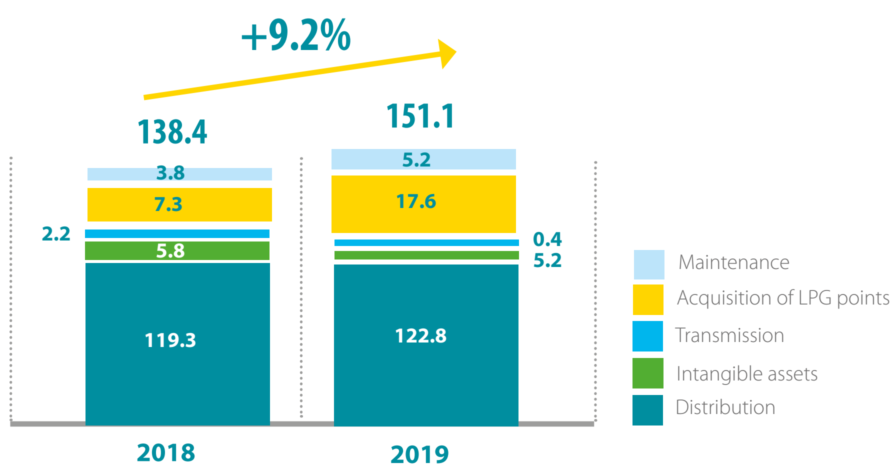
GROSS OPERATING PROFIT

Investments in innovation and digitisation in the company made throughout 2019 allowed savings in the company's business activities, as evidenced by the positive operating profit.

OPERATING INCOME
(in € million)



CAPEX
(in € million)



DEBT STRUCTURE

Redexis financial policy is based on ensuring a solid financial position that allows to maintain an investment grade credit rating. This is endorsed by the shareholders themselves. Thus, Redexis carries out a proactive debt management having flexible diversified financing sources with long-term maturity periods.

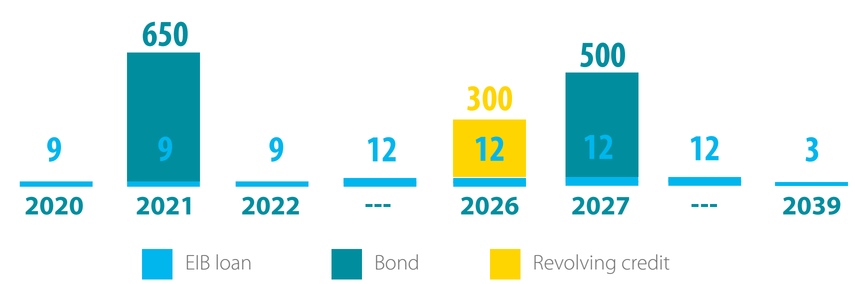
In 2019, the credit rating agency S&P has ratified Redexis' rating of BBB- with a stable perspective. The last review took place in February 2020.

Redexis has proved its capacity to access credit in different markets. Both bond and loans granted by the European Investment Bank have allowed Redexis to extend its gas networks throughout Spain. In 2019 Redexis turned its revolving syndicated credit into sustainable financing, reinforcing their commitment to the environment, social responsibility and good governance.

Facility	Rate	Amount	Maturity
EIB Loan	Fixed	€160 million	2036
	Fixed	€50 million	2039
	Fixed	€75 million	2040
Bonds	Fixed	€650 million	2021
	Fixed	€500 million	2027
Sustainable revolving credit	Floating	€300 million	2024/2026

REDEXIS DEBT STRUCTURE IS FEATURED BY ITS FLEXIBILITY AND LONG-TERM MATURITY, SUPPORTING THE VALUE CREATION STRATEGY

MATURING PROFILES (in million Euros)



Note: EIB loan of €75 million drawn on February 2020 is not included.

In May 2020, Redexis completed the transaction whereby it has refinanced in advance the bond maturing in 2021. In the same transaction Redexis has issued a bond amounting to € 500 million maturing in May 2025 and been granted a new sustainable loan of € 150 million maturing in 2023.

In May 2020, S&P reafirmed the BBB- rating for Redexis, with stable outlook.

Redexis Commitment

Redexis is a member of the Spanish Network of the United Nations Global Compact and is committed to supporting, through its activities, the consolidation of this international project, contributing to the achievement of the Sustainable Development Goals (SDG), which constitute the 2030 Agenda.

It actively participates in the process of AUDITING BEST PRACTICES in ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE matters carried out by GRESB B.V.

SOCIAL

- It has defined an Equality and Reconciliation Plan that reinforces equality and improves and provides flexibility to reconciliation of work and private life by employees.
- Incorporation of Fundación Redexis.
- Launch of Compliance Courses through the platform Campus Redexis.
- Support to the Campaign against Breast Cancer and to other social association such as Action Against Hunger and the Food Bank.
- Execution of an agreement for the development of the plan to Renew Boiler Rooms in Comunidad de Madrid.
- Development of sustainable actions in the municipalities where it operates, involving citizens themselves through informative and interactive activities that encourage sustainable and environmentally friendly behaviour, such as photovoltaic solar energy pilot projects.
- Contribution to the development of local communities by launching energy efficiency campaigns and promoting natural gas.
- Drafting of a Psychosocial and Well-being Action Plan.

CORPORATE GOVERNANCE

- It has an internal Code of Conduct that ensures regulatory compliance.
- It has a rule (GOV RULE 02) for communicating reportedly irregular, with an internal whistle blowing channel that allows any employee or person related to the Company to bring any potentially irregular conduct to the attention of Management. It has also developed an external complaint channel that can be accessed through its website (www.redexisgas.es).
- The protocol on prevention and action against harassment, the general policy on personal data protection and the rule on corporate communication have been approved.
- The Company approved the rule (GOV RULE 07) on meetings with public bodies and authorities.
- It has carried out a materiality analysis that has allowed it to identify its stakeholders and their specific interests and needs.
- It has a Purchasing Policy that encourages competition and the search for added value.
- Obtaining the standards ISO 45001:2018, on Occupational Health and Safety Management Systems.
- Launch of Compliance Courses through the Redexis Campus.

ENVIRONMENT

- It has an Integrated Policy approved by senior management, which emphasizes environmental excellence, energy management and efficiency, safety and continuous improvement of working conditions and health protection, providing the frame of reference for establishing and reviewing the objectives that the company aims to achieve.
- The Carbon Footprint has been registered before the Ministry for Ecological Transition (MITECO).
- It has boost renewable gas with projects fostering hydrogen and methane.
- It has made the transition to the new ISO 14001:2015, environmental management systems, further strengthening the commitment of all senior management to their stakeholders.
- It has implemented the ISO 50001:2011 energy management standard which guarantees the existence of a system optimised for the correct use of energy.
- Driving the development of refuelling stations for natural gas vehicles (NGV), promoting its demand as an alternative fuel in transport, executing agreements with manufacturers such as Seat and Fiat and pioneering hydrocarbon companies like Cepsa.
- It puts innovation at the service of sustainability by relying on projects that pro- mote the development of clean and renewable energies such as hydrogen.
- Redexis took part in the COP25 in different round tables Renewable gas, vector of transformation and future and 'Gas, biomethane and hydrogen solutions for sustainable mobility'.
- It has integrated a fuel battery in a metering regulation station (ERM) in one of its gas pipelines in Zaragoza.
- Redexis actively takes part in the project Power to Green Hydrogen Mallorca, whose goal was the roll-out and integration of a renewable hydrogen ecosystem fully in the island.

STAKEHOLDERS

USERS AND CLIENTS

Redexis, as an energy distributor, is in charge of physically carrying the gas to households, shops or industries, and is responsible for ensuring that all the necessary infrastructure is in perfect condition and is responsible for the guarantee and quality of supply.

CLIENT SERVICE MODEL

- Client Service, telephone number through which users may place all their queries and suggestion, if appropriate.
- Emergency Client Service (ECS) through which Redexis specialists classify actions according to the risk or severity of the situation and indicate how to act.
- Website: www.redexisgas.es
- App 'Yo leo gas' (I read gas).
- Readings web.
- Falcon Portal for LPG.

PEOPLE AND TALENT

In 2019 several strategies focused on employees such as the "Redexis Commitment" plan, the launch of Compliance Courses through the platform Redexis Campus and the opening of a pension plan for employees have been carried out.

Key figures	2018	2019
Number of employees (average workforce)	330	368
No. of employees (at 31 December)	336	384
% men/women	72/28	73/27
Average age of employees	43	44
Average seniority (years)	10	9.1
Employees permanent contract (%)	99	95.8
Employees temporary contract (%)	3	15
Total turnover rate (%)	5.5	12.5
Absenteeism rate (average)	1.7	1.1
Training hours per employee	13	18
Investment in training (€)	92,400	196,000

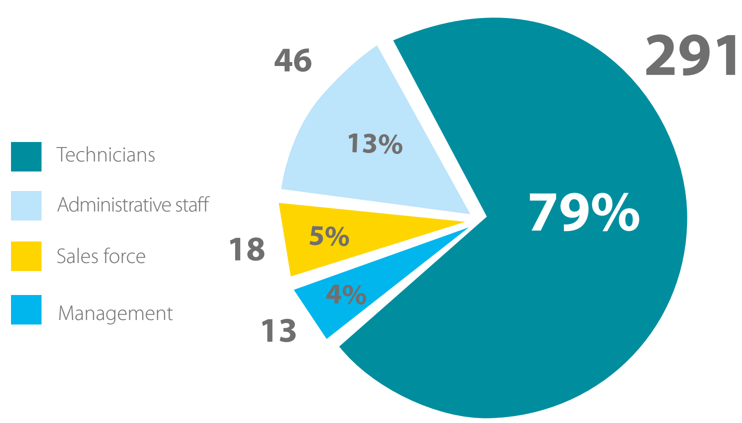
IN 2019, INVESTMENT IN TRAINING FOR EMPLOYEES HAS INCREASED BY 112% COMPARED TO THE PREVIOUS YEAR

Personnel breakdown by gender	2018	2019
Men	243	279
Women	93	105
Total	**336**	**384**

Personnel breakdown by age group	2018	2019
< 30 years old	22	25
30-40 years old	110	90
41-50 years old	153	183
>50 years old	51	86
Total	**336**	**384**

Personnel breakdown by geographical area	2018	2019
Aragón	92	98
Islas Baleares	34	42
Madrid	91	102
Andalucía	48	59
Centro	31	35
Murcia	27	35
Levante	13	13
Total	**336**	**384**

NUMBER OF EMPLOYEES BY **CATEGORY**



PEOPLE MANAGEMENT

Redexis COMMITMENTS are:

- Development a global framework where equal opportunities and diversity are promoted.
- Safeguarding that selection and contracting processes are objective and non-biased, exclusively following merit and capabilities criteria.
- Promote contracting through stable agreements whenever it is possible.
- Favouring access to young people to their first job through scholarships and other agreements. In 2019 a total of 42 university students completed their education in a professional environment in different working centers of the Company.
- Promote the contracting of under-represented groups in different Company areas.

REDEXIS WORKS HARD TO ENSURE STABLE AND SAFE

In 2019 training on corporate governance aimed at all Redexis employees has been done, such as the Course on the Code of Conduct and the Course on the communication procedure of events reportedly irregular. 90.8% of the personnel completed these courses.

LABOUR RELATIONS

Internal rules are disseminated among the whole personnel and are available on the Company's Intranet.

In 2019, a series of internal rules have been approved. They develop the protocols set by the Code of Ethics, such as the Equality Plan or the GOV RULE 13 on Protocol on prevention and action against harassment. Moreover, GOV RULE 02 on Reporting of events that are reportedly irregular has been approved.

HEALTH AND SAFETY

<7.2	<0.24	<15	0
Combined accident frequency rate	Combined severity rate	Number of hazards with sick leave	Number of fatal hazards

Redexis knows on-going supervision of work-Centers and facilities is crucial for maintaining health and safety at work.

The main strategies the Company in terms of Health and Safety through 2019 have been based on driving leadership and promoting awareness regarding health and safety at work, promoting well-being and healthy lifestyles, always bearing in mind the health conditions of workers, guaranteeing training for employees on this matter, and ensuring general information for employees through their representatives, as well as direct information on specific risks affecting their job positions of tasks and the application and prevention measures applicable to those risks.

In 2019 the Company has implemented the Integrated Health and Safety, Environment and Energy Management System to cover the requirements of ISO 45001:2018, while proceeding and successfully completing the migration from OHSA:18001 to ISO 45001:2018. Moreover, it has successfully passed the Regulatory Inspection Audits on the facilities affected by RD840/2015 and the Safety Management System Test, related to the standard UNE 192001-5:2012.

GEMASST Leadership Committee has been implemented and Roles and Responsibility on the Integrated Management System have been prepared defining the tasks of each area in the company in terms of the management system.

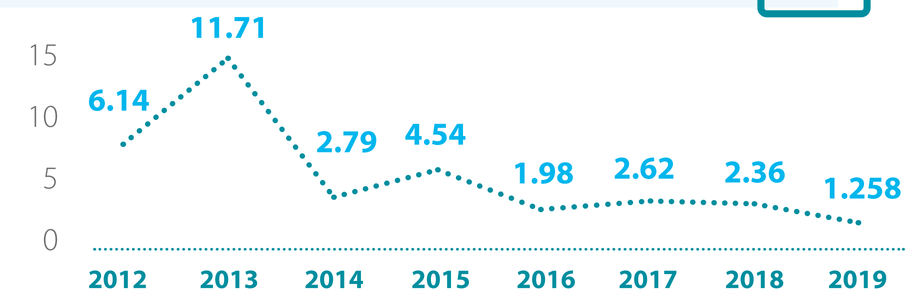
In 2019 there have been more health and safety inspections at work than in the previous year, while the number of drills has gone from 63 in 2018 to 76 in 2019.

More training in Health and Safety at the workplace has been carried out than in the previous year, going from 820 hours to 1,516, increasing the number of trained employees by 91% and training actions in 229%, going from 37 in 2018 to 122 in 2019.

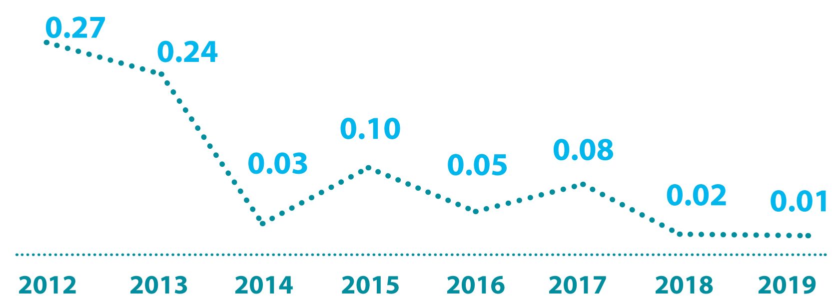
REDEXIS'STRATEGY IS PLANNED AND DEVELOPED WITH SAFETY, HEALTH AND WELL-BEING OF PEOPLE AS A CRITICAL ELEMENT OF THE UTMOST RELEVANCE FOR THE HEALTH, SAFETY AND WELL-BEING OF PEOPLE

THE TRAINING OF EACH EMPLOYEE IN PREVENTION AND SAFETY RELATED TO THEIR JOB IS THE BASIC TOOL TO ACHIEVE THE GOAL OF REDUCING TO ZERO THE NUMBER OF HAZARDS AT WORK

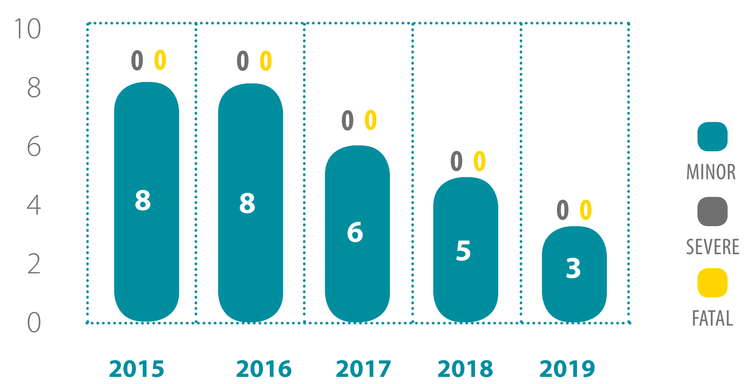
Accident frequency rate (own personnel and contractors)
IFC2019=1.26 (accidents with sick leave x10[6] / hours worked):



Accident frequency rate (own personnel and contractors)
IGC2019=0,01 (no of lost days x1000 / hours worked):



Breakdown of fatal, severe and light hazards
(own personnel and contractors):



British Standards Institution: **ISO 45001:2018**

This standards is currently the most prestigious one at international level in this area, adapting the system to the High Level Structure that now gather all new versions of ISO standards. ISO 45001 steps a significant step forward in terms of consultation and participation obligations of workers, so now they must be empowered and be involved in aspects such defining policies, goals, needs and expectations.

FINANCIAL COMMUNITY

The trust in the Company is based on the on-going search of fluid and close dialogue with the financial community: shareholders, investors, owners of debt, credit entities, rating agencies, analysts and other market agents.

INVESTORS RELATIONS DEPARTMENT

- The mission of the Investor Relations Department of Redexis is to establish an open dialogue with the financial community under certain principles of action in compliance with a policy of transparency.
- This department channels information of interest to shareholders and investors, in short, to the financial market, through its own corporate website.
- Support to the management equipment in decision-making processes is given and the different parties are kept up to date with the most relevant information on the Company and the sector, the competitive dynamics of the markets and the operational and financial evolution of the business.
- From this department depends the coordination with rating agencies, which analyse Redexis' strategy, business, solvency and evolution, assigning it a specific credit rating.

THE CONFIDENCE OF THE FINANCIAL COMMUNITY ALLOWS US TO HAVE THE NECESSARY RESOURCES TO DEVELOP PROJECTS

Agency	Corporate	Notes (Senior Unsecured Notes)	Perspective	Date of last publication
S&P	BBB-	BBB-	Stable	20 February 2020[1]

At the same time, all analysts and investors who deem it appropriate may visit the Redexis website (www.redexisgas.es) where they may subscribe to its distribution list or write to the investor's mailbox (investor.relations@redexis.es) to be informed of all significant news and developments of the Group.

COLLABORATORS AND SUPPLIERS

Within the objectives of its Integrated Policy, Redexis is committed to acquiring more energy-efficient products and services and requiring its contractors and suppliers to implement environmental, energy and health and safety policies based on these same principles, ensuring that contractors offer levels of employee protection equivalent to those provided by the company to its own employees and the protection of the environment, minimising the environmental impact and energy consumption of all activities carried out and participating in initiatives that contribute to the preservation of the environment.

The Company largely works with those local projects that include measures aimed at sustainability and environmental.

The Company has an external platform for both the homologation of suppliers and the monitoring of their documentation and certifications, which helps it in supplier contracting procedures. From the environmental perspective, in all bids DOC-14 regarding environmental, SST and energy responsibility of supplies is added.

Redexis carries out audits with the suppliers with a larger purchasing volume. The nonconformities detected during the same result in corrective actions that the supplier must implement on the agreed terms.

ESTABLISHING OBJECTIVE AND NON-BIASED MECHANISMS AND SELECTING SUPPLIERS IS ESSENTIAL FOR REDEXIS AND ITS COMMITMENT TO THE SOCIETY

[1] In May 2020, S&P reafirmed the BBB- rating with stable outlook of Redexis.

Suppliers	Unit	2018	2019
No of orders	#	50,550	52,645
No of centralised purchase orders	#	39,198	41,483
No of non-centralised purchase orders	#	11,352	11,162
Total purchasing amount	€	166,760,356	169,786,781
Amount of centralised purchases	€	156,018,580	158,767,377
Amount of non-centralised purchases	€	10,741,776	11.019.404
Percentage of centralised purchases	#	94%	94%
No of vendors <€6,000	#	516	525
No of vendors >€100,000 €	#	144	157
Vendor's amounts >100,000 €	€	154,977,045	158,499,911

IN 2019 THE NUMBER OF ORDERS HAS GONE UP TO 52,645, WHICH REPRESENTS AN INCREASE OF 4% COMPARED TO THE PREVIOUS YEAR

PUBLIC ADMINISTRATIONS AND REGULATORY BODIES

The management of the administrative processing of authorisations for the facilities and infrastructures in the gas sector and of all associated regulation is carried out by the Central and Autonomous Administrations, all of the above under the supervision of the Ministry for Ecological Transition (MITECO) and the National Commission for Markets and Competition (CNMC), whose purpose is to promote the good technical and economic functioning of the system, ensuring competition and consumer protection.

All Administrations have recently incorporated the concept of energy transition into their agendas, and Redexis plays a fundamental role. Its proactivity in the arrival to new municipalities, the intense deployment of its networks in those in which it is already present, and its research work in new projects (gas mobility, biomethane injection in network, NGV, etc.) are contributing to the substitution of other more polluting fuels, also improving air quality in rural and urban environments. Additionally, the fact that natural gas is an energy that is inexpensive for the consumer -whether domestic or industrial- makes it the solution that provides an ideal combination from the social and environmental perspective, which are precisely two of the fundamental pillars on which the actions of the Administrations are built.

All this growth has contributed to Redexis being considered as an agent of special relevance in all the industry's working groups and forums, among which are those promoted by the Spanish Gas Association (SEDIGAS), CNMC, Technical Manager of the System and MITECO itself.

THE IMPLEMENTATION OF REDEXIS IN THE WHOLE OF SPAIN CONTRIBUTES TO ITS IMAGE AS AN IMPORTANT AGENT IN THE SPANISH GAS SECTOR

In 2016 RULE GOV 7 related to Administration Public members was approved. It is developed within the Company's Code of Conduct.

COMMUNITY

The Company orientates all its efforts in sustainable development to work for the company, respecting the environments where it is present and collaborating with the local communities where it operates.

Redexis seeks transparent cooperation agreements, disseminating information about its activity and encouraging participation in projects and initiatives that promote the welfare and progress of the communities where it develops the same. Redexis also maintains a continuous dialogue with local institutions and communities, with the aim of identifying their needs and interests and collaborating jointly through sponsorship actions and collaborative actions in social, environmental, sports or cultural projects.

Recently, Fundación Redexis has been incorporated. This has been an essential factor in the Company's commitment with local communities and social needs. This non-profit organisation starts from the purpose of promoting the social work developed by Redexis. It will work in the educational, technological, environmental, cultural and sports areas, including many social initiatives already implemented in previous years, as well as other projects. More information can be found on the Company's Sustainability Report 2019.

Regarding the relationship that Redexis maintains with the media, it is characterised by being a close and solid relationship, maintaining at all times a collaborative dialogue with the same. During 2019, Redexis has increased its presence in the national and regional media thanks to a Strategic Communication Plan in which different actions have been carried out focused on the corporate, business and institutional levels.

FUNDACIÓN REDEXIS
REPRESENTS ANOTHER A STEP FORWARD IN THE COMMITMENT OF THE COMPANY WITH COMMUNITIES

Fundación Redexis

ENVIRONMENT

Redexis is a company strongly aware of the environment and works on a daily basis to attain actual sustainability in the performance of its business, in accordance with Sustainable Development Goals (SDGs), through training and awareness of all its employees and the implementation of policies directed at those areas. This commitment to the environment is formalized through its Integrated Policy approved by senior management, which puts the emphasis on environmental excellence, management and energy efficiency, providing the framework of reference to establish and review the objectives that the company aims to achieve.

PURPOSES for the ENVIRONMENT:

- Promotion of AWARENESS of environmental protection and use and consumption of energy
- INTEGRATION OF ENVIRONMENTAL MANAGEMENT, as well as of energy management and the concept of Sustainable Development in the Company's strategy
- PREVENT AND CONTROL POLLUTION caused by its activities
- MAINTAIN THE NATURAL ENVIRONMENT OF FACILITIES through the adoption of measures to protect fauna and flora species and their habitats
- RATIONALLY USE RESOURCES and minimise environmental impact

REDEXIS OFFERS SAFE INFRASTRUCTURES AND QUALITY SERVICES ADAPTED TO CLIMATE CHANGE AND THE PRESERVATION OF BIODIVERSITY, AIMING AT CREATING VALUE REDUCING ENVIRONMENTAL IMPACT

Redexis has incorporated all its principles and strategies to its Integrated Management System, adapting the standards of the environmental management standard ISO 14001:2015 e ISO 50001:2011, which verified the efficient and sustainable use of energy. In 2019, the monitoring of environmental and energy data has improved and carbon footprint has been calculated to reduce it as well as diffuse emissions through a new methodology.

Total consumption of energy in Redexis facilities in 2019 totalled 12,404,317 kWh, and associated emission of tCO_2 as 3,572.

Carbon Footprint ($t\ CO_2e$)	2018	2019
Offices	136.40	89.18
LNG plants	136.40	474.98
LPG plants		385.75
Transmission positions	2,686.50	2,385.29
Vehicle fleet	241.86	237.29
Diffuse emissions	30,820.60	29,305.06
Total	**34,424.76**	**32,877.55**

TOTAL ENERGY CONSUMPTION (kWh)

NG, LPG, DIESEL, PETROL, ELECTRICITY		2018 Base	2019	2019 vs 2018
Total energy consumed	kWh (excluding LPG in 2018)	15,460,744	17,404,317	
	m Tx, Dx and LPG networks (excluding LPG in 2018)	9,551,000	10,818,593	
	Ratio	1.62	1.61	-0.6%
Tx positions	kWh consumed	11,657,737	11,860,860	1.7%
LPG plants	kWh consumed	0	1,702,691	
LNG plants	kWh consumed	2,325,658	2,372,676	2.0%
Vehicles	kWh consumed	983,433	973,503	-1.0%
Offices	kWh consumed	493,916	494,587	0.1%

PROMOTING SUSTAINABLE MOBILITY

The use of already existing infrastructure facilitates the growth of NGV, since it is an important logistic advantage. Other benefits are the reduction of emissions both of gas and particles such as noise, reducing costs compared to other types of energy or fuels and the possibility of driving through city areas restricted to other more polluting types of cars.

Redexis and Cepsa executed in 2019 an agreement to drive Natural Gas Vehicles (NGV) and expand it throughout Spain, with the aim of creating the largest gas stations network in Spain. In the first quarter of 2020 the first gas station within this agreement was opened in Puerto Lumbreras (Murcia).

NATURAL GAS VEHICLES (NGV) PRESENTS ITSELF AS A CLEANER, COST-EFFECTIVE AND SUSTAINABLE MOBILITY ALTERNATIVE

NGV IS A MORE EFFICIENT AND SUSTAINABLE ENERGY SOURCE THAT REDUCES AIR EMISSIONS, LIMITS NOISE POLLUTION, ELIMINATES WASTE IN THE FORM OF PARTICLES AND IS MORE ECONOMICALLY COMPETITIVE FOR THE CONSUMER

In 2019 19 natural gas stations were opened in Spain, of which 8 are CNG, 5 LNG and 6 combine both types.

NGV
Natural Gas Vehicles

GNC (Compressed Natural Gas) — **Light vehicles**

LNG (Liquefied Natural Gas) — **Heavy vehicles**

It started early in 2019 by building the first gas station located in Zaragoza, in the Taxi Coop (Cooperativa del Taxi). It was opened at the end of the first half of 2019. This will be followed by the Coar's gas station in Alcorcón (Madrid) and in Puerto Lumbreras, the first for which Redexis and Cepsa entered into an agreement to develop the largest gas stations network in Spain.

In Spain, the local fleet in charge of collecting waste and cleaning in Palma de Mallorca (Emaya) uses NGV through Redexis, as do Valoriza Servicios Medioambientales in Ibiza, local urban buses in Palma (Empresa Municipal de Transportes - EMT), urban buses in Figueras and the company dedicated to cleaning collection fleet in Puerto de Santa María. Plus, there are other gas stations connected to the Redexis network in Spain, like in Murcia.

Moreover, several agreements for the sale of CNG vehicles and NGV replenishment infrastructures have been executed with manufacturers such as Seat and Fiat. Other promotion agreements to transform NGV with transformers have been executed with EVARM, ECOTRUCK and Gas&Go Trucks. Redexis has contacted transport companies to reach agreements to develop infrastructures in exchange for NGV, which has been the case of FEBT in Majorca.

NGV future perspectives are focused on two aspects: on the one hand, the implementation of gas stations throughout Spain to promote these vehicles and reach all geographical areas nationwide, and, on the other hand, present itself as an actual long distance transport alternative compared to other types of fuels which are more polluting.

The Company expects to have more than 100 gas stations nationwide in the following two years and install another 80 for 2023.

ACCESS TO FLEETS

In 2019 Redexis has connected gas service stations ("gasineras") to its networks, facilitating access to that energyto fleets such as the Zaragoza Taxi Cooperative, infrastructure that can be used by taxis and by private vehicles.

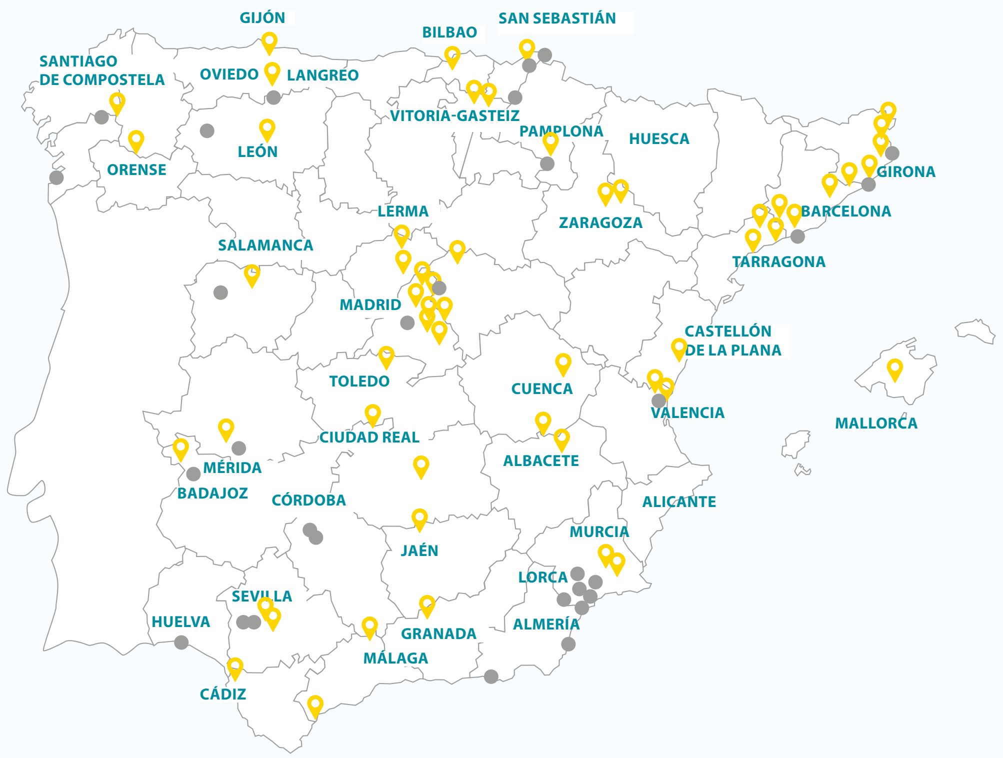
AGREEMENTS WITH MANUFACTURERS

Likewise, it has entered into agreements with manufacturers such as Seat and Fiat to promote the sale of vehicles powered by natural gas and refueling infrastructures.

TRADE AGREEMENTS

It has entered into an agreement with Cepsa to develop refueling stations for vehicular natural gas throughout the country.

MAP OF **CNG STATIONS** IN SPAIN



Source: Gasnam

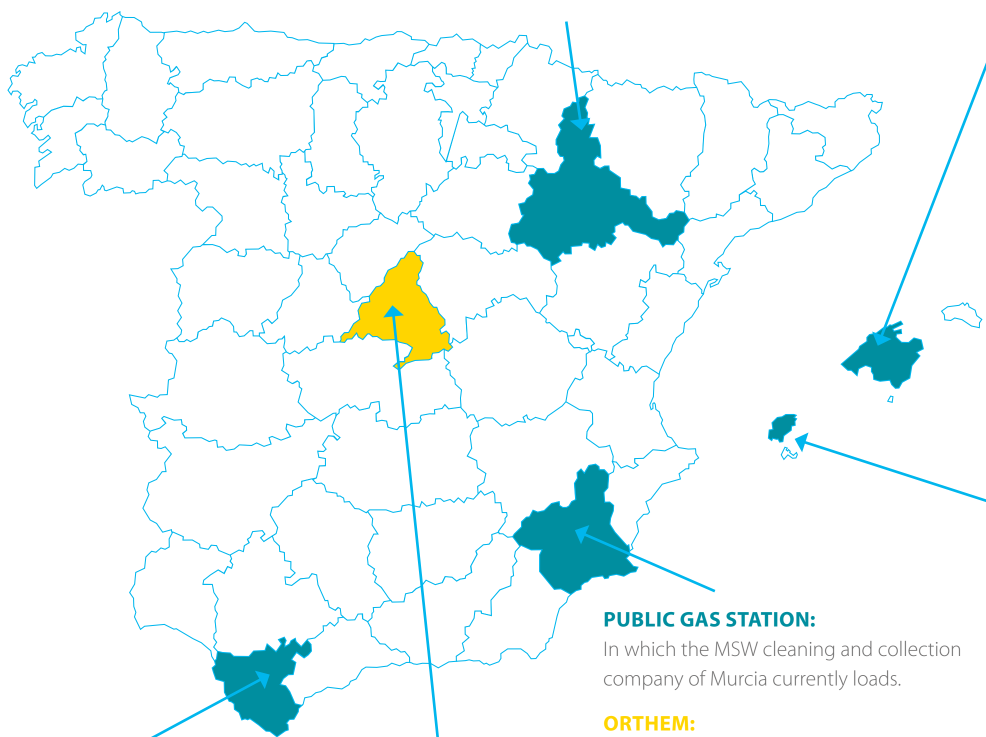
MAP OF **LNG STATIONS** IN SPAIN

Source: Gasnam

OPERATIONAL PROJECTS BY REDEXIS

ENDESA COOPERATIVA DEL TAXI DE ZARAGOZA: has a fleet of about 15 CNG vehicles.

COOPERATIVA DEL TAXI DE ZARAGOZA



MURO TURIST TRAIN Station for loading the tourist train to Playa de Muro.

GALLETAS QUELY: It has five CNG vehicles and has a short-term estimate of seven additional.

EMAYA (MSW cleaning and collection company in Palma de Mallorca): currently has a fleet of 63 CNG vehicles.

EMT PALMA DE MALLORCA: 12 CNG buses in service and incorporation of 100 new vehicles in 2018.

VALORIZA (RSU cleaning and collection company in Ibiza): has a fleet of 25 CNG vehicles.

PUBLIC GAS STATION: In which the MSW cleaning and collection company of Murcia currently loads.

ORTHEM: Group of seven gas stations that serve the Murcia ambulance fleet.

PUERTO LUMBRERAS: Gas station of the Cepsa agreement.

FCC (MSW cleaning and collection company in the Port of Santa María:) has a fleet of approximately 17 CNG vehicles.

COAR (ALCORCÓN)

Gas stations which use the Redexis distribution network

Gas stations managed by Redexis

RENEWABLE GASES

Renewable gases are a key factor in energy transition due to their ability to reduce greenhouse gas emissions in sectors where electrification is not possible, as well as in mobility. Biogas is likewise important for circular economy through the use of waste and hydrogen by the union of the electricity and the gas sector, thus allowing greater penetration of renewable electrical energy, as the surplus of wind and photovoltaic production can be stored as hydrogen.

ADVANTAGES OF THE RENEWABLE GASES

CIRCULAR ECONOMY

ENERGY USE

LESS EMISSIONS

WASTE REDUCTION AND REUSE

HYDROGEN

Redexis is promoting the use of green hydrogen, a totally sustainable energy that can be injected into the natural gas transmission and distribution networks. Using hydrogen would significantly reduce greenhouse gas emissions and achieve the European Union's decarbonization goal.

In 2019, the company approved an investment of €60 million for the 2019-2025 periods to promote national initiatives related to this energy vector, aimed at promoting an emblematic initiative addressing the use of hydrogen and its injection into natural gas networks.

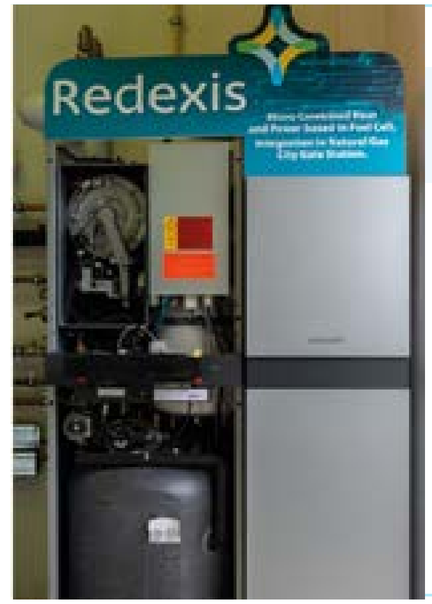
Hydrogen is a cross-sectional vector that will benefit sectors such as mobility or industry. It minimizes the surplus produced by the peaks of renewable energies, since it is capable of storing electricity. It is emission-free, making it completely environmentally friendly and in compliance with the objectives of the European Commission, which considers the development of hydrogen essential to achieve a low-carbon economy.

REDEXIS IS PROMOTING INITIATIVES LINKED TO THE USE OF HYDROGEN AS A REAL AND EFFECTIVE SOLUTION, AVAILABLE AND WITHIN THE REACH OF THE SOCIETY

Redexis is taking part in the *HIGGS* project to test different hydrogen mixtures in the natural gas network and is co-investor in the *Power to Green Hydrogen Mallorca* together with Enagás, Acciona and Cemex to build a 10 MW hydrogen production plant, with an estimated hydrogen production capacity of 350,000 kilograms per year.

REDEXIS IS PATRON OF FUNDACIÓN DEL HIDRÓGENO DE ARAGÓN, A NATIONAL AND INTERNATIONAL BENCHMARK ENTITY IN PROMOTING THE USES OF GREEN HYDROGEN

PRODUCING HYDROGEN FROM RENEWABLE ELECTRICAL ENERGY AND INJECTING HYDROGEN INTO EXISTING NETWORKS MIXED WITH NATURAL GAS WOULD HELP REDUCE GREENHOUSE GAS EMISSIONS



HOW DOES A FUEL CELL WORK?

By means of a previous reformer, hydrogen is obtained from natural gas. This hydrogen reacts with oxygen in the air, producing electricity, useful heat and water.

In this way, electricity and thermal energy are obtained from hydrogen of renewable origin (or failing natural gas).

THE USE OF HYDROGEN AND MOBILE FUEL CELLS IS KEY TO COMPLETE DECARBONISATION OF TRANSPORT

Redexis is developing a project to integrate a fuel cell into a metering regulation station in one of its Zaragoza gas pipelines to supply electricity and heat; this is the first of this type of integration to be carried out in Spain. This project aims at testing this technology and its application for domestic or tertiary uses, generating high efficiency and studying its feasibility to be generally implemented in gas transmission and distribution networks, in order to reduce the environmental impact and carbon footprint in Redexis activities.

- **JANUARY:** Renewal of Redexis' collaboration with the Hydrogen Association, of which the Company is a member, whose goal is to develop hydrogen technologies as a real alternative and promote the use and knowledge thereof.
- **MARCH:** Redexis and the Foundation for the Development of New Hydrogen Technologies in Aragón entered into a collaboration agreement regarding hydrogen. This foundation is responsible for supporting the development of short, medium and long-term strategic projects regarding hydrogen and fuel cell technologies.
- **OCTOBER:** Gasnam, an association which promotes the use of renewable natural gas in land and sea mobility, created a Working Group on hydrogen, of which Redexis is the coordinator. The goal of this group is to introduce hydrogen as a land and sea fuel in vehicles equipped with a fuel cell.
- ***POWER TO GREEN HYDROGEN MALLORCA:*** deployment of renewable hydrogen supply infrastructures on the island of Mallorca.
- ***HIGGS* PROJECT:** initiative to study the feasibility of injecting hydrogen into existing natural gas networks.
- **FUEL CELL:** integration of a fuel cell in a Redexis metering and regulation station.

BIOMETHANE

BIOMETHANE is another real alternative to reduce CO_2 emissions and can be used as vehicle fuel.

- **IT HELPS TO REDUCE METHANE EMISSIONS** to the atmosphere.
- **IT ALLOWS ENERGY USE,** with a zero net balance of greenhouse gas emissions.
- **IT PROVIDES A VIABLE SOLUTION FOR CERTAIN TYPES OF WASTE** which currently pose environmental management problems (for example, slurry or FORSU.)
- Indirectly and through the digestate produced in anaerobic digestion processes, the transformation of waste and biomass into **ORGANIC AND RENEWABLE AGRICULTURAL FERTILIZERS IS FACILITATED.**

Biomethane is considered as one of the main energies for the future, and is likewise important because there is great technical potential in the national territory and because it is 100% interchangeable with natural gas, and can be used for the same purposes. Redexis is promoting innovative initiatives to produce biomethane and inject it into its natural gas network in collaboration with public administrations, technologists and organic waste processing companies.

PHOTOVOLTAIC SOLAR ENERGY

Redexis is promoting photovoltaic solar energy and promoting innovative and competitive self-consumption, launching various projects in these regards.

- SOLAR ENERGY IMPLIES **savings** OF UP TO **30%** ON THE INVOICE
- IT IS **fast** AND **easy** TO INSTALL
- IT IS A SOLUTION **100%** RENEWABLE
- ITS **useful life** IS BETWEEN **25** AND **30** YEARS

The deployment of photovoltaic solar panels will generate local jobs in the areas where they are installed and will imply a reduction in greenhouse gas emissions.

Redexis is working on the deployment of this type of energy in several Spanish cities, managing the collection, design, installation and maintenance tasks, as well as the administrative procedures with public administrations and with the electrical distributor and supplier.

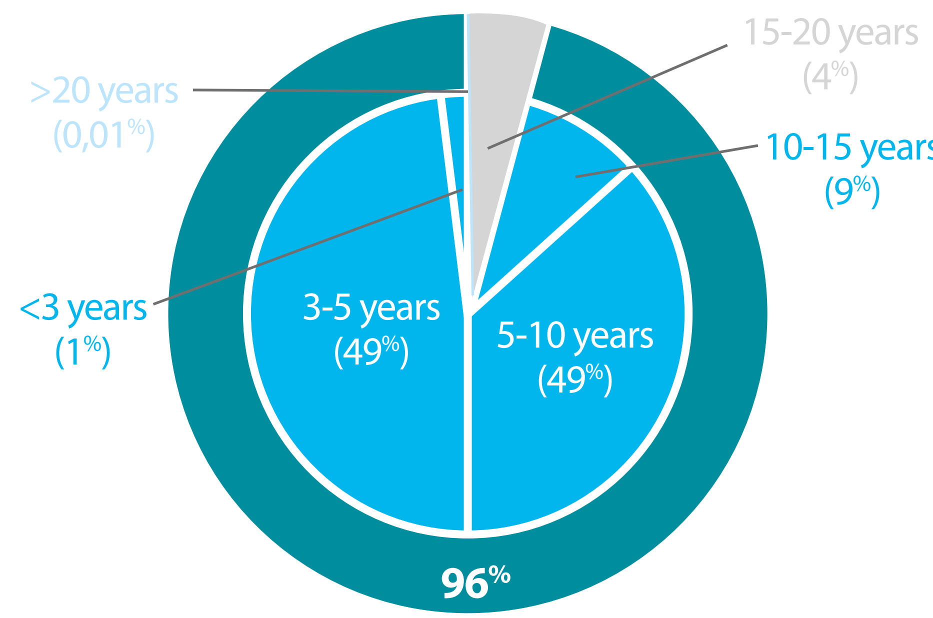
In this sense, Redexis and the Spanish Federation of Home Appliance Traders (FECE, for its acronym in Spanish) have entered into an agreement to distribute and market photovoltaic solar energy products and services in establishments associated with this entity.

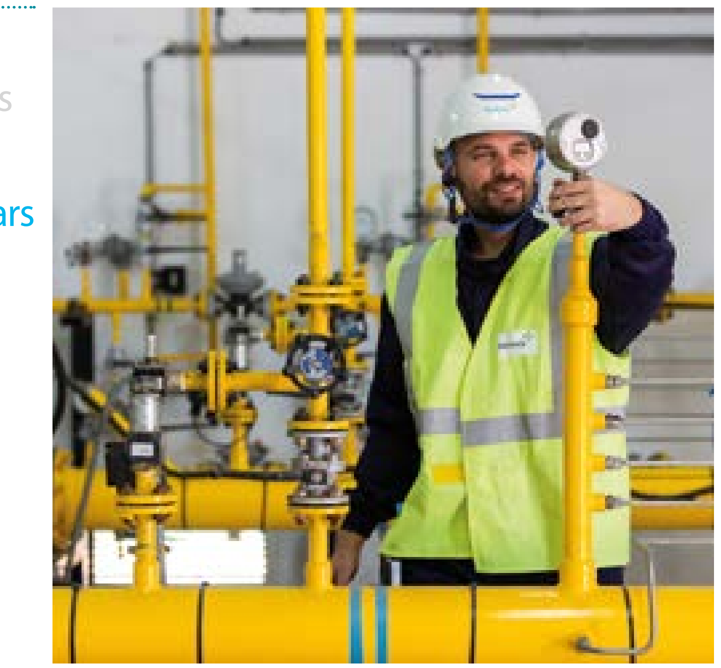
SAFE INFRASTRUCTURES

CHARACTERISTICS OF THE NETWORK

The Company has a very young transmission and distribution network, in which more than 60% of the transmission network has been built in recent years and a significant portion of the distribution network has been built between 2005 and 2008. Therefore, this means, that less investment is needed to keep your asset base up-to-date, while allowing great security ratios. The constant supervision and control of all Redexis infrastructures facilitate the detection of risks in advance and taking actions to solve them.

AGE OF TRANSMISSION NETWORK





Net asset value as of February 2020.

The modernity of the Redexis infrastructure network is safer, in addition, due to the fact that it is made with modern materials and the new technologies applied in the sector for their construction: they are built with steel pipes, suitable material for this type of infrastructure capable of operating at high pressures, usually between 45 and 70 bars. Moreover, they are all provided with highly resistant polyethylene outer coatings which, together with active elements to protect against corrosion, contribute to extending their useful life.

Redexis applies to its infrastructures a series of preventive, predictive and continuous improvement actions in an orderly and systematic manner, as indicated in its asset integrity management plans.

NETWORK EXPANSION PROGRAM

In 2019 the Company's networks have reached 30 new municipalities in Spain, managing to bring gas to new customers.

The EXPANSION PROGRAM of the Redexis distribution network is aligned with the connections in the regions, which benefit from a new transmission network The amount of investment required to expand the distribution network depends on the type of final connection to the network:

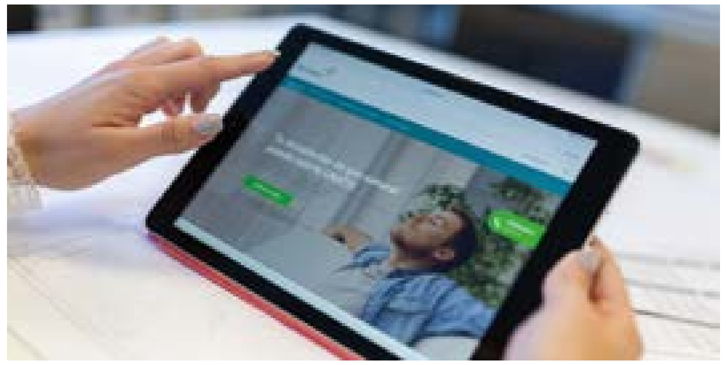
- **NEW HOMES**
  New connection points for new housing developments.
- **VERTICAL SATURATION**
  New connection points within a building connected to the Group's distribution network, requiring individual installation in the customer's home.
- **HORIZONTAL SATURATION**
  New connection points in buildings not connected to the distribution network. This requires a connection and other individual facilities to reach each client.
- **NETWORK EXPANSION**
  New connection points in neighbourhoods where there is no distribution network and which require an infrastructure to supply these points.
- **COMMERCIAL/INDUSTRIAL**
  New connection points for industrial or commercial users who are not connected to the network.

The Group internally analyzes each investment opportunity using models and performs a series of tests and sensitivities. Finally, it is the Investment Committee`s job to approve them according to certain investment criteria.

IN 2019 642 KILOMETERS OF NETWORKS WERE BUILT THROUGHOUT THE NATIONAL TERRITORY, WHICH REPRESENTS A 6.1% INCREASE COMPARED TO THE PREVIOUS YEAR. CONSIDERING THIS, REDEXIS ALREADY HAS 11,140 KILOMETERS OF NETWORKS

CONTROL CENTER

The Redexis Control Center works to detect any type of incident in its facilities. A group of specialized technicians receive real-time signals from infrastructures to detect any type of incident and to act accordingly, as well as telephone assistance. If a possible risk is detected, a response team is mobilised.



This CONTROL CENTER has numerous technologies to carry out its work in the most efficient possible way:

- The Scada System which allows an instant reception of the main operating values of the transmission and distribution facilities.
- The Geographic Information System (G.I.S.) which provides graphic and alphanumeric information for the Company`s entire network, allowing integral management and immediate reaction in case of any anomaly.
- The Surveillance System which constantly checks authorized accesses and possible unwanted intrusions in the facilities.

SAFETY OF PEOPLE

In order to guarantee the safety of all the people involved in the gas chain, Redexis has several communication Centers. All personnel, both internal and from collaborating companies, should be duly trained and knowledgable to guarantee their safety in the Company's facilities.

The control Center has updated information regarding the training of all the people accessing the facilities, which allows these accesses to be permanently surveilled.

In turn, Redexis makes available to all users connected to its distribution networks an emergency telephone assistance Center (CAT, for its acronym in Spanish), with 24/7 service and in permanent contact with the control Center, which receives and performs a first classification of emergencies at their receiving facilities.

FACILITIES SECURITY

The SCADA system of the Control Center, by means of different sensors, centrals and communication equipment mounted in the field, collects in real time the values and status of the different parameters which define the operation of the Company's main facilities.

SAFETY OF SUPPLY

Redexis distribution networks have three main points of origin:

- **DELIVERY POINTS** with the basic transmission network or with distribution networks of other operators.
- **SATELLITE PLANT** of liquefied natural gas (LNG).
- **STORAGE** of liquefied petroleum gases (LPG).

LNG satellite plants and LPG storage tanks allow distribution in those municipalities where, due to their geographical location, their connection to the existing natural gas transmission and distribution networks is not feasible.

The SCADA system of the control Center allows receiving information in real time regarding the evolution of tank levels in the Company's main facilities.

TECHNOLOGY AND INNOVATION

The Company has the necessary resources to develop and generate new competitive advantages from the innovation scope, by means of which it is possible to improve current business processes, increase income and attract talent, taking into account it competes in a mature market where the borders between sectors are increasingly blurred and where more and more disruptive technologies and trends become available.

Redexis develops its lines of research and innovation in three horizons:

- **SHORT TERM:** focuses on incremental improvements that cause a direct impact on the Company's business lines.
- **MEDIUM TERM:** the value of promising new business models is captured.
- **LONG TERM:** the evolution of new technologies and paradigms is observed.

During 2019, we worked to continue improving and making efficient business processes through digitization and automation initiatives.

An internal commercial channel has been established for the residential area and an external channel aimed at the tertiary sector. In addition, new measures and initiatives regarding cybersecurity governance, protection, surveillance and resilience have been implemented and processes have been streamlined from hiring to registration, continuing with the robotization. These innovations are carried out with the business areas and with the annual audits carried out by the Company and which allow the outline of the project plan to be followed.

In 2019 **NEW TECHNIQUES** have been generated and the existing ones have been developed:

- **Artificial Intelligence**
- **Big Data Use**
- **Simual**
- **Microglid-Blue**
- **Machine learning**

PIONEER IN THE DEVELOPMENT AND IMPLEMENTATION OF ARTIFICIAL INTELLIGENCE IN NETWORKS

PROJECT	OVERVIEW	REDEXIS TASKS
AEI SIMUAL	Obtaining an information model of a LNG plant installation for simulation from the design, planning, execution, exploitation and maintenance phases using BIM technology tools.	In charge of the definition of the plant details with its technical characteristics, the sequence of the construction phases, the maintenance operations and activities to carry out subsequent virtual simulations and the model sensorization, determining the key operation variables to be monitored and the integration thereof.
MICROGRID BLUE	Development and technological transfer of innovative tools to promote the integration of renewable energies distributed in the form of electrical microgrids so that they can operate coordinated with the different agents in the energy sector.	Regulation and exploitation models. Single consumer microgrids for the residential, industrial and utilities sectors. Pilot project in Canarias. Market research and technology transfer.
AUTOERM	To design, develop, implement and test a fuel cell in an ERM, extracting hydrogen from natural gas, to produce electricity and heat.	Entire Redexis project.

In 2019, the H2020 HIGGS project was approved, the main objective of which is to cover knowledge gaps of the impact that different levels of hydrogen could have on the gas infrastructure, the components and management thereof. The mapping of technical, legal and regulatory barriers, testing and validation of certain equipment and techno-economic modeling are included. Redexis takes part in all project tasks offering technical support and will specifically acquire the necessary equipment for field validation.

During 2020, Redexis plans to launch other projects such as the Cervera "Vórtex" transfer CDTI-approved project, which is at a processing stage. This project will be based on the elimination of self-consumption energy in liquefied natural gas (LNG) plants by applying the vortex technique in the heating and regulation process.

Strategic Innovation Plan

There is a project to create a Strategic Innovation Plan which should be sustained in a framework that allows organizing different activities within the innovation line, which will be the strategy which will lead the way. This framework helps Redexis to have a global vision of all innovation activities, prioritize activities in each line and build a fluid process between innovation, strategy and diversification.

Currently, the Company is primarily engaged in the transmission and distribution of natural gas, but it is expected that its activity will expand beyond these business lines. These new lines will develop around the future of the sector: hydrogen and biomethane, from other businesses such as the distributed generation of photovoltaic energy and natural gas for vehicles and other opportunities that willdevelop around the digital sector.

Redexis is rmeeting the needs of natural gas expansion with the development of gas infrastructures based on Big Data and Artificial Intelligence para meters. Due to the development and implementation of these technologies, the Company is becoming more efficient, contributing to greater gasification in the country and reaching a greater number of industries, businesses and homes, which generates increased employment and welfare.

Artificial intelligence

In 2019, innovation in the Artificial Intelligence field has continued and new processes and methods have been included. The prediction model tending to hire residential users gas based on artificial neural networks has been improved, now making it more flexible, efficient, reliable and scalable. The acquisition of data from corporate systems and external sources and the execution of the prediction to hire potential properties have been automated, in addition to extending this model to identify new potential municipalities.

A predictive model of natural gas demand has been developed based on the prediction of consumption, identification and contribution of the variables which influence natural gas consumption. Likewise, a predictive model for fraud detection and other non-technical losses in LPG has been developed, which is complemented by field campaigns to validate the model's predictions. This predictive process is based on fraud cases identified in previous campaigns, correlating this fraud with different underlying factors and patterns. It is a continuous learning model which will improve its predictability with the information from the field campaigns carried out.

In terms of maintenance, a predictive model of the cathodic protection status of gas pipelines is being developed. This project has been launched by the Operations team and in the future it will require the use of Big Data infrastructures for the predictive process of *Machine Learning*.

The application of Artificial Intelligence to the business makes Redexis a pioneering company in the following areas, which have been further improved in 2019 to increase its efficiency:

- Multiplying x2 customer acquisition.
- Save 20% investing in network deployment, optimizing resources and improving inspection routes.
- Increase levels of commercial efficiency by 30%.
- Obtain and process relevant information to identify patterns.
- Improve capabilitiesto make decisions in a more analytical and proven way.
- Project and anticipate possible incidents in network maintenance and possible fraud.
- Prevent risks and accidents.
- Reduce environmental impact.

Annexes

ANNUAL CORPORATE GOVERNANCE REPORT OF THE COMPANY REDEXIS GAS, S.A.
REGARDING THE FISCAL YEAR 2019

1. INTRODUCTION

In recent years, and more specifically as a result of the beginning of the financial crisis, the international community has understood the importance of the proper corporate management. Good corporate governance is the basis for the operation of markets, since it promotes credibility, stability and contributes to promoting growth and generating wealth.

Therefore, corporate governance is a key element for Redexis Gas, S.A. (the "Company" or "Redexis"), as it strengthens and fosters investor confidence. The Group is committed to the implementation of guidelines and good practices for the promotion of transparency in the relations with all its stakeholders.

In this sense, although the Company is not legally obliged to do so, it is committed to strengthening the corporate governance area through a set of rules, principles and procedures which regulate the structure and operation of the company's governing bodies. In this regard, the Board of Directors of Redexis, in the interests of transparency and diligence, has resolved to issue this Annual Corporate Governance Report (the "Report").

This Report includes the information that the Board of Directors of the Company has deemed appropriate to fully reflect Redexis' main corporate magnitude during the fiscal year 2019 and, in general, any material aspect that shareholders and investors may consider relevant to the Company.

2. CAPITAL STOCK STRUCTURE

The Company's capital stock amounts to ONE HUNDRED MILLION EURO (€ 100,000,000.00), represented by ten million (10,000,000) of indivisible and cumulative shares, each with a par value of ten euro (€ 10) , numbered in consecutive order from 1 to 10,000,000, inclusive.

As of December 31, 2019, the scapital stock is fully subscribed and paid in, and is held by the shareholders as follows:

CHASE GAS INVESTMENTS LIMITED:	GUOTONG ROMEO HOLDINGS LIMITED:	ATP INFRASTRUCTURE II APS:
33.3%	33.3%	33.3%

3. STRUCTURE OF THE BOARD OF DIRECTORS

3.1. Composition

The administration of the Company is managed by a Board of Directors made up of at least three members and a maximum of eleven, pursuant to the provisions set forth in Section 19 of the corporate Bylaws. Currently, the Board of Directors is made up of eight directors and a non-director Secretary.

3.2. Members of the Board of Directors

As of December 31, 2019, the Board of Directors was made up of the following persons:

BOARD OF DIRECTORS STRUCTURE

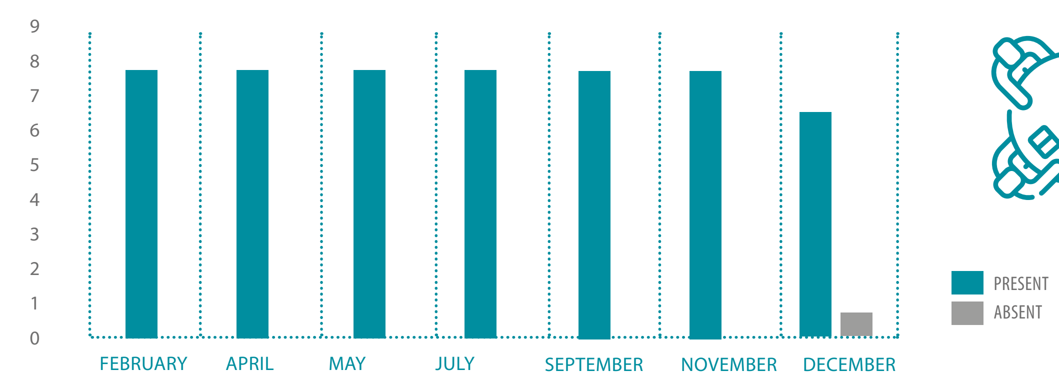
NAME	APPOINTMENT DATE OR LAST RE-ELECTION	CATEGORY	POSITION
Mr Fernando Bergasa Cáceres	May 19, 2016	Executive	Chairman of the Board of Directors
Ms Cristina Ávila García	April 11, 2019	Executive	Director and Chief Operating Officer
Mr Niels K. Jensen	May 23, 2019	Dominical (nominated by ATP)	Non-Executive Director
Mr Ng Chik Sum Jackson	June 20, 2018	Dominical (nominated by Guotong)	Non-Executive Director
Mr Oliver Jan Schubert	June 20, 2018	Dominical (nominated by Guotong)	Non-Executive Director
Mr Ulrik Dan Weuder	April 11, 2019	Dominical (nominated by ATP)	Non-Executive Director
Mr Stephen Alan John Deeley	April 11, 2019	Dominical (nominated by USS)	Non-Executive Director
Mr Gavin Bruce Merchant	July 24, 2017	Dominical (nominated by USS)	Non-Executive Director
Mr Ignacio Pereña Pinedo	March 19, 2013	Not applicable	Secretary Non-Director

During the fiscal year 2019, the director Mr Michael Dalsgaard, who submitted his resignation letter addressed to the Secretary of the Company's Board of Directors on April 11, 2019, has ceased to be a member of the Board of Directors.

On the other hand, during the fiscal year 2019, Mr Niels Konstantin has been appointed as new director of the Company's Board of Directors. Likewise, during the fiscal year 2019, the following directors have been reelected: Mr Stephen Alan John Deeley, Mr Ulrik Dan Weuder and Ms Cristina Ávila García.

The Board held seven meetingss during the fiscal year 2019. In this sense, the commitment of the members of the Board of Directors in the exercise of the functions thereof is worth emphasising, highlighting the full participation and attendance to the meetings of the Board of Directors, which was 98.21% during the fiscal year 2019.

ATTENDANCE TO THE MEETINGS OF THE BOARD OF DIRECTORS



3.3. Professional profile of the Chairman

Mr Fernando Bergasa has a PhD in Chemistry from Princeton University, with executive education at Harvard and Chicago universities. Between 2007 and 2011 he was Chief Executive Officer of Naturgas Energia and Director at HC Energia.

Moreover, he previously held several executive positions at Endesa, S.A. and was consultant at Mckinsey & Co. Likewise, he has been Director and Vice President of the Permanent Commission of Sedigas and is a member of the American Chemical Society and the Alumni Advisory Council of the Autonomous University of Madrid.

3.4. Professional profile of the Chief Executive Officer

Ms Cristina Ávila is an Industrial Engineer Graduate from ICAI and MBA from IESE. Between 2007 and 2011 she was the Chief Operating Officer at Naturgas Energia and a Director at Naturgas Energia Transporte and Naturgas Energía Distribución.

Previously, she held executive positions at Endesa Internacional and was consultant at Arthur D. Little. Likewise, she is currently Director at Sedigas.

3.5. Director term of office

The term of office of a Director is for a period of six years, and may be reelected for similar periods, without prejudice to termination thereof, at the director`s own request or at the request of the General Meeting.

3.6. Board Committees

In 2018, the following Board Committees were established: (i) the Appointments and Remuneration Committee and (ii) the Audit and Risks Committee.

((i) Appointments and Remuneration Committee

On 25 October 2018, the Board of Directors agreed to set up the Appointment and Remuneration Committee, despite not being required by law to do so.

The above mentioned committee is made up of three members who are mentioned as follows:

- Mr Niels Konstantin Jensen
- Mr Steve Deeley
- Mr Oliver Schubert

Mr Oliver Schubert was appointed Chairman of this Committee, and Mr Ignacio Pereña Pinedo Secretary thereof.

The members of the Committee will hold office for a period of three years, and may be re-elected.

During the fiscal year 2019, Mr Michael Dalsgaard ceased to be a member of this committee, when he left the Company's Board of Directors. On the other hand, during the fiscal year 2019, Mr. Niels Konstantin has been appointed new member of this committee.

Meetings held

In the fiscal year 2019 the Appointments and Remuneration Committee held five meetings, on the dates and with the agenda hereinafter stated.

MEETING OF THE APPOINTMENTS AND REMUNERATION COMMITTEE ON FEBRUARY 14, 2019
AGENDA

- Human Resources.
- Apointment of a new Director at Redexis Gas Finance.
- Approval of the minutes of the meeting.

At the above mentioned meeting, it was agreed to submit to the Board of Directors the incentives proposal for the Chairman, the Chief Executive Officer and the members of the Board of Directors according to the achievement of objectives for the year 2018. Likewise, in this meeting the resignation of Mr Ignacio Pereña Pinedo as director of Redexis Gas Finance was accepted and it was agreed to propose to the Board of Directors the appointment of Mr Antonio España Contreras as new director of the above mentioned Company.

MEETING OF THE APPOINTMENTS AND REMUNERATION COMMITTEE ON APRIL 11, 2019
AGENDA

- Human Resources.
- Approval of the minutes of the meeting.

At the above mentioned meeting, it was agreed to submit to the Board of Directors the division of the expansion department into two different departments: (i) the B2B expansion department and (ii) the B2C expansion department.

MEETING OF THE APPOINTMENTS AND REMUNERATION COMMITTEE ON MAY 23, 2019
AGENDA

- Proposal of the KPIs for the year 2019.
- Proposal for the appointment of the new B2C manager.
- Approval of the minutes of the meeting.

At the above mentioned meeting, it was agreed to submit to the Board of Directors the approval of the*Key Performance Indicators* (KPIs) of the Company for the year 2019. Likewise, at this meeting it was agreed to submit to the Board of Directors the appointment of Mr Andrés Oliva García as the new manager of the Company's B2C expansion department.

MEETING OF THE APPOINTMENTS AND REMUNERATION COMMITTEE ON NOVEMBER 21, 2019
AGENDA

- Proposal of the KPIs for the year 2019 for the B2C Manager.
- Incentive Plan for the year 2019.
- Approval of the minutes of the meeting.

At that meeting, it was agreed to submit to the Board of Directors the approval of the Key Performance Indicators (KPIs) for the B2C Expansion Manager, Mr Andrés Oliva García, for the year 2019 as well as the KPIs for the B2B Expansion Manager, Mr Javier Migoya Peláez, for the months of August to December 2019. Likewise, it was agreed to submit to the Board of Directors the Incentive Plan (STIP) for the year 2019 for the Chairman, Mr Fernando Bergasa Cáceres, for the Chief Executive Officer, Ms. Cristina Ávila García, as well as for the other members of the Management Committee.

MEETING OF THE APPOINTMENTS AND REMUNERATION COMMITTEE ON DECEMBER 20, 2019
AGENDA

- Proposal to appoint the new Resources Manager.
- Approval of the minutes of the meeting.

At the above mentioned meeting, it was agreed to propose to the Board of Directors the appointment of Ms. Susana Lorenzo de la Orden as the new Manager of Corporate Resources of the Company.

((ii) Audit and Risk Committee

The Board of Directors agreed to establish the Audit and Risk Committee on October 25, 2018 on a voluntary basis since there is no legal obligation thereunder.

The above mentioned committee is made up of three members who are mentioned as follows:

- Mr Niels Konstantin Jensen
- Mr Steve Deeley
- Mr Ng Chik Sum Jackson

Mr Steve Deeley was appointed Chairman of this Committee and Mr. Ignacio Pereña Pinedo Secretary thereof.

The members of the Committee will hold office for a period of three years, and may be re-elected.

During the fiscal year 2019, Mr Michael Dalsgaard ceased to be a member of this committee, when he left the Company's Board of Directors. On the other hand, during the fiscal year 2019, Mr. Niels Konstantin has been appointed new member of this committee.

Meetings held

In the fiscal year 2019, the Audit and Risk Committee held two meetings, on the date and with the agenda stated as follows:

MEETING OF THE AUDIT AND RISK COMMITTEE ON FEBRUARY 14, 2019
AGENDA

- Meeting with the External Auditor.
- Meeting with the Internal Auditor.
- Information technology security environment and compliance with the General Data Protection Regulation.
- Review of the main Compliance policies.
- General review of compliance of the external auditor and decision on ther re-election thereof.
- Approval of the minutes of the meeting.

In the above mentioned meeting, it was agreed to propose to the Board of Directors, to submit the agreement for approval of the General Meeting, the renewal of KPMG Auditores, S.L. as external auditor of the Company and the subsidiary companies thereof for the fiscal year 2019 and to tender the services for the period 2020-2022.

MEETING OF THE AUDIT AND RISK COMMITTEE ON NOVEMBER 20, 2019
AGENDA

- Risk management and control policy.
- Redexis risk map.
- Tender for external audit services.
- Approval of the minutes of the meeting.

During the above mentioned meeting, the issues detailed in the agenda were further discussed; nonetheless, no decision was agreed upon.

3.7. Conflicts of interest

The Directors should inform the Secretary of the Board of Directors, giving due notice, about any situation which could lead to a con- flict of interest with the Company. The Directors should abstain from attending and debating on matters in which they are directly, indirectly or personally interested.

It is considered that there is likewise a personal interest of the Director when the matter involves a person related to the Director, or a company with which the Director has a business or professional relationship or in which he holds a managerial position or has significant participation.

In 2019, no Director has stated the existence of any conflict of interest with the Company.

Furthermore, at the time of the appointment or the re-election of the Directors, all of them stated that they were not affected by any grounds for incompatibility that would hinder or prevent them from exercising any of their functions and, particularly, those set out in the Act 3/2015, of 30 March, regulating the exercise of se- nior positions in the General State Administration, as well as tho- se established in articles 227, 228, 229, 230 and 231 of Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Text of the Corporate Enterprises Act.

3.8. Remuneration of the Directors

The office of Director, acting in such capacity, is not remunerated, without prejudice to the right to a reimbursement by the Company of the reasonable expenses incurred by the Directors due to their office.

The Directors who perform executive functions in the Company are Mr Fernando Bergasa Cáceres and Ms Cristina Ávila García. Such directors receive remuneration for the performance of such executive functions, in accordance with the provisions of Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Text of the Corporate Enterprises Act, the Articles of Association and the resolutions adopted for such purpose by the Board of Directors.

3.9. Notice of the meetings

The meetings of the Board of Directors were called with sufficiently notice; the explanatory documentation for each of the matters included in the agenda was available to the Directors.

3.10. Information provided to the Directors

Before holding each one of the meetings of the Board of Directors, the company's management provides to each one of the Directors relevant information about the Company and the Group, such as the financial evolution of the companies in the Group, regulatory issues and on-going tenders, occupational health and safety matters and any other relevant information that they should know. For the purposes hereof, the Directors have access to the above mentioned information on a web portal made available by the Company.

4. GENERAL SHAREHOLDERS MEETING

4.1. General Shareholders' Meetings held

In the 2019 financial year, two General Shareholders' Meetings were held, on the date and with the agenda set out below.

ANNUAL GENERAL MEETING HELD ON 11 April 2019
AGENDA

- Renewal of positions on the Board of Directors.
- Approval of the Annual Accounts and the Management Report of Redexis Gas S.A. and of the Consolidated Annual Accounts and Management Report of Redexis Gas S.A. and its subsidiary companies corresponding to 2018.
- Approval of the allocation of profit or loss for the 2018 fi- nancial year
- Approval of the management of the Board of Directors for the year 2018
- Appointment of auditors.
- Approval of the minutes of the meeting.

At the above mentioned meeting, the positions of the directors Ms Cristina Ávila García, Mr Stephen Alan John Deeley and Mr Ulrik Dan Weuder were renewed, the ordinary and consolidated accounts and the management of the Board of Directors were approved and the application of the result was agreed. Likewise, the appointment of KPMG Auditores, S.L. as auditors of the Company was agreed upon.

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS ON MAY 23, 2019
AGENDA

- Resignation of a member of the Board of Directors.
- Appointment of a member of the Board of Directors.
- Distribution of dividends.
- Approval of the minutes of the meeting.

At that meeting, the resignation of the director Mr Michael Dalsgaard was accepted, thanking him for his services to the Company.

Likewise, at the above mentioned meeting Mr Niels Konstantin Jensen was appointed new director of the Company, as well as the distribution of dividends

4.2. Information provided to the shareholders

The Company has strictly complied with the obligations established in article 197 of the Consolidated Text of the Corporate Enterprises Act in relation to the duty to inform shareholders and for the purposes of facilitating and ensuring the exercise of the shareholders' rights.

5. NEW ACTIVITIES

5.1. Photovoltaic business

During 2019, Redexis Gas Servicios, S.L.U. ((hereinafter "Redexis Services") has continued to promote the photovoltaic business. For these purposes, throughout 2019 the installation of photovoltaic installations has been carried out in residential as well as in tertiary areas. Among others, Redexis Servicios has entered into an agreement with a petrol station in the Balearic Islands for the installation, leasing and maintenance of a 17.49 kwp photovoltaic plant for self-consumption. Likewise, an agreement has been entered into with a workshop in the province of Jaen for the leasing and maintenance of a photovoltaic installation.

5.2. Natural Gas Vehicles

On June 12, 2019, Redexis Servicios signed a framework agreement with Cepsa Comercial Petróleo, SAU (hereinafter "CEPSA") with the aim of advancing and promoting the use of infrastructures intended to supply natural gas for vehicles (NGV) on land. This agreement establishes the general conditions for collaboration between Redexis Services and CEPSA for the promotion, rental and maintenance by Redexis Services of NGV refueling facilities in certain Service Stations of the CEPSA brand located in Spain.

Likewise, in November 2019, the company Redexis Servicios signed with the Orthem business group a contract for the installation of gas stations for the supply of NGV in the municipalities of Murcia, Cartagena, Lorca, Caravaca, San Javier, Cieza and Yecla for the service of land health transport.

On the other hand, in December 2019, Redexis Servicios and Seat signed an agreement through which the two companies will develop the creation of natural gas refuelling facilities and promote sustainable mobility with this alternative fuel. Through this agreement, Seat will share information on the demand for this type of vehicle to promote the installation of charging points with public access, in those areas that are considered of special relevance. For its part, Redexis Services plans to have more than 100 natural gas stations nationwide in the next two years.

In 2019, Redexis Servicios completed the construction and commissioning of a gas station in Zaragoza, in accordance with the contract signed with the Zaragoza Auto Taxi Cooperative, which will allow for the regular supply of Compressed Natural Gas (CNG).

6. INTRAGROUP OPERATIONS

As part of its activities, the Company has entered into different agreements with compa- nies belonging to its Group, which are detailed below:

- A credit agreement signed between the Company and Redexis Gas Murcia, SA by virtue of which the former grants the latter a credit amounting to sixty-five million euros (€ 65,000,000). This credit agreement initially ended on December 31, 2016, however, it has been automatically renewed by the parties for annual periods.
- A framework agreement for the provision of services between the Company and the rest of the Redexis Group companies, signed on June 30, 2016, by virtue of which Redexis provides the rest of the companies in its Group, among other services related to systems and communications, human resources, general services and corporate support.
- A bitube transfer agreement, signed on December 23, 2016, under which the Company, together with Redexis Gas Murcia, SA and Redexis Infraestructuras, SLU, transfer to Redexis Gas Servicios, SLU the physical infrastructure attached to the networks of transmission and distribution of its ownership so that Redexis Gas Servicios, SLU can carry out the provision of telecommunications services.

7. TRANSFER OF RIGHTS OF THE CREDIT RIGHTS DERIVED FROM THE DEFICIT

On May 14, 2019, the Company, Redexis Infraestructuras, SLU and Redexis Gas Murcia, SA, signed a credit right assignment agreement with Banco Bilbao Vizcaya Argentaria, SA under which said companies transferred to Banco Bilbao Vizcaya Argentaria, SA the nominal amount pending collection (together with the corresponding interests set according to the provisional interest rate) of the accumulated gas system deficit of the years 2015, 2016 and 2017, the total amount of which amounted to € 5,713,227.15. Said assignment was duly communicated to the CNMC on May 14, 2019.

8. GRESB AND THE SUSTAINABILITY REPORT

8.1. GRESB

In September 2019, Redexis received recognition from the GRESB as leader in the 2019 Infrastructure Sustainability Index in ESG (Environmental, Social and Governance), and the highest rating awarded and recognized with five stars.

GRESB is a worldwide sustainability index that evaluates and rates the work done by more than 500 funds and assets from different sectors to promote sustainable development, under a global standard in environmental, social and governance matters. This ranking provides data that is standardised and validated by the capital markets, making it a worldwide reference for measuring the performance of companies in terms of sustainability.

In the 2019 edition, and after evaluating 393 companies in the sector, GRESB decided to give Redexis the maximum recognition thanks to the excellent performance carried out in 2018, promoting best practices in matters of sustainability, social action and good governance. The Company, measured within the Diversification category, increased its score by 17.5% compared to its activity in the previous year, achieving 74 points out of the possible 100.

8.2. Sustainability report

At the end of 2019, Redexis published its Sustainability Report for the first time in order to publish the most relevant information on non-financial matters for 2018, and in a complementary way to the information collected in the company's Annual Report. This report was also published on the Redexis website.

The content of this report is based on the results obtained in the Materiality Analysis carried out by Redexis, which compiles the Group's highlights in 2018, and takes into account advanced criteria of transparency and corporate communication.

This Sustainability Report reviews Redexis' activity and results and brings forth a vision of its business model, environmental and social management and strategic approach. It describes how Redexis develops its business model in a sustainable way, through the principles of transparency, communication and good corporate governance, reflecting Redexis' commitment to sustainable economic, social and environmental growth, through development and operation. of its key energy infrastructures for the energy transition.

9. REDEXIS FOUNDATION

On July 12, 2019, the Redexis Foundation was established with the aim of promoting the social work carried out by Redexis. For these purposes, the Foundation aims, in general, to promote technological innovation and the development of social, charitable, welfare, educational or cultural works.
In particular, the Foundation will promote the development and well-being of existing social groups in the territories where it operates, with special consideration being given to promoting infrastructures that contribute to sustainable development and a cleaner economy.

The administration of the Redexis Foundation corresponds to its Board of Trustees in accordance with article 9 of its Founding Statutes, which is made up of four trustees as indicated below:

Fundación Redexis

Name	Date of appointment	Position
Mr Fernando Bergasa Cáceres	july 12 2019	Chairman
Ms Cristina Ávila García	July 12, 2019	Patron
Mr Antonio España Contreras	July 12, 2019	Patron
Mr Ignacio Pereña Pinedo	July 12, 2019	Patron
Ms Esther Reyes de Frutos	July 12, 2019	Non-patron Secretary

10. ACTIONS CONCERNING GOOD GOVERNANCE

In order to maintain its commitment to good corporate governance and transparency, the Company has continued to develop actions during 2019 to ensure correct compliance with market regulations and good practices. The company has a Code of Conduct and an internal and external complaints channel that allow the Corporate Governance Officer to be informed of any eventual breach in relation to it.

So, in addition to the work already performed in previous years, different actions were carried out in 2019, among which the following should be highlighted:

10.1. Internal rules

During 2019, the Company has approved:
(1) Protocol for prevention and Action against situations of harassment The purpose of this protocol is to prevent harassment in the workplace and, in the event of a situation that can be clarified as such, define the criteria for action, establishing the Group's internal mechanisms and processes to resolve what happened and prevent it is repeated, thus guaranteeing that the workers can carry out their functions in a respectful, dignified and adequate environment that allows safeguarding their fundamental rights to dignity, physical integrity, personal privacy and equality.

(ii) The general policy of personal data protection. Through this policy, the Group establishes the framework for action on data protection in accordance with the recent Organic Law 3/2018, of December 5, on the Protection of Personal Data and guarantee of digital rights, which adapts the Spanish order to Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016, regarding the protection of natural persons with regard to the processing of personal data and the free movement of these data.

(iii) The standard on corporate communication. The purpose of this standard is to describe the communication policy of the Redexis Group for the purposes of establishing the roles, functions and objectives of the Group's corporate communication, as well as the process of information management and dissemination.

10.2. Training platform

From the training platform for employees "Campus Redexis", different courses and contents have been provided to them so that they can continue to advance in their professional development. Specifically, the courses to which employees have had access are the following:

- "We are Redexis" course: The main objective of this course is for employees to have the opportunity to better understand the company, its history and its objectives.
- Code of Conduct Course: In this course, he explains what the company's Code of Ethics is, to whom it applies and what its basic principles are.
- Course on the procedure for reporting allegedly irregular events: The main objective of this course is to establish the way in which the management of Redexis can be made aware of events that could be irregular or criminal, committed by someone in the organization, and the way in which the management processes complaints to be forwarded to you.
- Waste management course: The purpose of this course is to help employees improve their knowledge of waste generated in Redexis offices, in its management and recycling.
- Cybersecurity course: The objective of this course is for employees to have the necessary training in cybersecurity to avoid unwanted situations and to be able to react appropriately in risky situations.

In addition to the courses made available to employees in the "Campus Redexis", these have also been carried out, in different calls throughout the year, the face-to-face courses indicated below:

- Course on Protection of Personal Data: The purpose of this course is for all Company employees to be familiar with the new regulations on the protection of personal data.
- Stress management course: The objective of this course is for employees to be able to identify the stressful situations they may face in their day-to-day life and how to manage them.

10.3. Climate survey

In September 2019, Redexis launched a survey to conduct a climate and engagement study among its employees. The objective of this survey is to measure and manage the organizational climate and sustainable commitment to positively impact business results. This survey was carried out by 75% of the staff.

10.4. Safety, Health, and Environment

Safety and health conditions at work together with the environment are matters that constitute a top priority for the Company.

Thus, such values of Redexis are reflected by managing the following key matters with the utmost interest:

a) The operation of a modern and efficient Control Center, which manages full-time incident notices by third parties, controlling restricted access to facilities, real-time monitoring of technical alarms generated in our facilities , managing the operation of the network through its network graphic information system, monitoring gas discharges to our storage Centers and directing management in the resolution of eventual emergencies.

b) The implementation of a system of continuous education and training of our technicians in the field of safety and the environment.

c) Communication to employees of the risks identified and the preventive measures to be implemented and the dissemination of preventive communication campaigns.

d) The implementation and dissemination of emergency plans, providing specific training and periodically conducting drills to resolve eventual emergencies.

e) The implementation of continuous improvement measures on the processes.

f) An intensive surveillance of field work through companies specialized in occupational safety and environmental control.

g) Processes of prior evaluation of environmental impact of the projects in which it is required.

h) A specific management system for environmental obligations and requirements established by the regulator or local administrations.

i) Rigorous specific systems for monitoring waste, discharges and emissions.

The Society develops an action that contributes, directly or indirectly, to the Sustainable Development Goals approved by the United Nations. Thus, the Group focuses its sustainable development efforts on working under two principles:

• Commitment to society.
• Respect for the environment.

In turn, promoted by Senior Management, the Company has defined an Integrated Policy that concerns all Company employees, in accordance with the principles of sustainable development, conservation of the environment and efficient use of the resources it employs.

Finally, during 2019, the following specific actions carried out within the framework of health and safety and the environment should be highlighted:

a) The carbon footprint has been registered, presented to the Ministry for the Ecological Transition in December 2019.

b) It has participated in the process of auditing best practices in environmental, social and corporate governance matters carried out by Gresb BV, as already described in section 8.1

c) The healthy company certificate has been maintained.

d) The Integrated Management System has been adapted to the ISO 14001 Standard: 2015, to the ISO 50001: 2011 Standard and to the ISO 450001: 2018 Standard, through the different documents, operating standards and formats developed in this regard, involving the entire organization of safety and health, environmental care in the development of its activities and energy management.

e) The certificates of the ISO 14001: 2011 and ISO 50001: 2011 energy management systems have been renewed.

f) ISO 450001: 2018 of Occupational Health and Safety Management Systems has been obtained.

g) The integrated Occupational Health and Safety, Environment and Energy policy and the Serious Accident Prevention Policy have been approved.

Finally, it should be noted that the necessary audits have been passed both in the renewal and in obtaining the certificates described in sections c), d) and e) above.

10.5. Sponsorship and collaboration actions The company maintains a continuous dialogue with local institutions and communities, in order to identify their

needs and interests and collaborate jointly through sponsorship actions and collaboration actions in social, environmental, sports or cultural projects.

In 2019, Redexis has carried out more than twenty sponsorship and collaboration actions with different organizations, associations and institutions, demonstrating its commitment to proximity and creating value in the areas where it operates.

In the cultural sphere, he has continued as a sponsor of the Teatro Real, thus confirming his intention to support the cultural and artistic project of this institution and forming part of its Board of Protectors. It has also renewed its sponsorship with the Cante de las Minas Foundation, in charge of organizing the International Festival of Cante de las Minas.

Additionally, among other actions, Redexis participated in the symposium "Climate Law & Governance Day 2019" within the United Nations Framework Convention on Climate Change (UNFCCC) COP25, the Annual Meeting of the Balearic Transport Business Federation and the Meeting Sedigas Annual.

On the other hand, at a sports level, Redexis participated in the "Challenge Interempresas" event organized by the Action Against Hunger Foundation, and collaborated with the soccer clubs of Gasifred, Inca, Mérida, and the Vejer de la Frontera sports school.

Finally, Redexis has launched the "Redexis Commitment" channel, where all the actions, campaigns and projects in Corporate Social Responsibility (CSR) and Sustainability that are carried out are reported.

Within the framework of this initiative, between December 2 and 5, 2019, on the occasion of the international day of volunteering, Redexis organized Operation Kilo Food Bank, where it was made available to all Company employees who wished , the possibility of collaborating with the Food Bank. Through an initiative, Redexis obtained 320.4 kilos of food that were donated to this NGO.

Redexis

Annual Accounts 2019

**REDEXIS GAS, S.A.
AND SUBSIDIARIES
Consolidated Annual Accounts
and Consolidated Directors' Report
31 December 2019
preparadas de conformidad con las
prepared in accordance with International Financial
Reporting Standards as adopted by the European Union**

(With Independent Auditors' Report Thereon)

Redexis

KPMG

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

To the Shareholders of Redexis Gas, S.A.

Opinion

We have audited the consolidated annual accounts of Redexis Gas, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2019 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

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Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

<u>Measurement of goodwill and intangible assets with indefinite useful lives arising from business combinations executed in prior years (Note 8)</u>

The Group's consolidated statement of financial position includes goodwill and intangible assets with indefinite useful lives arising from business combinations executed in prior years that are licences for the transmission and distribution of gas, as mentioned in note 8 to the consolidated annual accounts, amounting to Euros 219,175 thousand and Euros 542,914 thousand, respectively. Goodwill and intangible assets with indefinite useful lives are not amortised, but are instead tested for impairment at least on an annual basis, to assess whether the carrying amount of the assets exceeds the recoverable amount. Determining the recoverable amount entails the use of valuation techniques that require the Directors to exercise a high degree of judgement and make assumptions and estimates. Due to the uncertainty associated with these estimates, particularly with respect to the cash flow projections and the projected discount rate and perpetual growth rate, we have considered this to be a relevant aspect of the audit, given that any inadequate estimates could result in goodwill and intangible assets with indefinite useful lives being overstated.

Our audit procedures comprised, among others, assessing and testing the design and implementation of key controls relating to the measurement of intangible assets with indefinite useful lives, including goodwill, evaluating the reasonableness of the grouping levels used to place assets in cash-generating units for the purpose of analysing impairment, obtaining the pricing model used by the Group to calculate the recoverable amount, contrasting the information contained in the model with the Group's financial budgets, analysing the Group's ability to estimate cash flows accurately by comparing estimates from prior periods with the Group's historical financial information, involving our valuation specialists in assessing the reasonableness of the model and its main assumptions, particularly the discount rate and the perpetual growth rate, and analysing the sensitivity to changes in the aforementioned rates. We also verified that information disclosed in the consolidated annual accounts meets the requirements of the International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other provisions of the financial reporting framework applicable in Spain.

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Other Information: Consolidated Directors' Report

Other information solely comprises the 2019 Consolidated Directors' Report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility for the consolidated directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2019 and the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, 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.

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Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts 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 prevailing legislation regulating the audit of accounts 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 economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts 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 annual accounts, 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 Parent's Directors' use 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 annual accounts 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 annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- 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 annual accounts. 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 Directors of the Parent 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.

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From the significant risks communicated to the Directors of Redexis Gas, S.A., we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the most significant risks.

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

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

KPMG AUDITORES, S.L.

2020 Núm. 01/20/04325

Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

Ana Fernández Poderós
On the Spanish Official Register of Auditors ("ROAC") with No. 15,547

2 March 2020

CONSOLIDATED ANNUAL ACCOUNTS

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

Assets	Note	2019	2018(*)
Property, plant and equipment	7	1,295,839	1,243,196
Goodwill	8	219,175	219,175
Other intangible assets	8	557,969	557,462
Right of use assets	9	12,029	2,180
Non-current financial assets	12	4,039	7,673
Trade and Other Receivables	15	-	5,208
Total non-current assets		**2,089,051**	**2,034,894**
Inventories	14	5,377	5,933
Trade and Other Receivables	15	61,499	55,350
Other current financial assets	12	166	166
Other current assets	15	6,580	5,649
Cash and cash equivalents	16	74,883	49,741
Total current assets		**148,504**	**116,838**
Total assets		**2,237,556**	**2,151,732**

Equity and Liabilities	Note	2019	2018
Capital		100,000	100,000
Share premium		105,433	105,433
Other reserves		418,692	418,677
Other comprehensive income		37,551	29,864
Equity attributable to equity holders of the Parent		661,676	653,975
Non-controlling interests		25	24
Total equity	**17**	**661,701**	**653,999**
Financial liabilities from issuing bonds and other marketable securities	19	1,141,780	1,139,476
Loans and borrowings	20	207,885	158,343
Other financial liabilities	18	744	2,255
Lease liabilities	9	10,007	881
Deferred tax liabilities	13	66,459	59,246
Provisions for employee benefits	24	5,623	4,018
Other provisions	25	576	624
Government grants and other liabilities	27	21,216	21,348
Total non-current liabilities		**1,454,290**	**1,386,191**
Interest payable on bonds and other marketable securities issued	19	19,445	19,446
Loans and borrowings	20	1,514	1,765
Trade and other payables	21	94,992	84,829
Current income tax liabilities	13	502	800
Provisions for employee benefits	24	57	72
Other current liabilities	21	2,862	3,325
Lease liabilities	9	2,192	1,306
Total current liabilities		**121,565**	**111,543**
Total equity and liabilities		**2,237,556**	**2,151,732**

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

Consolidated Income Statement for 2019 (Expressed in thousands of Euros)

	Note	2019	2018
Revenue	28	223,375	221,402
Other income	29	6,829	8,932
Self-constructed non-current assets		15,670	15,982
Consumption of raw materials and consumables		(18,567)	(21,617)
Employee benefits expense	31	(29,528)	(37,580)
Depreciation and amortisation	7, 8 and 9	(87,879)	(83,518)
Impairment losses on non-current assets		(396)	(2,417)
Other operating expenses	30	(25,559)	(27,824)
Results from operating activities		**83,945**	**73,358**
Finance income		166	273
Finance costs		(34,298)	(33,297)
Net finance income/(cost)	32	(34,133)	(33,024)
Profit before income tax		**49,812**	**40,334**
Income tax expense	13	(12,260)	(10,469)
Profit for the year		**37,552**	**29,864**
Profit for the year attributable to equity holders of the Parent		37,551	29,864
Profit for the year attributable to non-controlling interest		1	-

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

	Note	2019	2018
Profit for the year		**37,552**	**29,864**
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		**37,552**	**29,864**
Total comprehensive income attributable to:			
Equity holders of the Parent		37,551	29,864
Non-controlling interests		1	-
Total		**37,552**	**29,864**

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

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	Non-controlling interests	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	**10,900**	**105,433**	**20,000**	**398,692**	**37,551**	**661,676**	**25**	**661,701**

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018 (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	Non-controlling interests	Total equity
Balance at 31 December 2017	**100,000**	**105,433**	**20,000**	**569,173**	**49,705**	**844,311**	**24**	**844,335**
1st application IFRS 9								
Balance at 01 January 2018	100,000	105,433	20,000	569,057	49,705	844,195	24	844,219
Profit/(loss) for 2018	-	-	-	-	29,864	29,864	-	29,864
Actuarial gains/(losses) on defined benefit plans	-	-	-	(2)	-	(2)	-	(2)
Dividends	-	-	-	(220,000)	-	(220,000)	-	(220,000)
Other movements	-	-	-	(83)		(83)	-	(83)
Application of profit/(loss) for 2017	-	-	-	49,705	(49,705)	-	-	-
Saldo al 31 de diciembre de 2018	**100,000**	**105,433**	**20,000**	**398,677**	**29,864**	**653,975**	**24**	**653,999**

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

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

	Nota	2019	2018
Cash flows from operating activities			
Profit for the year before tax		**49,812**	**40,334**
Adjustments for:			
Amortisations and depreciations	7, 8 y 9	87,879	83,518
Impairment losses on non-current assets		396	2,417
Change in provisions		1,418	(290)
Government grants taken to income		(1,049)	(905)
Finance income	34	(166)	(273)
Finance costs		34,298	33,297
		172,589	**158,099**
Changes in working capital		**18,152**	**(6,270)**
Inventories		555	(418)
Trade and Other Receivables		(5,858)	10,779
Other current assets		(931)	2,053
Trade and other payables		21,483	(16,674)
Other current liabilities		(478)	669
Other non-current assets and liabilities		3,380	(2,679)
Cash generated from operations		**190,741**	**151,829**
Interest and commissions paid		(32,350)	(27,603)
Interest received		166	273
Income tax paid		(5,346)	(3,377)
Net cash from operating activities		**153,211**	**121,121**
Cash flows from investing activities			
Payments for purchases of distribution and LPG assets in use		(5,309)	(6,961)
Payments for acquisition of property, plant and equipment and intangible assets		(139,949)	(129,181)
Net cash used in investing activities		**(145,258)**	**(136,142)**
Cash flows from financing activities			
Payments for acquisition of financial assets		-	(456)
Payments of loans and borrowingso		(693)	-
Proceeds from loans and borrowings		50,000	693
Payments from the issue of bonds and other marketable securities		-	(3,550)
Payments of lease liabilities		(2,118)	(1,342)
Dividends paid		(30,000)	(220,000)
Net cash from financing activities		**17,189**	**(224,654)**
Net increase (decrease) in cash and cash equivalents		25,142	(239,675)
Cash and cash equivalents at 1 January		49,741	289,416
Cash and cash equivalents at 31 December		74,882	49,741

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 and structured entities (hereinafter the Group). Information on subsidiaries and structured 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 01 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.U. 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 01 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 2019 and 2018 Redexis Gas, S.A. is owned by Chase Gas Investments Limited; with 33.33%, ATP Infrastructure II APS with 33.34%; and Guotong Romeo Holdings Limited with 33.33%.

(2) BASIS OF PRESENTATION

The Consolidated Annual Accounts for 2019 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 2019 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 2019, authorised for issue on 20 February 2020, 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 notes thereto for 2019 include comparative figures for 2018, which differ from those in the 2018 Consolidated Annual Account approved by the shareholders at the annual general meeting held on 11 April 2019, as described below.

The deferred tax assets were reclassified in the comparative figures of the Consolidated Statement of Financial Position of the year 2018 in order to submit these net of the deferred tax liabilities, whereby the information relative to 2018 has been restated in the following amounts and items:

Thousands of Euros

	2018	Reclassification	2018 Restatement
Deferred tax assets	46,629	(46,629)	-
Non-current assets	**2,081,523**	**(46,629)**	**2,034,894**
Total assets	**2,198,361**	**(46,629)**	**2,151,732**
Deferred tax liabilities	105,875	(46,629)	59,246
Equity	**1,432,820**	**(46,629)**	**1,386,191**
Total equity and liabilities	**2,198,361**	**(46,629)**	**2,151,732**

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 2019, 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.

e) Standards and interpretations adopted early or other changes in accounting policies

The following standards were published:

- ✔ IFRS 16 Leases - applicable as of 1 January 2019.
- ✔ IFRIC 23 Uncertainty over Income Tax Treatments.

A. IFRS 16 Leases.

In May 2016 the IASB (International Accounting Standards Board) published the International Financial Reporting Standard that set the criteria for the recognition of leases known as "IFRS 16 - Leases" (hereinafter IFRS 16) and this IFRS 16 was adopted by the European Union, becoming mandatory for application for annual reporting periods commencing on or after 1 January 2019, and likewise allowing its early application in those entities applying the IFRS 15.

The Group decided on the early application of IFRS 16, together with IFRS 15, using 1 January 2017 as the date of initial application.

The nature of the change in the accounting policy of the Group as a result of the application of this standard is that operating lease contracts will give rise in the consolidated statement of financial position to a lease liability and right of use assets. Therefore, the lease expenditure that previously appeared in the consolidated income statement for the year will be replaced by a financial expense deriving from the adjustment of the lease liability and an expenditure for the right of use depreciation.

The lease liability is calculated as the present value of the payments for future leases, and the right of use assets are calculated as the lease liability plus the initial direct costs, early lease payments, estimated costs of dismantling and deducting any lease incentives received.

The transition option adopted by the Group for the IFRS 16 is the "Modified Retrospective" which records the adjustment for first-time application in consolidated equity on 1 January 2017. Furthermore, it has been decided to apply the following practical exceptions:

(1) Non-application of the new definition of lease to contracts in existence at the date of first application, whereby the new standard will be applied to those existing contracts that were already considered as a lease at such date.

(2) The amount of the right of use asset will be the same amount of the lease liability.

(3) Information known a posteriori will be used.

(4) A single discount rate will be applied to a portfolio of leases with reasonably similar features.

For the purposes of assessing the effects of applying IFRS 16, the Group reviewed the different contracts held in the Group and grouped them into the following categories of assets leased with similar characteristics: Head Office, offices and warehouses, garage spaces, vehicles and printers.

The components of each contract have been analysed for each one of the lease contracts maintained by the Group, in order to evaluate whether a contract includes one or several assets or any ancillary service.

Furthermore, the lease period, the lease payments and the incremental interest rate applicable have been determined for each category of leased assets.

The Group has opted to use and maintain the rate of 2.02% as the incremental interest rate for the treatment of the lease contra cts mentioned above, as well as for any new ones arising that have the same characteristics and similar maturities, such as land rentals for facilities property of the Group.

The effect of the application of IFRS 16 on the consolidated statement of financial position at 1 January 2017 consisted of recording a right of use asset for the amount of Euros 4,579 thousand and a lease liability for the same amount.

The Group has been applying IFRS 16 to the leases already identified as such in keeping with the aforementioned rules. Nevertheless, in 2019 a thorough analysis and valuation was undertaken of the occupancy rates of public thoroughfares for the gas distribution activity, as well as the charges for the gas transmission activity, both of which are paid by the Group, concluding that the rates and charges for the exclusive occupancy of the public domain subsoil paid to the various Local and Regional Corporations, where the Group has its gas infrastructure, must be considered as a lease contract within the IFRS regulatory framework, specifically IFRS 16.

Redexis holds the right of use to the public subsoil for its transmission and distribution networks, for which its rights as well as its obligations are defined within the regulatory framework of Spanish Law 34/1998. In accordance with Spanish legislation, the payment to be made in exchange for those rights of use is based on several rates and charges of a local and regional nature required periodically and indefinitely, for the duration of the subsoil occupancy.

Previously, these rates and charges were being recorded as "Other Operating Expenses" in the Consolidated Income Statement.

With regard to this it is worthy to note that, in March 2019, the International Financial Reporting Standards Interpretations Committee (IFRIC), published a request on subsoil rights of use for a period of time in exchange for the consideration of a series of periodic future payments applicable, among others, to gas pipelines and infrastructures. The initial interpretation of the IFRIC, subsequently endorsed in the month of June 2019, was that this case corresponds to and contains the main and specific characteristics for consideration as a lease within the scope of standard IFRS 16. The arguments raised by the IFRIC, which are fulfilled in the specific case of the Group, are as follows:

- The occupied underground space is part of a land that is considered tangible, with a physical substance that differs from that of the surface, and sufficiently identified in the agreement (or regulatory framework) that regulates this use and consideration, as well as its rights and obligations (for the lessor or land owner as well as for its lessee or user), the exact location and the specifications of the gas pipeline.
- The land owner and lessor, while able to use the land surface for other purposes, such as agriculture or livestock, does not have the substantive right to substitute the asset leased, since it cannot access that subsoil space, change the path through which the gas pipeline or infrastructure passes, or make decisions on the use of that underground space during the lease term.
- The lessee has the right to substantially obtain all the economic benefits of the assets, since it has its exclusive use.
- The lessee has the right to direct the use of the asset because it has the right to decide how and for what purpose the asset is used throughout its period of use and, furthermore, any relevant decisions on how and for what purpose it is used are predetermined. Therefore, the lessee is the party that directs how and for what purpose that subsoil space is to be used, having furthermore determined the path and dimensions of the gas pipeline, which directly influences the space occupied, and is also the sole party with the right to operate the asset, perform inspections, repairs and maintenance work (including replacing damaged sections of the pipeline when necessary), without the ability of the lessor to change or interfere in these decisions.

It should be recalled that in March 2019 the IFRIC established that the process for publishing an agenda decision may give rise to explanatory material that provides new information that would otherwise not be available. Accordingly, an entity may determine the need to change an accounting policy as a result of an agenda decision.

Therefore, on the basis of the considerations issued by the IFRIC in the aforementioned publications, and considering the arguments described, the Group considers that both the rates and the charges that are periodically paid to the local and regional authorities for the exclusive occupancy of the subsoil where the pipelines and networks for the transmission and distribution of gas are located, would be within the scope of IFRS 16 and therefore, entail a right of use asset as well as additional financial liability, with respect to the figures reported in the 2018 Consolidated Annual Accounts.

The Group has opted to use the rate of 2.19% as the incremental interest rate for the treatment of the subsoil occupancy rates for the gas distribution activity, and the rate of 3.25% for the subsoil occupancy charges for the gas transmission activity mentioned above.

In this manner, the asset recorded at 1 January 2019 on the occasion of the application of the IFRS 16 to the payments for these rates and charges for the use of public subsoil, as well as the financial liability, comes to a total amount of Euros 7,236 thousand (Note 9).

Furthermore, for this application of the IFRS 16 to the rates and charges for occupancy of the public subsoil, the Group has recorded the following impacts on the Consolidated Income Statement at 31 December 2019:

- Lower expenses for "Leases and Charges" in an amount of Euros 687 thousand, an increased expense for amortisation of the right of use assets in an amount of Euros 513 thousand (see Note 9), as well as a greater finance cost of the lease liabilities in an amount of Euros 198 thousand, whereby the consolidated profit/(loss) for the year is not significantly affected.

B. IFRIC 23 Uncertainty over Income Tax Treatments

This interpretation clarifies how to apply the requirements for recognition and valuation of the IAS 12 when uncertainty exists with respect to treatments of income tax. In that case, for recognising and valuing its asset or liability for current or deferred taxes, the entity will apply the requirements of IAS 12 addressing the tax profit (loss), the tax bases, the unused tax losses or credits and the tax rates determined in accordance with this interpretation.

The entry into force of this interpretation was for annual reporting periods beginning as of 1 January 2019 and has had no effects on the Financial Statements of the Group.

(3) ACCOUNTING PRINCIPLES

(a) Subsidiaries

Subsidiaries are entities, including structured 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.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

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 percentage ownership 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 consolidated profit or loss for the year, consolidated 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 percentage ownership at year end.

(d) Property, plant and equipment

Property, plant and equipment are recognised at cost or deemed 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 prior 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. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

(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. The Ministerial Orders 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.

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.

For this variable remuneration, the Group performs an estimate at the beginning of each year which, together with the fixed portion, comprises the annual regulated revenue.

Order ETU/1367/2018 of 20 December regulated the remuneration figures for 2018 and 2017 in keeping with the most up-to-date sales and consumer figures, and establishes an initial forecast of the remuneration for 2019 through application of the parameters established by Law 18/2014 of 15 October 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, 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 2019, 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 2019 the Group received the final settlement for regulated activities in the gas sector for 2018, 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 statement for 2019 and 2018 in the amount of Euros 773 thousand and Euros 975 thousand, respectively (see note 29). In 2019 the measurement differences for 2018 were settled and those for 2017 were settled in 2018.

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 2019, including the correction of the remuneration for uninterrupted supply from previous years, was established in Order TEC/1367/2018 in accordance with the parameters established in Spanish 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, which comes to Euros 1.4 million.

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.

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 2019 and 2018 at the amount of Euros 350 thousand and Euros 770 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 from 25 November 2016 until 24 November 2031 at market interest rates. Order ETU/1977/2016 set a provisional interest rate of 1.104% in accordance with the proposal of the CNMC. This interest rate was revised in Order ETU/1283/2017 to 1.173% and finally, Order TEC/1367/2018 set the final rate at 1.104%. 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.

The 2015 deficit in the gas sector was set at Euros 27 million (Euros 1.4 million correspond to the Group), which regulated entities will be able to recover in five annual payments (from 25 November 2016 to 24 November 2021) at a market interest rate. Order ETU/1977/2016 set a provisional interest rate of 0.836% in accordance with the proposal of the CNMC. The interest rate was also revised in Order ETU/1283/2017 to 0.08%. Finally, Order TEC/1367/2008 set the final rate at 0.836%.

The 2016 deficit in the gas sector was set at Euros 90 million (Euros 4.8 million correspond to the Group), which regulated entities will be able to recover in five annual payments (from 01 December 2017 to 30 November 2022) at a market interest rate. Order ETU/1283/2017 proposed a provisional interest rate of 0.503%, which was adjusted to a final rate of 0.716% in Order TEC/1367/2018.

With respect to 2017, the deficit figure was set at Euros 25 million (Euros 1.4 million correspond to the Group), which the regulated entities will be able to recover in five annual payments (from 29 November 2018 to 28 November 2023) at a final interest rate of 0.923%.

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, the settlement system closed with a surplus of Euros 30.8 million, in accordance with the final settlement 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. On the basis of this, the provisional settlement 10/2019 carried out the total repayment of the temporary imbalances of the years 2017 and 2015, and a partial repayment (Euros 1.3 million) of the imbalance relative to 2016.

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 and LPG (Liquefied Petroleum 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. For these purposes, the Group has considered the deduction for reversal of the temporary measures provided in Transitory Provision thirty-seven of Corporate Income Tax Law 27/2014 of 27 November 2014 as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of amortisation and depreciation charges in 2013 and 2014.

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.

Recently, 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 the CNMC has been working on a series of Circulars that will define the methodologies for remuneration of the regulated activities performed by Redexis in the gas sector (Transmission and Distribution) and that, following their approval and publication in the Official Gazette of the Spanish State [BOE], will be applicable as of January 2021.

(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.

The activities envisaged by the regulatory information by which the company distributes its activity among the following segments are: 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:

31.12.19

	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**

31.12.18

	Miles de euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Goodwill	54,432	164,440	304	-	219,176
Non-current assets	1,112,597	600,219	147,647	1,883	1,862,347
Current assets	57,765	17,944	40,589	695	116,993
Total assets	**1,224,794**	**782,603**	**188,541**	**2,579**	**2,198,516**
Non-current liabilities	770,530	562,359	99,776	1,461	1,434,126
Current liabilities	80,322	18,196	11,506	213	110,237
Total liabilities	**850,852**	**580,556**	**111,282**	**1,673**	**1,544,363**

31.12.19

	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Revenue	134.545	62.854	25.976	0	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**

31.12.18

	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Revenue	128,549	61,537	31,293	23	221,402
Other income	6,076	851	595	1,409	8,931
Self-constructed non-current assets	13,062	1,940	677	303	15,982
Supplies	(1,526)	-	(20,092)	-	(21,617)
Employee benefits expense	(28,478)	(6,740)	(925)	(1,437)	(37,580)
Depreciation and amortisation	(63,524)	(13,389)	(8,914)	(109)	(85,936)
Other operating expenses	(17,084)	(6,447)	(4,193)	(100)	(27,824)
Net finance income/(cost)	(19,727)	(9,875)	(3,391)	(31)	(33,024)
Profit/(loss) before tax	**17,348**	**27,876**	**(4,950)**	**59**	**40,334**

(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) Consolidated structured entities

Redexis Gas Finance B.V. was incorporated on 10 March 2014 in the Netherlands and at 31 December 2019 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.

This structured entity is mainly consolidated because the Parent guarantees all bonds issued by the aforementioned entity.

The amount of bonds issued at 31 December 2019 and 2018 is Euros 1,150,000 thousand. The list of bonds is itemised in Note 19.

Information on the structured entity included in the consolidated Group is presented in Appendix II.

(7) PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movement during the years ended 31 December 2019 and 2018 are as follows:

Thousands of Euros

	Land	Buildings	Technical installations 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**

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 2017	**6,422**	**6,099**	**1,764,757**	**3,431**	**1,087**	**36,756**	**1,818,552**
Additions	-	-	6,992	-	-	125,362	132,354
Transfers	854	27	120,083	25	101	(121,090)	-
Disposals	-	-	(1,906)	-	-	(1,638)	(3,544)
Cost at 31 December 2018	**7,276**	**6,126**	**1,889,926**	**3,456**	**1,188**	**39,389**	**1,947,362**
Accumulated depreciation at 31 December 2017	-	(673)	(624,184)	(2,394)	(741)	-	(627,991)
Depreciations	-	(266)	(76,135)	(214)	(188)	-	(76,804)
Disposals	-	-	628	-	-	-	628
Accumulated depreciation at 31 December 2018	-	(939)	(699,691)	(2,608)	(929)	-	(704,166)
Net carrying amount at 31 December 2018	**7,276**	**5,187**	**1,190,236**	**849**	**259**	**39,389**	**1,243,196**

The majority of the additions taking place in 2019 and 2018 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 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.

In addition, at 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 conveyance of these assets is planned to take place throughout 2020.

At 31 December 2019, 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 2019, the Group has recognised gas plant dismantling costs of Euros 296 thousand under property, plant and equipment (Euros 377 thousand at 31 December 2018). 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 2019 and 2018 is as follows:

Thousands of Euros

	2019	2018
Buildings	96	96
Technical installations and machinery	176,542	150,153
Other installations, equipment and furniture	1,271	1,268
Other property, plant and equipment	851	612
Total	**178,759**	**152,129**

(8) INTANGIBLE ASSETS

Details of intangible assets and movement during the years ended 31 December 2019 and 2018 are as follows:

Thousands of Euros

	Licences	Goodwill	Computer software	Other intangible assets	TOTAL
Cost at 31 December 2018	**542,914**	**219,175**	**37,097**	**5,541**	**804,727**
Additions	-	-	4,528	670	5,198
Disposals	-	-	-	-	-
Cost at 31 December 2019	**542,914**	**219,175**	**41,625**	**6,210**	**809,924**
Accumulated amortisation at 31 December 2018	-	-	(27,164)	(898)	(28,061)
Amortisations	-	-	(4,612)	(78)	(4,691)
Accumulated amortisation at 31 December 2019	-	-	(31,776)	(976)	(32,752)
Accumulated impairment at 31 December 2018	-	-	-	(29)	(29)
Accumulated impairment at 31 December 2019	-	-	-	(29)	(29)
Net carrying amount at at 31 December 2019	**542,914**	**219,175**	**9,849**	**5,205**	**777,143**

Thousands of Euros

	Licences	Goodwill	Computer software	Other intangible assets	TOTAL
Cost at 31 December 2017	**542,914**	**219,175**	**32,139**	**4,724**	**798,952**
Additions	-	-	4,958	859	5,817
Disposals	-		-	(42)	(42)
Cost at 31 December 2018	**542,914**	**219,175**	**37,097**	**5,541**	**804,727**
Accumulated amortisation at 31 December 2017	-	-	(21,863)	(821)	(22,684)
Amortisations	-	-	(5,300)	(77)	(5,377)
Accumulated amortisation at 31 December 2018	-	-	(27,164)	(898)	(28,061)
Accumulated impairment at 31 December 2017	-	-	-	(29)	(29)
Accumulated impairment at 31 December 2018	-	-	-	(29)	(29)
Net carrying amount at at 31 December 2018	**542,914**	**219,175**	**9,934**	**4,614**	**776,637**

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 2019 and 2018, by cash-generating unit (CGU), are as follows:

Thousands of Euros

	2019	2018
Gas distribution	52,912	52,912
Gas transmission	166,263	166,263
Total	**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 2019 and 2018 is as follows:

Thousands of Euros

	2019	2018
Gas distribution	333,493	333,493
Gas transmission	209,421	209,421
Total	**542,914**	**542,914**

The cost of fully amortised intangible assets in use at 31 December 2019 and 2018 is as follows

Thousands of Euros

	2019	2018
Computer software	22,723	17,434
Other intangible assets	267	251
Total	**22,990**	**17,685**

(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 2019 and 2018 are as follows:

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 amortisation at 31 December 2018	-	(1,821)	(615)	(120)	-	-	(2,556)
Amortisations	(134)	(1,068)	(358)	(62)	(513)	(147)	(2,281)
Disposals	-	16	-	-	-	-	16
Accumulated amortisation 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**

Thousands of Euros

	Buildings	Motor Vehicles	Information Processing Equipment	TOTAL
Cost at 31 December 2017	**3,217**	**1,212**	**151**	**4,579**
Additions	156	51	56	262
Disposals	(48)	(25)	(34)	(106)
Cost at 31 December 2018	**3,325**	**1,238**	**173**	**4,735**
Accumulated amortisation at 31 December 2017	(895)	(303)	(38)	(1,235)
Amortisations	(945)	(312)	(82)	(1,338)
Disposals	18	-	-	18
Accumulated amortisation at 31 December 2018	(1,821)	(615)	(120)	(2,556)
Net carrying amount at 31 December 2018	**1,504**	**623**	**53**	**2,180**

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

Likewise, in 2019 it was resolved to perform a review of the application of IFRS 16 as described in note 2.e) - A), and to include the subsoil occupancy rate for the gas distribution activity as well as the charges for subsoil occupancy for the gas transmission activity (under Subsoil Use) in its application, as well as 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 164 thousand (Euros 629 thousand in the previous year) (note 30).

The details and relevant amounts of lease contracts by asset type at 31 December 2019 and 2018 are as follows:

Thousands of Euros

	Land	Buildings	IT Equipment	Motor Vehicles	Subsoil use	Computer software	TOTAL
31 December 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	

Thousands of Euros

	Buildings	IT Equipment	Motor Vehicles	TOTAL
31 December 2018				
Amounts				
Fixed lease payments	1,001	84	328	1,413
Financial expenses for lease liabilities	48	5	18	71
Long term lease liabilities	533	27	321	881
Short term lease liabilities	964	27	315	1,306
Conditions				
Lease term	3 to 4 years	4 years	4 years	

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

Thousands of Euros

	2019	2018
Up to six months	1,096	675
From six months to one year	1,096	675
From one to two years	2,027	963
From two to three years	1,556	-
More than four years	6,423	-
Total	**12,199**	**2,312**

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 are based on cash flow projections from the financial budgets approved by management for the 2020-2034 period. The recoverable amount includes a terminal value calculated from 2034 onwards using an average perpetual growth rate of 2%, as in 2018. The discount rate was 4.4% for the distribution of gas, and 4.1% for the transmission of gas, both after taxes and calculated methodologically in accordance with CNMC Circular 2/2019 of 12 November.

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 their segment.

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 2019.

Following a sensitivity analysis entailing different scenarios, impairment of the recoverable amount would only occur if the discount rate of the gas distribution business was increased by more than 80% and the gas transmission business by more than 60%, or if these rates were increased by 59% and 34% respectively, and in turn equal the growth rate (g) to 0, over a period of 15 years.

(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	
	2019	2018	2019	2018
Financial assets at amortised cost				
Loans	2,370	2,291	166	166
Security and other deposits delivered	1,578	5,230	-	-
Other financial assets	92	152	-	-
Finance lease receivables	-	-	-	159
Trade and Other Receivables				
Trade receivables	-	-	44,073	38,956
Other receivables	-	5,208	18,523	17,364
Impairment	-		(1,097)	(1,130)
Cash and cash equivalents	-	-	74,883	49,741
Total financial assets	**4,039**	**12,881**	**136,548**	**105,257**

The amount of net profits and losses, corresponding to the category of financial assets at amortised cost in the years 2019 and 2018 is as follows:

Thousands of Euros

	2019	2018
Finance income at amortised cost	91	96
Losses for impairment	(138)	(326)
Total	**(48)**	**(230)**

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 2019 and 2018 are as follows:

Thousands of Euros

	2019		2018	
	Non-current	Current	Non-current	Current
Security deposits paid	1,578	-	5,230	-
Loans to related parties	2,370	-	2,291	-
Loans to employees and other	-	166	-	166
Finance lease receivables	-	-	-	159
Other financial assets	92	-	152	-
Total	**4,039**	**166**	**7,673**	**325**

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. This year the Autonomous Regions have returned deposits with customers whose contracts were no longer valid in an amount of Euros 3,688 thousand.

Loans to related parties reflect the loan extended by Redexis Gas Finance, B.V. to the Group shareholders, which earns annual interest at a rate of 3.38% and falls due in 2021.

(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:

2019

	Thousands of Euros		
	Assets	Liabilities	Net
Property, plant and equipment	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
Amortisation and depreciation	3,617	-	3,617
Personnel remuneration	1,617	-	1,617
Finance costs	18,637	-	18,637
	26,623	**(106,608)**	**(79,985)**
Tax loss carryforwards	**13,526**	**-**	**13,526**
Net assets and liabilities	**40,149**	**(106,608)**	**(66,459)**

2018

	Thousands of Euros		
	Assets	Liabilities	Net
Property, plant and equipment	1,622	(37,218)	(35,595)
Goodwill	-	(3,692)	(3,692)
Deferred income	-	(3,321)	(3,321)
Intangible assets	-	(61,644)	(61,644)
Provisions	1,108	-	1,108
Amortisation and depreciation	4,290	-	4,290
Personnel remuneration	1,317	-	1,317
Finance costs	22,741	-	22,741
	31,078	**(105,875)**	**(74,797)**
Tax loss carryforwards	**15,552**	**-**	**15,552**
Net assets and liabilities	**46,629**	**(105,875)**	**(59,246)**

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 3,350 thousand at 31 December 2019 (Euros 4,025 thousand at 31 December 2018). 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.

Royal Legislative Decree 12/2012 establishes a limit on the deductibility of net finance costs for tax periods beginning on or after 1 January 2012. According to this limit, currently contained in art. 16 of Spanish Law 27/2014, net finance costs are deductible up to a limit of 30% of operating profit for the year, or otherwise to an amount of Euros 1 million. At 31 December 2019 the Group therefore recognised deferred tax assets for the tax effect of non-deductible finance costs arising from the settlement of income tax for 2012, 2013 and 2014 in an amount of Euros 18,637 thousand (Euros 22,741 thousand at 31 December 2018), of which Euros 18,637 thousand reflect undeducted finance costs in respect of interest accrued on the participating loans extended by the Group's shareholders. Until 2014, the tax group could deduct these non-deductible net finance costs in the 18 consecutive tax periods immediately following the year the costs were incurred. However, this 18-year time limit was eliminated when Law 27/2014 came into force on 1 January 2015. As such, net finance costs not previously deducted can now be deducted in subsequent tax periods, with no time limit.

In accordance with legislation in force, the Group may offset its tax loss carryforwards for the 2018 and 2019 tax periods up to a maximum of 25% of taxable income before the offset. In its provisional calculation of income tax for 2019, the tax group has offset tax losses of Euros 7,440 thousand (Euros 4,733 thousand in the definitive income tax return for 2018).

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 2019 and 2018 are as follows:

Thousands of Euros

	2019		2018	
	Current	Deferred	Current	Deferred
1st application IFRS 9	-	-	-	(39)
Other changes in equity	-	-	-	(28)
Actuarial gains and losses	-	(48)	-	(1)
Total	**-**	**(48)**	**-**	**(67)**

Details of the income tax expense are as follows:

Thousands of Euros

	2019	2018
Current tax		
Present year	**7,496**	**4,762**
Adjustment of prior years	**(136)**	**466**
Deferred tax		
Origination and reversal of temporary differences	**114**	**265**
Finance costs	4,097	3,331
Accelerated depreciation and amortisation	(1,506)	(1,518)
Depreciation and amortisation	662	709
Salaries payable	(241)	651
Goodwill	(2,486)	(2,486)
Provisions	(413)	(423)
Income tax expense for the year (companies)	**7,474**	**5,493**
Adjustments and eliminations on consolidation	4,787	4,977
Income tax expense for the year (Group)	**12,260**	**10,469**

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

Thousands of Euros

	2019	2018
Current tax	7,496	4,762
Tax loss carryforwards offset and recognised in prior years	(1,860)	(1,183)
Income tax payable for the year (Group)	**5,636**	**3,579**
Payments on account during the year	(5,134)	(2,779)
Withholdings	-	-
Current income tax liabilities	**502**	**800**

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

Thousands of Euros

	2019	2018
Profit for the year before tax	49,812	40,334
Tax at 25%	12,453	10,083
Adjustment of prior years	(136)	466
Other net movements	(57)	(80)
Income tax expense for the year (Group)	**12,260**	**10,469**

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:

Thousands of Euros

Company / Year	AT 31 DECEMBER 2019
Redexis Group / 2011	54,104
Total	**54,104**

Thousands of Euros

Company / Year	AT 31 DECEMBER 2018
Redexis Group / 2011	62,206
Total	**62,206**

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.

During 2018, the taxation authorities inspected the Corporate Income Tax (years 2012 and 2015 inclusive) of Redexis Gas Murcia, S.A.

The Group has accepted the additional taxes raised in the inspection of corporate income tax, resulting in a Euros 159 thousand increase in corporate income tax payable and Euros 613 thousand for a higher amount of distribution assets, for a total amount of Euros 773 thousand plus late payment interest. These amounts have been settled. No penalty proceedings were instituted as a result of the inspection.

In 2016 the taxation authorities carried out an inspection of Corporate Income Tax (2013 and 2014) and Value Added Tax (2013 and 2014) of Redexis Gas, S.A. and Redexis Gas Aragón, S.A. The Group has accepted the additional taxes raised in the inspection of the Corporate Income Tax, resulting in a Euros 9 thousand increase in income tax payable, plus late payment interest. These amounts have been settled.

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. Likewise the Parent directors consider that there are sufficient legal grounds to support the criteria applied by the Group and maintain the deferred assets recognised at 31 December 2019.

Using the same criteria, the taxation authorities have 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 deems the proposed adjustment unlawful and has 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. The legal basis for upholding the criteria applied by the Group is the same as that used for the 2010 to 2012 assessments.

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

Tax	YEARS OPEN
Corporate Income Tax (*) (**)	2015 - 2018
Value Added Tax	2016 - 2019
Personal Income Tax	2016 - 2019
All other applicable Taxes	2016 - 2019

(*) 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 2019 will not be open to inspection until 25 July 2020.

(**) Except Redexis Gas Murcia, S.A., which only has 2016, 2017 and 2018 are open to inspection.

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

Inventories amounting to Euros 5,377 thousand at 31 December 2019 (Euros 5,933 thousand at 31 December 2018) are primarily LPG inventories, as in 2018.

At 31 December 2019 and 2018, 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

	2019		2018	
	Non-current	Current	Non-current	Current
Trade receivables	-	44,073	-	39,115
Receivables, settlements pending	-	16,515	5,208	15,409
Other receivables	-	2,008	-	1,955
Less impairment due to uncollectibility	-	(1,097)	-	(1,130)
Total trade and other receivables	**-**	**61,499**	**5,208**	**55,350**

Thousands of Euros

	2019	2018
Public entities		
Taxation authorities, recoverable VAT	5,873	4,452
Taxation authorities, withholdings	28	30
Other	88	76
Ajustes por periodificación	591	1,092
Total other assets	**6,580**	**5,649**

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

At 31 December 2018 non-current receivables for settlements pending primarily reflected the cumulative deficit in the gas system attributable to the Group for 2015, 2016, 2017 and 2018, pending collection. The amount corresponding to 2015, 2016 and 2017 was determined in the final 2015, 2016 and 2017 settlements published in November 2016, December 2017 and November 2018 respectively, and the 2018 deficit is an estimate pending publication of the final 2018 settlement. At 10 May 2019 the Group proceeded to assign the credit right it held with respect to these deficits, with the exception of the surplus of 2018; the transaction took place at par value for Euros 5,713 thousand and was collected in its entirety. The 2018 surplus was determined in the final settlement of 2018 approved on 28 November 2019, and was discharged in the settlement of 10 December 2019.

As provided in Law 18/2014 of 15 October 2014, parties subject to the settlement system will be entitled to recover the annual amounts corresponding to cumulative deficits from 2015 and subsequent years, in the settlements for the next 5 years, plus interest at market rates. If a surplus exists, in accordance with the legal procedure established, this will be allocated toward covering any temporary imbalances receivable from other years, applied 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.

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

	2019	2018
Balance at 1 January	(1,130)	(986)
Impairment charge	(180)	(421)
Reversals for impairment	42	95
1st application IFRS 9	-	(154)
Cancellations	171	337
Balance at 31 December	**(1,097)**	**(1,130)**

Past-due unimpaired trade receivables amounting to Euros 46 thousand at 31 December 2019 (Euros 63 thousand at 31 December 2018) 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

	2019	2018
Cash in hand and at banks	74,883	49,741
Total	**74,883**	**49,741**

(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 2019 and 2018 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 2019 and 2018, 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 2019, 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

	2019	2018
Legal reserve	20,000	20,000
Other shareholder contributions	160,135	190,135
Other reserves	238,557	208,542
Total	**418,692**	**418,677**

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 2019 and 2018, 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 2019 other reserves include goodwill reserves amounting to Euros 21,226 thousand (Euros 21,226 thousand at 31 December 2018), 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 2019 and 2018 are as follows:

Thousands of Euros

	2019	2018
Redexis Gas, S.A.	410,220	377,993
Redexis Gas Finance, B.V.	3,429	2,806
Redexis Gas Murcia, S.A.	6,199	5,752
Redexis Gas Servicios, S.L.U.	47	8
Redexis GLP, S.L.U.	(1,203)	359
Redexis Infraestructuras, S.L.U.	-	31,759
Total	**418,692**	**418,677**

(d) Dividends
In June 2019 the Parent distributed Euros 30,000 thousand in dividends to shareholders (Euros 220,000 thousand in 2018), equivalent to Euros 3 per share (Euros 22 per share in 2018), 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 2019 and 2018 are as follows:

Thousands of Euros

	2019	2018
Redexis Gas, S.A.	30,599	24,525
Redexis Gas Finance, B.V.	623	617
Redexis Gas Servicios, S.L.U.	(1,516)	86
Redexis GLP, S.L.U.	(2,151)	(1,609)
Redexis Gas Murcia, S.A.	2,199	448
Redexis Infraestructuras, S.L.U	7,799	5,798
Total	**37,552**	**29,864**

(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

	2019	
	Carrying amount Non-current	Carrying amount Current
Financial liabilities at amortised cost		
Bonds and other listed marketable securities	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**

Thousands of Euros

	2019	
	Non-current	Current
Financial liabilities at amortised cost		
Bonds and other listed marketable securities	1,139,476	19,446
Loans and borrowings		
Variable rate	-	141
Fixed rate	158,343	1,624
Security and other deposits received	2,108	-
Other financial liabilities	146	-
Lease liabilities	881	1,261
Total financial liabilities	**1,300,955**	**22,471**

The fair value of loans and borrowings at 31 December 2019 is Euros 208,554 thousand (Euros 137,862 thousand at 31 December 2018) and the fair value of liabilities from issuing bonds and other listed marketable securities at 31 December 2019 is Euros 1,184,094 thousand (Euros 1,152,576 thousand at 31 December 2018). The average interest rate of these debts is 2.22% (2.24% in 2018). 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 2019 comprise finance costs at amortised cost totalling Euros 33,288 thousand (Euros 32,550 thousand in 2018).

(c) Changes in Liabilities arising from Financing Activities

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

Thousands of Euros

	Financial liabilities from issues and other securities	Loans and borrowings	Lease liabilities	TOTAL
Net carrying amount at 01 January 2018	1,137,048	158,073	3,377	**1,298,498**
Cash flows	-	-	(1,342)	**(1,342)**
Other changes	2,428	270	151	**2,849**
Balance at 31 December 2018	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**

(19) FINANCIAL LIABILITIES FROM ISSUING BONDS AND OTHER MARKETABLE SECURITIES

Redexis Gas Finance B.V. is the issuer of Group bonds, which includes the guarantee of the Parent.

At 31 December 2019 and 2018 there are bonds in circulation in a nominal amount of Euros 1,150,000 thousand, all issued under a Euro Medium Term Note (EMTN Programme) debt issuance programme listed on the Luxembourg Stock Exchange.

The details of the bond issues that, at 31 December 2019 and 2018, are pending repayment in thousands of Euros is as follows:

Issuer	Issue date	Term (years)	Maturity	Coupon	Nominal
Redexis Gas Finance B.V.	08/04/2014	7	08/04/2021	2.75%	650,000
Redexis Gas Finance B.V.	27/04/2015	12	27/04/2027	1.88%	250,000
Redexis Gas Finance B.V.	01/12/2017	9 and 5 months	27/04/2027	1.88%	250.000
Total					**1.150.000**

Accrued interest not yet due at 31 December 2019 and 2018 is reflected under "Interest payable on bonds and other marketable securities issued" in the consolidated statement of financial position.

(20) LOANS AND BORROWINGS

Details on loans and borrowings at 31 December 2019 and at 31 December 2018 are as follows:

2019

Thousands of Euros

Type	Nominal rate	Maturity	CARRYING AMOUNT Limit	Current	Non-current
Loans and borrowings:					
- Revolving Credit Facility (RCF)	(1)	2026	300,000	67(2)	-
- EIB loan 2015	(3)	2036	160,000	930	158,005
- EIB loan 2017	(4)	2039	50,000	517	49,880
- EIB loan 2018		(5)	75,000	-	-
Total			**585,000**	**1,514**	**207,885**

(1) Euribor + margin (0.7%).
(2) Commitment fee.
(3) Fixed nominal rate of 1.294%.
(4) Fixed nominal rate of 1.859%.
(5) 20 years from the drawdown

2018

Thousands of Euros

Type	Nominal rate	Maturity	CARRYING AMOUNT Limit	Current	Non-current
Loans and borrowings:					
- Revolving Credit Facility (RCF)	(1)	2024	300,000	141(2)	-
- EIB loan 2015	(3)	2036	160,000	930	158,343
- EIB loan 2017		(4)	50,000	-	-
- EIB loan 2018		(4)	75,000	-	-
- Other		2019		693(5)	
Total			**585,000**	**1,765**	**158,343**

(1) Euribor. + margin (0.8%).
(2) Commitment fee.
(3) Fixed nominal rate of 1.294%.
(4) 20 years from the drawdown
(5) Balance refundable to financial institutions for annulment of non-recourse factoring, collected from this and the debtor source (Tax Authorities).

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

At 31 December 2019

	2020	2021	2022	2023	2024 y siguientes
BEI	9,412	9,412	9,412	12,353	169,412

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 Company drew down the loan from the European Investment Bank formalised in 2017 in an amount of Euros 50,000 thousand at a fixed rate of 1.859%, with a 20-year maturity, with an annual repayment of capital and interest, including the first 3-year capital grace period.

The most relevant transactions performed in 2018 were the following:

- Finally, on 19 January 2018, the Parent arranged a Euros 75,000 thousand credit facility with the European Investment Bank within the framework of the European Fund for Strategic Investments. This may be drawn at any time within the period determined, for which the interest rate will be set at the moment of the drawdown and for a period of 20 years thereof.

(21) TRADE AND OTHER PAYABLES

Details of trade and other payables are as follows:

Thousands of Euros

	2019	2018
Suppliers	2,665	2,641
Trade payables	8,892	8,271
Payables, settlements pending	19,858	3,442
Salaries payable	3,831	4,619
Payables for acquisition of non-current assets	59,745	65,858
Total trade and other payables	**94,991**	**84,829**

Thousands of Euros

	2019	2018
Public entities, other		
Taxation authorities, personal income tax	392	386
Social Security payables	462	338
Public utility rates, taxes and local council payables	2,007	2,601
Total other liabilities	**2,862**	**3,325**

Payables, settlements pending at 31 December 2019 primarily include the balances related to provisional settlements pending final settlement by the regulatory body for 2017, 2018 and 2019 (for the years 2016, 2017 and 2018 at 31 December 2018).

Payables for acquisition of non-current assets at 31 December 2019 and 2018 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:como sigue:

	2019	2018
Days		
Average supplier payment period	53	58
Transactions paid ratio	55	62
Transactions payable ratio	33	30
Amount (thousands of Euros)		
Total payments made	203,687	205,230
Total payments outstanding	24,517	26,855

(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 2019 and 2018:

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**

2018

	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	25,247	26,661	3,442	5,208	-	60,558
Other financial assets	-	-	166	-	7,673	7,839
Total assets	**25,247**	**26,661**	**3,608**	**5,208**	**7,673**	**68,397**

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 2019 it maintains the availability of credit facilities amounting to Euros 375,000 thousand (Euros 425,000 thousand at 31 December 2018, see note 21) which, together with cash and cash equivalents (Euros 74,883 thousand in 2019 and Euros 49,741 thousand in 2018) cover the operating needs of the Group.

Details of the Group's exposure to liquidity risk at 31 December 2019 and 2018 are shown below. The tables reflect the analysis of financial liabilities by contractual maturity date.

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**
Financial liabilities from issuing bonds and other marketable securities	-	-	**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**

2018

	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	**693**	**141**	**930**	**37,647**	**120,696**	**160,107**
Variable rate	-	141	-	-	-	141
Principal	-	-	-	-	-	-
Interest	-	141	-	-	-	141
Fixed rate	693	-	930	37,647	120,696	159,966
Principal	693	-	-	37,647	120,696	159,036
Interest	-	-	930	-	-	930
Trade and other payables	**11,990**	**53,868**	**-**	**-**	**-**	**65,858**
Financial liabilities from issuing bonds and other marketable securities	-	-	**19,428**	**646,549**	**533,710**	**1,199,687**
Fixed rate	-	-	19,428	646,549	533,710	1,199,687
Principal	-	-	-	646,549	533,710	1,180,259
Interest	-	-	19,428	-	-	19,428
Total liabilities	**12,684**	**54,009**	**20,358**	**684,196**	**654,406**	**1,425,652**

Interest rate risk in cash flows

The interest rate risk of the Group arises from non-current borrowings for interest rate fluctuations that affect finance costs of long-term debts issued at variable rates.

Borrowings at variable interest rates expose the Group to cash flow interest rate risks. Fixed interest loans expose the Group to fair value interest rate risks.

Finance management constantly monitors interest rates, but at 31 December 2019 and 31 December 2018 it has not drawn down any financing exposed to interest rate fluctuations. Consequently, there would be no significant impact on the Group's profit or loss or its financial liabilities.

As the Group does not have a considerable amount of interest-bearing assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

(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

	31.12.19		31.12.18	
	Non-current	Current	Non-current	Current
Benefit obligations	3,972	57	4,018	72
Multi-annual incentive provision	1,651	-	-	-
Total	**5,623**	**57**	**4,018**	**72**

(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.

There are also certain benefit obligations to employees during their retirement, mainly pertaining to electricity supply. These obligations have not been externalised and are covered by the pertinent in-house provisions.

At 31 December 2019 and 2018 commitments with personnel for which provision has been made through internal funds are as follows:

- Electricity consumption during retirement for serving and retired personnel, amounting to Euros 3,896 thousand and Euros 3,965 thousand, respectively.
- Long-service bonuses for serving personnel, totalling Euros 133 thousand and Euros 126 thousand, respectively.

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

Otras prestaciones a largo plazo

	2019	2018
Balance at 1 January	**4,018**	**3,951**
Personnel expenses	112	114
Finance costs	75	71
Transfers	-	(82)
Actuarial gains and losses	(234)	(35)
Balance at 31 December	**3,972**	**4,018**

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:

	2019	2018
Technical interest rate	0.31% - 1.7%	1.06% - 2%
Annual pension review rate	1.7%	2%
Expected salary increase rate	1.7%	2%
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 543 thousand in the year ended 31 December 2019 and are included under personnel expenses in the consolidated income statement (Euros 641 thousand in the year ended 31 December 2018, see note 31).

At 31 December 2019 and at 31 December 2018, no accrued contributions were pending.

(25) OTHER PROVISIONS

Movement in other provisions in 2019 and 2018 was as follows:

Thousands of Euros

	2019	2018
Balance at 1 January	**624**	**655**
Charges	-	50
Payments	(6)	-
Applications	(42)	(81)
At 31 December	**576**	**624**

Guarantees

The Group has extended guarantees to various government bodies totalling Euros 48,499 thousand at 31 December 2019 (Euros 45,606 thousand at 31 December 2018) 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:

2019

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

2018

Body/Item	Scope	Balance at 1 January	Additions	Disposals	Amounts transferred to the income statement	Balances at 31 December
		Thousands of Euros				
Public entities	PE (1)	17,052	-	(309)	(763)	15,980
Connection charges	Private	5,831	542	(554)	(451)	5,368
Total		**22,883**	**542**	**(862)**	**(1,214)**	**21,348**

(1) PE: Public entities.

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

(28) REVENUE FROM REGULATED ACTIVITIES

Details of revenue are as follows:

Thousands of Euros

	2019	2018
Remuneration for distribution activities	109,644	105,567
Remuneration for transmission activities	62,853	61,950
One-off adjustment to previous years' transmission revenue	-	(413)
Remuneration for transmission and distribution activities	**172,497**	**167,104**
Regulated LPG sales	22,306	28,374
Other regulated distribution revenue (connection charges, equipment rental, other services)	28,572	25,923
Total	**223,375**	**221,402**

(i) Breakdown of revenue from ordinary 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

	2019	2018
Service rendered and/or asset transferred over time		
Gas distribution	109,644	105,567
Gas transmission	62,853	61,537
Sale of LPG	22,306	28,374
Applicant connection charge	300	451
Rental of metering equipment	7,051	6,705
Renting and maintaining CRF	7,457	6,109
Service rendered and/or asset transferred at a specific time		
Registration fees	2,679	3,102
IRF Inspections	6,212	4,550
Contracting party connection charges	3,427	3,862

(ii) Contract balances
At 31 December 2019 and 2018, the Group has no accounts receivable, customer contract assets or liabilities.

(29) OTHER INCOME

Details of other income are as follows:

Thousands of Euros

	2019	2018
Government grants taken to income (note 27)	1,049	1,214
Income from third-party offsets	100	951
Profits associated with property, plant and equipment	210	838
Lease income	539	595
Other income	4,932	5,333
Total	**6,829**	**8,932**

(30) OTHER OPERATING EXPENSES

Details of other expenses are as follows:

Thousands of Euros

	2019	2018
Operating lease expenses	164	629
Repairs and maintenance	6,763	7,679
Independent professional services	2,403	2,573
Bank and similar fees	322	366
Advertising and publicity	1,507	1,054
Utilities	411	441
Insurance premiums	509	526
Taxes	2,187	3,583
Outsourced services	8,032	6,501
Other expenses	3,122	3,023
Impairment losses / (profit) and uncollectibility of trade and other receivables (note 9)	138	326
Other non-recurrent expenses	-	1,123
Total	**25,559**	**27,824**

In 2018 under the heading Other non-recurrent expenses, the Group mainly included LGP self-consumptions and measurement differences from prior years.

(31) EMPLOYEE BENEFITS EXPENSE

Details of the employee benefits expense for 2019 and 2018 are as follows:

Thousands of Euros

	2019	2018
Salaries and wages	23,172	21,105
Social Security payable by the Company	4,779	4,165
Contributions to defined benefit plans (note 24(a))	533	641
Other employee benefits	930	648
Non-recurrent expenses	114	11,020
Total	**29,528**	**37,580**

Non-recurrent expenses in 2018 included part of the remuneration collected in 2018 by the board members with executive duties, as well as by other executives who report directly to the members of the Board of Directors (in total 13 recipients in 2018) including compensation for shareholder interest reorganisation from the creation of the Group through to its effective materialisation in 2018.

The average headcount of the Group in 2019 and 2018, distributed by category, is as follows.

Number

	2019	2018
Management	13	12
Technicians	291	270
Administrative staff	46	48
Sales staff	18	-
Total	**368**	**330**

At the 2019 and 2018 year ends the distribution by gender of Group personnel and the members of the Board of Directors is as follows:

	2019			2018		
	Male	Female	TOTAL	Male	Female	TOTAL
Board members	7	1	8	7	1	8
Management	8	2	10	6	3	9
Technicians	236	63	299	218	57	275
Administrative staff	14	30	44	18	32	50
Sales staff	20	9	29	-	-	-
Total	**285**	**105**	**390**	**249**	**93**	**342**

(32) FINANCE INCOME AND COSTS

Details of finance income and costs are as follows:

	Thousands of Euros	
	2019	2018
Finance income	166	273
Interest on loans and borrowings	(3,689)	(3,213)
Interest on bond issues	(29,599)	(29,337)
Other finance costs	(593)	(632)
Finance costs arising from provision adjustments (note 24)	(417)	(115)
Net finance cost	**(34,133)**	**(33,024)**

(33) RELATED PARTY BALANCES AND TRANSACTIONS

Details of balances receivable from related parties at 31 December 2019 and 2018 by category, and their main characteristics, are disclosed in note 12. At 31 December 2019 and 2018 there are no balances payable to related parties.

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

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)
Total	**-**	**(5,851)**	**(5,851)**

2018

	Thousands of Euros		
	Shareholders	Key management personnel	TOTAL
Revenue			
Finance income	78	-	78
	78	**-**	**78**
Expenses			
Expenses for employee benefits	-	(15,686)	(15,686)
Total	**-**	**(15,686)**	**(15,686)**

(34) INFORMATION ON THE MEMBERS OF THE PARENT'S BOARD OF DIRECTORS AND THE GROUP'S SENIOR MANAGEMENT PERSONNEL

At 31 December 2019 and 2018 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 2019 or 2018. However, remuneration is paid to board members who perform executive duties in the Company.

In 2019, the executive board members and other executives who report directly to the board, received remuneration of Euros 4,800 thousand for 13 recipients (13 recipients received Euros 17,989 thousand in 2018) which included the settlements of the bonus accrued in 2018 (in 2018, it included the settlement of the bonus accrued in 2017 as well as the three-year bonus accrued between 2015 and 2017, as well as the compensation for shareholder interest reorganisation accruing from the creation of the Group through to its effective materialisation in 2018).

A new three-year bonus plan was implemented in 2015 for the period 2015-2017. In addition, in 2017 a three-year bonus plan was implemented for the period 2018-2020 and a five-year plan which expires in 2022. In addition, the Company had an incentive plan for the executive board members, as well as for other directors of the Company, in connection with an eventual change in the ownership of the Parent.

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 101 thousand in 2019, as well as in 2018, for 13 recipients.

No advances or loans were granted in 2019 or 2018 to executive board members or other directors who report directly to the board, nor were any guarantees extended on their behalf.

In 2019 and 2018 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

KPMG Auditores, S.L., the auditor of the Group's annual accounts, accrued the following fees for professional services during the years ended 31 December 2019 and 2018:

Thousands of Euros

	2019	2018
Audit services	244	239
Other audit-related services	32	31
Other services	3	13
Total	**279**	**283**

The amounts detailed in the above table include the total fees for services rendered in 2019 and 2018, irrespective of the date of invoice.

Other companies affiliated with KPMG International invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2019 and 2018:

Thousands of Euros

	2019	2018
Other services	157	243
Total	**157**	**243**

(36) EVENTS AFTER THE REPORTING PERIOD

On 3 February 2020, the Parent requested the drawdown of the final tranche of the EIB loan in an amount of Euros 75 million, to take place on 20 February 2020. The loan was formalised at a fixed interest rate of 1.299%, annual payments, a 3-year capital grace period and maturity at 20 February 2040.

APPENDIX I

Details of Subsidiaries 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

Details of Subsidiaries at 31 December 2018

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

Details of Structured Entities at 31 December 2018 and 2017

2019

Company name	Registered office	Activity	Auditor	Company holding investment	% ownership	% of voting rights
Redexis Gas Finance, B.V.	Netherlands	Issue of bonds	KPMG Accountants, N.V.	Chase Gas Investments Limited ATP, Infrastructure II APS and Guotong Romeo Holdings Limited	-	-

2018

Company name	Registered office	Activity	Auditor	Company holding investment	% ownership	% of voting rights
Redexis Gas Finance, B.V.	Netherlands	Issue of bonds	KPMG Accountants, N.V.	Augusta Infrastructure UK Limited, Chase Gas Investments Limited ATP and Infrastructure II APS	-	-

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 2019 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 2019

Redexis

(1) POSITION OF THE COMPANY

1.1. Organisational and corporate structure

Redexis Gas, S.A., together with its subsidiaries (all of them hereinafter known as Redexis) and the consolidated structured company form the Redexis Group (hereinafter the Group) its 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.

Redexis Gas, S.A. is the head of a group of energy infrastructure companies devoted to the development and operation of natural gas transmission and distribution networks, to the distribution and sale of liquefied petroleum gas and to the promotion of vehicular natural gas and renewable applications of natural gas and hydrogen.

- 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.

REDEXIS GAS, S.A.

99,98%	100%	100%	100%
Redexis Gas Murcia, S.A.	**Redexis Gas Servicios, S.L.U.**	**Redexis Infraestructuras, S.L.U.**	**Redexis GLP S.L.U.**

The Group also includes:

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

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

- Universities Superannuation Scheme ("USS"): European pension fund, with 33,33%
- Arbejdsmarkedets Tillægspension ("ATP"): European pension fund, with 33,34%.
- Guoxin Guotong Fund LLP ("GT Fund") and CNIC Corporation Limited ("CNIC"): financial investors that hold a joint stake, with 33,33%.

1.2. Activity

Redexis is a full service energy infrastructure company 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.

Redexis is fully committed to society and the environment. Its 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.

Redexis 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 clean and renewable energies like hydrogen, biomethane or photovoltaic energy. Therefore, in addition to expanding the infrastructures to make gas accessible, Redexis endeavours 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

Its activity is regulated as servicing 530 municipalities in 29 provinces, with over 714 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 more than 100 municipalities in 3 additional provinces where Redexis has already obtained prior administrative authorisation.

Operating data	2019	2018	% var.
Connection points	**714,681**	**680,512**	5.0%
Natural gas (NG) P<4bar	618,183	595,067	3.9%
LPG	96,188	85,159	13.0%
Natural gas (NG) P>4 bar	310	286	8.4%
Provinces served	**29**	**27**	7.4%
Municipalities served	**530**	**500**	6.0%
Length of the network (km)	**11,140**	**10,498**	6.1%
Distribution network (km)	9,498	8,855	7.3%
Transmission network (km)	1,643	1,643	0.0%
Power distributed (NG + LPG) (GWh)[1]	**15,669**	**14,800**	5.9%

Note 1: The figure shown for power distributed does not include industrial power (P>60 bar)

From a financial standpoint, the Group closed 2019 with revenue growth of 0.6% to Euros 245.9 million. The consolidated EBITDA of the Group in 2019 amounted to Euros 172.3 million, up 1.7% on the prior year and an EBITDA margin of 70.1% (75.0% if the net margin of LPG is included in Revenue).

Group investments totalled Euros 150.1 million in 2019, of which 96.3% was channelled into organic growth and the rest into the acquisition of operational LPG supply points.

Financial information	2019	2018	% var.
Figures in millions of Euros, except where indicated			
Revenue	**245.9**	**244.3**	**0.6%**
Distribution – regulated	109.6	105.6	3.8%
Other distribution revenues – regulated	28.6	25.9	10.4%
Transmission – regulated	62.9	61.9	1.6%
Regulated LPG business	22.3	28.4	(21.5%)
Other operating income	6.8	8.9	(23.6%)
Self-constructed non-current assets	15.7	13.5	15.6%
EBITDA	**172.3**	**169.4**	**1.7%**
EBITDA margin	*70.1%*	*69.3%*	*0.7 p.p.*
EBITDA Margin (with net LPG margin in revenue)	*75.1%*	*75.6%*	*(0.5 p.p.)*
Total CAPEX	**151.1**	**138.4**	**9.2%**
Distribution	128.0	123.1	4.0%
Transmission	0.4	2.2	(81.8%)
Other purchases (LPG)	5.4	7.0	(22.9%)
Intangible Assets	5.2	5.8	(10.3%)
Right of use assets and others	12.1	0.3	100.0%

1.2.2. Activities

(a) Distribution

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

At the close of 2019, Redexis has 618,493 natural gas supply points and a distribution network spanning 8,401 km conveying 15,234 GWh of power to 261 municipalities in Spain.

Redexis continues to expand its network to new municipalities in the regions in which it operates. To this regard, Redexis has begun to operate in 11 new municipalities in the autonomous regions of Andalusia, Aragon, Balearic Islands, Castilla-La Mancha, Castilla y León, Madrid and Murcia, and has obtained 16 prior administrative authorisations.

Taking advantage of its experience, Redexis continues to extend and broaden its activity and services in a wager for growth and connecting with the real needs of society. Redexis wagers for the development of a network 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.

Redexis has designed a plan for the implementation of gas refuelling stations on a national level. This plan covers the construction of more than100 gas refuelling stations during the 2020-2022 period. At the close of 2019, the Group had built and put into service 1 gas refuelling station in Zaragoza (the Zaragoza Auto-Taxi Cooperative, Cooperativa de Auto Taxi de Zaragoza) , and another two are under construction: one in Puerto Lumbreras resulting from the Redexis agreement with Cepsa for the development of gas refuelling stations, and another in Alcorcón (Madrid). Both are expected to be in service within the first months of 2020.

Redexis continues developing artificial intelligence tools that have opened new possibilities that make it possible to achieve more ambitious objectives. By means of algorithms and advanced analytics, artificial intelligence 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 2019, 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 96 thousand LPG supply points in 464 municipalities at a national level, which include the acquisitions made from Repsol and Cepsa between 2015 and 2018. In 2019, Redexis began to supply LPG in 5 new municipalities in the Autonomous Communities of Aragon and Murcia.

During 2019, Redexis reached an agreement with Cepsa for the acquisition of more than 11,300 LPG supply points, whose integration is planned in the course of 2020. By means of this agreement, the company will add channelled LPG customers in 42 municipalities where it already operates, and in 295 new municipalities close to its areas of operation. In this way, the company will begin operating in 11 new Provinces and in the Autonomous Region of Navarra.

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

Redexis wagers for sustainable growth, aimed at a more sustainable and efficient business model. 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
- Risk management, through anticipation and prevention
- Commitment to create value for society and to preserve the environment.

Its development is based on 3 key pillars for its proper execution:

- People: key to the development and growth of Redexis
- Financial stability based on a prudent financial policy investing in financially sustainable growth, maintaining an investment grade credit level
- Economic, social and environmental sustainability

(2) BUSINESS EVOLUTION AND RESULTS

2.1. Key milestones in 2019

- GRESB positions Redexis as leader in the Infrastructure Sustainability Index, giving it a 5-star rating.
- Redexis converts its Euros 300 million bank credit facility into sustainable financing.
- Publication of our first Sustainability Report.
- Agreement between Redexis and Cepsa for the creation of the largest network of natural gas refuelling stations in Spain.
- Redexis and Seat join to promote mobility with natural gas.
- Opening of our first vehicular natural gas refuelling station in Zaragoza.
- Redexis II Equality Plan signed.
- Attainment of the carbon footprint with the declaration of a positive opinion in compliance with ISO 14064.
- Redexis has the ISO 14001: 2015, environmental management system, the ISO 50001: 2011, energy management system, and the ISO 45001: 2018, the occupational health and safety management system.
- Redexis and the Spanish Hydrogen Association sign an agreement for collaboration.
- Redexis joins the 'Power to Green Hydrogen Mallorca' project.
- Redexis chosen to coordinate the new Gasnam Hydrogen Work Group.
- Redexis comes to form part of the MIBGAS Board, leading entity for the exchange of natural gas in Spain.
- The Machine Learning team wins 2nd prize in the AWS Datathon 2019.
- Redexis and Orange develop an integral IoT [Internet of things] solution for the remote monitoring of gas.

2.2. Analysis of results

Key indicators:

Key financial indicators	2019	2018	Var.	%
Figures in millions of Euros				
Revenue	**223.4**	**221.8**	**1.6**	**0.7%**
Regulated distribution revenue	109.6	105.6	4.1	3.9%
Other regulated distribution revenuen	28.6	25.9	2.6	10.0%
Regulated transmission revenue	62.9	61.9	0.9	1.5%
Regulated LPG business	22.3	28.4	(6.1)	(21.5%)
Other operating income	**6.8**	**8.9**	**(2.1)**	**(23.6%)**
Self-constructed non-current assets	**15.7**	**13.5**	**2.1**	**15.6%**
Total Income	**245.9**	**244.3**	**1.6**	**0.7%**
Supplies	(18.6)	(21.6)	3.1	(14.4%)
Employee benefits expense	(29.4)	(26.6)	(2.9)	10.9%
Other recurrent operating expenses	(25.6)	(26.7)	1.1	(4.1%)
EBITDA	**172.3**	**169.4**	**2.9**	**1.7%**
Non-recurring revenue adjustment for Transmission from prior years	0.0	(0.4)	0.4	(100.0%)
Other non-recurrent operating expenses	0.0	(1.1)	1.1	N/A
Non-recurrent workforce expenses	(0.1)	(8.6)	8.5	(98.8%)
Impairment losses on non-current assets	(0.4)	(2.4)	2.0	(83.3%)
Depreciation and amortisation	(87.9)	(83.5)	(4.4)	5.3%
Earnings before interest and taxes (EBIT)	**83.9**	**73.4**	**10.6**	**14.4%**
Net finance income/(cost)	(34.1)	(33.0)	(1.1)	3.3%
Earnings before tax (EBT)	**49.8**	**40.3**	**9.5**	**23.6%**
Income tax (expense)/revenue	(12.3)	(10.5)	(1.8)	17.1%
Profit/(loss) for the year	**37.6**	**29.9**	**7.7**	**25.8%**

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 2019, the Group recorded revenues of Euros 245.9 million, an increase of 0.7% on 2018, primarily due to its regulated activities.

Distribution revenues continue to improve with respect to last year, by 3.9%, to Euros 109.6 million, essentially as a result of a higher number of connection points in existing and newly added municipalities.

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 2018, the Group has liquidity in the amount of Euros 449.9 thousand, including cash, credit facilities and loans, according to the following breakdown

In millions of Euros

Type	TOTAL	Drawn down	Available
Revolving credit facility	300.0	0.0	300.0
EIB loans	285.0	210.0	75.0
Cash	74.9	-	74.9
Total	**659.9**	**210**	**449.9**

Instrument

Instrumento		Ratio	Issue date	Principal (€m)	Drawn down (€m)	Maturity	Coupon
BEI	Loan	Fixed	December 2015	160	160	2036	1.294
		Fixed	June 2019	50	50	2039	1.86%
		Fixed	-	75	-	-	-
Financial Market	Bonds	Fixed	April 2014	650	650	2021	2.75%
		Fixed	December 2017	500	500	2027	1.88%
Credit financing	Revolving Capex Facility	Variable	November 2017	300	-	2026	
Total				**1,735**	**1,360**		
Cash and cash equivalents					75		
Deuda neta					**1,285**		

In June 2019, the European Investment Bank (EIB) provided Redexis Gas, S.A. with part 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.

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 20 November 2018 the credit rating agency Standard & Poor's assigned Redexis Gas, S.A. a rating of BBB- with a stable outlook and investment grade category.

The last rating update took place in July 2019, affirming its BBB- rating with a stable outlook.

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.

Therefore, on 25 October 2018 the Redexis Board of Directors resolved to establish and Audit and Risk Committee composed of three members, all non-executive directors of the Group. The members were appointed by the Board, and accepted the post.

The tasks of this Committee include overseeing activity and risk management, reviewing policies and practices regarding this management, as well as ensuring the ability of the Group to identify new risks. This Committee will in turn inform the Board of Directors regarding the reports received, their adequacy and need. In addition, the Committee will monitor the effectiveness of the Group's risk management.

(7) HUMAN RESOURCES

At the end of December 2019, Redexis had a total of 390 employees while the average headcount for the year was 368.

(8) OWN SHARES

Redexis did not hold any own shares at 31 December 2019, nor did it perform any transactions with own shares during 2019.

(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 53 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:

- **Redexis, driver of renewable gas**
  Redexis is promoting initiatives for the production of renewable gas and hydrogen and the injection of natural gas to the network since:
  - ✔ They contribute to reducing diffuse but direct emissions of methane into the atmosphere
  - ✔ They allow energy exploitation, with a zero net balance in GHG emissions
  - ✔ They provide a viable solution for certain types of waste that currently pose a problem for environmental management (e.g. Slurry, Organic Fraction of Municipal Solid Waste) and indirectly and by means of the digestates produced during anaerobic digestion processes.
- **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

- **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.

- **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 of Euros 60 million 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.

(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, which was revised and implemented in September 2019.

During the second half of 2019, Redexis amended its Integrated Management System to adapt it to the new requirement of the ISO 45001:2018 occupational health and safety management system, as well as to the continuous improvement required by ISO 14001:2015 environmental management system and to maintain the needs required by the ISO 50001:2011 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 in 2019 of the Leadership Committee on energy management, environment and safety and health.

Due to the opportunities for improvement detected during this process, in the last quarter of 2019 Redexis implemented some scorecards with environmental and energy indicators for monthly measurement and reporting that will allow it to identify improvements in its management.

In the course of 2019, 37 environmental, energy and carbon footprint verification audits were performed, internal as well as external, for improvement of the processes.

At the close of 2019, Redexis has the ISO 14001: 2015, environmental management system, the ISO 50001: 2011, energy management system, and the ISO 45001: 2018, the occupational health and safety management system.

In addition, in November 2019 the Group obtained the carbon footprint, passing 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.

Scope of the **report**

- **COMPANY:** Redexis Gas, S.A.
- **SCOPE:** Spain.
- **YEAR:** 2019.
- **ACTIVITY:** development and operation of natural gas transmission and distribution networks, the distribution and commercialization of liquefied petroleum gas and the promotion of renewable applications of natural gas and hydrogen.
- **FREQUENCY OF ISSUANCE OF THIS REPORT:** annual.

ELABORATION OF THE REPORT

All the Company's business units have had a direct participation in the definition and delimitation of the contents of this Report. The diagram below illustrates the process followed in its production, determining the material aspects and their coverage.

1 IDENTIFICATION → 2 PRIORIZATION → 3 VALIDATION → 4 REVIEW → 5 APPROVAL AND PUBLICATION

Despite not submitting this report to independent verification, the objective is to reflect the reality of the Company in a trasparent way, by providing representative indicators of the Group.

Redexis, in its desire to be a company that respects society and the environment that surrounds it, is adhered to the **Spanish Network of the United Nations Global Compact,** pledging to support, through its activities, the consolidation of this international project, by consider it a proposal of great value for the defense of human rights, protection of the environment, support for social development, respect for labor standards and the fight against corruption. This Report, which also has the function of a Progress Report, is in line with the 2015-2030 Sustainable Development Goals (SDGs) approved by the UN in September 2015. In Concrete, the Company is more actively committed to objective number eight, which is committed to "promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", number nine, "build resilient infrastructures, promoting inclusive and sustainable industrialization and fostering innovation "and number eleven," making cities and human settlements inclusive, safe, resilient and sustainable".

8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | THE GLOBAL COMPACT Red Pacto Mundial España WE SUPPORT

Contact **information**

Safety and emergencies:

Redexis puts at your disposal an Emergency Service 24 hours a day, 365 days a year, to attend to the necessary actions to guarantee your safety and that of your property, carrying out operations to open or close gas installations and actions to emergency in case of any security incident: smell of gas, fire or explosion, as stated in ITC-ICG-01 of the Technical Regulation of Distribution and Use of Gaseous Fuels approved by Royal Decree 919/2006.

To communicate any urgency, please contact Redexis at:

Emergencies: 900 924 622

CUSTOMER SUPPORT CENTER:
900 811 339

To take meter **readings**, keep in contact with the following number:
800 76 05 77

- **Contact address**
  C/Mahonia 2. Portico building
  28043 Madrid

CORPORATE CONTACT ADDRESSES:

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- **Investor Relations:** investor.relations@redexis.es
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Redexis