ANNUAL REPORT 2018

Redexis

Redexis

Welcome to Redexis 2018 Annual Report

We carry energy
We bring future

Grupo Redexis Gas, S.A. ("the Group" or "the Company" or "Redexis") has been publishing this Report on an annual basis since 2013 and makes available to all stakeholders the most relevant information for the 2018 tax year.

The content of this report highlights the Company's material and relevant issues for 2018 and takes into consideration advanced criteria of transparency and corporate communication. The Report analyses and reviews the activity and results of Redexis in a reasonable and appropriate manner, providing a view of the industry, the business model, its management, the strategic approach, the evolution of the results, the consolidated financial statements, as well as the implementation of good corporate governance practices.

The report deals in a unified manner with the financial, social, environmental and governance aspects that can substantially influence stakeholder assessments and decisions.

The objective of the information presented is to foster transparency in relations and communications with all its stakeholders and to communicate how it creates value in the short, medium and long term in a manner that is precise, detailed, consistent with the environment and the activity it carries out, understandable and accessible for all its stakeholders.

Readers can access this Report through the Group's website, **www.redexisgas.es**, where they can also find the first Sustainability Report, as well as additional and relevant information on its activity.

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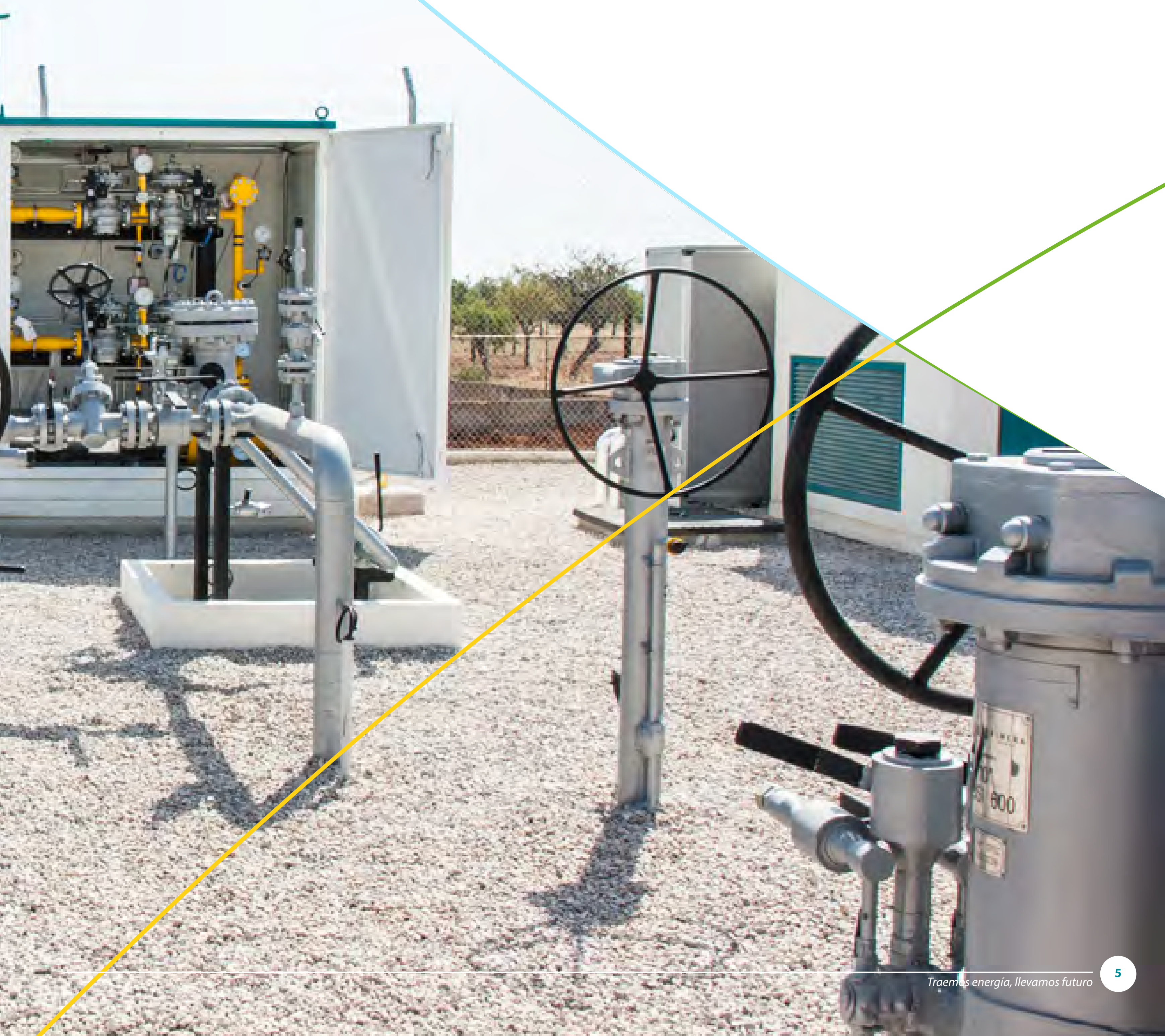
Review of the year



Municipalities

It provides access to natural gas to 500 municipalities in 27 provinces of Spain through **10,498Km** of its own networks

It has a network of **1,643Km** formed by 51 gas pipelines

Transmission

It operates **680,512** connection points of which **595,353** are natural gas and **85,159** liquefied petroleum gas with a network of **8,855Km**

Distribution

Redexis is promoting the development of natural gas vehicles

through investments in new infrastructures for mobility and promoting the development of new renewable applications

It has the experience and flexibility o professionals

+3,000 direct and indirect jobs

It has invested **€ 1,3 Billion** since 2010, developing a solid plan for expansion and development of energy infrastructures

Which encouraged by investment in the deployment of new infrastructure

Are committed to technology, innovation and environmental sustainability

It incorporates advanced artificial intelligence tools that prioritise commercial action and optimise the deployment and operation of infrastructures.
It has an Integrated Policy where environmental excellence and continuous improvement are fundamental values.

It has a turnover of **€ 244 Millions** and a gross operating profit of **€ 169 Millions**

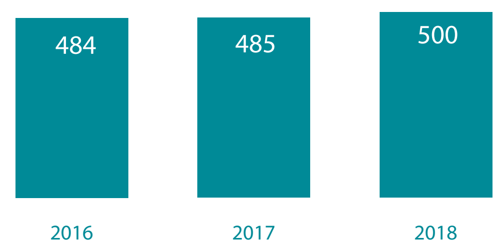
And allow us to grow and obtain excellent results

"Full of energy to take it further and build a better world."

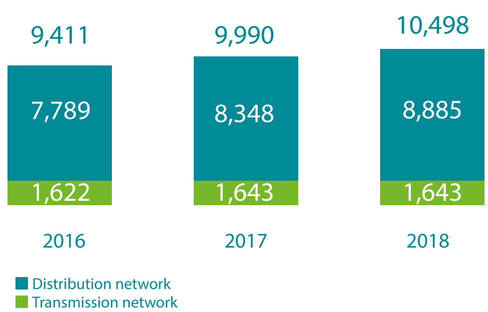
Operating figures

CONNECTION POINTS (THOUSAND)

MUNICIPALITIES SERVED



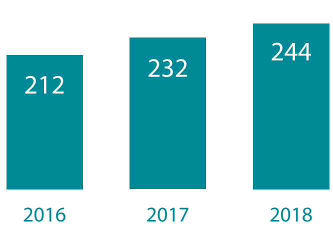
NETWORK LENGTH
(Km)



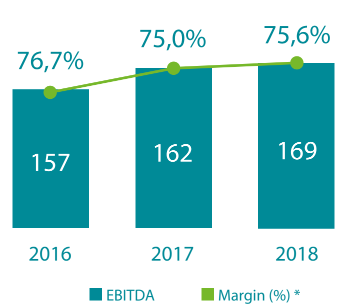
ENERGY DISTRIBUTED
(GWh)

Financial figures

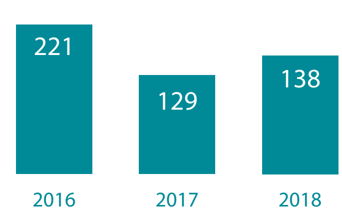
REVENUES (€m)



EBITDA (€m)



CAPEX (€m)



** Note: The margin does not take into account the dilution effect of LPG.*

Letter from the Executive Chairman

One more year, in Redexis we have demonstrated our dedication and commitment to all those who have placed their trust in us, accomplishing all the objectives we set for 2018. Once again, we have led the development of gas infrastructure in Spain, outpacing the sector in the number of new users connected to our natural gas distribution network, having grown more than four times the sector average. This way, we join the process of energy transition, deploying infrastructure that promote economic development in a sustainable manner and that is also essential to ensure the energy supply in a low emissions future.

In June 2018, there was an important milestone for our company with the shareholding restructuring that led to the final exit of the infrastructure funds managed by Goldman Sachs, the increase of participation of pension funds ATP and USS, and the entry of financial investors CNIC and GT Fund, being the resulting shareholding structure of Redexis as follows: ATP 33.3% of total outstanding shares, USS another 33.3% and GT Fund and CNIC, jointly, the remaining 33.3%.

Once again, USS and ATP have reiterated their support, supporting our sustainable growth strategy, while the entry of CNIC and GT Fund, long-term investors in high quality infrastructure and assets, reinforces our growth plan and the search for new opportunities. All this, while upholding the commitment to prudent financial management and maintaining the investment grade rating.

During this process the Redexis team has remained focused on achieving business objectives, delivering excellent operational and financial results. Thus, in 2018, the Company obtained revenues of 244.3 million euros, 5.4% more than in 2017, a gross operating income of 169.4 million euros, 4.4% more than last year, and has invested 138.4 million euros in new transmission and distribution infrastructure of piped gas and complementary growth opportunities.

In 2018, the Spanish economy expanded 2.5%, being the fourth year in a row that we grew above our partners in the European Union. Consequence of this economic improvement has been the rate of job creation, which accelerated one tenth in year-on-year terms to 2.6%, representing almost 463,000 full-time equivalent jobs created in the last year, and a rate of unemployment of 14.5%, showing improvement year after year.

Business dynamism has contributed to the improved economic performance. During 2018, the gas consumed by the tertiary and industrial sectors that circulated through our infrastructures increased by 18% compared to 2017, reflecting an evident increase in business confidence. The deployment of gas networks that respond to this demand, has a special relevance for sustainable economic growth, as it boosts the productivity and efficiency of companies and industries, and contributes to the creation of employment and wealth in the communities where they are present. In relation to the industrial sector, in 2018 we have contracted 74 new large industries, entailing an annualized increase of 777 GWh.

One more year, Redexis has been at the forefront of the investment effort in energy infrastructure in Spain, contributing 37% of the 376 million euros that gas companies have invested in 2018, according to Sedigas. This investment has been mainly destined to the deployment of 508 kilometres of network to bring the gas to 21 new municipalities and urban centres of the national territory, closing the year with 681,000 supply points. Our company therefore continues to be the engine of growth of the gas sector in our country, organically contributing 33% of the total new points added.

Our investment plan is possible thanks to the trust placed by our shareholders, investors and financial institutions. Over the past few years, we have demonstrated our ability to access capital markets through bank facilities, bond issues and loans with the European Investment Bank, ensuring a solid financial and liquidity position accredited by our credit rating of investment grade by Standard and Poor's.

We are prepared to face the challenges of the future. We are a top-tier company and therefore I sincerely believe that, despite the many challenges we face, the outlook is very positive.

In such manner, at the beginning of 2018, we completed the formalization with the European Investment Bank of a new loan amounting to 125 million euros through the "Juncker Plan", within the framework of the EFSI (European Strategic Investment Fund), destined to development of natural gas distribution networks in the Spanish territory. In addition, we have recently announced the transformation of our syndicated revolving credit line of 300 million euros into sustainable financing, linked to the improvement of the ESG rating granted by Vigeo Eiris, reinforcing our commitment to the environment, social responsibility and good corporate governance.

Sustainability is a fundamental axis in the Redexis strategy. Undoubtedly, we are in full evolution towards a new energy model where gas infrastructure plays a key role as an ally of clean and decisive energy in achieving the objectives set by the Paris Agreement in 2015, with gas being the energy of greater growth in any of the low emissions scenarios.

From the point of view of sustainable mobility and air quality in our cities, at Redexis we are strongly pushing for the progress in the use of Natural Gas for Vehicles, promoting their demand as an alternative fuel by promoting the creation of refuelling stations and providing a comprehensive and complete solution to transport companies, business fleets or individuals.

In this regard, we are very satisfied with the agreement recently reached with Cepsa to create the largest network of refuelling stations for Natural Gas in Spain. With this alliance we intend to reach 80 service stations before the end of 2023, with a total investment of 60 million euros, making a qualitative and quantitative leap in the infrastructural provision of natural gas refuelling in Spain.

Redexis is committed to the deployment of infrastructure that facilitate access to renewable energies such as hydrogen or renewable gas, key energy vectors for reducing emissions. The networks that we are extending today will allow transporting and distributing neutral CO_2 fuels tomorrow, offering efficient and clean energy sources, so we are convinced that they will play an indispensable role in the energy transition and fighting climate change. Redexis is willing to make investments for the development of these infrastructures and has announced investments of more than 60 million euros that will be allocated to new projects in this line in the 2019-2025 horizon.

In Redexis we are aware of the need to respond to the challenges of today's society and to collaborate with our environment. During 2018, we have carried out more than twenty actions of sponsorship and collaboration with different organizations and institutions aimed at improving safety and health, culture, education, and the environment. Among others, Redexis participated in the Gas Facilities Security Campaign in the Community of Madrid, in the cultural field sponsored the retransmission of the Opera on the street in more than 42 provinces throughout Spain and the literary cycle 'Rio de Letras' in Murcia and collaborated with East Mallorca Cup, a tournament to promote women's sports in the Balearic Islands.

During 2018, we have remained committed to business integrity, transparency and sustainability, and have developed our first Sustainability Report for all stakeholders with clear, accurate and detailed information on our activities from different frameworks: economic, social and environmental. With this report, Redexis renews its commitment to the Global Compact Principles and its contribution to the achievement of the United Nations Sustainable Development Goals.

Last but not least, I want to thank the work done by all the people who are part of this great project. Thanks to its commitment and effort, Redexis is today a reference company, fully prepared for the energy transition.

Fernando Bergasa
Executive Chairman

Letter from the Chief Operating Officer

Once again this year, Redexis has obtained excellent results that show the success of our strategy, which strengthens our conviction to optimise economic results in a balanced manner, preserve the environment, commit firmly to society and to the development of good corporate governance practice.

At the financial year end, the Group recorded an increase in revenues of 5.4% compared to the previous year, reaching EUR 244.3 million, and a gross operating profit of EUR 169.4 million, a 4.4% increase compared to the same period in the previous year.

During 2018, we have invested EUR 138.4 million, which have been used for the construction of new natural gas networks in the 32 Spanish provinces in which we are present. We have increased our infrastructures by 5.1%, building 508 kilometres to reach a total of 10,498 kilometres that allow for the supply of natural gas and LPG to millions of homes, businesses and industries. We have also brought into service 17 new municipalities and 4 urban centres in the Autonomous Communities of Andalusia, Aragon, the Balearic Islands, Castile-La Mancha, Castile-Leon, Madrid and Murcia and applied for 23 preliminary administrative authorisations.

We have connected 45,000 new homes, which accounts for 38% of the total growth in the sector. Additionally, 3,400 LPG points were acquired from other operators. Thus, at year-end, the Group had a total portfolio of 681,000 supply points.

In the tertiary sector, as well as in the public administrations sector, Redexis is promoting the transformation of its facilities for the use of natural gas. Hotels, restaurants, sports facilities, schools, hospitals, swimming pools, homes, among others, require an efficient fuel that contributes to offer the best possible services for their customers. At the same time, sports facilities and swimming pools benefit from switching to natural gas. This way, Redexis is helping many companies and Spanish public bodies to achieve electric bill savings ranging from 20% to 50%.

During the year 2018, we have increased the consumption in the tertiary sector by 9.3%, reaching 1,625 GWh, and we have connected 317 new customers to natural gas, which means a 55% increase compared to the previous year, with a consumption of 92 GWh/year.

With respect to the industrial sector, natural gas is the best fuel that can be used in production processes, given that it can advantageously replace the more polluting conventional fuels such as diesel or coal. In Spain, industry is a fundamental vector for economic growth, competitiveness and job creation.

During the year of 2018 we have increased consumption in the industrial sector by 16.7%, reaching 8,798 GWh, and we have engaged 74 new industries, resulting in an annualised increase of 777 GWh.

On the other hand, Redexis continues to work on ambitious projects in which it applies Artificial Intelligence algorithms to predict or anticipate potential network incidents, detect fraud in advance, implement predictive maintenance of networks, prevent risks or reduce disconnections. At Redexis we have focused on fully integrating all the Artificial Intelligence tools into our expansion processes and we have developed optimisation algorithms for network deployment, which seek to connect new users more efficiently.

At Redexis we support the natural gas vehicle (NGV), an effective mobility alternative that allows for savings of nearly 50% compared to fuels derived from petroleum, reducing the NOx emissions by 40% and CO_2 emissions by 27%. We have committed to provide Spain with a nationwide network of natural gas refuelling infrastructures for light and heavy vehicles, with easy access and refuelling times similar to traditional hydrocarbon refuelling. This commitment was materialised through an agreement signed in June 2019 with Cepsa with the aim of creating the largest network of natural gas refuelling stations in Spain over the next two years.

> ***"Our objective is to consolidate us as a leading energy infrastructure operator for our employees, customers, shareholders, collaborators and society in general."***

The Company has also signed agreements with different vehicle manufacturers, leaders in the development of NGV models, and is in contact with transport companies to encourage the change of fleets to NGV.

We also promote innovative hydrogen projects to become a leading company in the field of green energy. We are participating in the Lloseta project in Mallorca, a pioneering project at national level, for the injection of hydrogen into the natural gas distribution network.

On the other hand, we are currently evaluating the investment in projects aimed at converting unused biogas into biomethane and injecting it into the Redexis network, making it possible to reuse energy and thus contribute to a circular economy.

Redexis encourages continuous improvement of working conditions. To this end, through its Integrated Policy, it involves not only its workers but also suppliers, collaborators and users related to its activity, with the objective of avoiding and preventing accidents and damage to health. The "zero accidents" objective has resulted in a reduction in the various accident rates. In this sense, 2018 has been characterized by its low rates, this being "zero" for own personnel and 2.36 in aggregate, compared to 2.62 the previous year.
With respect to people, they are key to achieving our goals, and thus we opt for stable and quality employment. To this end, the Group has an agreement that regulates aspects related to people management. In 2018, Redexis signed the 2nd Collective Bargaining Agreement, which is valid for four years until 31 December 2021, providing stability, predictability and sustainability to employees. In addition, Redexis has reinforced its commitment to equality in the workplace by signing the 2nd Equality Plan, the objectives of which include guaranteeing the principle of equal treatment and opportunities between men and women.

At the same time, we attract and retain the best talent and try to create healthy work environments that enhance the well-being and motivation of our people. For this reason, we have launched a new training space in an on-line platform called "Campus Redexis" with the objective of providing employees easier access to training content at any time and from any device, and encouraging collaborative learning. This way, management is streamlined and we ensure that training reaches all those who are part of Redexis.

With regard to our environmental commitment, the improvements have allowed us to certify in 2018 our transmission, storage and distribution of natural gas and LNG activity under the ISO 50001:2011 standard, certifying our energy management and favouring the most efficient and sustainable use of energy.

Redexis has also made the electronic invoice available to LPG customers, not only to facilitate access to the same, but also to reduce energy consumption and CO_2 emissions. With this initiative, we have stopped printing and sending 485.00 invoices, which brings cost savings at the same time.

In relation to the emission of greenhouse gases, Redexis has registered with the Ministry for Ecological Transition the calculation of the Carbon Footprint within Scope 1 and 2, for its natural gas transmission and distribution activities.

I would like to end this letter by congratulating all professionals who work at Redexis. The good results presented are possible thanks to their commitment, effort and innovation, which allow us to exceed the targets set and continue assuming challenges and driving the Company's growth.

That is the best way to continue laying the foundations for a brighter better energy future in which Redexis will continue to be a key player.

Cristina Ávila
Chief Operating Officer

Governing Bodies

Shareholders

Redexis Gas, S.A., with its registered office in Madrid, is the holding company of a group of energy infrastructure companies engaged in 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.

It is equally owned by two pension funds, Universities Superannuation Scheme ('USS') and Arbejdsmarkedets Tillægspension ('ATP'), and the Guoxin Guotong Fund LLP ('GT Fund') and CNIC Corporation Limited ('CNIC') infrastructure funds, which hold a joint interest.

On 4 April 2018, ATP and USS, as well as the financial investors GT Fund and CNIC signed various agreements to acquire a 50.1% stake in Redexis Gas, S.A. and Redexis Gas Finance B.V. from the infrastructure funds managed by Goldman Sachs ("GSIP").

The closing of the acquisition took place on 20 June 2018, leaving the shareholding structure of Redexis as follows: ATP 33.3%, USS 33.3% and GT Fund and CNIC together 33.3%.

NOTE | 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.

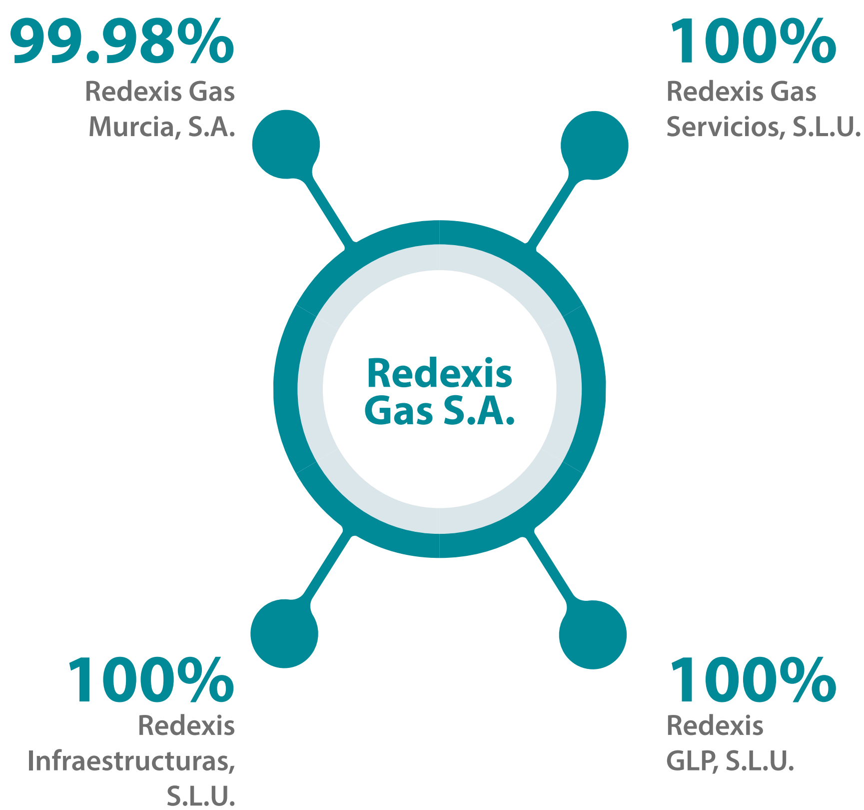
Group structure

In recent years, the Group has modified its structure in order to make its operations more efficient.

Thus, on 27 February 2015, Redexis Gas, S.A. carried out the merger of its operating subsidiaries. From that date, all assets were operated directly by Redexis Gas, S.A., except for those owned by Redexis Gas Murcia, S.A., Redexis Gas Servicios, S.L.U., Redexis Infraestructuras, S.L.U. and Redexis GLP, S.L.U.

On 25 May 2015, Redexis Gas, S.A. and Redexis Infraestructuras, S.L.U., pursuant to Article 63.2 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, carried out the spin-off of certain transmission assets, by virtue of which Redexis Gas, S.A. segregated the same in favour of Redexis Infraestructuras, S.L.U.

Finally, on 30 November 2017, Redexis Gas, S.A. and Redexis GLP, S.L.U. carried out the spin-off of certain liquefied petroleum gas assets by virtue of which Redexis Gas, S.A. segregated such assets in favour of Redexis GLP, S.L.U.



As at 31 May 2019, the Board of Directors was composed of the following members:

Nombre	Cargo
D. Fernando Bergasa Cáceres	Executive Chairman
Dª. Cristina Ávila García	Chief Operating Officer
D. Niels K. Jensen	Director
D. Ng Chik Sum, Jackson	Director
D. Oliver Jan Schubert	Director
D. Ulrik Dan Weuder	Director
D. Stephen Alan John Deeley	Director
D. Gavin Bruce Merchant	Director
D. Ignacio Pereña Pinedo	Secretary (non-director)

Executive Committee

Member	Position
 **Mr Fernando Bergasa Cáceres** 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 Energia. • 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 Sedigas • 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 Garcia** Chief Operating Officer	• Chief Operating Officer of Redexis Gas, S.A. • 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 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 Sedigas.

Member	Position

Mr Antonio España Contreras

Chief Financial Officer

- Chief Financial Officer of Redexis Gas, S.A.
- Telecommunication Engineer from the University of Malaga, 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 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 Sedigas.

Mr Ignacio Pereña Pinedo	General Counsel and Company Secretary
Mr Borja Polo Baños	Strategy and Business Development Director
Mr Javier Crespo Millán	Operations Director
Mr Diego Sánchez Muslera	Network Execution, Facilities and Transmission Director
Mr Javier Migoya Peláez	Commercial Expansion Director
Mr Miguel Mayrata Vicens	Business Diversification Director
Ms Mercedes Barreiro Hernández	Resources Director
Ms Estefanía Somoza Villar	Corporate Communications and Public Affairs Director
Ms Mireya Martínez San Martín	Internal Audit Director

Milestones in the year

2018

January
- Redexis and EIB sign €125 million loan to develop gas infrastructure
- Balearic Islands: Redexis and Inca City Council provide natural gas access to 8,000 homes
- Community of Madrid: Redexis participates in the Campaign for the Safety of Gas Installations in the Community of Madrid

February
- Castile-La Mancha: Redexis to supply natural gas in El Casar (Guadalajara)
- Castile-La Mancha: Redexis, sponsor of the Yepes Football Academy
- Balearic Islands: Redexis participates in the Energy Advisory Council of the Balearic Islands
- Canary Islands: Orlando Viera, new regional director of Redexis in the Canary Islands

March
- Redexis signs a collaboration agreement with Conaif
- Redexis and Enagás create 'H2Gas' to boost renewable hydrogen

April
- ATP and USS agree to increase their participation in Redexis together with new financial investors
- Andalusia: Redexis provides natural gas to Bajo de Guía hoteliers in Sanlúcar de Barrameda (Cádiz)
- Community of Madrid: Redexis promotes the development of natural gas in the Community of Madrid, extending natural gas in Cercedilla
- Redexis participates in the 6th Gasnam Congress (Trade association to promote the use of natural gas and renewable gases in ground and maritime transportation)

May
- Andalusia: Redexis inaugurates the arrival of natural gas in Conil de la Frontera (Cádiz)
- Andalusia: Redexis contributes to the improvement of air quality in Villanueva del Arzobispo (Jaén)
- Aragón: Redexis begins natural gas supply in Torrente de Cinca (Huesca)
- Balearic Islands: Redexis inaugurates the arrival of natural gas in the Mallorcan town of Llucmajor
- Region of Murcia: Redexis will start supplying natural gas to Abarán before the summer
- Community of Madrid: Redexis signs an agreement for the development of the private Plan for Replacement for Boiler Rooms in the Community of Madrid.
- Extremadura: Redexis once again supports the youth football teams of Club Esportiu Constancia de Inca
- Region of Murcia: Redexis sponsors the 'Rio de Letras' cycle, which brings together leading Spanish writers in Blanca

June
- Balearic Islands: Redexis and the Consortium of Transport of Mallorca support the promotion of gas vehicles in the Balearic Islands
- ATP, USS and GT Fund / CNIC complete acquisition of Redexis

July
- Region of Murcia: Redexis starts natural gas supply in Abarán
- Redexis, national sponsor of the broadcast of the opera Lucia di Lammermoor

2019

October

- Andalusia: Redexis inaugurates the arrival of natural gas in Chiclana de la Frontera (Cádiz)
- Extremadura: Redexis promotes the development of natural gas in Extremadura with the deployment of new networks in Moraleja (Cáceres)
- Region of Murcia: We begin the supply of natural gas in Sangonera La Verde, in the capital city of Murcia.
- Andalusia: Redexis and the City of Vera (Almeria) will reduce emissions and energy bills in municipal facilities
- The National Centre for Experimentation of Hydrogen and Fuel Cell Technologies (CNH2) shares with Redexis its most innovative projects.
- Balearic Islands: Redexis collaborates with East Mallorca Cup 2018, a tournament that promotes women's sport

November

- Andalusia: Redexis promotes the development of natural gas in the Valdelagrana housing development in El Puerto de Santa María (Cádiz)
- Castile-La Mancha: Redexis will take natural gas to the Hellín Municipal Indoor Pool (Albacete)
- Community of Madrid: Redexis participates in the Campaign for the Safety of Gas Installations in the Community of Madrid

December

- Region of Murcia: Plásticos del Segura incorporates natural gas in its industrial processes thanks to Redexis

January

- Antonio España, new Chief Financial Officer (CFO) of Redexis
- Andalusia: Redexis promotes the development of natural gas in Lebrija (Seville)
- Balearic Islands: Redexis continues to expand distribution network in Ibiza

February

- Aragon: Redexis presents the Government of Aragon with different investment and employment initiatives aimed at the region's progress in energy matters
- Community of Madrid: Signed an agreement for the development of the Plan for Replacement of Boiler Rooms in the Community of Madrid.
- Region of Murcia: presents the pilot project that is being carried out in the municipality of Cartagena that promotes solar photovoltaic self-consumption in homes.

March

- Redexis and the Spanish Hydrogen Association sign a collaboration agreement
- Redexis will invest EUR 60 million in hydrogen-related projects

April

- Redexis and the Spanish Balearic Federation of Transport (FEBT) sign a collaboration agreement to promote natural gas vehicles in the Balearic Islands

History

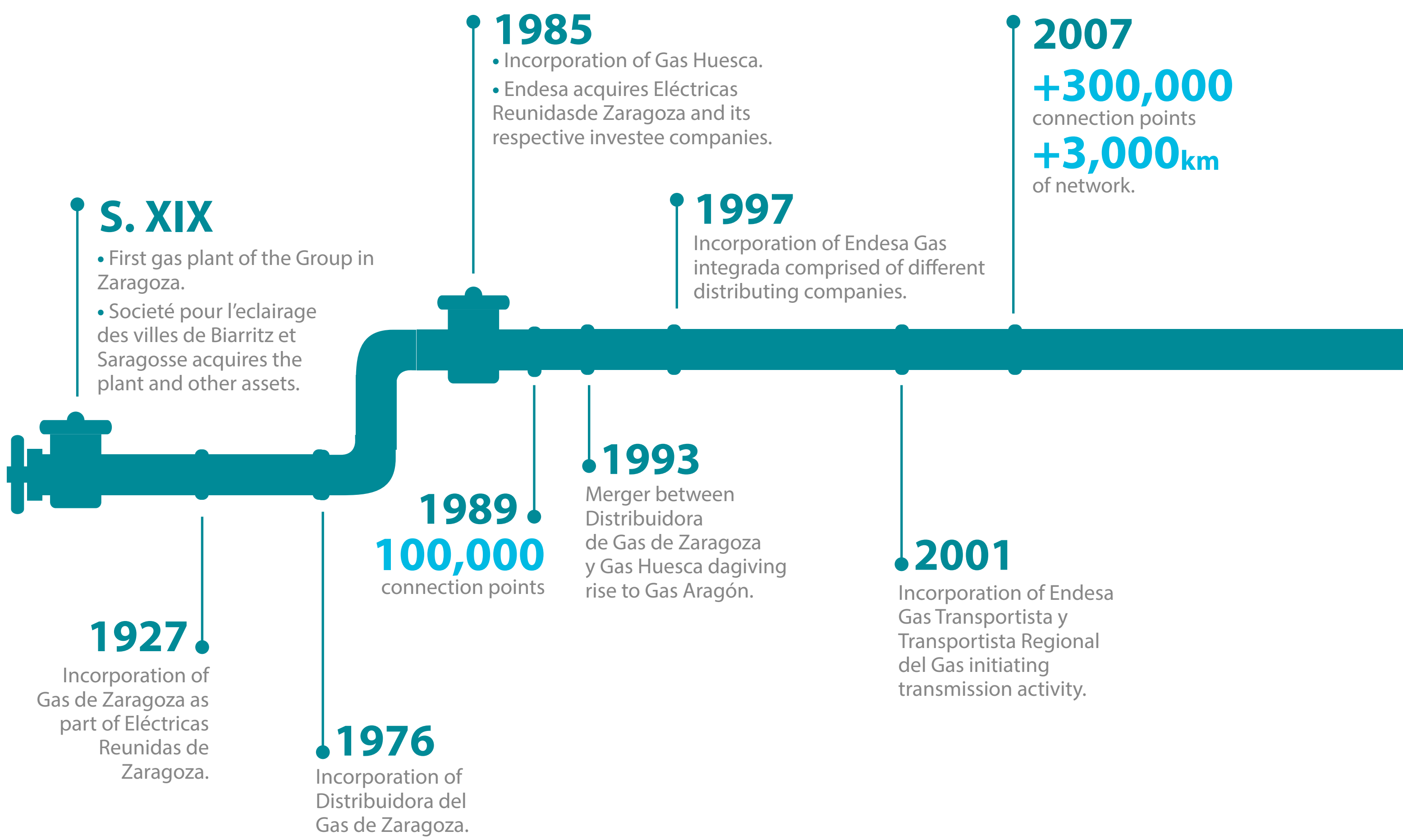
For more than 160 years, the Company has been supplying gas to its users in a safe, comfortable and clean manner. Since its origins, it has tried to provide innovative solutions by implementing advanced gas infrastructures adapted to each moment in history.

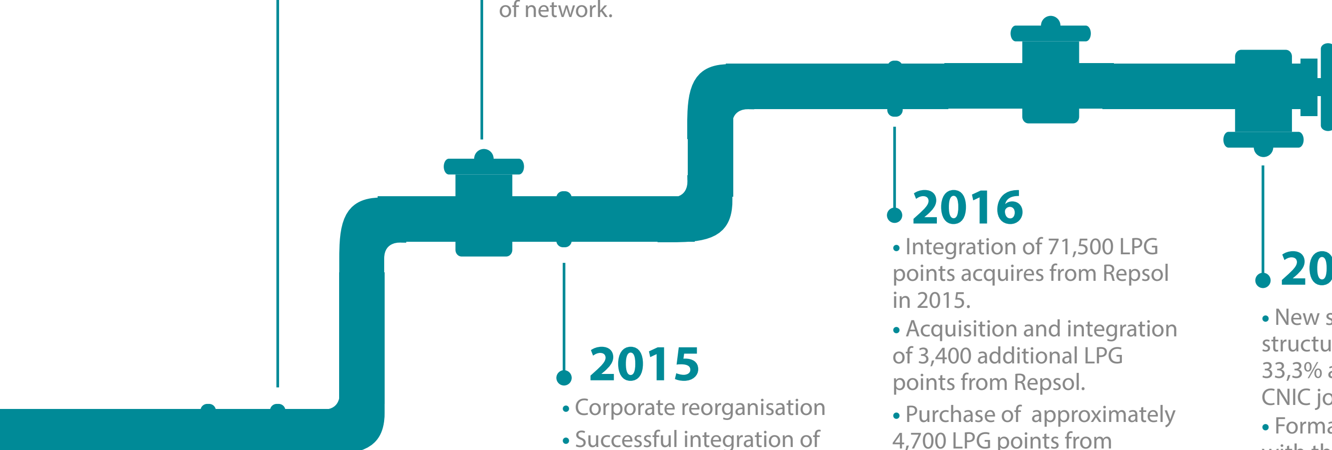
Over the years, the Company has gained weight and presence in the Spanish market.

In 2010, Redexis was established as an independent and autonomous entity. Since then, and thanks to the implementation of an important investment program, the Company has grown at accelerating speed, achieving operational efficiencies and integrating supplementary acquisitions.

Redexis plays a fundamental role in the incorporation of renewable energies to the new energy model thanks to the development of an extensive network of modern and flexible infrastructures that guarantee the continuity of supply in all the regions in which it is present.

A history of success and continuous growth





2010

Two investment funds administered by Goldman Sachs aquires 80% of the share capital in the asset holding company of Endesa Gas T&D.

+364,000
connection points

+4,700km
of network.

2013

Goldman Sachs Infrastructure Partners and coinvestors acquire control of 100% of the Company and change their corporate name.

+380,000
connection points

+5,500km
of network.

2014

- Acquisition of Redexis Gas Murcia and other additional distribution assets from EDP.
- First issuance of notes (Euro 650 million with maturity in 2021).

+396,500
connection points

+5,800km
of network.

2015

- Corporate reorganisation
- Successful integration of Redexis Gas Murcia and other additional distribution assets.
- Acquisition of 71,000 LGP points from Repsol.
- New issuance of notes (Euro 250 million with maturity in 2027).
- Formalisation of a loan with the EIB (Euro 160 million with maturity in 2036).
- 1st Collective Agreement Signed.

2016

- Integration of 71,500 LPG points acquires 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

- USS and ATP resolve to increase their share in Redexis up to 49,9%.
- New issuance of notes (€250 million).
- Bank facility agreement for an amount of €300 million.
- Milestone in job creation: + 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 jointly 33,3%.
- 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 2nd Collective Bargaining Agreement.
- Development of new artifical intelligence tools.

+680,500
connection points

+10,400km
of network.

> ***Redexis works responsibly and efficiently demonstrating extraordinary flexibility and success over time.***

Sustainable business model

Energy Infrastructure Operator

> ***Redexis, an energy infrastructure company committed to economic development, energy efficiency and respect for the environment.***

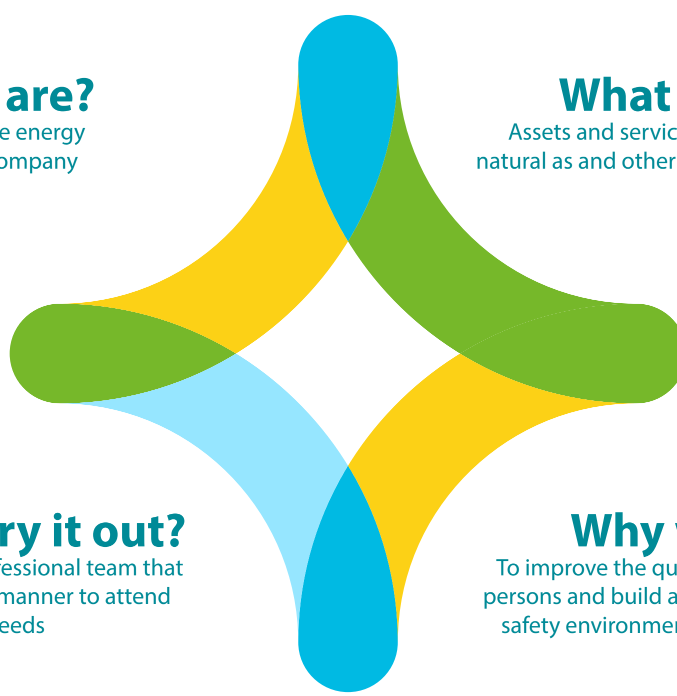
Redexis is an integral infrastructure company that, through natural gas and other renewable energy solutions, improves the quality of life of thousands of families every day. It is also a fundamental ally for the competitiveness of industry and business, helping Spanish society by contributing to its environmental sustainability and air quality.

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 transmission and distribution infrastructures to guarantee the supply of natural gas.

The Company is headquartered in Madrid and has 17 work centres throughout Spain. It has a young and dynamic team made up of 334 full-time employees, whose experience allows Redexis to position itself as a leading company in its sector.

Who we are?
A comprehensive energy infrastructure company

What we offer?
Assets and services that facilitate access to natural as and other renewable energy solutions



How we carry it out?
With a experienced professional team that works in a responsible manner to attend society's needs

Why we do it?
To improve the quality of life of thousands of persons and build a sustainable, respectful and safety environment, contributing to society

Mission

To be a comprehensive energy infrastructure company, maximising growth and efficiency, and contributing decisively to sustainable development and the generation of value for its stakeholders.

Vision

To be a leading energy infrastructure company, firmly committed to its customers, employees and shareholders and admired for its ability to improve and create value.

With 680,512 connection points, the Company facilitates access to a sustainable and efficient source of energy, natural gas, serving 500 municipalities in 27 provinces through 10,498 kilometres of its own energy infrastructure. It is licensed to operate in the Autonomous Communities of Aragón, Andalucía, Balearic Islands, Castile-La Mancha, Castile-León, Catalonia, Community of Madrid, Community of Valencia, Extremadura and Murcia.

Where natural gas supply is not yet available, Redexis offers an alternative and supplementary solution through the development of piped liquefied petroleum gas (LPG) distribution facilities and the supply of this fuel to the end customer.

Redexis is committed to growth and connects with the real needs of society, anticipating changes and taking advantage of the opportunities of a circular, cleaner and more sustainable economy. It is at the forefront and is able to respond to the needs of gas expansion with the development of infrastructure based on parameters of big data and Artificial Intelligence.

At the same time, Redexis is promoting natural gas vehicle (NGV) through investments in new infrastructure for mobility, supporting the development of NGV refuelling stations, promoting their demand as an alternative fuel in transport, and providing a comprehensive and complete solution to transport fleet companies or individuals.
On the other hand, the Company is committed to the energy transition and wants to position itself as a leader in the development of new projects that promote clean and renewable energies such as hydrogen or biomethane. It has safe and modern gas infrastructures, compatible to carry not only natural gas, but also renewable gases in the future.

> ***"Redexis is able to manage its networks in an excellent manner and promote the development of sustainable mobility infrastructures and renewable applications of natural gas and hydrogen."***

Strategic model

A business model that responds to the challenges of the future.

Redexis, as an energy infrastructure company, leader in efficiency and firmly committed to its users, employees and shareholders, supports the evolution towards a more sustainable and efficient business model by developing a strategy to address the new challenges faced by the energy sector.

It has a flexible infrastructure that adapts to the development of renewable energies without the need for additional investments, which allows for easy diversification of supply sources, increasing and improving the security of supply to Spanish homes, businesses and industries.

The strategy defined by Redexis aims to design, build, operate and maintain energy infrastructures through a long-term sustainable project. In view of this consideration, 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.

Operational excellence

Based on the adoption of the most advanced and essential technology to provide value-added solutions, quality in the projects carried out and services provided

Innovation

With the aim of progressing, transforming and improving efficiency of their activities

Risk management

By identifying safety, health and environmental standards in advance, evaluating risk events according to their probability of occurrence and their possible impact on the Company's strategy.

The commitment

To create value for society and to preserve the environment.

Its excellent capacity to face future challenges reinforces its growth strategy and encourages it to continue investing in the deployment of new energy infrastructures in Spain.

The development of the above strategic priorities is supported by the following pillars:

People

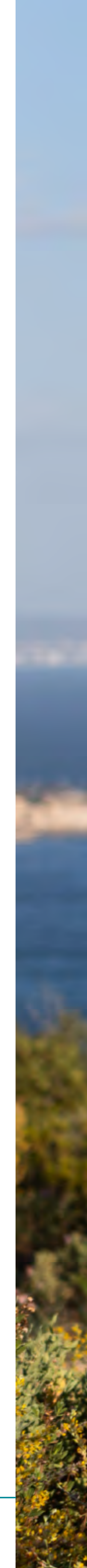
Key to the development and growth of Redexis.

The financial stability

That materialises in controlling costs and generating cash, in developing investments that finance future growth and in maintaining an investment grade credit rating.

Economic, social and environmental sustainability

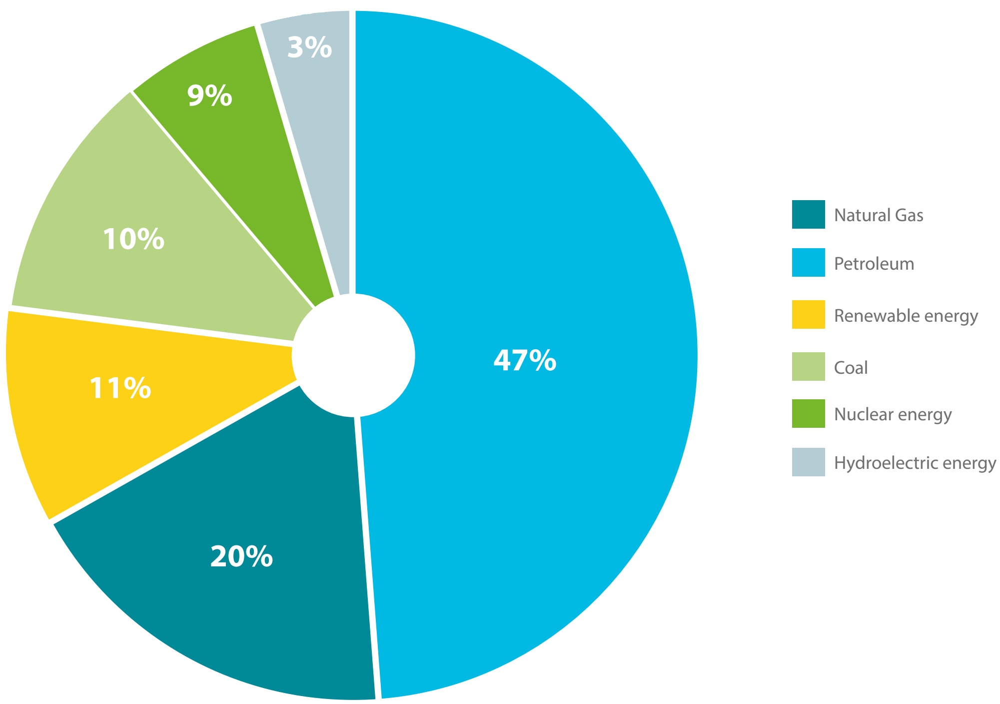
It is an important factor in the Company's operations.



Gas market in Spain

Thanks to government support and its advantages over other energy sources, natural gas has a relevant role within Spain's energy matrix, as it not only covers society's energy needs, but also guarantees a sustainable environment.

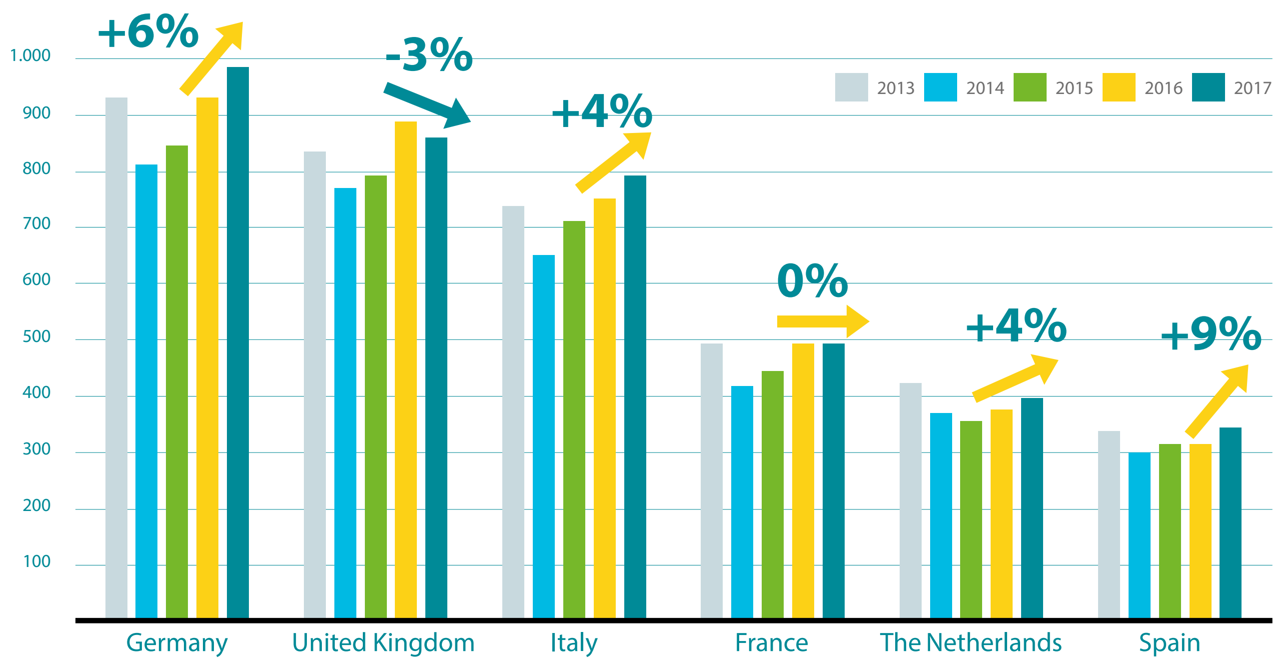
Primary energy consumtion in Spain (2017)



According to the Supervision Report of the natural gas market in Spain published by the CNMC, in 2017 the demand for gas in the European Union grew by 4.3%, highlighting Spain as the country with the highest growth among the six main countries consuming natural gas in Europe.

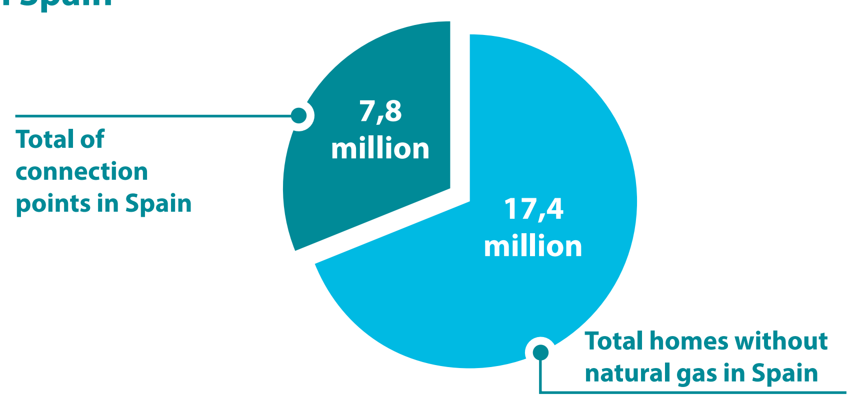
Source: BP Statistical Review of World Energy 2018

Natural gas consumption in several European countries in the last 5 years



Penetration of natural gas in Spain

The natural gas sector continues to grow in Spain. According to the latest census published by the National Statistics Institute (INE), there are currently 25.2 million homes in Spain of which 31% have natural gas. This highlights the wide margin of manoeuvre available to energy companies and the high growth potential for the sector in our country.



Source Minetad_Primary Energy Consumption Report (Fourth Quarter 2018)

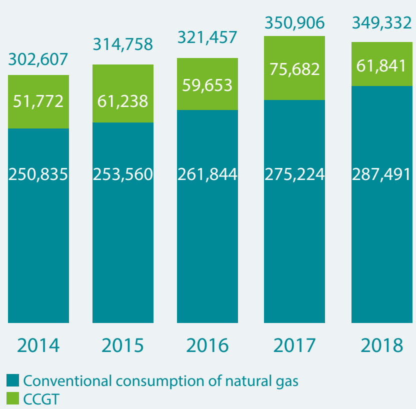
Spain has a great diversification of natural gas supply sources, which guarantee the security of energy supply and an important, modern and flexible gas infrastructure, which can be used in various ways to serve the energy transition.

The gas sector in Spain continues to grow in consumption and penetration, reaching 31% of the population and 1,792 municipalities by the end of 2018. The total national demand for natural gas stood at 349TWh, with the industrial sector driving the growth of natural gas with an increase of 4.1%, 65% of total national demand, natural gas being a fundamental source of energy supply for this sector, with environmental and efficiency advantages.

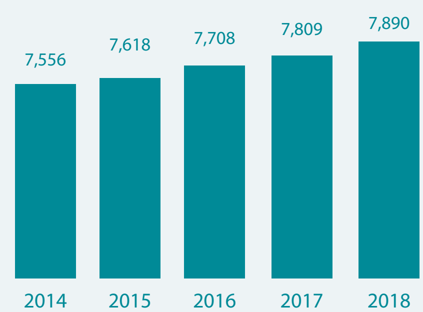
In 2018, the gas sector invested EUR 376 million, with which 629 kilometres of energy infrastructure have been built, a total of 87,699 kilometres in Spain, 33 new municipalities with gas service have been added (an increase of 1.9% with respect to 2017), reaching 1,792 municipalities and the connection points have increased by more than 80,500 to reach 7.9 million.

> ***Leveraging the investments made in the natural gas chain provides the support and flexibility needed to secure the supply of renewable gas.***

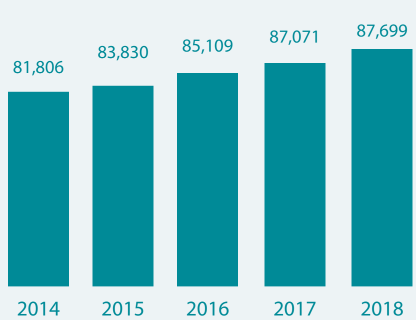
CONSUMPTION OF NATURAL GAS IN SPAIN (TWh)



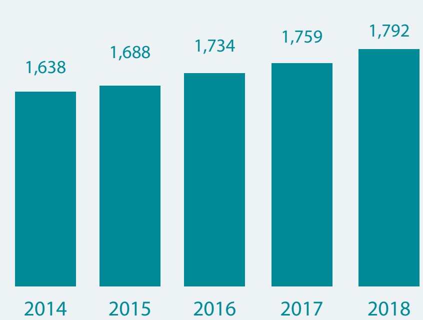
CONNECTION POINTS IN SPAIN (´000)



NETWORK LENGTH IN SPAIN (Km)



MUNICIPALITIES SERVED IN SPAIN



Gas companies have the opportunity to offer energy that represents a transition to a cleaner energy sector, using fuels with lower CO_2 emissions or zero emissions.

Also, Spain has great potential for the development of the natural gas vehicle (NGV) market which is configured as an alternative fuel in transport vehicles, and may be of renewable origin.

All the aid aimed at promoting natural gas in mobility and the development of supply infrastructures (gas refuelling stations) represent an incentive for the energy transition towards renewable gas, and the key to achieving the decarbonisation objectives established by Europe and by the European Renewable Energy Directive.

The expansion of gas refuelling stations in Spain continues to grow. According to data published by the Iberian Association of Natural Gas for Mobility (Gasnam), in the first quarter of 2019, Spain had 75 open gas refuelling stations and 44 under construction.

At the same time, the Spanish gas sector is committed to the development of renewable energy sources, such as additional energy sources like hydrogen or biomethane. The search for such alternative sources without greenhouse effect emissions is one of the main challenges of this century. These challenges can be combined and become an opportunity with the development and deployment of renewable gas.

Natural gas as a real alternative to reduce emissions and fuel cost per kilometre.

Thanks to an extensive infrastructure network, natural gas enables the incorporation of renewable energies into the new energy model.

Sector trends

Economically sustainable energy model

Low carbon society

Circular economy

Digitalisation and innovation

Renewable gas

The European objectives of the energy transition are to reach by 2030:

40% Reduction in emissions

32% Penetration of renewables

32.5% Improvement in efficiency

and the practical decarbonisation of the economy by 2050.

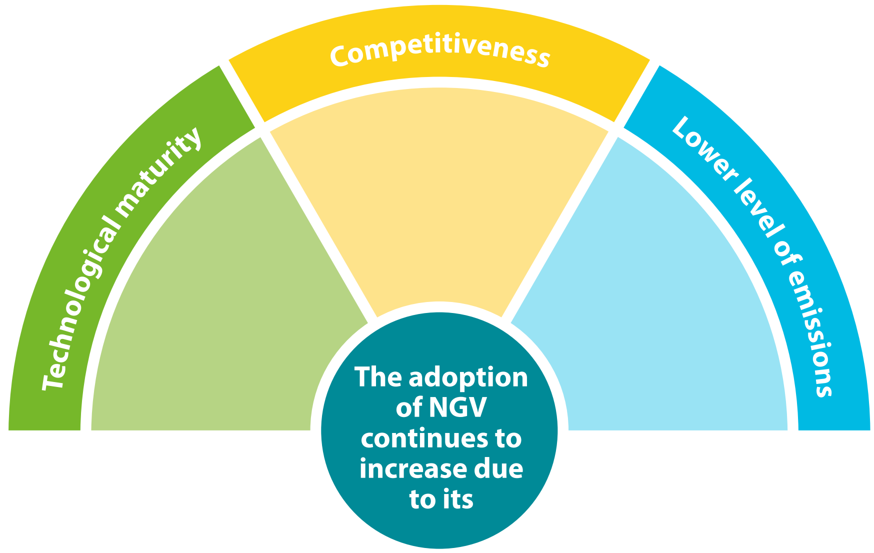
Natural gas is and will continue to be the fastest-growing energy in any of the decarbonisation scenarios. It is the ally for a clean future and plays a decisive role in achieving the objectives set by the Paris Agreement.

In this context, the role of natural gas is essential. It is presented as the most mature alternative, which allows us to tackle the problem of air quality in cities, with hardly any need to develop new infrastructures and also represents an economic efficiency for the consumer.

The digitalisation and innovation of the energy sector with the development of tools, applications and services will make it possible to boost the circular economy, optimise demand management and increase the portfolio of products and services.

From the point of view of mobility, the introduction of gas in transport is undergoing important advances, becoming an alternative fuel and the immediate solution, especially in applications such as urban fleets of lorries and buses powered by compressed natural gas, as well as long-distance lorries powered by LNG.

> ***"Natural gas is the only energy capable of being a cornerstone in the energy mix and a long-term solution."***



At the same time, today there are technologies that can make natural gas a low-carbon energy source, converting organic waste into renewable gas that is completely interchangeable with natural gas. Renewable gas is presented as an alternative to the use of natural gas facilities in the context of a decarbonised economy. It is a reality given that it is technologically viable and there is a large amount of raw material.

Nowadays, renewable energies such as biogas/biomethane are gaining ground; thanks to the reduction in investment costs, they consolidate their leadership and will be the primary energy source with the greatest growth in the medium and long term. They are a key new energy vector in the fight to reduce greenhouse gas emissions by supporting the development of a circular and energy-sustainable economy.

Renewable gases constitute a new energy solution that will play a key role in the decarbonisation process and will do so without the need for major investments, as it has a fully operational network of gas infrastructure for storage and transport.

The current situation, together with future prospects, leads to the conclusion that natural gas is the optimal choice to replace other more polluting fuels in domestic, commercial and industrial uses, as well as in electricity generation, where natural gas generation is the ideal option in environmental terms.

> ***"Natural gas as an energy source for final use, and distribution activity as the link in the supply chain closest to the final consumer, combine multiple social, economic and environmental benefits."***

Regulatory characteristics of the sector

Multiple agents are involved within the Spanish gas sector, and although the supply and commercialisation of this energy are totally liberalised, the rest of the phases are regulated.

Over the years, the natural gas industry in Spain has undergone changes in its structure and functioning, motivated largely by the adaptation of its regulatory framework to the principles established in the European Directives on common rules for the internal market in natural gas and related Regulations.

The ultimate objective pursued by the European Regulation is to create the stable framework necessary for the functioning of an internal gas market, built on the basis of effective competition between operators, security of supply and transparency.

These liberalizing principles have been included in Spanish legislation since Act 34/1998 on the Hydrocarbons Sector, which has continued to incorporate modifications in its wording as the liberalisation process progressed.

At national level, the regulatory stability scenario has helped operators plan their investments efficiently.

Evolution of the regulatory regime for the transport 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, regulating third party access to gas facilities and providing an integrated economic system for the natural gas sector, which established the basic principles for regulated activities.

Following the implementation of the new regulatory framework, 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.

Faced with this new regulatory framework, Redexis continues to encourage the continuous extension of its natural gas supply networks to new areas, and to saturate those that already have gas service, so that, as its activity is fundamentally oriented towards the incorporation of consumption into the system, it contributes to maintaining and promoting the financial sustainability of the sector.

In a global moment of great relevance in environmental matters, natural gas is being shown as part of the solution in the energy transition towards a low carbon economy, and companies such as Redexis play a fundamental role by allowing, with the expansion of their networks, the elimination of more polluting fuels, but also by helping to expand the use of gas to new areas such as mobility, also actively participating in the launch of new projects to use waste for conversion to biomethane and network injection, contributing with all this to the circular economy.

In addition, Redexis, like other groups active in the natural gas sector, has recently increased its portfolio of connection points by acquiring piped LPG assets, through transactions that are part of a strategy of divestment from this market by the companies that previously owned them. 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.

> ***"Natural gas is called upon to play a key role in the global energy transition towards a low-carbon society, especially through the injection of renewable gas into its infrastructure."***

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.

2015

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

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 bases 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.

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 piped 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.

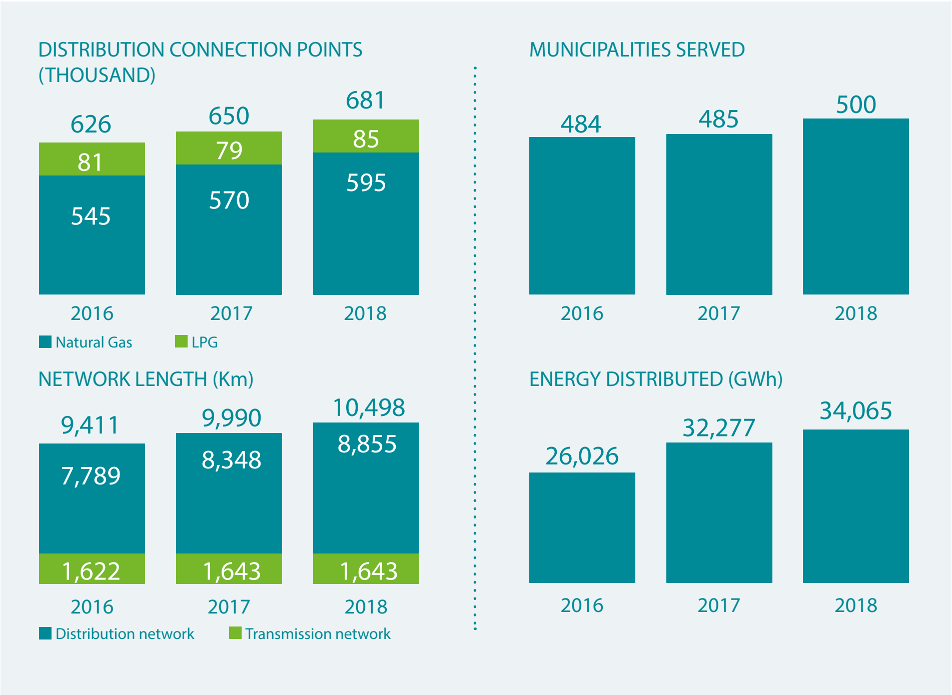
Evolution and results of the business

Operational dimension

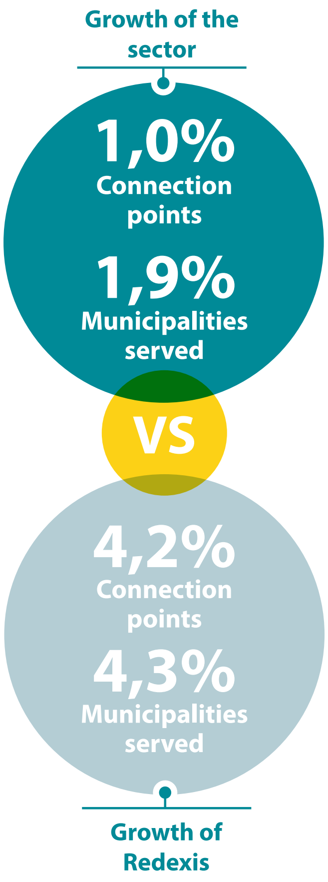
In 2018, Redexis obtained excellent operating results thanks to the experience and effort of its team, which strengthened its activity and presence in the national territory.

Operating data	Unit	2016	2017	2018
GN (P<4b)	#	544,348	570,097	595,067
GN (P>4b)	#	253	278	286
LPG	#	81,166	79,278	85,159
Connection points	**#**	**625,767**	**649,653**	**680,512**
Provinces served	**#**	**27**	**27**	**27**
Municipalities in service	**#**	**484**	**485**	**500**
Length of the network (Km)	**Km**	**9,411**	**9,990**	**10,498**
Distribution network	Km	7,789	8,348	8,855
Transmission network	Km	1,622	1,643	1,643
Distributed energy (GWh)	**GWh**	**26,026**	**32,277**	**34,065**
Pipelines	**#**	**49**	**51**	**51**

During 2018, Redexis increased its infrastructures by 5.1%, developing 508 new kilometres of networks to reach a total of 10,498 kilometres that have allowed 34,065 GWh of natural gas and LPG to be distributed to hundreds of thousand of homes, businesses and industries.



In 2018, the Company has grown organically four times faster than the sector in terms of connection points, accounting for 39% of total growth.



At the same time, Redexis is promoting gas for vehicles through investments in new infrastructures for mobility (gas refuelling stations or gasineras) and the development of new clean, efficient and renewable energy projects such as hydrogen or biomethane. All contribute to energy efficiency and emissions reduction.

"Redexis continues to demonstrate that it is a solid, agile and flexible company that knows how to adapt to changes in its environment and take advantage of the different opportunities that arise in the sector."

Transmission

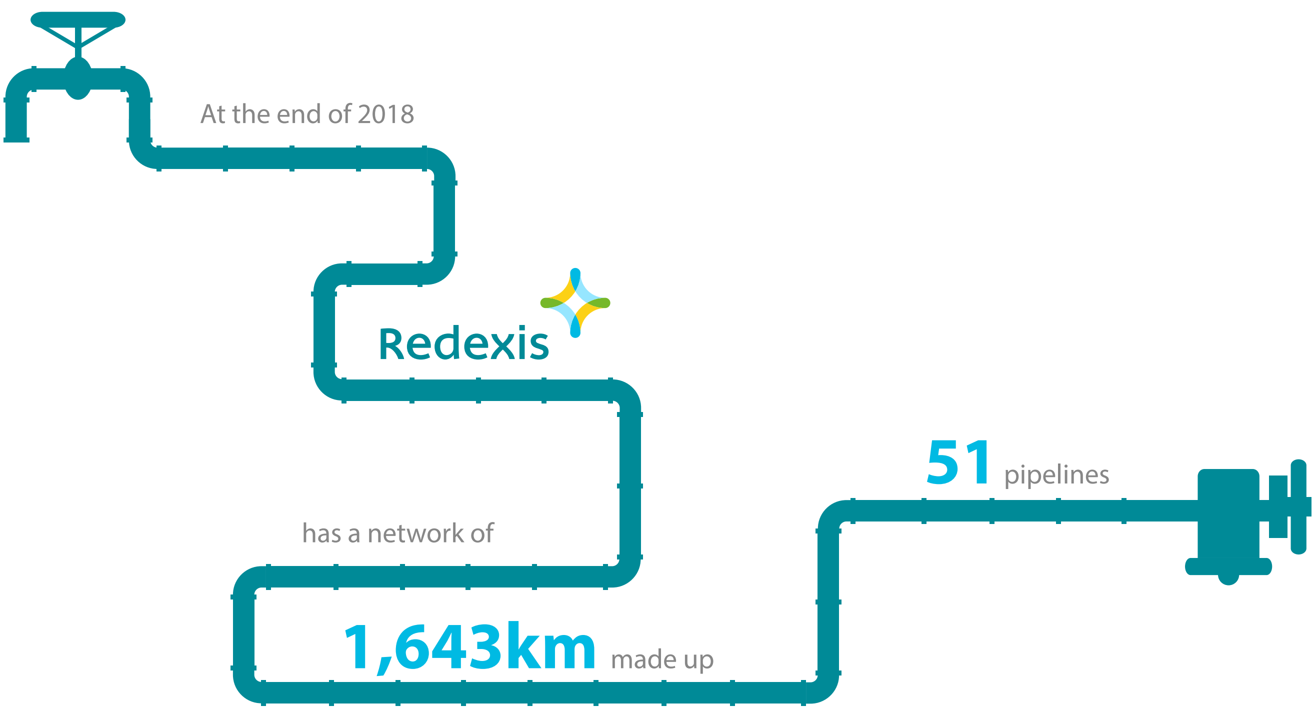
Redexis builds, operates and maintains its own transmission network, which facilitates access to natural gas for millions of people. Such network is made up of high-pressure gas pipelines, which transport natural gas from the primary network to industrial centres, power stations or distribution networks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

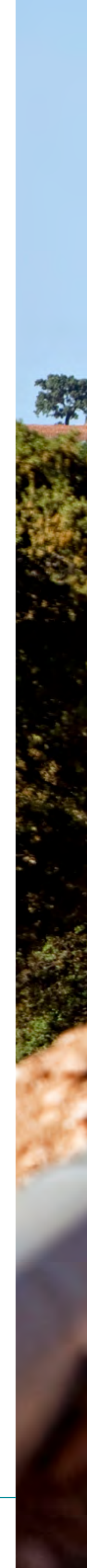
"Gas pipelines are the main routes along which gas travels to major consumption centres."

Redexis

Contributes
to the energy structure of Spain

€ 250
Million
nearly invested in primary and secondary gas pipelines since 2010.






CASE

Transmission network

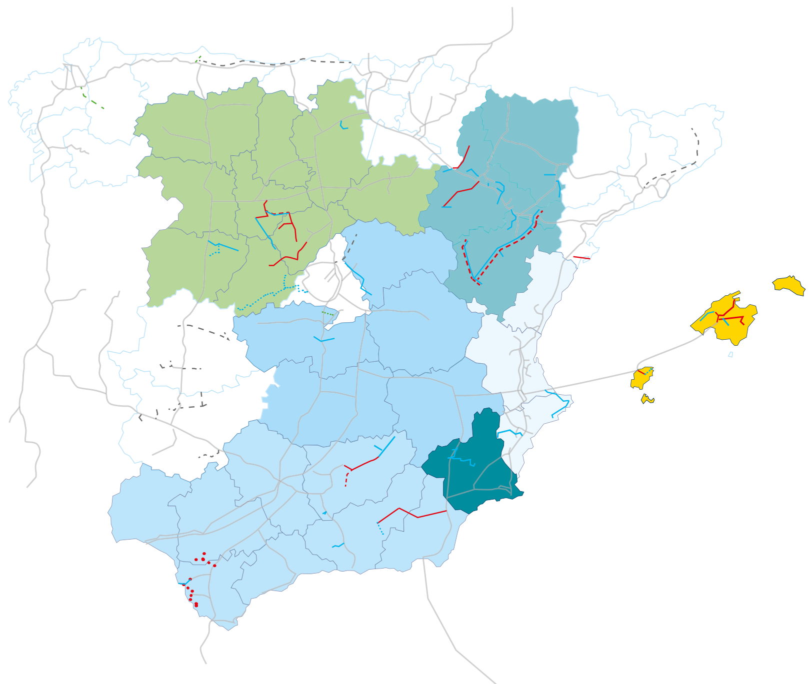
Planning 2008-2018

- Primary Transmission Category A
- Secondary Transmission Category A
- Primary Transmission Category B
- Secondary Transmission Category B
- Pending Inclusion Planning

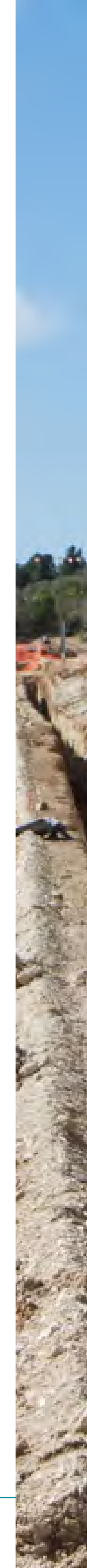
In service

- ENAGAS
- Primary Transmission
- Secondary Transmission

Transmission pipelines EGT/TRG



Regions	Kilometres deployed	Gas pipelines
Andalusia	294	9
Aragon	559	15
Balearic Islands	181	5
Castile and Leon	358	15
Castile-La Mancha	83	3
Community of Valencia	103	3
Murcia	65	1
Total	**1,643**	**51**



Redexis

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.

The main functions in this phase are:

Manage: Effectively and efficiently manage its regulated distribution assets.

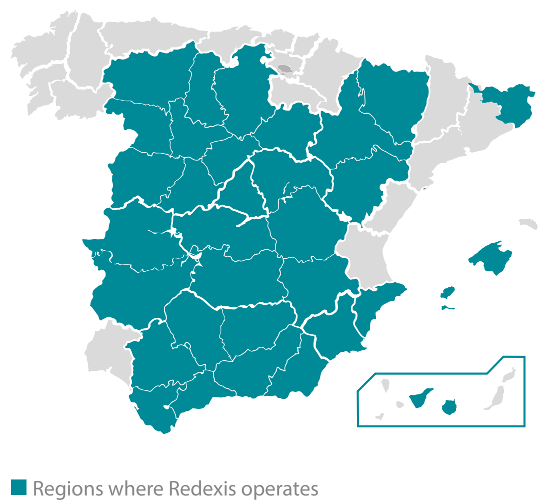
Distribute: Distribute the gas to the end user and guarantee a superior and quality service

Encourage: Encourage the use of natural gas, stressing its advantages over other more expensive and polluting energies.

> **"In 2018, Redexis has added 487 kilometres to its natural gas distribution network, reaching a total of 7,908 kilometres deployed in 250 municipalities in Spain and operates 595,353 natural gas connection points."**

Areas in which Redexis carries out its distribution activity

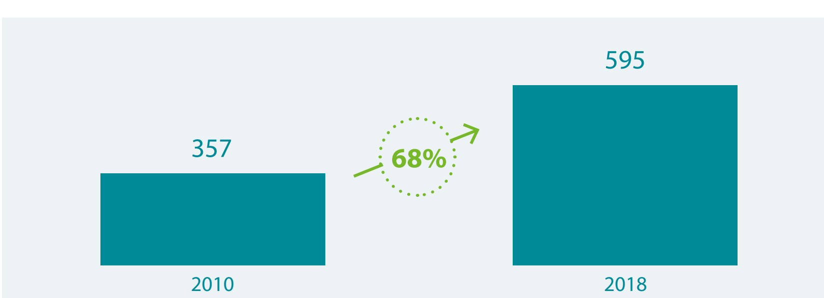
Regions with Natural Gas	Connection points (NG)	Distribution network (km)	Municipalities served
Andalusia	60,342	1,315	52
Aragon	234,299	1,900	70
Balearic Islands	109,504	1,217	17
Castile-Leon	40,768	691	45
Castile-La Mancha	8,868	177	14
Community of Valencia	17,104	365	17
Murcia	100,081	1,907	28
Extremadura	8,010	166	1
Madrid	660	29	2
Catalonia	15,717	142	4
Total	**595,353**	**7,908**	**250**



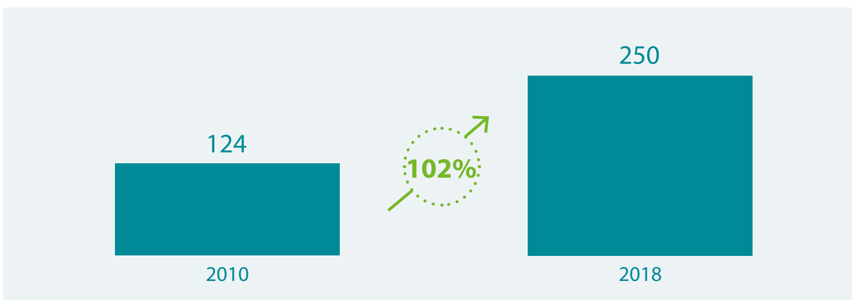
Redexis continues to expand its network to new municipalities in the regions where it operates. In this regard, the Company has begun operating in 17 new municipalities and 4 urban centres in the Autonomous Communities of Andalusia, Aragon, the Balearic Islands, Castile-La Mancha, Castile-Leon, Madrid and Murcia and has applied for 23 preliminary administrative authorisations.

Since 2010, both the number of connection points and the development of network kilometres and the municipalities put into service have increased substantially, making Redexis a leader in the sector.

Evolution of natural gas connection points



Evolution of the municipalities with gas service



All this highlights Redexis' growth strategy and flexibility, allowing it to improve its competitiveness and increase its client portfolio.

In recent years, Redexis has proven to be a pioneer in the development and implementation of advanced computer algorithms for its growth and business processes, which prioritise commercial action and optimise the deployment and operation of infrastructures. Thanks to its implementation, the Company doubled its customer acquisition, increased its commercial efficiency by 30% and achieving greater operational efficiency.

Redexis also offers a series of regulated services directly related to the distribution of gas to end users, guaranteeing at all times safety, quality and excellence in the work carried out.

It rents

Reception facilities in condominiums and metering equipment

It performs meter readings

It performs meter readings at homes where its facilities are installed, in order to measure the gas consumption made by the user during a given period.

It guarantees efficiency and safety

It guarantees efficiency and safety in the use of its gas reception facilities through periodic inspections.

It provides a service for network emergencies

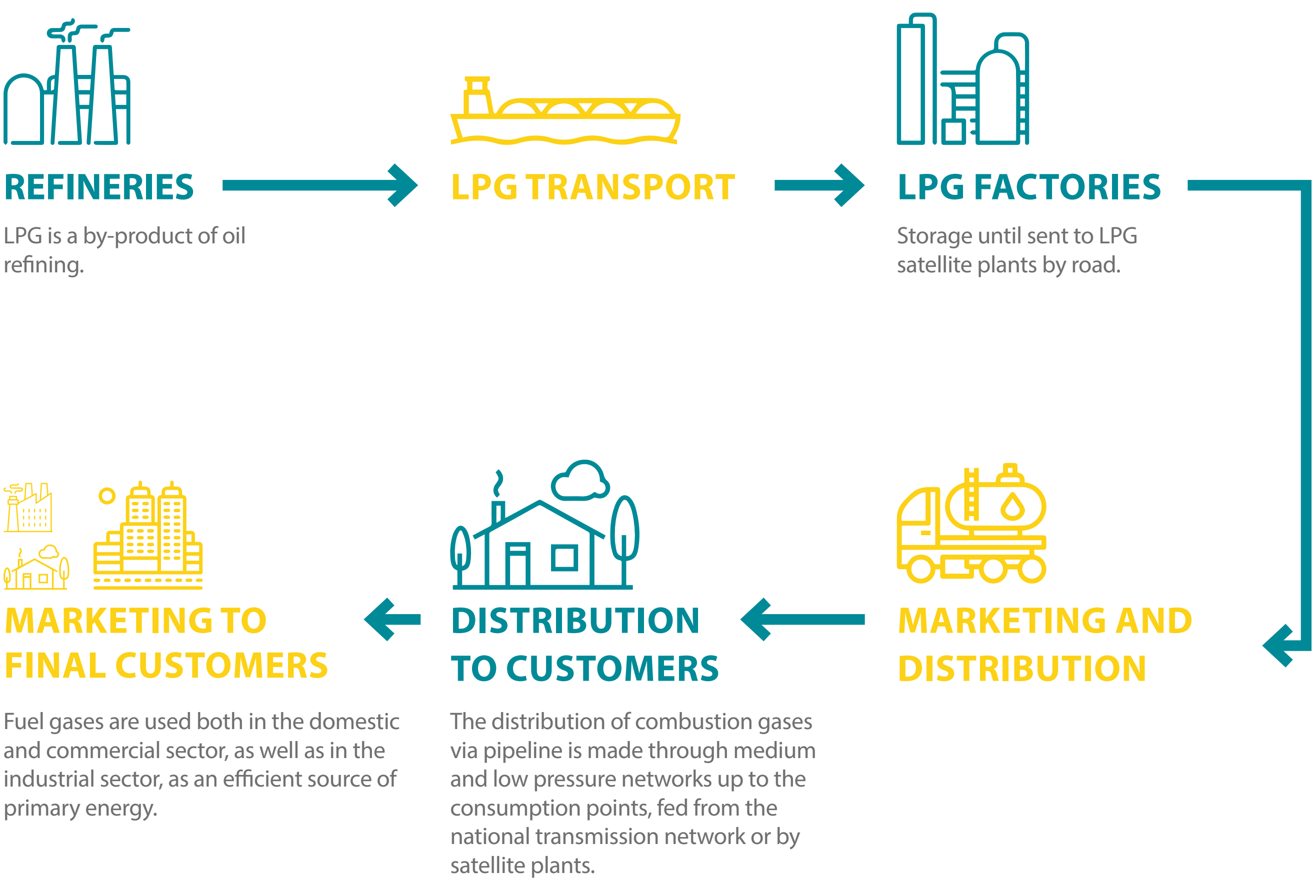
It provides a service for network emergencies and reception facilities, ensuring the safety of the facilities.

Liquefied Petroleum Gas

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.

Where natural gas supply is not yet available, Redexis offers an alternative and supplementary solution through the development of piped LPG distribution facilities and the supply of this fuel to the end customer.



In 2018, Redexis increased its LPG client portfolio with the acquisition of 3,400 LPG points from Nedgia and Cepsa.

The Company currently provides LPG service in 437 municipalities, operates a network of 947 kilometres and has 85,159 LPG points in the national territory.

Regions	LPG connection points	Distribution network (km)	Municipalities in service
Andalusia	13,096	138	56
Aragon	17,066	214	195
Balearic	12,771	34	37
Castile-León	6,875	91	61
Castile-La Mancha	6,298	79	33
Community of Valencia	8,247	97	18
Murcia	13,868	236	28
Extremadura	2,266	12	3
Madrid	3,403	37	4
Catalonia	1,269	9	2
Total	**85,159**	**947**	**437**

"These assets represent a lever for growth and expansion of the regulated natural gas business in the coming years."

Other non-regulated activities

CRF

The rental of the Common Receiving Facility (CRF) which generally consists of the elements necessary to carry the gas from the gas connection to the Individual Receiving Facilities.

OTHER DISTRIBUTION SERVICES

Such as connection and reconnection services, change of gas meters, etc.

VALUE-ADDED SERVICES

Which include, among other actions, preventive maintenance, breakdown notification services and corrective maintenance work on your customers' gas and thermal installations.

Economic-financial dimension

In 2018, Redexis improved its financial results thanks to a sound, well-focused business model, executed by an experienced professional team.

Data in millions of euros except where indicated

Financial data	2016	2017	2018
Revenue	**211,7**	**231,8**	**244,3**
Distribution - regulated	98,0	100,0	105,6
Other distribution income - regulated	25,2	28,3	25,9
Transmission - regulated	61,5	63,0	61,9
Regulated LPG business	12,9	25,0	28,4
Other operating income	3,9	3,3	8,9
Self-constructed non-current assets	10,2	12,2	13,5
Gross operating profit	**157,1**	**162,2**	**169,4**
Margin	*74,2%*	*70,0%*	*69,3%*
Margin (excluding the dilutive effect of the LPG Margin)	*76,7%*	*75,0%*	*75,6%*
Capex	**221,1**	**129,3**	**138,4**
Profit for the year	**48,7**	**49,7**	**29,9**

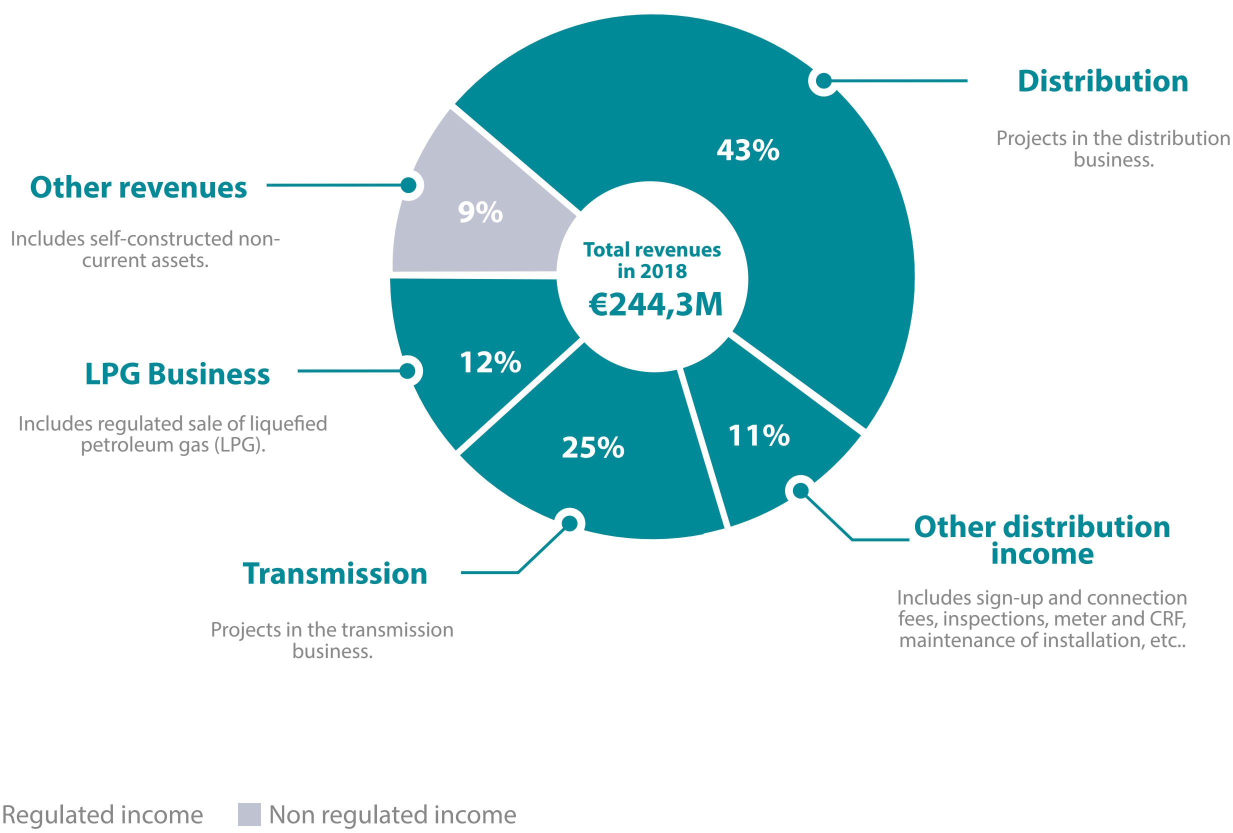
Revenue

Redexis' revenues come mainly from the remuneration it receives from the gas system for the development of its natural gas and LPG transmission and distribution activities, recognized by the national regulatory authorities: Ministry for Ecological Transition (MITECO) and the National Commission of Markets and Competition (CNMC), which allow the Group to recover the investment made, obtain a reasonable return and encourage efficient management.

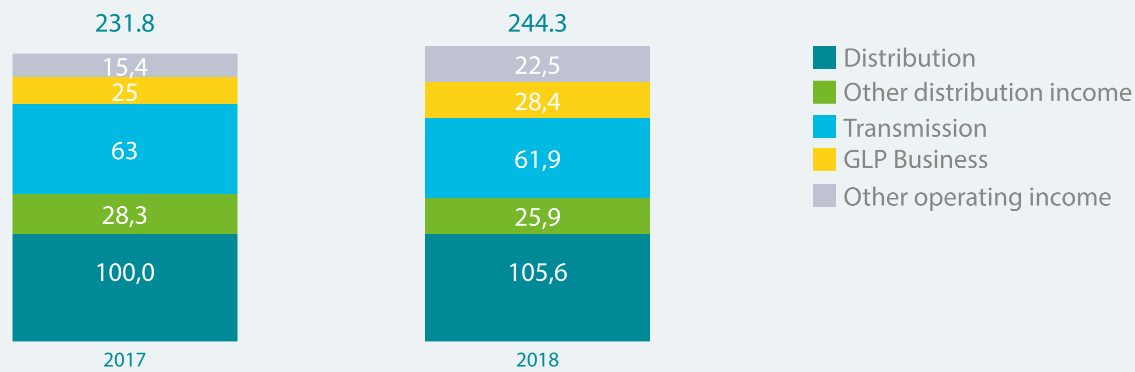
At the closing of 2018, the Company's revenues increased by 5.4% compared to the same period in 2017, reaching EUR 244.3 million, mainly as a result of its regulated activities.

In 2018, 91% of the Group's revenues were generated by its regulated activities.

> **"91% of the revenues originate from the regulated business, which is governed by the legally defined parametric."**



Revenue evolution (€m)



"Distribution revenues contribute the most, accounting for 43% of total income in 2018."

Distribution income increased 5.6% to EUR 105.6 million, mainly due to the increase in the number of connected users and demand, and the Company's focus on increasing these revenues per connection point.

Other income from regulated distribution decreased by 8.5% to EUR 25.9 million, mainly due to new natural gas meter rental prices of around EUR 4.7 million from January 2018, despite the organic growth of the rest of the components under this heading.

Transmission revenues reached EUR 61.9 million after the start up of the transmission pipelines in 2017. In April 2018, Redexis obtained the favourable opinion of the CNMC for the construction of the Puerto Santa María - Chiclana gas pipeline in Andalusia and is awaiting the Ministry's approval.

The LPG points acquired represent an additional growth lever, offering a unique opportunity to improve the Company's competitive position and generate additional regulated revenues. LPG sales reached EUR 28.4 million, 13.6% more than in the previous period of 2017, mainly due to an increase in demand of 9.8%.

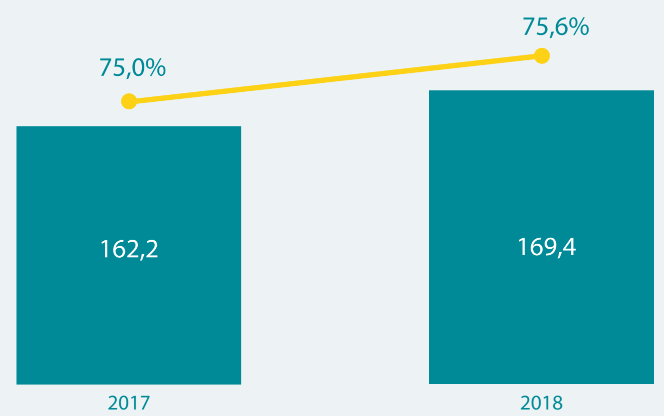
The results obtained so far by Redexis show its excellent capacity to face future challenges, reinforce its growth strategy and encourage it to continue investing in the deployment of new energy networks in Spain, as well as in new lines of business and value-added services related to natural gas.

Gross operating profit

Gross operating profit for 2018 increased by 4.4 to €169.4 million with a margin of 69.3% (75.6% excluding the dilution effect of the LPG margin). This good result is mainly due to growth in regulated income, economies of scale, operating initiatives and some positive impacts, which have offset the lower margins in the LPG business and the new natural gas meter rental prices since January 2018.

Redexis considers that there is still room for improvement thanks to investments in digitalisation and innovation that will allow additional savings.

EBITDA (€m) / Margin (%) [1]



[1] Excluding the dilutive effect of the LPG Margin

Investment

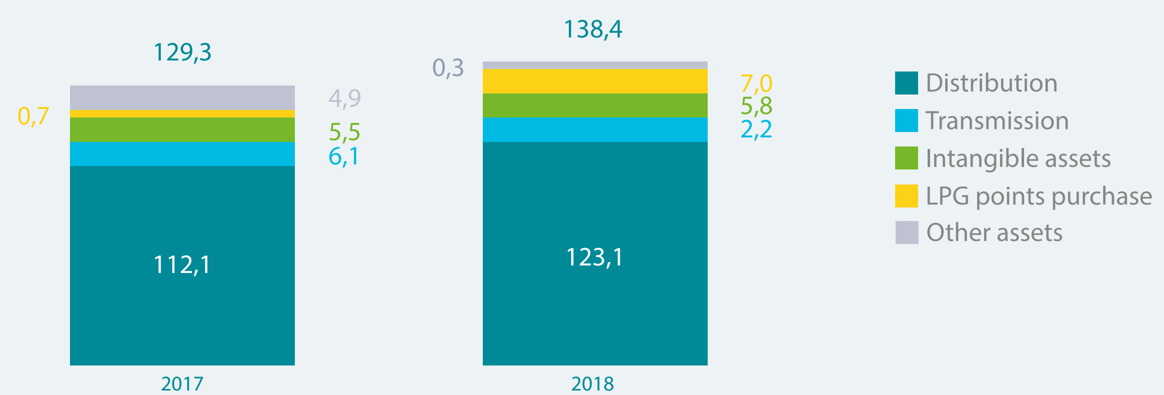
In 2018, Redexis invested EUR 138.4 million, 95% of which was allocated to organic growth (95% of total investments), particularly in distribution networks.

The Company develops an investment plan in line with its strategic vision and financial policy, with the objectives of responding to market needs, increasing geographic diversification in the national territory, ensuring a return on capital and maintaining the investment grade rating.

In the distribution activity, the Company increased its investment by 10% reaching EUR 123.1 million, due to the increase in connection points, despite the greater efficiency achieved.

Investments in intangible assets increased 5% due to investments in technological innovation and the deployment of artificial intelligence algorithms that support optimal network deployment and provide efficiencies in the Company's investments.

Split of capex (€m)



The Company has become one of the leading investor in energy infrastructure in Spain, investing €1.3 billion since 2010.

Debt structure

Financial strength is an essential factor in ensuring business continuity and taking advantage of growth opportunities.

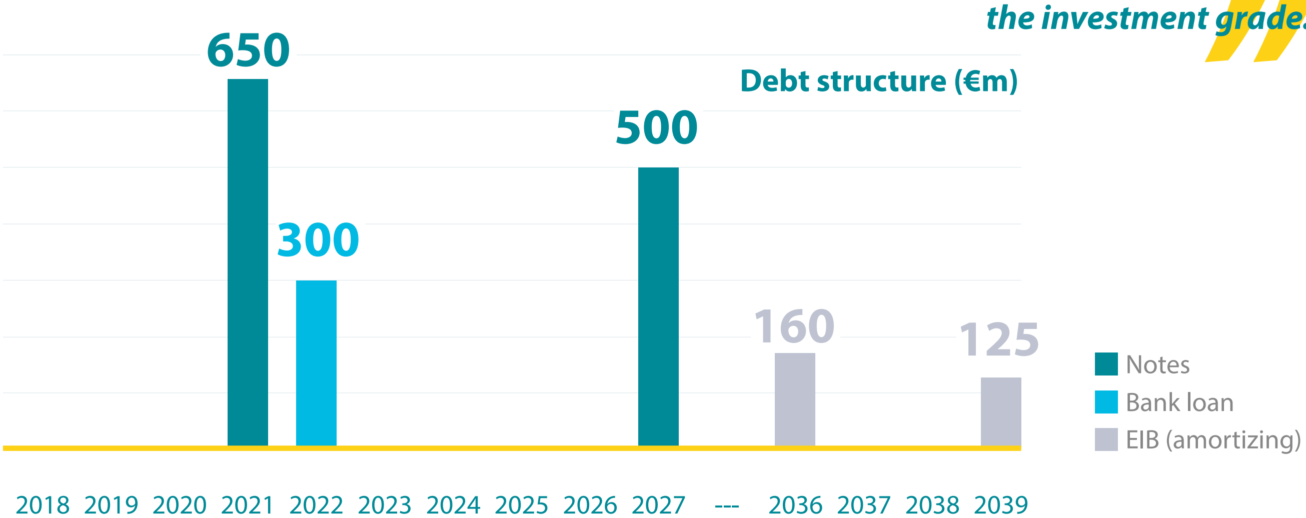
The main objective of Redexis' financial strategy is to ensure a solid financial position, maintaining investment grade, diversifying sources of financing, reducing their cost, increasing flexibility and extending the debt maturity profile.

Over the past few years, the Group has demonstrated its ability to access capital markets through bank credits, note issues and loans with the EIB.

In January 2018, Redexis formalised with the European Investment Bank (EIB) through the "Juncker Plan", a EUR 125 million loan under the EFSI (European Strategic Investment Fund). This contract was formalized in two tranches: one for EUR 50 million signed on 22 December, 2017 and the rest for EUR 75 million signed on 19 January 2018. The objective is to finance the deployment of gas distribution networks throughout the national territory in the 2018-2019 period.

Section	Type	Amount	Maturity
EIB	Fixed	€160 million	2036
	Fixed/Floating	€125 million	20 years from drawdown
Notes	Fixed	€650 million	2021
		€500 million	2027
Bank loan	Floating	€300 million	2022/2024

In November 2018, Standard and Poor's confirmed its BBB- credit rating for Redexis, with a stable outlook maintaining the investment grade.



The Company's debt structure is characterized by its flexibility and long-term maturity, supporting the value creation strategy.

In May 2019, Redexis announced the convertion of its EUR300 million revolving credit facility (RCF), signed in 2017, into sustainable ("ESG-linked RCF"), for an amount of €300 million, reinforcing its commitment to the environment, social responsibility and good corporate governance.
The sustainable financing supports the extension of the company's investment plan for the deployment of transmission and distribution networks of natural gas or other renewable energy vectors, key in a context of environmental improvement and emission reduction.

Redexis

Redexis Commitment

It 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 BV.

Corporate Governance

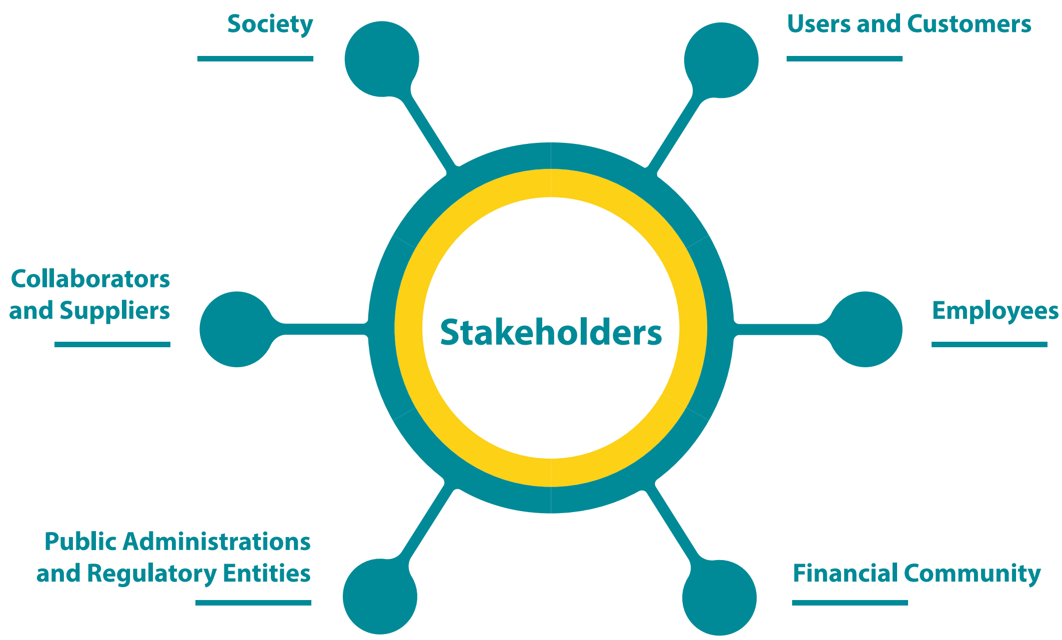
- It has an internal Code of Conduct that ensures regulatory compliance.
- It has a Protocol to report irregular behaviours.
- It has an internal Whistleblowing Channel that allows any employee or person related to the Company to bring any potentially irregular conduct to the attention of Management. It has also developed an external complaint channel that can be accessed through its website (**www.redexisgas.es**).
- It has set up the Appointments and Remuneration Committee and the Audit and Risk Committee within the Board of Directors.
- It has carried out measures to adapt policies and their functioning to the new data protection regulations in all the areas in which it operates.
- It has approved the rule on meetings with public bodies and authorities.
- It has carried out a materiality analysis that has allowed it to identify its stakeholders, as well as to establish the material aspects for the same and the specific aspects of interest related to the Company's activity.
- It has a Purchasing Policy that ensures transparent and identical processes throughout the Group, encouraging competition and the search for added value in the purchasing decisions.

Social	• It has signed the second collective bargaining agreement that provides stability and legal certainty to the Group's employees. • 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. • It has launched a training platform, "Campus Redexis" so that employees can continue to advance in their professional development. • It has a unique Pension Plan for employees with advantageous conditions. • It has maintained the certificate of healthy company. • It has its own Control Centre that carries out its work guaranteeing the safety of people, facilities and supplies. • It develops and implements artificial intelligence tools that open new possibilities for the creation of value in an endless number of contexts. • It has developed sustainable actions in the municipalities where it operates, involving citizens themselves through informative and interactive activities that encourage sustainable and environmentally friendly behaviour. • It has actively contributed to the development of local communities by launching energy efficiency campaigns and promoting natural gas.
With the 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. • It develops optimization and asset management activities that continuously improve the quality and reliability of gas supply. • It has actively contributed to the development of local communities by launching energy efficiency campaigns and promoting natural gas. • 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. • It has proceeded to register its carbon footprint with the MITECO (Ministry for Ecological Transition) in December 2018, taking 2017 as reference year for the calculation, obtaining registration for the first stage of Calculation (Cálculo). • Committed to the development of refuelling stations for natural gas vehicles (NGV) promoting its demand as an alternative fuel in transport. • It puts innovation at the service of sustainability by relying on projects that promote the development of clean and renewable energies such as biomethane or hydrogen.

Stakeholders

Knowing and collaborating with all stakeholders, understanding their expectations and responding to them are key elements in Redexis' strategy.

Redexis has carried out a materiality analysis through which its stakeholders have been redefined into the following:



As a result of this analysis, it has been possible to identify and assess the relevance of various material issues that allow progress to be made in the creation of economic, social and environmental value and ensure that the current and future needs of stakeholders are met.

As a result of this process, Redexis has prepared its first Sustainability Report, which can be accessed through the Company's corporate website.

Users and Customers

"Each user is assigned a distribution company that operates in its territorial area, facilitates the supply of natural gas, is responsible for putting the meter into service and provide readings of consumption to the marketer, who is the one who bills finally."

Redexis, as an energy distributor, is in charge of physically carrying the gas to homes, 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.

Its network infrastructures are planned and operated to adapt them to the demands of its current users, to the network expansions requested by new users, and to the correct regulatory and legal compliance.

The Company has increased its investment and the quality of its service in the different user and customer segments.

A) Residential Segment

Redexis has invested EUR 1,300 million since 2010 to deploy energy networks that today allow Spanish families to save on their energy bills and enjoy an energy that is clean, sustainable and generates comfort.

In 2018, the energy consumed by the residential or domestic sector grew by 9.9% to 6,584 GWh (including LPG consumption) and connected more than 38 thousand new users/clients, not including the acquisitions made from Cepsa and Nedgia in 2018.

The previous result has been produced not only by the new lead generation channels, but also by the development of artificial intelligence algorithms that improve the commercial efficiency of sales agents by identifying potential customers with a greater propensity to switch to natural gas.

These algorithms make it possible to focus commercial activity on those users who may have a greater interest in connecting to natural gas networks, identifying the sales propensity of potential users.

On the other hand, Redexis has increased its presence in natural gas promotion actions and has increased the number of collaborating companies, which has allowed a greater dissemination and therefore an increase in new connection points. During 2018, the Company has grown in number of connection points four times faster than the Spanish gas sector, representing 39% of total net profit.

This increase has materialised in part thanks to the investment made in the deployment of more than 500 new kilometres of distribution network, giving access to more than 214,000 new homes in the gasified municipalities.

In turn, in 2018 Redexis has made available to its users the digital application 'YoLeoGas Multidistribuidora' to facilitate the reading of the gas meter. This is an initiative shared by the main gas distributors in Spain, which are committed to greater efficiency in the processes, to digitalisation and a strongly oriented towards customer service, making the same application available to their users to facilitate gas reading.

Likewise, the new demands and expectations of users and customers require the development of new business solutions that go beyond the supply of gas. To this end, Redexis is committed to investing and growing in the development of new solutions that promote a more sustainable energy model through natural gas vehicles, hydrogen or biomethane as the main ways to fight climate change.

B) Tertiary and Industrial Segment

In the last 3 years, Redexis has helped numerous Spanish companies and industries gain in competitiveness, allowing savings between 20% and 50% in the energy bill and in their production processes, through the use of gas.

In the industrial and tertiary sector, gas is cheaper than other fossil fuels and its use brings significant savings in emissions. At present, more than 1,200 industrial customers have expressed their interest in connecting to our natural gas infrastructures.

Redexis strongly promotes the tertiary market which includes hotels, educational centres, residences, hospitals, hotel establishments, sports centres, government equipment and facilities, among others.

> ***"Redexis is firmly committed to the tertiary and industrial sectors, contributing to making the Spanish productive fabric more competitive."***

Plásticos del Segura incorporates natural gas into its industrial processes, thanks to Redexis

In November 2018, Redexis closed an agreement with Plásticos del Segura-PDS Group - a company engaged in the manufacture of packaging - for the installation of natural gas in its infrastructures located in Beniaján.

Thanks to such agreement, Plásticos del Segura will reach an estimated annual consumption of natural gas of 5 GWh and a close to 300 m3/h maximum flow.

Important companies from various industrial sectors have enjoyed the advantages of this energy source for years thanks to the connection to our networks. Among them are Jake, Refrescame de Forma Natural, Poliexmur, Flexomed, Pramac Ibérica, El Limonar de Santomera or Fudepor.

User and customer service model

The Company has communication lines that offer an innovative customer service adapted to the characteristics and needs of its users.

Customer Service

Telephone number through which the user can pass on all its questions and suggestions when deemed necessary.

Emergency Service (CAT)

Through which Redexis specialists classify actions according to the risk or severity of the situation and indicate how to act.

Website

www.redexis.es

People and Talent

The success and growth of Redexis are mainly driven by the work performed by its human team, together with good communication and a solid culture. The professionals who are part of Redexis are the ones who make it possible for natural gas to potentially reach millions of people, industries and businesses in the national territory.

The Company's ultimate goal is to build a framework of actions based on the idea that employees are its main asset, and that retaining them requires the implementation of recruitment programmes, providing training, improving the working environment, stimulating their motivation and promoting their professional development.

At the end of 2018, the Company had 336 employees in 17 work centres throughout Spain, with an average age of 43 years and an average length of service of 10 years, which shows a positive stability regarding permanence and commitment.

Main figures	2017	2018
Number of employees (average workforce)	309	330
No. of employees (at 31 December)	319	336
% male/female	73%/27%	72%/28%
Average age of employees	43	43
Average years of service	10	10
Employees permanent contract (%)	99,4%	99,1%
Total turnover rate (%)	6,0%	5,5%
Absenteeism rate (average)	1,3%	1,7%

Breakdown of workforce by gender	2017	2018
Male	234	243
Woman	85	93
Total	**319**	**336**

Breakdown of workforce by age group	2017	2018
< 30 years old	21	22
30-40 years old	114	110
41-50 years	130	153
>50 years	54	51
Total	**319**	**336**

Breakdown of staff by geographical area	2017	2018
Aragon	92	92
Balearic Islands	32	34
Madrid	81	91
Andalusia	41	48
Central area	33	31
Murcia	27	27
Levante	13	13
Total	**319**	**336**

1. People management

> ***Redexis works hard to ensure stable and safe working environments.***

From the Resources Area, the Group develops different tools that facilitate mobility and internal promotion, a result-oriented culture is consolidated, remuneration policies are implemented, training programs are developed, and an organizational structure model is designed, based on responsibilities and competencies.

Employees are the key to Redexis' productivity. The complexity of the gas sector requires qualified and expert personnel, with talent and skills that must be maintained and improved.

In 2018, Redexis developed a new training space on an on-line platform called "Campus Redexis" with the objectives of being within reach of all employees, facilitating access to training content at any time and from any device, and encouraging collaborative learning.

Likewise, and in order to provide information, Redexis has an internal communication portal that is committed to shared communication between all areas in the Company.

2. Labour relations

In 2018, Redexis signed the 2nd Collective Bargaining Agreement with the support of the unions U.G.T. and C.C.O.O. for the companies Redexis Gas, S.A., Redexis Infraestructuras, S.L., Redexis GLP, S.L. and Redexis Gas Servicios, S.L., which extends its validity for four years until 31 December 2021, providing stability, predictability and sustainability to employees, and modernising working, economic and operating conditions, as well as social benefits.

The signing of such agreement demonstrates respect for freedom of association, collective bargaining and the culture of the agreement as the workers' fundamental rights.

At the same time, in 2018, negotiations began on the Second Equality Plan, strengthening the Company's commitment to establishing and developing policies that integrate equal treatment and opportunities between women and men, promoting and encouraging measures to achieve real equality within the organisation and improve family and work-life balance.

3. Health & Safety

"Redexis' strategy is planned and developed with safety, health and well-being of people as a critical and most relevant aspect."

Redexis' health and safety strategy develops different strategic objectives, one of which is to continuously improve its processes, systems and capacities to guarantee the quality and safety associated with its activity and facilities, as well as the services it makes available to its users and clients. Certification under health and safety standards allows Redexis to homogenize and standardize its working conditions.

Redexis has an Integrated Management System that combines Health and Safety at work among others and follows the standards of the requirements of the OHSAS 18001:2007 standard - Occupational Health and Safety Management System - with the fundamental objective of eliminating or minimizing the existing risks for Redexis personnel and other stakeholders.

During 2018, Redexis audited its Integrated Management System pursuant to the OHSAS 18001:2007 Standard, to ensure the complete integration of occupational safety and health with business strategies.

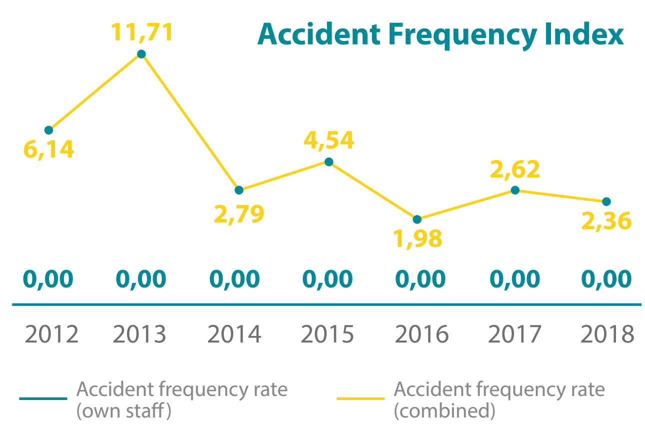
Likewise, Redexis adopts different preventive modalities in the different companies of the Group, depending on the number of workers and for the purpose of implementing the Regulations of the Prevention Services, having its own Prevention Service and an external one to manage the different preventive specialities.

In 2018, Redexis has continued to establish campaigns for periodic medical checkups, focused on different groups; as well as campaigns for vaccination and prevention of specific pathologies, in addition to the evaluation of psychosocial risks.

In order to provide the aforementioned information to all employees, Redexis makes available, through an internal platform, all the information and documentation relating to the Group's Integrated Management System: energy and environmental awareness campaigns, functions of the organisation chart in the Integrated Management System, mobility plan, health and safety recommendations, among others.

Proof of the success of Health and Safety policies are the results obtained in 2018 in the area of accidents at work, characterised by low accident rates.

"Zero Accidents" guides actions at all levels in the organization.



The training of each employee in prevention and safety related to their job is the basic tool to achieve the objective of reducing the number of accidents at work.

Redexis has Health and Safety committees that are held quarterly, through which regular and periodic consultations are held on the company's actions in the area of risk prevention, keeping the organisation informed on these issues.

It also participates actively in the sectoral committees and attends the various safety and sustainability forums of Sedigas and Gasnam, keeping abreast of the most relevant issues in the matter.

Redexis works continuously to offer its employees a health and well-being plan that includes everything necessary for their benefit, both in prevention, promotion and health care, as well as training and information regarding healthy habits. Passing the audit as a healthy company in 2018 is a sign of the effort to demonstrate its commitment to the welfare of its workers.

Financial Community

"Redexis is presented as a long-term value creation project. The confidence of the Financial Community allows you to have the necessary resources to develop your project."

The basis of the Company's trust lies in the constant search for a truthful, fluid and close dialogue with the financial community: shareholders, investors, debt holders, credit institutions, credit rating agencies, analysts and other market players. For Redexis, it is essential to maintain effective and direct communication with all of them, guaranteeing the transparency of its activity and results.

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 and maintenance of communication channels that guarantee having clear, concise, complete, homogeneous and simultaneous information, sufficient to assess the management of the Company and its economic-financial results.

This department channels information of interest to shareholders and investors, in short, to the financial market, through its own corporate website (**www.redexisgas.es**) whose information is updated on a recurrent basis, favouring the immediacy of its publication and the possibility of subsequent access. Through this channel, information that may be of interest is monitored, enabling immediate and easy access to the information.

At the same time, this Investor Relations department supports the management team in its decision-making, seeks to increase the Company's visibility in the financial markets, and keeps the different parties 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.

This department is also responsible for coordinating relations with the rating agencies, which analyse Redexis' strategy, business, solvency and evolution, assigning it a specific credit rating, always maintaining the investment grade level ("Investment Grade") in its financial policy.

Agency	Corporate	Notes *(Senior Unsecured Notes)*	Perspective	Date of last publication
S&P	BBB-	BBB-	Estable	July 25, 2019

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

Redexis transmits its values and ethical and responsibility commitments to suppliers.

It is fundamental for Redexis to establish objective and impartial mechanisms for the evaluation and selection of suppliers.

Responsible management of the supply chain is one of the fundamental aspects for Redexis, as it is linked to employment generation and local economic development.

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 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.

In turn, in order to verify compliance with the specific requirements defined in the contractual terms and conditions, Redexis audits suppliers with a greater number of purchases. The nonconformities detected during the same result in corrective actions that the supplier must implement on the agreed terms. At the end of 2019, 11% of suppliers with a business relationship of over EUR 100,000 were audited in the areas of human resources, health and safety, quality management, the environment and corporate social responsibility.

In 2018, Redexis managed, through 1,120 suppliers, a volume of purchases worth 167 million euros, of which 13% had a commercial relationship of more than EUR 100,000.

Redexis is committed to medium- to long-term commercial relationships that provide stability and confidence to suppliers. It maintains a strong commitment to economic development in the regions where it operates, by creating jobs in service providers and their ancillary industries. In this regard, the Company organises workshops with suppliers to inform the same about the requirements for authorisation, as well as a description of the purchasing process and specifications.

Public administrations and Regulatory bodies

The business of Redexis depends, to a large extent, on the relations it has with the Public Administrations and regulatory entities of the Spanish territory in charge of regulating and authorising its activity, evaluating its management and remunerating its services. Accordingly, the Company is committed to maintaining open and honest communication with all of them.

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.

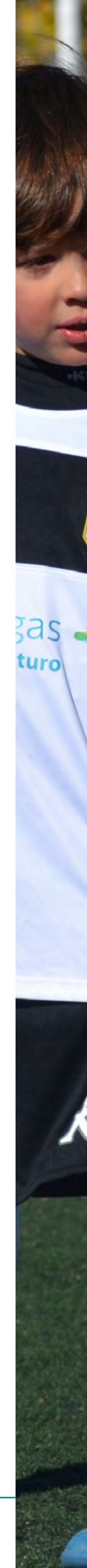
All Administrations have recently incorporated the concept of energy transition into their agendas, and Redexis plays a fundamental role there. Its proactivity in the arrival to new municipalities, the intense deployment of its networks in those in which it is already present, and its research work in new projects (gas mobility, biomethane injection in network, 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. That explains why they actively promote the arrival of this source of energy in the territories where they have powers.

In addition, Redexis, like other groups active in the natural gas sector, has recently increased its portfolio of connection points by acquiring piped LPG assets, through transactions that are part of a strategy of divestment from this market by the companies that previously owned them. The supply of LPG 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 its economic operation scheme is different as it is not properly liberalized for the supply side.

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.

> ***"This global implementation of Redexis throughout Spain undoubtedly contributes to its image as a very important agent within the Spanish gas sector."***



Community

The Company is aware of the need to respond to the great challenges of today's society and to collaborate with the environment. It therefore focuses all its sustainable development efforts on working for society, respecting the environment in which it is present.

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.

It is present and actively collaborates with different associations of the gas sector, seeking positions in line with its vision and disseminating information on the functioning of the gas system. Thus, the Company actively participates, among others, in the Safety and Sustainable Development Committee of the Spanish Gas Society (Sedigas), Gasnam (trade association to promote the use of natural gas and renewable gas in mobility), the Spanish Hydrogen Association or the National Confederation of Installers and Fluids Associations (Conaif).

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.

During 2018, Redexis has carried out more than twenty sponsorship and collaboration actions with different organizations and institutions, demonstrating its commitment to proximity and creating value in the areas in which it operates. In the cultural field, it has continued to sponsor the Teatro Real, confirming its intention to support the cultural and artistic project of this institution and forming part of its Board of Patrons, as well as being a sponsor of the broadcast of the Opera on the streets of more than 42 provinces throughout Spain. Among other actions, Redexis participated in the Campaign for the Safety of Gas Facilities in the Community of Madrid, also sponsored the literary cycle 'Rio de Letras' in Blanca (Murcia), and collaborated with East Mallorca Cup 2018, a tournament to promote women's sport in the Balearic Islands.

In addition, Redexis is adhered to the United Nations Global Compact initiative as an integral part of its strategy and is committed to working in line with the 2015-2030 sustainable development goals approved by the UN in September 2015.

Regarding the relationship that Redexis maintains with the media, it is characterized by being a close and solid relationship, maintaining at all times a collaborative dialogue with the same. During 2018, 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.

Environment

"Redexis continúa en su empeño por ofrecer infraestructuras seguras y servicios de calidad adaptados al cambio climático y a la preservación de la biodiversidad, con la finalidad de crear valor reduciendo el impacto ambiental."

Redexis' strategy promotes commitment to environmental protection and responsible resource management, seeking to minimise the environmental impact of its activities.

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. This policy is integrated into its corporate culture, where environmental excellence and continuous improvement are fundamental values.

The commitment to the implementation of a responsible and sustainable model and the preservation of natural resources are the pillars of its Integrated Management System certified according to the standards of the environmental management standard ISO 14001:2015 and the energy management standard ISO 50001:2011, with the fundamental objective of eliminating or minimizing the existing risks for Redexis personnel and other stakeholders.

In 2018, Redexis made the transition to the new ISO 14001:2015, environmental management systems, further strengthening the commitment of senior management to its stakeholders. At the same time, the Company certified its natural gas and LNG transmission, storage and distribution activity under the ISO 50001:2011 standard - Energy management systems - favouring the most efficient and sustainable use of energy.

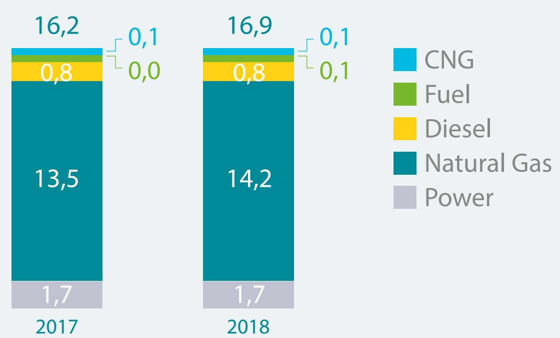
As part of its Integrated Management System, a series of environmental indicators have been defined that are directly connected to the company's activity, enabling greater knowledge of the repercussions on the environment, the actions that the company carries out, and thus being able to act on those activities that have the greatest impact on ecosystems.

Environmental indicators	Unit	2016	2017	2018
Non-hazardous waste	**Kilos**	**515,414**	**428,748**	**688,911**
Printed paper	Kilos	504,091	417,591	677,131
Confidential Paper and Cardboard container	Kilos	8,318	8,237	9,020
Yellow Container-Packages, cans, bricks	Kilos	2,625	2,625	2,632
Toner	Kilos	300	195	103
Batteries	Kilos	80	100	25
Hazardous waste (fluorescent and luminaires)	**Kilos**	**124**	**39**	**44**
Facilities	m3	218	198	256
Office	m3	267	279	296
Total water consumption	**m3**	**485**	**477**	**553**

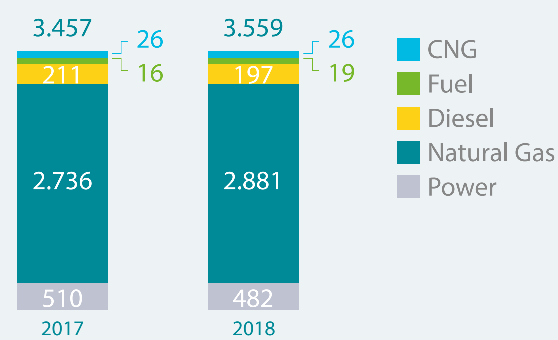
Redexis believes that climate change is a global environmental challenge and is committed to contributing to climate change mitigation and energy transition.

Redexis' total energy consumption in 2018, including offices, LNG plants, transport and vehicle fleet, reached 16.9 GWh, with an emission of 3,559 tonnes of CO_2 equivalent.

Total consumption (GWh)



CO_2 emissions (t CO_2e)



NOTES *Total consumption and CO_2 emissions include offices, LNG plants, transport positions and vehicle fleets.*

Along these lines, Redexis is working hard to develop tools for measuring and controlling emissions in order to reduce them, including the calculation of the Group's carbon footprint. In December 2018, the Company obtained the Ministry of Ecological Transition's certificate for the 2017 calculation of the Carbon Footprint in Scope 1 and 2 , with the award of the "Calculation" seal in its natural gas transport and distribution activities carried out at its headquarters in Madrid.

Greenhouse gas emissions (Tn CO_2)	2017	2018
Scope 1	91,382	88,017
Scope 2	510	482
Total	**91,892**	**88,499**

Scope 1: Includes direct emissions from activities controlled by the organisation.
Scope 2: Indirect emissions generated by electricity production plants as a result of the entity's own consumption.

This action is an essential element of information and transparency that helps manage the risks and opportunities faced by the Company in order to eliminate greenhouse gas (GHG) emissions in a global and integrated manner.

Redexis' commitment to environmental sustainability also materialises in the development of different projects that support the deployment of gas refuelling stations ("gasinera") that represent a series of environmental, technical and economic advantages in the Spanish regions in which they are implemented; as well as the promotion of renewable hydrogen for technological development and the promotion of production and transport infrastructures for hydrogen generated from renewable energies.

Promoting sustainable mobility

Vehicle gas in Spain is a real alternative to petroleum-based fuels, offering mobility solutions that generate savings and reduce emissions through agreements with major manufacturers and connecting gas service stations to their networks.

Redexis has gas infrastructure on which to develop gas vehicles.

+10.400km of networks

The Municipal Solid Waste collection company of Murcia

The city bus fleet of Murcia

The 'Emaya' fleet in charge of collecting Municipal Solid Waste in Palma de Mallorca

The Valoriza fleet for the collection of Municipal Solid Waste in Ibiza

The fleet of vehicles of Galletas Quely in Inca, Mallorca

Redexis has connected gas service stations to its networks, facilitating access to this energy for the following fleets.

The buses of the Municipal Transport Company (EMT) in Palma de Mallorca

The taxi cooperative of Zaragoza

The fleet of the cleaning and waste collection company of El Puerto de Santa María

The city bus fleet of Figueras

Agreements with manufacturers

Redexis is signing agreements with vehicle manufacturers (Seat, Audi, Volkswagen, Skoda, Renault, Volvo Trucks ...) to provide gas stations in those areas where NGV vehicles are sold.

Commercial agreements

Redexis has recently reached an agreement with Cepsa for the expansion of NGV, investing EUR 60 million to create the largest network of natural gas refuelling stations in Spain and reach 80 points by 2023.

"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."

Redexis, hydrogen promoter

Redexis is committed to the development of renewable energies such as hydrogen, undoubtedly a key energy vector in a zero-emission context and the natural evolution towards a low-carbon economy.

The company has announced investments amounting to 60 million euros over the next five years to promote initiatives related to this energy vector at a national level, with the aim of starting up a flagship initiative to address the use of hydrogen transported by pipeline, as well as the storage of electricity produced from renewable energy.

Hydrogen is a cross-sectional vector that will benefit sectors such as mobility or industry. Moreover, it minimises the surplus created by renewable energy peaks, since it is capable of storing electricity. Hydrogen is an emission-free energy and therefore, totally environmentally friendly. It is in line with the objectives of the European Commission, which considers the development of hydrogen essential to achieve a more environmentally-friendly economy.

The use of hydrogen and fuel cells in mobility are key to complete the decarbonisation of the transportation sector.

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 Hydrogen regulation is at a very early stage, and it is a key vector in the context of energy transition.

Redexis, promoter of renewable gas

Redexis is promoting initiatives for the production of renewable gas and its injection into its natural gas network.

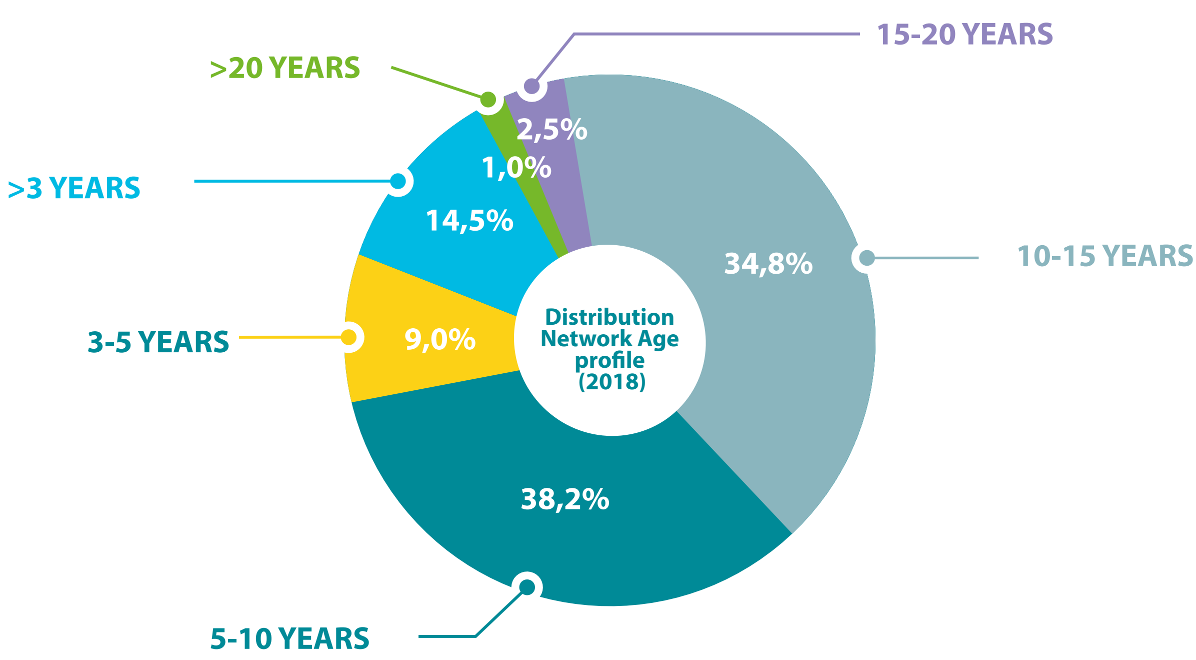
- They contribute to reducing diffuse but direct methane emissions into the atmosphere.
- They ensure a high energy use, with a zero net balance of GHG emissions.
- They provide a viable solution for certain types of waste that currently pose an environmental management problem (e.g. slurry, OFMSW).
- Indirectly and through the digestate produced in anaerobic digestion processes, they allow waste and biomass to be transformed into organic, renewable agricultural fertilizers.

Safe Infrastructures

Characteristics of the network

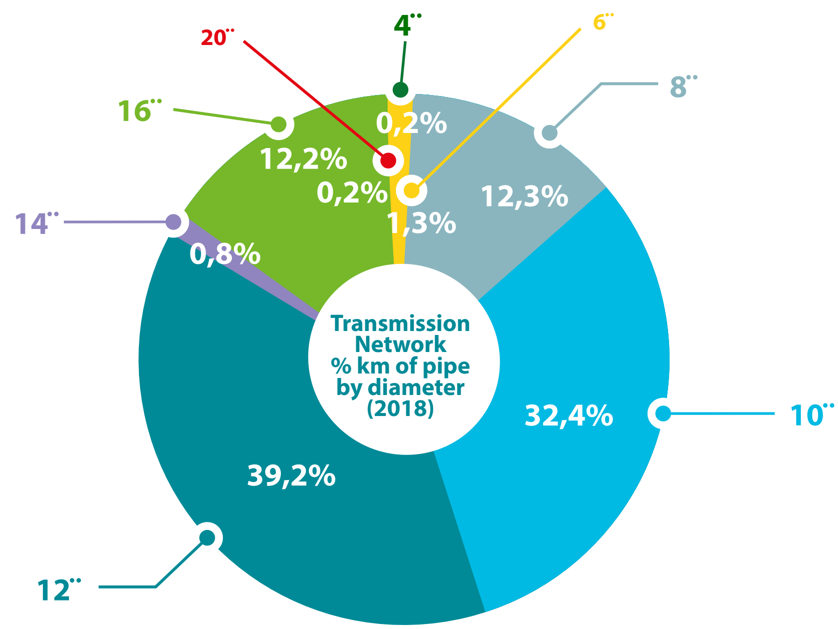
Redexis carries natural gas from the points of delivery of the backbone or primary network in Spain to the points of consumption in the best conditions of safety and quality. It operates more than 10,400 kilometres of transport and distribution networks throughout Spain, with 51 transmission pipelines serving 500 municipalities in 27 provinces.

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 proportion of the distribution network has been built between 2005 and 2008. This means, therefore, that the Company needs to invest less to keep its asset base up to date, while being able to offer superb safety ratios.



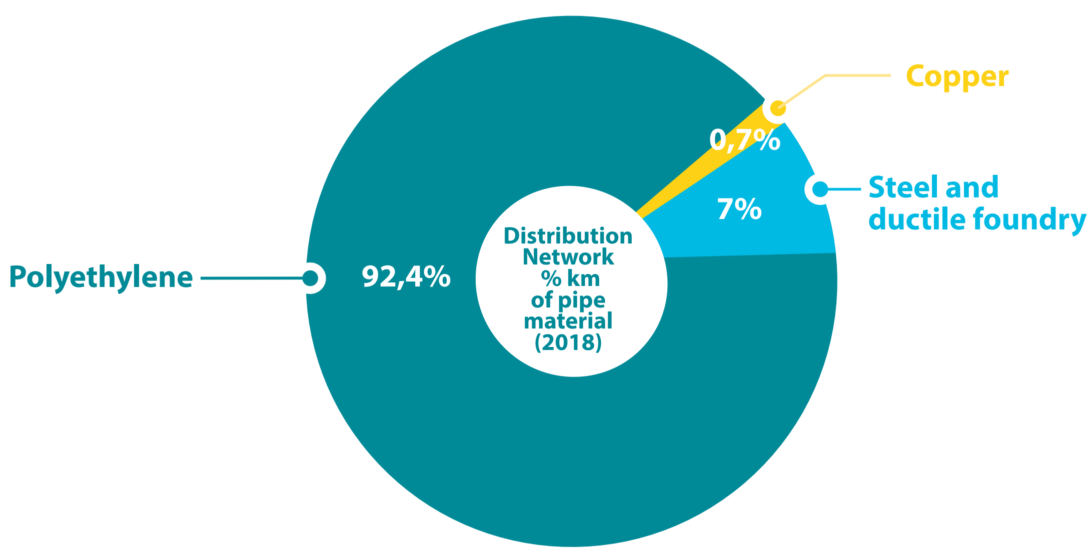
The gas transmission pipelines are constructed with steel pipes, a material suitable for this type of infrastructure, capable of operating at high pressures, usually between 45 and 70 bars. In addition, all of them are provided with a high-strength polyethylene outer coating which, together with active corrosion protection elements, contributes to extending their useful life.

Likewise, 73 % of the transmission network is built with pipes with a diameter between 10" and 12", generating synergies in maintenance, replacement work and acquisitions.



The distribution branches connecting the gas pipeline network to the consumption areas are made of steel when the network operating pressure is higher than 10 bar and of polyethylene for the same or lower network operating pressures.

Distribution networks in cities and towns are mostly made of polyethylene, although there are other materials such as steel and, residually, ductile cast iron and copper.



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. Integrity management plans, based on risk analysis, are aimed at improving the efficiency and management of maintenance, increasing the useful life of its infrastructures and significantly reducing the number of interventions in them.

The acquisition of assets for the distribution of LPG has meant new opportunities for Redexis to expand its presence in the gas supply market. In addition to the LPG deposits close to the consumption points, piped LPG distribution networks have been acquired that are successfully integrated into the management processes of Redexis.

Network operation

For Redexis, the maintenance of its gas facilities is essential to achieve a satisfactory level of safety, quality and service reliability, and to comply with the regulatory requirements and standards of the sector in which it operates.

Redexis has a Control or Dispatching Centre from which the main parameters that define the state of its infrastructures are supervised, such as pressure, flow or gas temperature, as well as remote access to the facilities.

Both the primary and secondary transmission pipelines, as well as the singular points of the distribution network, are permanently monitored, which makes it possible to anticipate actions so that the Network Operation is conducted with an excellent level of safety.

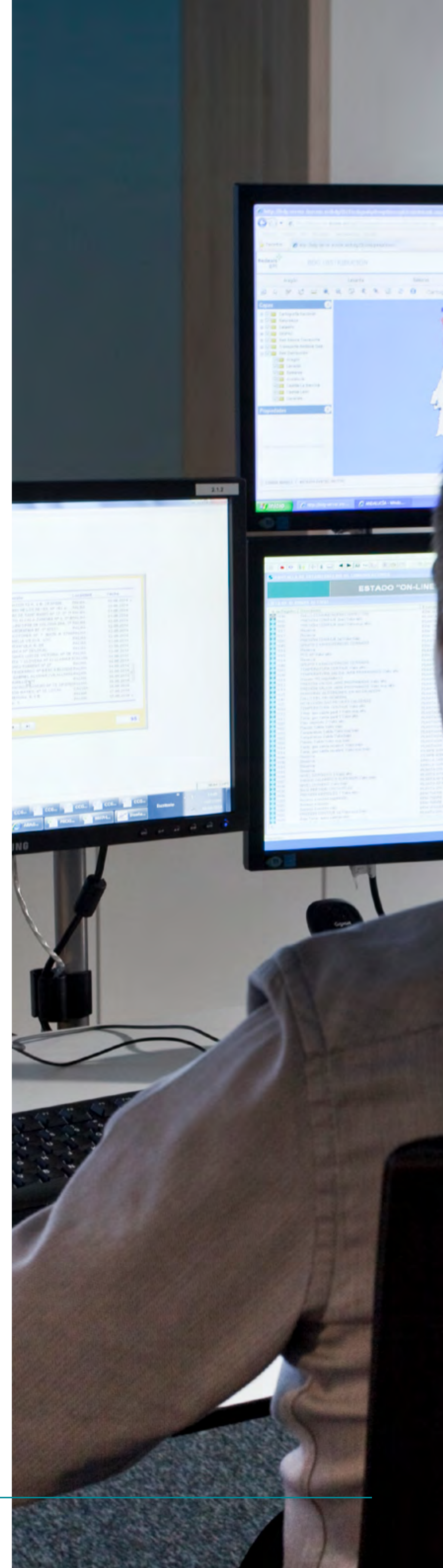
Network Expansion Program

The Group makes significant investments in those regions where it has a significant presence and where it has access to the largest number of end users, businesses and industries through its distribution networks.

The Redexis distribution network expansion program is aligned with the connections in the regions that 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, which requires 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 installations to reach each customer.
- Expansion of the Network. 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.

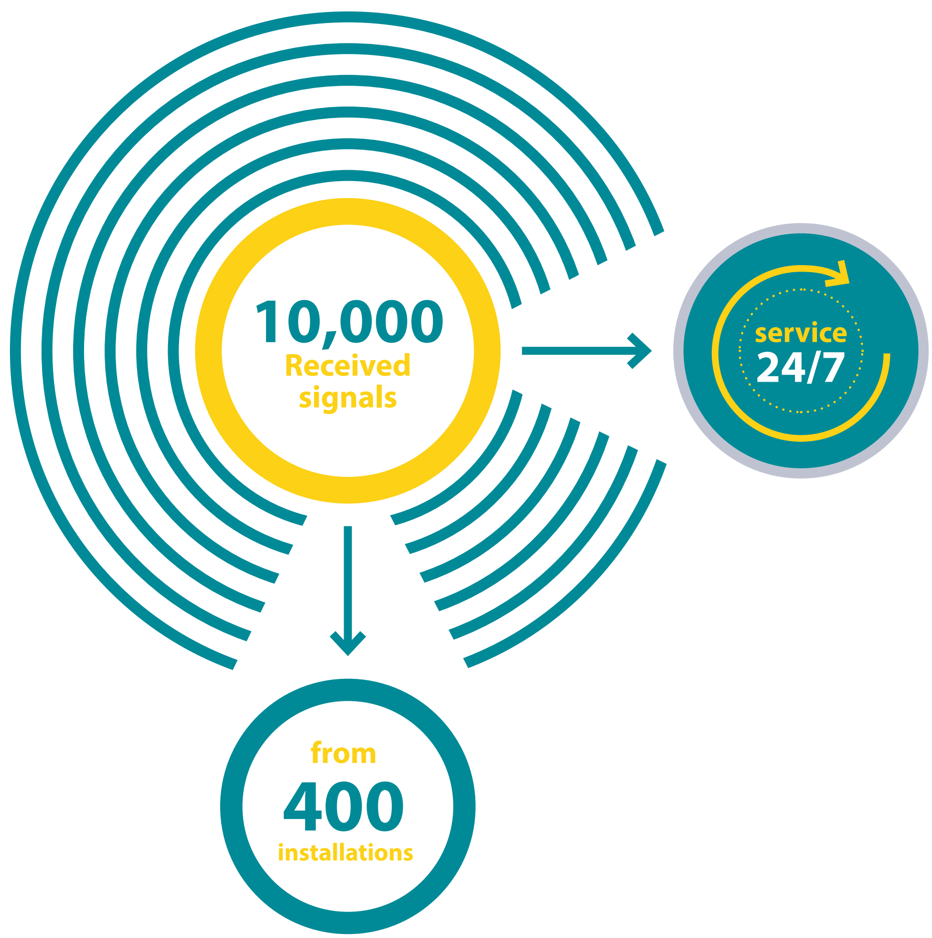
The Group analyses each investment opportunity internally using models and carries out a series of tests and sensitivities. Finally, they are approved by the Investment Committee on the basis of certain investment criteria.



Safety

The values that Redexis has internalized in its day to day activity have a faithful reflection in safety, which is the foundation for the Company's operation and the reason for the existence of its control centre.

The Control Centre receives real-time information from the main Redexis facilities, which is analysed by specialized personnel who detect any incident and mobilize the required response teams.



Safety of persons

In order to guarantee the safety of all the people involved in the gas chain, Redexis has several communication centres. All personnel, both internal and that of the collaborating companies, must have the appropriate and necessary training and knowledge to guarantee their safety at the Company's facilities.

The control centre has up-to-date information on the training of all persons accessing the facilities, which enables it to carry out permanent surveillance of such accesses.

Throughout 2018, the Company has launched a project to update the access supervision system, which allows for better and faster updating of the necessary information.

At the same time, Redexis provides all users connected to its distribution networks with an emergency call centre (CAT), with 24/7 service and in permanent contact with the control centre, which receives and carries out a first classification of emergencies at its reception facilities.

The response to any incident is contained in internal procedures and action protocols.

Simulations are periodically carried out involving all the Company's resources allocated to this type of action.

Safety of facilities

"During the year 2018, significant improvements have been made"

Redexis' control centre has a SCADA (Supervisory Control And Data Acquisition) system that, by means of different field-mounted sensors, central units and communication equipment, collects in real time the values and the state of the different parameters that define the operation of the Company's main facilities.

INTEGRATED SUPERVISION EQUIPMENT

The incorporation of new integrated supervision and communication equipment for LNG satellite plants, which means the possibility of remote action on the installation from the control centre.

RECORDING DEVICES

The implementation of real-time pressure recording devices in distribution networks.distribución.

RADIO FRECUENCY COMMUNICATION

The launch of a pilot project for radio frequency communication for facilities with low UMTS/GPRS coverage.

Safety of supply

> *Redexis' distribution networks have three main points of origin*

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.

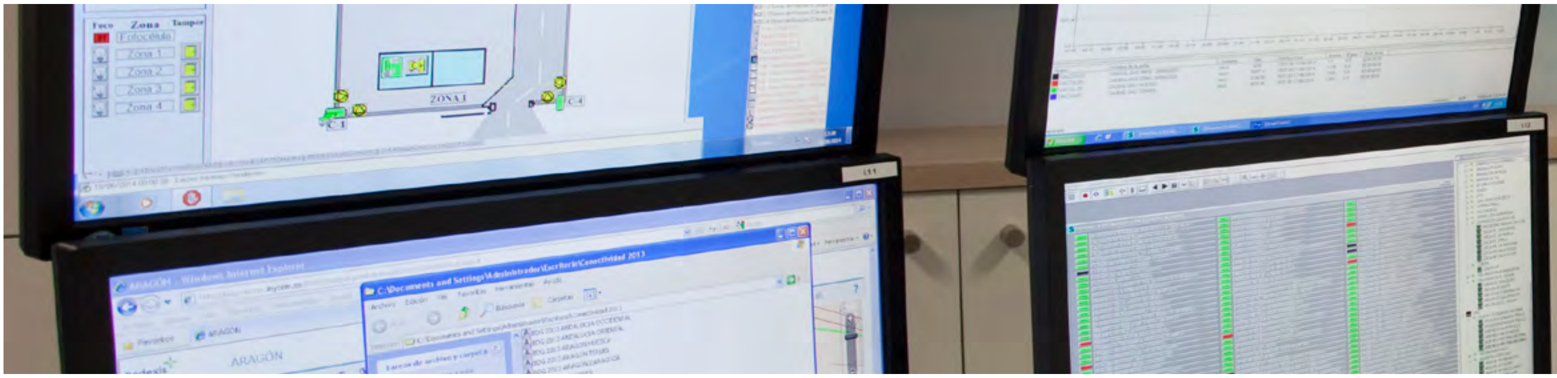
The control centre's SCADA system allows real-time reception of information on the evolution of tank levels at the company's main facilities, along with other operating parameters, thus ensuring correct operation.

In order to guarantee supply to users connected to these plants, the control centre performs an important logistic function, closing 2018 with the management and supervision of 10,000 tanker truck unloadings.

Delivery points with the basic transmission network or with the distribution networks of other operators.

Satellite liquefied natural gas plants

Storage of liquefied petroleum gases



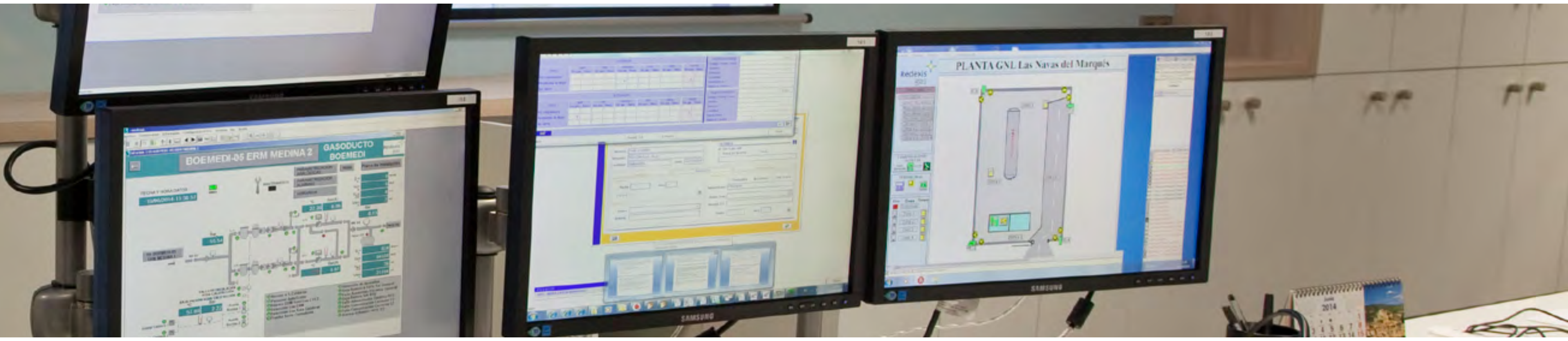
Technology and Innovation

Redexis is aware that business innovation is no longer an alternative but a necessity. In order to respond to the new challenges and opportunities posed by the environment, it is implementing an innovation model that seeks to respond to technological changes in the sector and to an innovative culture in the Company.

The Company has the capacity and resources to develop and generate competitive advantage and provide safe, quality and innovative products and services, helping to create a more sustainable environment.

Pioneer in the development and implementation of Artificial Intelligence in networks

Redexis is responding to the needs of natural gas expansion with the development of gas infrastructure based on parameters of big data and Artificial Intelligence. Thanks to the development and implementation of these technologies, the Company is becoming more efficient, contributing to a greater gas penetration of the country and reaching a greater number of industries, businesses and homes, which generates greater employment and well-being. Thus, Redexis provides a higher quality service to the customer, identifying those who are more likely to accept gas, with an accurate design in the deployment of networks for the purpose of causing less impact.



x2 — Multiplying customer acquisition

IMPROVE — Improving the ability to make decisions in a more analytical and contrasted way

-20% — Saving on investment in network deployment by optimizing resources and improving inspection routes

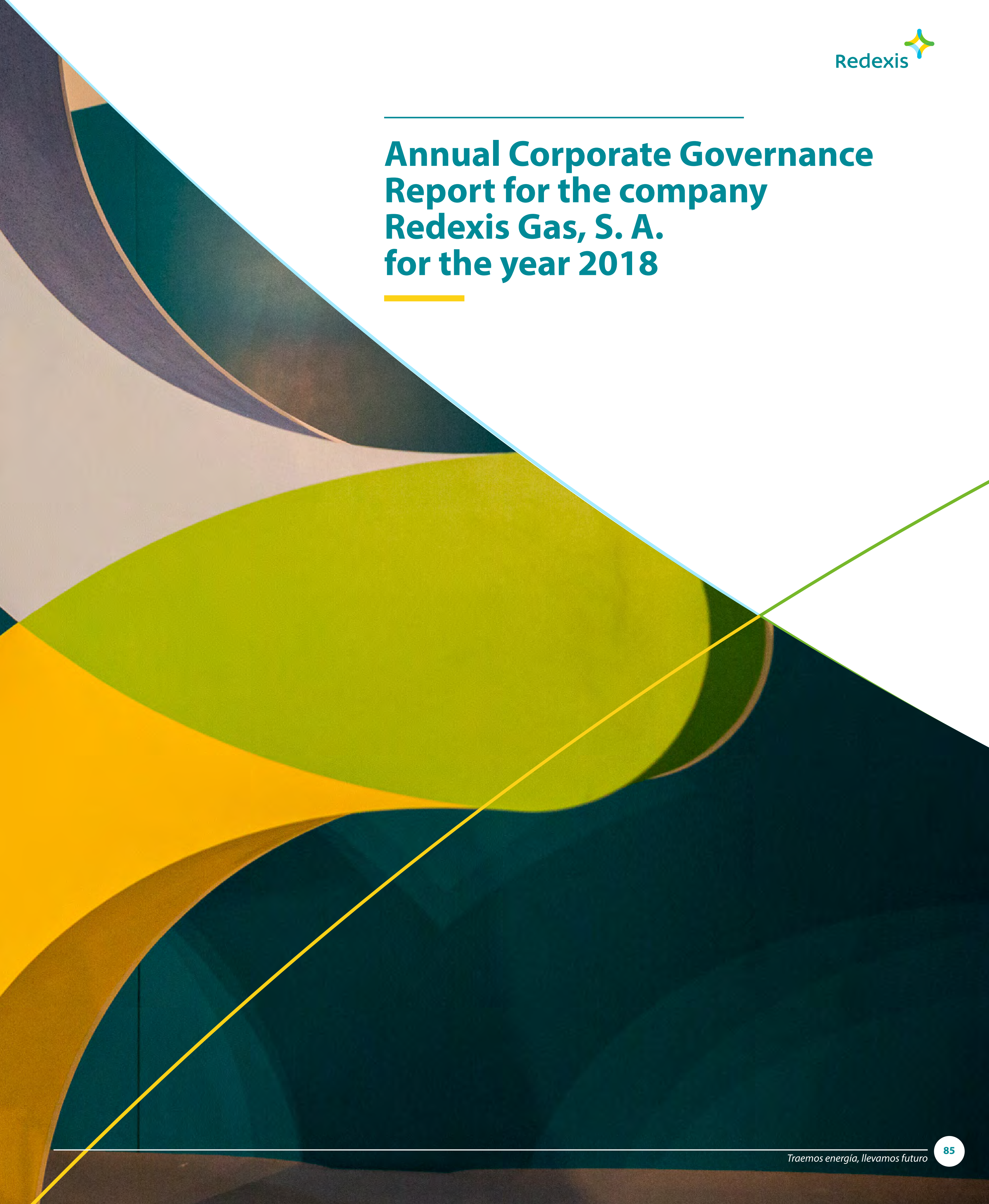
PREVENT — Preventing risks and accidents

+30% — Increasing levels of commercial efficiency

PREDICT AND ANTICIPATE — Predicting and anticipating potential incidences in the maintenance of the network and possible frauds

OBTEIN AND PROCESS — Obtaining and processing relevant information to identify patterns

REDUCE — Reducing environmental impact



Annual Corporate Governance Report for the company Redexis Gas, S. A. for the year 2018

1.Introduction

Corporate governance regulations have evolved in recent years to adapt to the markets and maintain the confidence of investors, who increasingly demand more transparency in the management of companies. In recent years, corporate governance has become a great asset for companies, as it makes them more efficient, more competitive and brings them better results.

For such reason, even when companies are not required by law to do so, as in the case of Redexis Gas, S.A. (the "Company" or "Redexis"), they opt for implementing corporate governance rules to provide transparency to their interaction with stakeholders.

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 Company's Board of Directors has considered appropriate to fully reflect Redexis' corporate key figures during the year 2018, and, in general, any material aspect of the Company that shareholders and investors may consider relevant.

2.Share capital structure

The Company's share capital is EUR ONE HUNDRED MILLION (€100,000,000.00), represented by ten million (10,000,000) shares, which are indivisible and cumulative, having a face value of ten Euros (€10) each, correlatively numbered from 1 to 10,000,000, both inclusive.

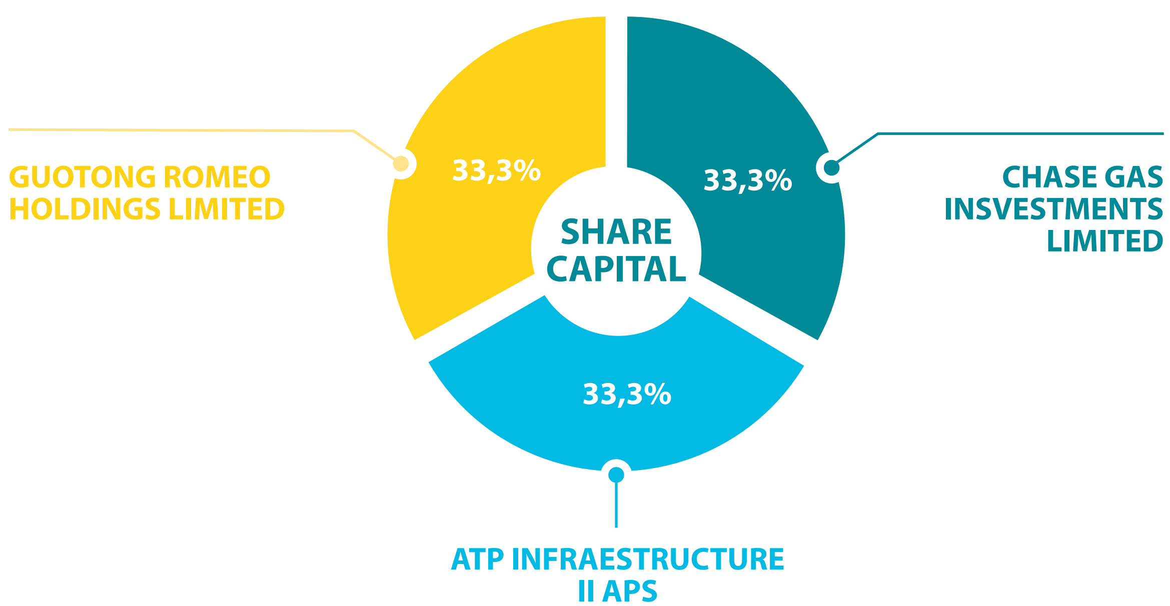
The share capital is fully subscribed and paid up.
In April 2018, Augusta Infrastructure UK Limited ("Augusta"), a subsidiary of private equity funds administered by Goldman Sachs & Co, resolved to conduct a divestment process with regard to its entire shareholding in the Company, that is, 50.10%.

For such purposes, the divestment took place by entering into a sale and purchase agreement, whereby the current shareholders Chase Gas Investments Limited, a subsidiary of the equity fund USS ("USS") and ATP Infrastructure II APS, a subsidiary of the equity fund ATP ("ATP") increased their shareholding in the Company by 3.33% and 13.43%, respectively.

Additionally, a new shareholder joined the Company's share capital, Guotong Romeo Holdings Limited, a company owned by the funds Guoxin Guotong Fund LLT and CNIC Corporation Limited ("Guotong").

Such transaction was formalised on 20 June 2018, upon obtaining the mandatory authorisations from the Competition Authorities. Therefore, after the above-described divestment, on 31 December 2018, the Company's share capital was distributed among the shareholders on the terms set out below:

- Chase Gas Investments Limited: 33.33%.
- ATP Infrastructure II APS: 33.33 %
- Guotong Romeo Holdings Limited: 33.33%



3.Board of Directors structure

1. Composition

The administration of the Company is entrusted to a Board of Directors composed of a minimum of three and a maximum of eleven members, in accordance with the provisions of article 20 of the Articles of Association.
The Board of Directors is currently composed of eight Directors and a Non-Director Secretary.

2. Members of the Board of Directors

As at 31 December 2018, the Board of Directors was composed of the following members:

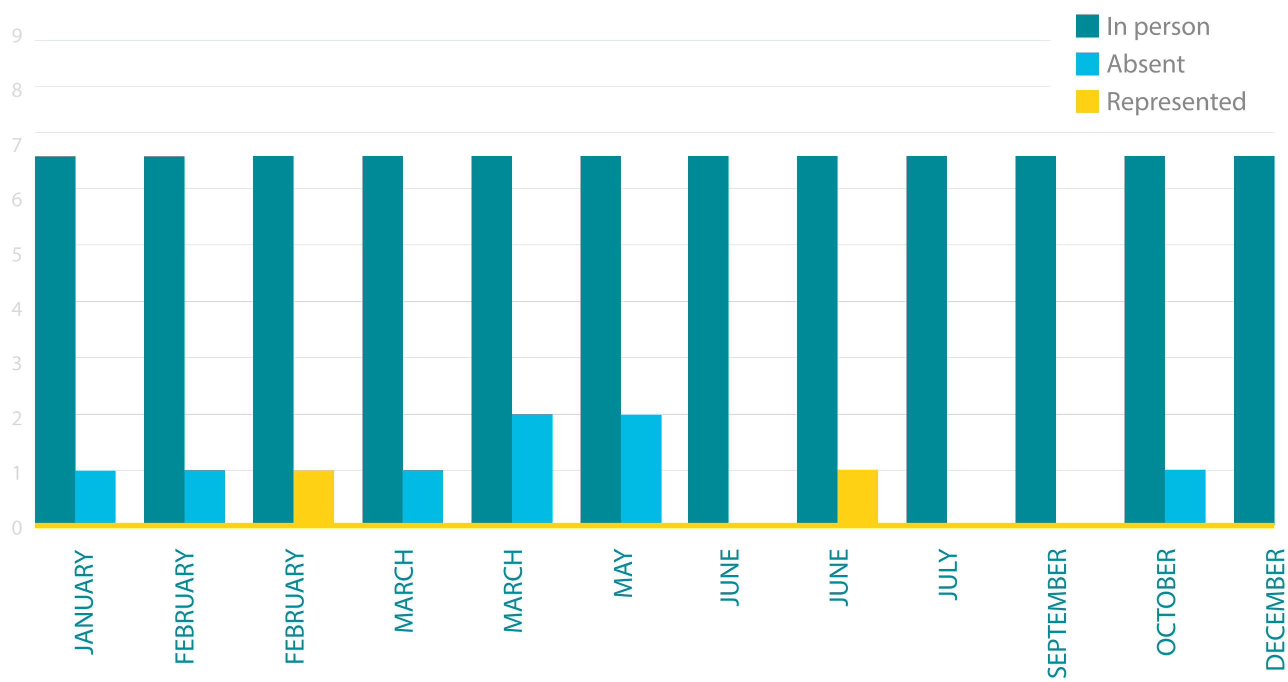
Name	Date of appointment or last re-election	Category of director	Office
Mr Fernando Bergasa Cáceres	19 May 2016	Executive	Chairman of the Board of Directors
Ms Cristina Ávila García	19 September 2014	Executive	Director and Chief Operating Officer
Mr Michael Dalsgaard	20 June 2018	Proprietary (proposed by ATP)	Director
Mr Ng Chik Sum Jackson	20 June 2018	Proprietary (proposed by Guotong)	Director
Mr Oliver Jan Schubert	20 June 2018	Proprietary (proposed by Guotong)	Director
Mr Ulrik Dan Weuder	10 December 2013	Proprietary (proposed by ATP)	Director
Mr Stephen Alan John Deeley	10 December 2013	Proprietary (proposed by USS)	Director
Mr Gavin Bruce Merchant	24 July 2017	Proprietary (proposed by USS)	Director
Mr Ignacio Pereña Pinedo	19 March 2013	Not applicable	Secretary Non-Director

During the 2018 financial year, and as a consequence of the divestment process carried out by the private equity funds administered by Goldman Sachs & Co, the following directors have ceased being members of the Board of Directors, Mr. Matteo Botto Poala, Mr. Philippe Louis Hubert Camu and Mr. Claudio Aguirre Pemán, who resigned from their office on the Company's Board of Directors on 20 June 2018.

Likewise, and as a consequence of the changes that have taken place in the Company's shareholder structure, during the year 2018, the following have been appointed as new directors to the Company's Board of Directors, Mr. Michael Dalsgaard, Mr. Ng Chik Sum Jackson and Mr. Jan Schubert Oliver.

The Board of Directors has held twelve sessions during the 2018 financial year. In this regard, the Board members' commitment to the exercise of their functions should be noted, highlighting the high participation and attendance at such sessions, which was 91.67 % during the 2018 financial year.

Attendance at the meetings of the Company's Board Directors



3. Professional background of the Chairman and Chief Executive Officer

Mr Fernando Bergasa is the Executive Chairman and Chief Executive Officer of Redexis Gas, S.A. His main professional background is as follow:

- 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 a Director at HC Energia.
- 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 Sedigas
- He is a member of the American Chemical Society and a member of the Alumni Board of the Universidad Autónoma of Madrid

4. Professional background of the Director and Chief Operating Officer

Ms Cristina Ávila is a Director and the Chief Operating Officer of Redexis Gas, S.A. Her main professional background is as follow:

- 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 roles in Endesa Internacional and was a consultant at Arthur D. Little.
- Cristina Ávila is also a Director at the Executive Board of Sedigas

5. Director term of office

The term for the office of Director is six years. Directors may be re-elected for equal periods, without prejudice to their removal at their own request, or at the request of the shareholders acting at the General Shareholders Meeting.

6. Board of Directors Committees

During the 2018 financial year, the following have been set up within the Board of Directors (i) Appointment and Remuneration Committee, and (ii) Audit and Risk Committee.

Appointment and Remuneration Committee

On 25 October 2018, the Board of Directors resolved to set up the Appointment and Remuneration Committee, despite not being required by law to do so.
Such Committee is composed of 3 members and the Board resolved to initially appoint the following members:

- Mr. Michael Dalsgaard
- Mr. Steve Deeley
- Mr. Oliver Schubert

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

The Committee Members will hold office for a 3-year period and may be re-elected.

The Appointment and Remuneration Committee has, among others, the following authorities:

1. Appoint and remove executive directors, the Chief Executive Officer and the Chief Financial Officer, as well as plan the succession of the same.
2. Appointment, removal and remuneration policy for members of the Executive Committee.
3. Remuneration of Board of Directors members with executive duties.
4. Seek gender equality in terms of remuneration and set the variable remuneration.

On 12 December 2018, the Appointment and Remuneration Committee held its one and only meeting during the year 2018, in which it was resolved to propose to the Board of Directors the appointment of Mr. Antonio España Contreras as new Chief Financial Officer of the Company.

Audit and Risk committee

The Board of Directors resolved to set up the Audit and Risk committee on 25 October 2018, voluntarily, since there was no legal requirement in this regard.

Such Committee is composed of 3 members, and the Board resolved to initially appoint the following members:

- Mr. Michael Dalsgaard
- Mr. Steve Deeley
- Mr. Ng Chik Sum Jackson

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

The Committee Members will hold office for a 3-year period and may be re-elected.

The Audit and Risk Committee has authority for the following matters, without limitation:

1. Internal control and risk management
2. Financial reports
3. Internal audit
4. External audit
5. Corporate social responsibility, relations with stakeholders and evaluation of non-financial risks

During the year 2018, the Audit and Risk Committee has not held any meetings.

7. Conflicts of interest

The Directors must inform the Secretary of the Board of Directors, giving due notice, about any situation which could lead to a conflict of interest with the Company.
The Directors must refrain from attending and participating in the deliberation on issues in which they have a direct, indirect or personal interest.

It shall also be considered that a Director has a personal interest when the issue affects a person related to the same, or a Company with which the Director has an employment or professional relationship, or when such Director performs a management role or has a significant holding in such Company.

In the 2018 financial year, no Director has reported 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 senior positions in the General State Administration, as well as those 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.

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.

9. Notice of the meetings

The meetings of the Board of Directors were called giving sufficient notice, making available to the Directors the documents explaining each one of the items included on the agenda.

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 such purposes, Directors have access to the mentioned information through a web portal made available to the same by the Company.

4.General Shareholder’s meeting

1. General Shareholders’ Meetings held

In the 2018 financial year, two General Shareholders’ Meetings were held, on the date and with the agenda set out below.

ANNUAL GENERAL MEETING HELD ON 22 MARCH 2018

Agenda

- Approval of the Annual Accounts and Management Report of Redexis Gas S.A., and the consolidated Annual Accounts and Management Report of Redexis Gas S.A. and its subsidiaries for the 2017 financial year
- Approval of the allocation of profit or loss for the 2017 financial year
- Approval of the management of the Board of Directors for the year 2017
- Approval to pay out dividends
- Appointment of auditors
- Approval of remuneration for executive directors.
- Approval of the minutes of the meeting

At such meeting, the ordinary and consolidated accounts and the management by the Board of Directors were approved, and the allocation of profits was resolved. Also, the appointment of the Company’s auditors, KPMG Auditores, S.L. and the remuneration for the Company’s executive directors were approved.

EXTRAORDINARY MEETING OF SHAREHOLDERS HELD ON 20 JUNE 2018

Agenda

- Resignation of members of the Board of Directors
- Setting the number of members of the Board of Directors
- Appointment of new members to the Company’s Board of Directors
- Approval of the minutes of the meeting

At such meeting, the resignations of the directors Mr. Matteo Botto Poala, Mr. Philippe Louis Hubert Camu and Mr. Claudio Aguirre Pemán were accepted, thanking them for their services to the Company.

Also, at this meeting it was resolved to set at 8 the number of members of the Board of Directors, and Mr. Michael Dalsgaard, Mr. Ng Chik Sum Jackson, and Mr. Oliver Jan Schubert were appointed new directors in the Company.

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 business Activities

On 12 September 2018, the Board of Directors approved the implementation of a pilot project in certain areas for the installation, leasing and preventive maintenance of photovoltaic systems.

In turn, on 7 March 2018, the Board of Directors authorized the entry, through Redexis Gas Servicios, S.L.U., in the share capital of Hydrogen to Gas, S.L. "("H2Gas"), a company in which Enagás Emprende, S.L.U. holds an interest, for the development of hydrogen-related activities.

For such purposes, on 26 October 2018, Redexis Servicios, through a share capital increase in H2Gas which it fully subscribed, became the owner of 40% of the share capital in H2Gas.

6.Intra-group transactions

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

- A credit agreement entered into between the Company and Redexis Gas Murcia, S.A. under which the former grants the latter a loan for an amount of EUR sixty-five million (€65,000,000). Such loan agreement initially expired on 31 December 2016, however, it has been automatically renewed by the parties for one-year periods.

- A framework agreement for the provision of services between the Company and the rest of the companies in the Redexis Group, dated 30 June 2016, under which Redexis provides the rest of the companies in its Group, among others, services regarding systems and communications, human resources, general services and corporate support.

- A twin tube assignment agreement, dated 23 December 2016, under which the Company, together with Redexis Murcia, S.A. and Redexis Infraestructuras, S.L.U., assigns to Redexis Gas Servicios, S.L.U. the physical infrastructures attached to the transmission and distribution networks held by the same, so that Redexis Gas Servicios, S.L.U. may carry out the provision of the telecommunications services.

7.Protection of personal data

On 25 May 2018 the General Data Protection Regulation came into force, a European regulation on the protection of natural persons with regard to the processing of their personal data and the free movement of such data.

This Regulation has been directly applicable in Spain since that date. However, on 5 December 2018, Organic Act 3/2018 on the Protection of Personal Data and the Guarantee of Digital Rights was approved, which includes the provisions of the Regulation itself.

For such purposes, the Company has taken different measures to adapt its policies and operation to the new rules on data protection within all the areas in which it operates.

8.Collective Agreement

On 18 December 2018 the second collective agreement of the Redexis Gas Group was published in the Official State Gazette. Such agreement provides stability and legal certainty for the Group's employees, and will remain in force until 31 December 2021. At the same time, it modifies a series of conditions established in the previous collective agreement, such as paid vacation days, contributions made by the Company to the employee pension plan, salary increases, etc.)

9.Actions in matter of Corporate Governance

Redexis continues to work every day to make corporate responsibility a fundamental pillar in its corporate culture. In order to maintain its commitment to good corporate governance and transparency, the Company has continued to develop actions during 2018 to ensure correct compliance with market regulations and good practices. Redexis has a Code of Conduct and an internal and external whistle-blower channel which allow to any person, even anonymously, report any allegedly irregular event to the Company. During 2018, Redexis has not received any complaint or claim related to the code of ethics of Redexis Group.

So, in addition to the work already performed in previous years, different actions were carried out in 2018, among which the following should be highlighted:

1. Internal rules

In 2018, the Company approved the rule on meetings with public bodies and authorities. This rule describes the process for communicating and monitoring the meetings that Redexis Gas Group personnel hold with public bodies or authorities, in the exercise of their duties.

2. Training platform

At the end of 2018, Redexis launched a training platform for employees called "Campus Redexis". The aim of this platform is to enable employees to continue advancing in their professional development by taking courses and consulting the contents that will be uploaded to the platform. Employees may access the "Campus Redexis" from any device, which allows training to be flexible with their time and schedule.

3. Health and Safety and the Environment

Health and safety conditions at the workplace, 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 Centre, which manages incident alerts from third parties on a full-time basis, controlling restricted access to facilities, monitoring in real time the technical alarms generated in our facilities, managing the operation of the network through its network graphic information system, tracking gas discharges to our storage centres and handling the resolution of eventual emergencies.

B) The implementation of an ongoing learning and training system for our technical staff in the field of safety and environment.

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

D) Implementation and dissemination of emergency plans, providing specific training and periodically carrying out drills for the resolution of eventual emergencies.

E) The implementation of continuous improvement measures on processes.

F) Investment plans to improve the operational safety of our facilities.

G) An important focus on ensuring that safety and environmental management is properly transferred to contracted services, both in the contracting phase and in the phase prior to and during the performance of the works.

H) Intensive monitoring of field work by companies specialising in occupational safety and environmental control.

I) Preliminary assessments of environmental impact in the case of projects that require the same.

J) A specific system for managing environmental duties and requirements set by the regulator or local authorities.

K) Strict specific systems for monitoring waste, discharges and emissions

The Company develops an action that contributes, directly or indirectly, to the Sustainable Development Goals, approved by the United Nations. For such purpose, it makes economic and resource contributions to social projects and carries out a continuous evaluation of the same in order to adapt them to its strategy.

The Group's sustainable development efforts are guided by two principles:

- Commitment to society
- Respect for the environment

At the same time, promoted by the Top Management, the Company has defined an Integrated Policy that concerns all those who work in the Company, in accordance with the principles of sustainable development, conservation of the environment and efficient use of the resources it employs.

Finally, during 2018, the following specific actions carried out within the framework of health and safety and the environment should be highlighted:

A) The carbon footprint and commitments to reduce greenhouse gas emissions were registered with the Ministry of Ecological Transition.

B) The Company has participated in the process conducted by Gresb BV to audit best practices in environmental, social and corporate governance matters.

C) The healthy business certificate has been maintained

D) The Integrated Management System was adapted to ISO 14001: 2015, ISO 50001:2011 and OHSAS 18.001:2007; through the various documents, operating rules and formats developed in this regard, involving the entire organization in health and safety, environmental care in the development of its activities and energy management.

E) The management system certificates ISO 14001:2011 and OHSAS 18001:2007 have been renewed.

F) The energy management certificate ISO 50001:2011 has been obtained.

The necessary audits have been passed, regarding the process for both renewing and obtaining the certificates described in paragraphs c), d), e) and f) above.

4. Sponsorship and collaboration actions

Redexis maintains a continuous dialogue with the local institutions and communities, for the purpose of identifying their needs and interests, via sponsorship actions and other actions to collaborate in social, environmental, sports or cultural projects.

During 2018, Redexis has conducted more than twenty sponsorships and collaboration actions with different organisations and institutions, creating value in the areas where operates. Within the cultural scope, it has continued the sponsorship of the Teatro Real, thus confirming its intention of supporting the cultural and artistic project of such institution and becoming part of its Board of Patrons.

Among other actions, Redexis participated in the Gas Facilities Safety Campaign in the Community of Madrid, it also sponsored the Literary Seminar 'Rio de Letras", held in Blanca (Murcia), and it collaborated with football clubs of Cuevas de Almanzora, Yepes, Mérida and Inca and joined to the East Mallorca Cup 2018, a tournament to promote women's sports in the Balearic Islands.

Risk Management and Control

Risk Management and Control

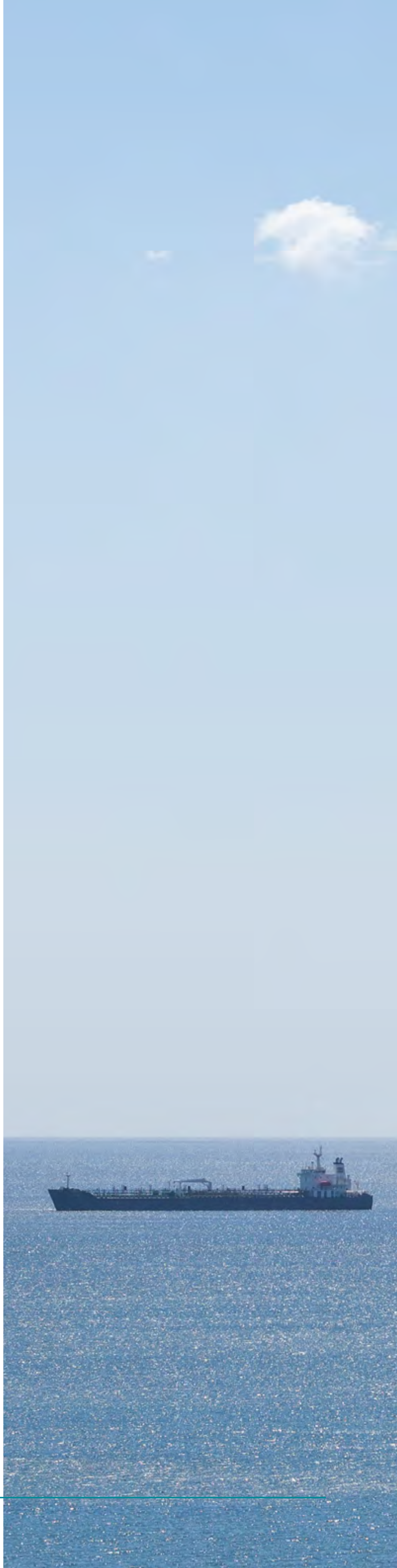
Risk management is one of the central axes of Redexis strategy.

Effective risk management is essential for the achievement of Redexis' strategic and operational objectives, as well as for detecting new business opportunities and competitive advantages.

At Redexis, risk management and control are based on independence, anticipation, commitment to the objectives of the businesses in which it operates and the involvement of senior management.

The company has an identification and assessment process, the objective of which is to identify risk events in advance and assess them according to their probability of occurrence and their potential impact on business objectives. In this way, Redexis can take the most suitable management and protection measures according to the nature and location of the risk.

For more information, access **Sustainability Report 2018.**



The figures

KPMG

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Centro Empresarial de Aragón
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50009 Zaragoza

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 2018, 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 2018 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.

KPMG

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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.

Measurement of goodwill and intangible assets with indefinite useful lives arising from business combinations executed in prior years

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.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2018 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.

KPMG

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 2018 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.

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.

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

KPMG AUDITORES, S.L.

Año 2019 Nº 01/19/04112
COPIA

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

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

Ana Fernández Poderós
On the Spanish Official Register of Auditors ("ROAC") with number 15547

25 February 2019

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Consolidated Statement of Financial Position for the Year Ended 31 December 2018 (Expressed in thousands of Euros).

ASSETS	Note	2018	2017
Property, plant and equipment	7	1,243,196	1,190,561
Goodwill	8	219,175	219,175
Other intangible assets	8	557,462	557,064
Rights for use of assets	9	2,180	3,344
Deferred tax assets	13	46,629	52,446
Non-current financial assets	12	7,673	7,218
Trade and Other Receivables	15	5,208	11,112
Total non-current assets		**2,081,523**	**2,040,921**
Inventories	14	5,933	5,514
Trade and Other Receivables	15	55,350	66,177
Other current financial assets	12	166	594
Other current assets	15	5,649	17,830
Cash and cash equivalents	16	49,741	289,416
Total current assets		**116,838**	**379,531**
TOTAL ASSETS		**2,198,361**	**2,420,452**

EQUITY AND LIABILITIES	Note	2018	2017
Capital		100,000	100,000
Share premium		105,433	105,433
Other reserves		418,677	589,173
Other comprehensive income		29,864	49,705
Equity attributable to equity holders of the Parent		653,975	844,311
Non-controlling interests		24	24
Total equity	**17**	**653,999**	**844,336**
Financial liabilities from issuing bonds and other marketable securities	19	1,139,476	1,137,048
Loans and borrowings	20	158,343	158,073
Other financial liabilities	18	2,255	4,899
Lease liabilities	9	881	2,151
Deferred tax liabilities	13	105,875	105,101
Provisions for employee benefits	24	4,018	3,951
Other provisions	25	624	655
Government grants and other liabilities	27	21,348	22,883
Total non-current liabilities		**1,432,820**	**1,434,761**
Interest payable on bonds and other marketable securities issued	19	19,446	19,428
Loans and borrowings	20	1,765	989
Trade and other payables	21	84,829	116,655
Current income tax liabilities	13	800	318
Provisions for employee benefits	24	72	84
Other current liabilities	21	3,325	2,656
Lease liabilities	9	1,306	1,226
Total current liabilities		**111,542**	**141,355**
TOTAL EQUITY AND LIABILITIES		**2.198.361**	**2.420.452**

The accompanying notes 1 to 36 form an integral part of the consolidated annual accounts.

Consolidated Income Statement for 2018
(Expressed in thousands of Euros)

	Note	2018	2017
Revenue	28	221,402	216,293
Other income	29	8,932	3,282
Self-constructed non-current assets		15,982	12,156
Consumption of raw materials and consumables		(21,617)	(16,822)
Employee benefits expense	31	(37,580)	(27,528)
Depreciation and amortisation	7, 8 and 9	(83,518)	(79,050)
Impairment losses on non-current assets		(2,417)	(713)
Other operating expenses	30	(27,824)	(27,070)
Results from operating activities		**73,358**	**80,548**
Finance income		273	486
Finance costs		(33,297)	(30,726)
Net finance income/(cost)	32	(33,024)	(30,240)
Profit before income tax		**40,334**	**50,308**
Income tax expense	13	(10,469)	(603)
Profit for the year		**29,864**	**49,705**
Profit for the year attributable to equity holders of the Parent		29,864	49,705
Profit for the year attributable to non-controlling interests		-	-

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2018
(Expressed in thousands of Euros)

	Note	2018	2017
Profit for the year		**29,864**	**49,705**
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		**29,864**	**49,705**
Total comprehensive income attributable to: Equity holders of the Parent Non-controlling interests		 29,864 -	 49,705 -
		29,864	**49,705**

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 2018
(Expressed in thousands of Euros)

	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	-	-	-	(116)	-	(116)	-	(116)
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)	-	-	-
Balance at 31 December 2018	**100,000**	**105,433**	**20,000**	**398,677**		**653,975**	**24**	**653,999**

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2017
(Expressed in thousands of Euros)

	Capital	Share premium	Legal reserve	Other reserves	Profit/(loss) for the year	Total	Non-controlling interests	Total equity
Balance at 31 December 2016	**100,000**	**105,433**	**20,000**	**521,185**	**48,717**	**795,335**	**24**	**795,359**
Profit/(loss) for 2017	-	-	-	-	49,705	49,705	-	49,705
Actuarial gains/(losses) on defined benefit plans	-	-	-	(329)	-	(329)	-	(329)
Dividends	-	-	-	(400)		(400)	-	(400)
Distribution of profit/(loss) for 2016	-	-	-	48,717	(48,717)	-	-	-
Balance at 31 December 2017	**100,000**	**105,433**	**20,000**	**569,173**	**49,705**	**844,311**	**24**	**844,335**

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 2018 (Expressed in thousands of Euros)

	Note	2018	2017
Cash flows from operating activities			
Profit for the year before tax		**40,334**	**50,308**
Adjustments for:			
Depreciations and Amortisations	7, 8 and 9	83,518	79,050
Impairment losses on non-current assets		2,417	713
Change in provisions		(290)	(117)
Government grants taken to income		(905)	(738)
Finance income	32	(273)	(486)
Finance costs		33,297	30,726
		158,099	**159,456**
Changes in working capital		**(6,270)**	**36,312**
Inventories		(418)	(698)
Trade and Other Receivables		10,779	(7,461)
Other current assets		2,053	41,859
Trade and other payables		(16,674)	2,291
Other current liabilities		669	249
Other non-current assets and liabilities		(2,679)	72
Cash generated from operations		**151,829**	**195,768**
Interest and commissions paid		(27,603)	(28,697)
Interest received		273	486
Income tax paid		(3,377)	(8,408)
Net cash from operating activities		**121,121**	**159,149**
Cash flows from investing activities			
Payments for purchases of distribution and LPG assets in use		(6,961)	(721)
Payments for acquisition of property, plant and equipment and intangible assets		(129,181)	(126,147)
Net cash used in investing activities		**(136,142)**	**(126,868)**
Cash flows from financing activities			
Proceeds from the disposal of financial assets		-	36
Payments for acquisition of financial assets		(456)	-
Payments of loans and borrowings		-	(30,000)
Proceeds from loans and borrowings		693	-
Proceeds from the issue of bonds and other marketable securities		-	249,692
Payments from the issue of bonds and other marketable securities		(3,550)	-
Payments of lease liabilities		(1,342)	(1,202)
Dividends paid		(220,000)	(400)
Net cash from financing activities		**(224,654)**	**218,126**
Net increase (decrease) in cash and cash equivalents		(239,675)	250,407
Cash and cash equivalents at 1 January		289,416	39,009
Cash and cash equivalents at 31 December		49,741	289,416

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

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

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

After receiving authorisation from the pertinent body, on 25 May 2015 Redexis Gas, S.A. and Redexis Infraestructuras, S.L.U. executed 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. executed the spin-off in a public deed, which was duly filed at the Mercantile Registry.rastructure II APS; y (iii) Guotong Romeo Holdings Limited.

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 the shareholders of 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 ATP.

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 ATP; and Guotong Romeo Holdings Limited, a company owned by the funds Guoxin Guotong Fund LLT and CNIC Corporation Limited, as buyers, executed 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 2018 Redexis Gas, S.A. is 33.33% owned by each one of the following companies: (i) Chase Gas Investments Limited;(ii) ATP Infrastructure II APS; and (iii) Guotong Romeo Holdings Limited.

(2) Basis of Presentation

The consolidated annual accounts for 2018 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 2018 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The directors of the Parent consider that the consolidated annual accounts for 2018, authorised for issue on 14 February 2019, will be approved with no changes by the shareholders at their annual general meeting.

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

A) Basis of preparation of the annual accounts

These consolidated annual accounts have been prepared on a historical cost basis.

B) Comparative information

The Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the Consolidated Annual Report, in addition to the figures for 2018, include comparative figures for the previous year, contained in the Consolidated Annual Accounts for 2017, approved by the shareholders at the General Meeting held on 22 March 2018.

C) Functional and presentation currency

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the 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 (see note 3.p).

Considering that the estimates are calculated by the Company's directors based on the best information available at 31 December 2018, 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 15 Revenue from contracts with customers- applicable as of 1 January 2018.

- IFRS 16 Leases - applicable as of 1 January 2019.

- IFRS 9 Financial Instruments - applicable as of 1 January 2018.

The Group decided to adopt in advance the IFRS 15 Revenue from contracts with customers and the IFRS 16 Leases. Below we describe the effect of both standards on these Consolidated Annual Accounts.

A. IFRS 15 Revenue from contracts with customers.

In May 2014 the IASB (International Accounting Standards Board) published the International Financial Reporting Standard that set the criteria for the recognition of revenue known as IFRS 15 - Revenue from contract with customers (hereinafter IFRS 15) and this IFRS 15 was adopted by the European Union, becoming mandatory for application to annual reporting periods commencing on or after at 1 January 2018, and likewise allowing its early application.

The Redexis Gas Group decided on the early application of IFRS 15, using 1 January 2017 as the initial date of application.

The nature of the change in the accounting policy of the Redexis Gas Group as a result of the application of this standard is that the 5-step model included in it should be followed for the recognition of revenue, with the possibility of differences arising over the amount as well as over the moment of revenue recognition with respect to the current criterion.

The transition option adopted by the Group for the IFRS 15 is the "Cumulative Effect" which records the adjustment for first-time application in consolidated equity on 1 January 2017.

Following the 5-step model established in IFRS 15, the Group analysed each of the revenue types obtained by the Group (Regulated income from the business of distributing natural gas, Regulated income from the business of transmission of natural gas, Revenue from registration fees, from rental metering equipment and rental and maintaining community receiving facilities, from IRF Inspections, from LPG sales and connection charges of the contracting party and the applicant).

On the basis of this analysis it was concluded that there would be no significant differences with respect to the revenue recognition criteria prior to 1 January 2017. Therefore, no impact was recognised in consolidated equity at 1 January 2017 by the application of this standard.

B. 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 Redexis Gas 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 Redexis Gas Group as a result of the application of this standard is that operating lease contracts will give rise in the consolidated financial position statement to a lease liability and a right of use asset. 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 dismanting 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 as 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.

A 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 Redexis Gas Group has opted to use the rate of 2.02% as the incremental interest rate.

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

C. IFRS 9 Financial instruments

The IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2018. The Directors of the Group have calculated and booked the impact of its application on the financial statements of the Group for 2018 (see note 15) and as well as a greater itemisation in the Consolidated Annual Accounts.

(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 profit or loss 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) Rights 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 liability for lease. The right of use asset is comprised of the amount of the liability for lease, 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.

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, 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, as if no impairment loss had been occurred.

(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 contractual 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 cos

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 de-recognitions, 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 value 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 de-recognitions 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 profit or loss 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.

Provisions for personnel restructuring

Restructuring-related termination benefits are recognised when the Group has a constructive obligation; that is, when it has a detailed formal plan for the restructuring identifying at least: the business or part of a business concerned; the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken; and when the plan will be implemented and a valid expectation has been raised in those affected that the restructuring will be carried out by starting to implement that plan or announcing its main features to those affected by it.

The Group recognises all the expenses relating to these plans when the obligation arises, based on the actuarial studies conducted to calculate the provision for actuarial commitments at each year end. Actuarial gains or losses each year are recognised in the consolidated income statement for that year.

(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 caption 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

The regulatory framework identifies the following tasks within the distribution activity: 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, recognising the revenue 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/1283/2017 of 22 December regulated the remuneration figures for 2017 and 2016 in keeping with the most up-to-date sales and consumer figures, and establishes an initial forecast of the remuneration for 2018 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 ETU/1367/2018 of 20 December, regulates 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.

This distribution activity remuneration will be adjusted once the final amounts of this Remuneration have been set by the Spanish Ministry for Ecological Transition, 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 new prices, that will be applicable as of January 2018, 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 2018 the Group received the final settlement for regulated activities in the gas sector for 2017, which had an immaterial impact on the consolidated income statement. Furthermore, the final settlement for 2016, received during 2017, had an immaterial impact on the Consolidated Income Statement.

In accordance with Orders ITC/3126/2005, IET 2446/2013 and IET 2355/2014 and the gas system technical management standards (NGTS), the Group has recognised measurement differences (known as unaccounted for gas) as regulated distribution revenue in the consolidated income statements for 2018 and 2017 in the amount of Euros 975 thousand and Euros 1,543 thousand, respectively (see note 29). In 2018 the measurement differences for 2017 were settled and those for 2016 were settled in 2017.

Transmission activity

The regulatory framework identifies the following tasks within the transmission activity: Build, operate and maintain its own network of pipelines, supplying natural gas to the areas in which consumption is most concentrated.

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 2018, including the correction of the remuneration for uninterrupted supply from previous years, was established in Order ETU/1283/2017 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 ETU/1367/2018 determines the remuneration for transmission activity for 2019, and includes the correction of the remuneration for uninterrupted supply from previous years.

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

In contrast to this measure, a new remuneration component was introduced, defined as remuneration for uninterrupted supply, which is variable remuneration linked to the overall demand channelled through the transmission system. It consists of paying a fixed amount to the transmission agents in the sector, which is increased or decreased annually in line with demand in the sector. As a result, the remuneration for uninterrupted supply is set ex ante based on expected demand for the coming year and, therefore, it may be reviewed within two years, in a similar fashion to remuneration for distribution. Ministry of Energy, Tourism and the Digital Agenda Order ETU/1367/2018 published on 20 December adjusted the remuneration for uninterrupted supply for 2018 and 2017 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 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 Statements for 2018 and 2017 at the amount of Euros 770 thousand and Euros 745 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 proposed a provisional 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 closed the year 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 proposed a provisional 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/1367/2018 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 that has also yet to be determined. 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.

Lastly, 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%.

Registration fees

The registration fee of a new supply consists of the operation to connect the gas reception 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 meter rental 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 facilities from the owners association without any other type of consideration, therefore the community receiving facilities comprises a single performance obligation.

The payment for renting the community receiving facilities 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, and revenue is recognised on a straight-line basis over time.

Inspections of individual receiving facility (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 communal gas tank to the network and the commissioning of the tank. 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 communal gas tank 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 the 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 tax credits. 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 an 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 transitional provision thirty-seven of 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 Redexis Gas 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 rights to 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.

(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 reporting is submitted to the CNMC.

The main segment details are as follows:

31/12/18 **Thousands of Euros**

	Distribution	Transmission	GLP	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**

31/12/17 **Thousands of Euros**

	Distribution	Transmission	LPG	Other activities	Consolidated
Goodwill	54,432	164,440	303	-	219,175
Non-current assets	1,069,102	608,897	141,829	1,917	1,821,745
Current assets	226,988	91,447	59,276	1,821	379,532
Total assets	**1,350,522**	**864,784**	**201,408**	**3,738**	**2,420,452**
Non-current liabilities	895,959	425,304	113,063	1,661	1,435,987
Current liabilities	103,969	23,053	11,158	1,949	140,129
Total liabilities	**999,928**	**448,357**	**124,221**	**3,610**	**1,576,116**

31/12/18					Thousands of Euros
	Distribution	Transmission	GLP	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**

31/12/17					Thousands of Euros
	Distribution	Transmission	GLP	Other activities	Consolidated
Revenue	125,010	62,941	28,342	-	216,293
Other income	2,531	516	95	139	3,281
Self-constructed non-current assets	9,728	1,243	1,134	51	12,156
Supplies	(1,165)	-	(15,656)	-	(16,821)
Employee benefits expense	(20,154)	(5,297)	(2,070)	(7)	(27,528)
Depreciation and amortisation	(58,380)	(13,594)	(7,789)	-	(79,763)
Other operating expenses	(17,664)	(6,534)	(2,753)	(119)	(27,070)
Net finance income/(cost)	(21,113)	(5,618)	(3,509)	-	(30,240)
Profit/(loss) before tax	**18,793**	**33,657**	**(2,206)**	**64**	**50,308**

(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 2018 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 bonds.

This structured entity carried out the following: (i) a Euros 650,000 thousand bond issue in April 2014, which is guaranteed by the Parent, under the Euro Medium Term Note Programme (EMTN Programme); (ii) a further Euros 250,000 thousand bond issue in April 2015, which is guaranteed by the Parent, under the Euro Medium Term Note Programme (EMTN Programme); and (iii) in December 2017, an additional bond issue amounting to Euros 250,000 thousand, guaranteed by the Parent, as part of the Euro Medium Term Note programme (EMTN Programme; see Note 19).

Redexis Gas Finance B.V. is a structured entity that has been consolidated primarily because at 31 December 2018 the Parent has issued guarantees amounting to Euros 1,150,000 thousand (1,150,000 thousand in 2017) to bondholders of this company. The guarantees require the Parent to reimburse the bondholders for any losses they incur if the returns on the underlying assets are lower than the contractual cash flows.

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 2018 and 2017 are as follows:

	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 Transfers Disposals	- 854 -	- 27 -	6,992 120,083 (1,906)	- 25 -	- 101 -	125,362 (121,090) (1,638)	132,354 - (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)
Depreciation Disposals	- -	(266) -	(76,135) 628	(214) -	(188) -	- -	(76,804) 628
Accumulated depreciation at 31 December 2018	-	(939)	(699,691)	(2,608)	(929)	-	(704,166)
Carrying amount at 31 December 2018	**7,276**	**5,187**	**1,190,236**	**849**	**259**	**39,389**	**1,243,196**

	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 2016	5,774	5,485	1,630,605	3,310	664	55,804	**1,701,642**
Additions Transfers Disposals	- 648 -	- 614 -	- 118,731 (1,774)	- 17,317 -	299 123 -	118,881 (137,433) (497)	119,181 - (2,271)
Cost at 31 December 2017	6,422	6,099	1,747,562	20,626	1,087	36,756	**1,818,552**
Accumulated depreciation at 31 December 2016	-	(460)	(553,331)	(2,180)	(494)	-	(556,465)
Depreciation Disposals	- -	(213) -	(71,018) 1,511	(1,560) -	(246) -	- -	(73,037) 1,511
Accumulated depreciation at 31 December 2017	-	(673)	(622,837)	(3,740)	(741)	-	(627,991)
Carrying amount at 31 December 2017	**6,422**	**5,427**	**1,124,725**	**16,886**	**346**	**36,756**	**1,190,561**

The most significant additions in 2018 are the following:

- extension of distribution networks in new municipalities and in locations already served by the Group;

The most significant additions in 2017 are the following:

- extension of distribution networks in new municipalities and in locations already served by the Group;

- construction of transmission pipelines.

In 2017 construction of the following pipelines was completed:

- “Villacarrillo-Villanueva del Arzobispo” secondary transmission pipeline
- “Yeles-Seseña” secondary transmission pipeline

At 31 December 2018, property, plant and equipment under construction reflect investments in gas transmission and distribution networks that the Group expects to complete in the coming months.

On 18 October 2018, Cepsa Comercial Petróleo, S.A.U. and the Group executed a framework agreement for the purchase and conveyance of LPG networks and facilities, for an approximate total of Euros 1,000 thousand. The CNMC was formally notified and this Commission issued its authorisation of the transaction, with no reservations, on 22 November 2018. These assets were received in December 2018.
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. Formal notice has been filed with the CNMC, whose resolution is pending at 31 December 2018. Once the transaction is approved by the CNMC, the reception of the assets will take place.

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.

At 31 December 2018, the Group has recognised gas plant dismantling costs of Euros 296 thousand under property, plant and equipment (Euros 377 thousand at 31 December 2017). 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 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Buildings	96	96
Technical installations and machinery	150,153	127,907
Other installations, equipment and furniture	1,268	1,263
Other property, plant and equipment	612	452
	152,129	**129,718**

(8) Intangible Assets

Details of intangible assets and movement during the years ended 31 December 2018 and 2017 are as follows:

	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)
Amortisation	-	-	(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)
Carrying amount at 31 December 2018	**542,914**	**219,175**	**9,934**	**4,614**	**776,637**

	Licences	Goodwill	Computer software	Other intangible assets	Total
Cost at 31 December 2016	**542,914**	**219,175**	**27,376**	**4,040**	**793,505**
Additions Disposals	- -	- -	4,763 -	757 (73)	5,521 (73)
Cost at 31 December 2017	**542,914**	**219,175**	**32,139**	**4,724**	**798,952**
Accumulated amortisation at 31 December 2016	-	-	(17,155)	(752)	(17,908)
Amortisation Disposals	-	-	(4,708) -	(69) 1	(4,777) 1
Accumulated amortisation at 31 December 2017	-	-	(21,863)	(821)	(22,684)
Accumulated impairment at 31 December 2016	-	-	-	(29)	(29)
Accumulated impairment at 31 December 2017	-	-	-	(29)	(29)
Carrying amount at 31 December 2017	**542,914**	**219,175**	**10,276**	**3,874**	**776,239**

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 2018 and 2017, by cash-generating unit (CGU), are as follows:

	2018	2017
Gas distribution	52,912	52,912
Gas transmission	166,263	166,263
	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 2018 and 2017 is as follows:

	2018	2017
Gas distribution	333,493	333,493
Gas transmission	209,421	209,421
	542,914	**542,914**

The cost of fully amortised intangible assets in use at 31 December 2018 and 2017 is as follows:

	2018	2017
Computer software	17,434	11,289
Other intangible assets	251	212
	17,685	**11,502**

(9) Rights for use of assets and lease liabilities

Details and movement in the accounts included in the Rights for use of assets by classes during the years ended at 31 December 2018 and 2017 are as follows:

Miles de 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
Derecognitions	(48)	(25)	(34)	(106)
Coste al 31 de diciembre de 2018	**3,325**	**1,238**	**173**	**4,735**
Accumulated depreciation at 31 December 2017	(895)	(303)	(38)	(1,235)
Depreciation	(945)	(312)	(82)	(1,338)
Disposals	18	-	-	18
Accumulated depreciation at 31 December 2018	(1,821)	(615)	(120)	(2,556)
Carrying amount at 31 December 2018	**1,504**	**623**	**53**	**2,180**

Miles de euros

	Buildings	Motor Vehicles	Information Processing Equipment	Total
Cost at 31 December 2016	**-**	**-**	**-**	**-**
Additions 1st application IFRS 16	3,217	1,212	151	4,579
Cost at 31 December 2017	**3,217**	**1,212**	**151**	**4,579**
Accumulated depreciation at 31 December 2016	-	-	-	-
Depreciation	(895)	(303)	(38)	(1,235)
Accumulated depreciation at 31 December 2017	(895)	(303)	(38)	(1,235)
Carrying amount at 31 December 2017	**2,322**	**909**	**113**	**3,344**

The Group performs a large part of its activities in properties and facilities leased from third parties. The lease contracts for properties expose the Group to a certain variability due to the fact that the annual increase in most of the contracts is CPI-linked.

The property lease contracts also have several options for renewal and cancellation. The renewal options are granted to enable the exploitation of the area in those cases in which the business responds appropriately.

In addition, the Group has short-term lease contracts, for which it has recorded an expense in the amount of Euros 629 thousand (Euros 581 thousand in the previous year) (note 30).

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

Thousands of Euros

	Buildings	IT Equipment	Motor Vehicles	Total
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 details and relevant amounts of lease contracts by asset type at 31 December 2017 are as follows:

Thousands of Euros

	Buildings	IT Equipment	Motor Vehicles	Total
Amounts				
Fixed lease payments	937	40	318	1,295
Financial expenses for lease liabilities	65	3	24	93
Long term lease liabilities	1,456	77	618	2,151
Short term lease liabilities	895	31	300	1,226
Conditions				
Lease term	3 to 4 years	4 years	4 years	

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

Thousands of Euros

	2018	2017
Up to six months	675	647
From six months to one year	675	647
From one to two years	963	1,295
From two to three years	-	918
More than four years	-	-
Total	**2,312**	**3,507**

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 2019-2033 period. The recoverable amount includes a terminal value calculated from 2033 onwards using an average perpetual growth rate of 2%, as in 2017. A discount rate of 6% was used, the same as the previous year.

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 pre-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 and intangible assets with indefinite useful lives recognised at 31 December 2018.

Following a sensitivity analysis entailing different scenarios, impairment of the recoverable amount would only occur if the discount rate were increased by 36.2%, or if the discount rate were increased by 19.9% while the growth rate (g) were simultaneously brought down to zero, 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	
	2018	**2017**	**2018**	**2017**
Financial assets at amortised cost				
Loans	2,291	2,216	166	156
Security and other deposits delivered	5,230	4,940	-	-
Other financial assets	152	62	-	438
Finance lease receivables	-	-	159	-
Trade and other receivables				
Trade receivables	-	-	38,956	43,859
Other receivables	5,208	11,112	17,364	23,294
Impairment	-	-	(1,130)	(986)
Cash and cash equivalents	**-**	**-**	**49,741**	**289,416**
Total financial assets	**12,881**	**18,330**	**105,257**	**356,187**

The amount of net profits and losses, corresponding to the category of financial assets at amortised cost in 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Finance income at amortised cost	96	94
Impairment losses	(326)	(301)
Total	**(230)**	**(206)**

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 2018 and 2017 are as follows:

Thousands of Euros

	2018		2017	
	Non current	Current	Non current	Current
Security deposits paid	5,230	-	4,940	-
Loans to related parties	2,291	-	2,216	-
Loans to employees and other	-	166	-	156
Finance lease receivables	-	159	-	-
Other financial assets	152	-	62	438
Total	**7,673**	**325**	**7,218**	**594**

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.

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 3.39% and falls due in 2021.

(13) Income tax

At the annual general meeting held on 17 December 2010 the Company's 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, which approved the Revised 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:

	Thousands of Euros			Thousands of Euros		
	2018			2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	1,622	(37,218)	(35,595)	1,617	(39,493)	(37,877)
Goodwill	-	(3,692)	(3,692)	-	(2,175)	(2,175)
Deferred income	-	(3,321)	(3,321)	-	(3,671)	(3,671)
Intangible assets	-	(61,644)	(61,644)	-	(59,762)	(59,762)
Provisions	1,108	-	1,108	1,023	-	1,023
Amortisation and depreciation	4,290	-	4,290	5,139	-	5,139
Personnel remuneration	1,317	-	1,317	1,885	-	1,885
Finance costs	22,741	-	22,741	26,071	-	26,071
Total	**31,078**	**(105,875)**	**(74,797)**	**35,735**	**(105,101)**	**(69,366)**
Tax loss carryforwards	15,552	-	15,552	16,712	-	16,712
Net assets and liabilities	**46,629**	**(105,875)**	**(59,246)**	**52,446**	**(105,101)**	**(52,655)**

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 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 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 4,231 thousand at 31 December 2018 (Euros 5,139 thousand at 31 December 2017). 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 interest 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 2018 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 22,741 thousand (Euros 26,071 thousand at 31 December 2017), of which Euros 20,512 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 2017 and 2018 tax periods up to a maximum of 25% of taxable income before the offset. In its provisional calculation of income tax for 2018, the tax group has offset tax losses of Euros 4,733 thousand (Euros 8,242 thousand in the definitive income tax return for 2017).

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.

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, transitional 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 2018 and 2017 are as follows:

Thousands of Euros

	2018		2017	
	Current	Deferred	Current	Deferred
1st application IFRS 9	-	(39)	-	-
Other changes in equity	-	(28)	-	-
Actuarial gains and losses	-	(1)	-	(110)
Total	**-**	**(67)**	**-**	**(110)**

Details of the income tax expense are as follows:

Thousands of Euros

	2018	2017
Current tax		
Present year	**4,762**	**8,161**
Adjustment of prior years	**466**	**(1,061)**
Deferred tax		
Origination and reversal of temporary differences	**265**	**(555)**
Finance costs	3,331	4,109
Accelerated depreciation and amortisation	(1,518)	(1,524)
Depreciation and amortisation	709	265
Salaries payable	651	(561)
Goodwill	(2,486)	(2,486)
Provisions	(423)	(358)
Income due to reduction of deferred tax liability arising from merger	**-**	**(10,758)**
Income tax expense for the year (companies)	**5,493**	**(4,212)**
Adjustments and eliminations on consolidation	4,977	4,816
Income tax expense for the year (Group)	**10,469**	**603**

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

Thousands of Euros

	2018	2017
Current tax	4,762	8,161
Tax loss carryforwards offset and recognised in prior years	(1,183)	(2,061)
Income tax payable for the year (Group)	**3,579**	**6,100**
Payments on account during the year	(2,779)	(5,782)
Withholdings	-	-
Current income tax liabilities	**800**	**318**

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

	Thousands of Euros	
	2018	**2017**
Profit for the year before tax	**40,334**	**50,308**
Tax at 25%	10,083	12,577
Adjustment of prior years	466	(1,061)
Income due to reduction of deferred tax liability arising from merger	-	(10,758)
Other net movements	(80)	(155)
Income tax expense for the year (Group)	**10,469**	**603**

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

At 31 December 2018	
Company / Year	Thousands of Euros
Redexis Gas, S.A. Group / 2011	62,206
Total	**62,206**

At 31 December 2017	
Company / Year	Thousands of Euros
Redexis Gas, S.A. Group / 2011	66,846
Total	**66,846**

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.

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 filed an administrative appeal and lodged its submissions against the settlement at the Central Economic-Administrative Tribunal on 7 July 2017. The legal basis for upholding the criteria applied by the Group is the same as that used for the 2010 to 2012 assessments.

During 2015 the taxation authorities conducted an inspection of Corporate Income Tax (for 2010, 2011 and 2012). The taxation 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, whereupon the Company filed a claim at the National High Court on 9 October 2017. The Company also considers that there are sufficient legal grounds to support the criteria applied by the Group.

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

Tax	Years open
Corporate Income Tax (*) (**) (***)	2014-2017
Value Added Tax	2015-2018
Personal Income Tax	2015-2018
All other applicable Taxes	2015-2018

(*) The period for filing corporate income tax is within 25 calendar days following six months after the end of the year, so the Corporate Income Tax corresponding to 2018 will not be open to inspection until 25 July 2019.

(**) Redexis Gas S.A. was the subject of a tax inspection in 2016 in relation to Corporate Income Tax and Value Added Tax (2013 and 2014).

(***) Except Redexis Gas Murcia, S.A., which only has 2016 and 2017 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 5,933 thousand at 31 December 2018 (Euros 5,514 thousand at 31 December 2017) are primarily LPG inventories, as in 2017.

At 31 December 2018 and 2017, 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

	2018		2017	
	Non-current	Current	Non-current	Current
Trade receivables	-	39,115	-	43,869
Receivables, settlements pending	5,208	15,409	11,112	21,695
Other receivables	-	1,955	-	1,599
Advances to personnel	-	-	-	-
Less impairment due to uncollectibility	-	(1,130)	-	(986)
Total trade and other receivables	**5,208**	**55,350**	**11,112**	**66,177**

Thousands of Euros

	2018	2017
Public entities		
Taxation authorities, Recoverable VAT	4,452	17,482
Taxation authorities, withholdings	30	29
Other	76	30
Prepayments	**1,092**	**288**
Total other assets	**5,649**	**17,830**

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 receivables, settlements pending under non-current primarily reflect 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.

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, with an interest at market rates.

Receivables, settlements pending under current reflect settlements and measurement differences receivable from the gas system.

Movement in impairment due to uncollectibility is as follows:

	Thousands of Euros	
	2018	**2017**
Balance at 1 January	(986)	(752)
Endowments for impairment	(421)	(468)
Reversals for impairment	95	168
1st application IFRS 9	(154)	-
Cancellations	337	66
Balance at 31 December	**(1,130)**	**(986)**

Past-due unimpaired trade receivables amounting to Euros 63 thousand at 31 December 2018 (Euros 77 thousand at 31 December 2017) 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	
	2017	**2018**
Cash in hand and at banks	49,741	284,416
Short-term deposits in credit institutions	-	5,000
Balance at 31 December	**49,741**	**289,416**

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 2018 and 2017 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 2018, Redexis Gas, S.A. is owned (i) 33.33% by Chase Gas Investments Limited, a subsidiary of the USS private equity fund; (ii) 33.33% 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.

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.

(B) Share premium

EThis reserve, amounting to Euros 105,433 thousand at 31 December 2018, 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 2018	2017
Legal reserve	20,000	20,000
Other shareholder contributions	190,135	410,135
Other reserves	208,638	159,038
	418,773	**589,173**

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 2018 and 2017, 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 shareholder contributions

This heading includes the payment of dividends in an amount of Euros 220,000 thousand in 2018, described in section (d) (no movement in 2017).

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 2018 other reserves include goodwill reserves amounting to Euros 21,226 thousand (Euros 21,226 thousand at 31 December 2017), 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 2018 and 2017 are as follows:

	Thousands of Euros 2017	2018
Redexis Gas, S.A.	380,000	562,911
Redexis Gas Finance, B.V.	2,806	2,384
Redexis Gas Murcia, S.A.	3,745	1,441
Redexis Gas Servicios, S.L.U.	8	(11)
Redexis GLP, S.L.U.	359	(125)
Redexis Infraestructuras, S.L.U.	31,759	22,574
	418,677	**589,173**

(D) Dividends

In April 2018 the Parent Company distributed Euros 220,000 thousand in dividends to shareholders, equivalent to Euros 22 per share, against the Company's freely distributable reserves, to shareholders of the Company at 31 December 2017 as detailed in section (a).

The Parent Company did not distribute dividends in 2017.

Furthermore, Redexis Gas Finance, BV distributed a dividend of Euros 400 thousand in April 2017 with a charge to reserves.

(E) Profit/(loss) for the year

Details of profit/loss for the year contributed by each Group company at 31 December 2018 and 2017 are as follows:

	Thousands of Euros 2018	2017
Redexis Gas, S.A.	24,525	37,271
Redexis Gas Finance, B.V.	617	434
Redexis Gas Murcia, S.A.	86	28
Redexis Gas Servicios, S.L.U.	(1,609)	484
Redexis GLP, S.L.U.	448	2,303
Redexis Infraestructuras, S.L.U.	5,798	9,185
	29,864	**49,705**

18. Financial Liabilities by Class and Category

(A) Classification of financial liabilities by category

La clasificación de los pasivos financieros por categorías y clases, es como sigue:

	Thousands of Euros 2018		Thousands of Euros 2017	
	Non-current	Current	Non-current	Current
Financial liabilities at amortised cost				
Bonds and other listed marketable securities	1,139,476	19,446	1,137,048	19,428
Loans and borrowings				
Variable rate	-	141	-	59
Fixed rate	158,343	1,624	158,073	930
Security and other deposits received	2,108	-	4,671	-
Other financial liabilities	146	-	228	-
Lease liabilities	881	1,261	2,151	1,226
Total financial liabilities	**1,300,955**	**22,471**	**1,302,171**	**21,643**

At 31 December 2018 the fair value of loans and borrowings is Euros 137,862 thousand (Euros 153,375 thousand at 31 December 2017) and the fair value of liabilities from issuing bonds and other listed marketable securities at 31 December 2018 is Euros 1,152,576 thousand (Euros 1,189,464 thousand at 31 December 2017). The fair value of the Group's other liabilities is similar to their 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 2018 comprise finance costs at amortised cost totalling Euros 32,550 thousand (Euros 30,101 thousand in 2017).

(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
Carrying amount at 1 January 2017	888,312	189,796	-	1,078,108
Initial application IFRS 16	-	-	4,579	4,579
Cash flows	249,692	(30,000)	(1,202)	218,490
Other changes	(957)	(1,723)	-	(2,680)
Balance at 31 December 2017	**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**

(19) Financial Liabilities from Issuing Bonds and Other Marketable Securities

In April 2014 the Group issued bonds amounting to Euros 650,000 thousand, guaranteed by the Parent, as part of the Euro Medium Term Note (EMTN) programme. The bonds mature on 8 April 2021. The issue price was 99.373% and the annual interest rate is 2.75%, which is payable on 8 April each year. The ranking of this issue is pari passu with the credit facility described in note 21.

In April 2015 the Group issued additional bonds amounting to Euros 250,000 thousand, guaranteed by the Parent, as part of the Euro Medium Term Note (EMTN) programme. The bonds mature on 27 April 2027. The issue price was 98.920% and the annual interest rate is 1.875%, which is payable on 27 April each year.

In December 2017 the Group issued additional bonds amounting to Euros 250,000 thousand, guaranteed by the Parent, as part of the Euro Medium Term Note (EMTN) programme. The bonds mature on 27 April 2027. The issue price was 98,757% and the annual interest rate is 1.875%, which is payable on 27 April each year.

Accrued interest not yet due at 31 December 2018 and 2017 is reflected under "Interest payable on bonds and other marketable securities issued" in the consolidated statement of financial position.

The average interest rate accrued on this debt in 2018 was 2.24% (2.44% in 2017).

(20) Loans and Borrowings

The terms and conditions of loans and borrowings at 31 December 2018 and at 31 December 2017 are as follows:

2018 — **ThoThousands of Euros**

Type	Currency	Nominal rate	Maturity	Maximum available	Carrying amount	
					Current	Non-Current
Loans and borrowings:						
- Facility Agreement	Euro	(1)	2024	300,000	141(2)	-
- EIB loan 2015	Euro	(3)	2036	160,000	930	158,343
- EIB loan 2017	Euro		(4)	50,000	-	-
- EIB loan 2018	Euro		(4)	75,000	-	-
- Other	Euro		2019		693(5)	
				585,000	**1,765**	**158,343**

(1) Euribor. Commitment fee of 35% of the spread applied (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).

2017 — **Thousands of Euros**

Type	Currency	Nominal rate	Maturity	Maximum available	Carrying amount	
					Current	Non-current
Loans and borrowings:						
- Facility Agreement	Euro	(1)	2024	300,000	59 (2)	-
- EIB loan 2015	Euro	(3)	2038	160,000	930	158,073
- EIB loan 2017	Euro		(4)	50,000	-	-
				510,000	**989**	**158,073**

(1) Euribor. Commitment fee of 35% of the spread applied (0.8%).
(2) Commitment fee.
(3) Fixed nominal rate of 1.294%.
(4) 20 years from the drawdown.

Details of the nominal amount of loans and borrowings, the maturity tranche and annualised cost at 31 December 2018 and at 31 December 2017 are as follows:

2018 — **Thousands of Euros**

Type of borrowing	Extended at arrangement date	Drawn down at 31/12/2018	Maturity	Total debt	Available
FACILITY	300,000	-	2024	-	300,000
EIB 2015	160,000	160,000	2038	160,000	-
EIB 2017	50,000	-	(1)	-	50,000
EIB 2018	75,000	-	(1)	-	75,000
Total	**585,000**	**160,000**		**160,000**	**425,000**

2017 — **Thousands of Euros**

Type of borrowing	Extended at arrangement date	Drawn down at 31/12/2018	Maturity	Total debt	Available
FACILITY	300,000	-	2024	-	300,000
EIB 2015	160,000	160,000	2038	160,000	-
EIB 2017	50,000	-	(1)	-	50,000
Total	**510,000**	**160,000**		**160,000**	**350,000**

(1) 20 years from the drawdown

On 2 November 2017 the Parent arranged a "Facility Agreement" with several financial institutions, for which Caixabank, S.A. is the agent. The amount of the subscribed credit is Euros 300,000 thousand, in the form of a revolving credit facility.

On the other hand, on 14 November 2017 the Company proceeded to cancel the "Facility Agreement" arranged on 20 March 2014 between the Parent and several financial institutions.

On 22 December 2015, the Group arranged a Euros 160,000 thousand credit facility with the European Investment Bank within the framework of the European Fund for Strategic Investments. The Group drew down the full amount of this facility, Euros 160,000 thousand, in July 2016 at a fixed rate of 1.294%, with a 20-year maturity as of drawdown (including the first 4-year grace period) with the following repayment and maturity schedule:

	2019	2020	2021	2022	2023 and thereafter
EIB	-	9,412	9,412	9,412	131,765

On 22 December 2017, the Group arranged a Euros 50,000 thousand credit facility with the European Investment Bank within the framework of the European Fund for Strategic Investments.

Finally, on 19 January 2018, the Group arranged a Euros 75,000 thousand credit facility with the European Investment Bank within the framework of the European Fund for Strategic Investments.

(21) Trade and Other Payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2018	2017
Suppliers	2,641	5,189
Trade payables	8,271	10,258
Payables, settlements pending	3,442	19,559
Salaries payable	4,619	7,198
Payables for acquisition of non-current assets	65,858	74,451
Total trade and other payables	**84,829**	**116,655**

	Thousands of Euros	
	2018	2017
Public entities, other		
Taxation authorities, personal income tax	386	303
Social Security payables	338	321
Public utility rates, taxes and local council payables	2,601	2,032
Total other liabilities	**3,325**	**2,656**

Payables, settlements pending at 31 December 2018 primarily include the balances related to provisional settlements pending final settlement by the regulatory body for 2016, 2017 and 2018 (2015, 2016 and 2017 at 31 December 2017).

Payables for acquisition of non-current assets at 31 December 2018 and 2017 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:

	2018	2017
	Days	
Average supplier payment period	58	49
Transactions paid ratio	62	55
Transactions payable ratio	30	24
	Amount (thousands of Euros)	
Total payments made	**205.230**	**180.586**
Total payments outstanding	**26.855**	**42.195**

(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 department 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. The board of directors issues policies on global risk management and on specific issues such as interest rate risk and liquidity risk, and authorises the arrangement of long-term financing facilities where applicable, on an individual basis.

Credit risk

Due to its activities and the particular characteristics of the customers in the sector in which it operates, the Group does not have significant concentrations of credit risk.

The tables below show the ageing of financial assets at 31 December 2018 and 2017:

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**

2017						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	19,183	27,886	19,108	11,112	-	77,290
Other financial assets	-	-	594	-	7,218	7,811
Total assets	**19,183**	**27,886**	**19,701**	**11,112**	**7,218**	**85,101**

Liquidity risk

The Group applies a prudent policy to cover its liquidity risks, based on having sufficient cash and available financing through credit facilities. Operationally, the Group's finance management aims to maintain flexible financing through the availability of credit facilities, amounting to Euros 425,000 thousand at 31 December 2018 (Euros 350,000 thousand at 31 December 2017, see note 21), which together with cash and cash equivalents, totalling Euros 49,741 thousand at 31 December 2018 (Euros 289,416 thousand at 31 December 2017), are sufficient to settle current liabilities.

Details of the Group's exposure to liquidity risk at 31 December 2018 and 2017 are shown below. The tables reflect the analysis of financial liabilities by contractual maturity date.

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**

2017						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	**-**	**59**	**930**	**28,235**	**129,838**	**159,062**
Variable rate	-	**59**	-	-	-	**59**
Principal	-	-	-	-	-	-
Interest	-	59	-	-	-	59
Fixed rate	-	-	**930**	**28,235**	**129,838**	**159,003**
Principal	-	-	-	28,235	129,838	158,073
Interest	-	-	930	-	-	930
Trade and other payables	**15,523**	**101,132**	**-**	**-**	**-**	**116,655**
Financial liabilities from issuing bonds and other marketable securities	**-**	**-**	**19,428**	**645,099**	**527,234**	**1,191,761**
Fixed rate	-	-	**19,428**	**645,099**	**527,234**	**1,191,761**
Principal	-	-	-	645,099	527,234	1,172,333
Interest	-	-	19,428	-	-	19,428
Total liabilities	**15,523**	**101,190**	**20,358**	**673,334**	**657,072**	**1,467,477**

Interest rate risk in cash flows

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.

Interest rate risk arises from non-current borrowings. 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.

The Group constantly monitors interest rates but at 31 December 2018 and 31 December 2017 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.

(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
	31/12/18		31/12/18	
	Non-current	Current	Non-current	Current
Benefit obligations	4,018	72	3,951	59
Provisions for early retirement benefits	-	-	-	25
Total	**4,018**	**72**	**3,951**	**84**

(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 2018 and 2017 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 3,965 thousand and Euros 3,847 thousand, respectively.
- Long-service bonuses for serving personnel, totalling Euros 126 thousand and Euros 105 thousand, respectively.
- Health insurance policies for retired personnel, totalling Euros 0 thousand and Euros 33 thousand, respectively.

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

	Otras prestaciones a largo plazo	
	2018	**2017**
Balance at 1 January	**3,951**	**3,401**
Personnel expenses	114	108
Finance costs	71	65
Transfers	(82)	(1)
Actuarial gains and losses	(35)	378
Balance at 31 December	**4,018**	**3,951**

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:

	2018	2017
Technical interest rate	1.06% - 2%	0.87% - 2%
Annual pension review rate	2%	2%
Expected salary increase rate	2%	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 641 thousand in the year ended 31 December 2018 and are included under personnel expenses in the consolidated income statement (Euros 514 thousand in the year ended 31 December 2017, see note 31).

At 31 December 2018 and at 31 December 2017, no accrued contributions were pending.

(25) Other Provisions

Movement in other provisions in 2018 and 2017 was as follows:

	Thousands of Euros	
	2017	**2018**
Balance at 1 January	**655**	**645**
Charges	50	35
Payments	-	(6)
Applications	(81)	(19)
At 31 December	**624**	**655**

Guarantees

The Group has extended guarantees to various government bodies totalling Euros 45,606 thousand at 31 December 2018 (Euros 40,578 thousand at 31 December 2017) 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:

2018 — Thousands of Euros

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

2017 — Thousands of Euros

Body/Item	Scope	Balance at 1 January	Additions	Amounts transferred to the income statement	Balances at 31 December
Public entities	PE (1)	15,395	2,445	(788)	**17,052**
Connection charges	Private (2)	3,433	3,013	(614)	**5,831**
		18,828	**5,457**	**(1,403)**	**22,883**

(1) PE: Public entities.
(2) At 1 January 2017, net of Corporate Income Tax.

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

	2018	2017
Remuneration for distribution activities	105,567	99,982
Remuneration for transmission activities	61,950	63,000
One-off adjustment to prior years' transmission revenue	(413)	(59)
Remuneration for transmission and distribution activities	**167,104**	**162,922**
Regulated LPG sales	28,374	25,048
Other regulated distribution revenue (connection charges, equipment rental, other services)	25,923	28,323
	221,402	**216,293**

(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

	2018	2017
Service rendered and/or asset transferred over time		
Gas distribution	105,567	99,982
Gas transmission	61,537	62,941
Sale of LPG	28,374	25,048
Applicant connection charge	451	614
Rental of metering equipment	6,705	10,447
Rental and maintenance of community receiving facilities (CRF)	6,109	4,986
Service rendered and/or asset transferred at a specific time		
Registration fees	3,102	3,236
IRF Inspections	4,550	4,978
Contracting party connection charges	3,862	3,582

(ii) Contract balances

At 31 December 2018 and 2017, the Group has no accounts receivable, customer contract assets or liabilities.

(29) Other Income

Details of other income are as follows:

Thousands of Euros

	2018	2017
Government grants taken to income (note 27)	1,214	1,403
Income from third-party offsets	951	22
Profits associated with property, plant and equipment	838	10
Lease income	595	77
Other income	5,333	1,770
Total	**8,932**	**3,282**

(30) Other Operating Expenses

Details of other expenses are as follows:

	2018	2017
	Thousands of Euros	
Operating lease expenses (Note 9)	629	581
Repairs and maintenance	7,679	8,584
Independent professional services	2,573	2,038
Advertising and publicity	1,054	917
Utilities	441	415
Insurance premiums	526	546
Taxes	3,583	3,384
Other expenses	9,890	10,289
Impairment losses / (profit) and uncollectibility of trade and other receivables (note 9)	326	301
Other non-recurrent expenses	1,123	15
	27,824	**27,070**

Other non-recurrent expenses mainly include LPG shrinkages and self-consumption of previous years.

(31) Employee Benefits Expense

Details of the employee benefits expense for 2018 and 2017 are as follows:

	2018	2017
	Thousands of Euros	
Salaries and wages	21,105	20,633
Social Security payable by the Company	4,165	3,857
Contributions to defined benefit plans (note 24(a))	641	514
Other employee benefits	648	744
Non-recurrent expenses	11,020	1,780
Total	**37,580**	**27,528**

Non-recurrent expenses includes part of the remuneration collected in 2018 by the board members with executive functions, as well as by other executives who report directly to the members of the Board of Directors (in total 13 recipients in 2018 and 12 recipients in 2017), 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 2018 and 2017, distributed by category, is as follows:

	Number	
	2018	2017
Management	12	12
Technicians	270	249
Administrative staff	48	48
Total	**330**	**309**

At the 2018 and 2017 year ends the distribution by gender of Group personnel and the members of the board of directors is as follows:

	2018			2017		
	Male	Female	Total	Male	Female	Total
Board members	7	1	8	7	1	8
Management	6	3	9	7	3	10
Technicians	218	57	275	208	50	258
Administrative staff	18	32	50	18	31	49
Total	**249**	**93**	**342**	**240**	**85**	**325**

(32) Finance Income and Costs

Details of finance income and costs are as follows:

	Thousands of Euros	
	2018	2017
Finance income	273	486
Interest on loans and borrowings	(3,213)	(3,512)
Interest on bond issues	(29,337)	(26,589)
Other finance costs	(632)	(462)
Finance costs arising from provision adjustments (note 24)	(115)	(164)
Net finance cost	**(33,024)**	**(30,240)**

(33) Related Party Balances and Transactions

Details of balances receivable from related parties at 31 December 2018 and 2017 by category, and their main characteristics, are disclosed in note 12. At 31 December 2018 and 2017 there are no balances payable to related parties.

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

2018			Thousands of Euros	2017		Thousands of Euros
	Shareholder	Key management personnel	Total	Shareholder	Key management personnel	Total
Income						
Finance income	78	-	78	75	-	75
	78	**-**	**78**	**75**	**-**	**75**
Expenses						
Expenses for employee benefits	-	(15,686)	(15,686)	-	(7,850)	(7,850)
	-	**(15,686)**	**(15,686)**	**-**	**(7,850)**	**(7,850)**

(34) Information on the Members of the Parent's board of directors and the Group's Senior Management Personnel.

At 31 December 2018 the Parent's board of directors comprises eight members – one woman and seven men (eight members – one woman and seven men at 31 December 2017).

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 2018 or 2017. However, remuneration is paid to board members who perform executive duties in the Company.

In 2018, 13 recipients comprising executive board members and other executives who report directly to the board, received remuneration of Euros 17,989 thousand (12 recipients received Euros 5,501 thousand in 2017) which included the payments of both the bonus accrued in 2017 and the bonus accrued from 2015 and 2017, as well as the compensation for shareholder interest reorganisation 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 period. In addition, in 2017 a three-year bonus plan was implemented for the period between 2018 – 2020 and a five-year plan which expires in 2022. In addition, the Company had an incentive plan for the executive board, 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. In this respect, the Group incurred expenses of Euros 101 thousand for 13 recipients in 2018 (Euros 110 thousand for 12 recipients in 2017).

No advances or loans were granted in 2018 or 2017 to executive board members or other directors who report directly to the board, nor were any guarantees extended on their behalf.

In 2018 and 2017 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 2018 and 2017:

	Thousands of Euros	
	2018	2017
Audit services	239	235
Other audit-related services	31	33
Other services	13	69
	283	**337**

The amounts detailed in the above table include the total fees for services rendered in 2018 and 2017, 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 2018 and 2017:

	Thousands of Euros	
	2018	2017
Other audit services	-	37
Other services	243	48
	243	**85**

Other auditors invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2018 and 2017:

	Thousands of Euros	
	2018	2017
Other services	185	104
	185	**104**

(36) Events after the Reporting Period

No relevant subsequent events have occurred after the reporting date.

Detalle de las Sociedades Dependientes a 31 de diciembre de 2018

Company name	Registe-red office	Activity	Auditor	Company holding investment	% owners-hip	% 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

Company name	Registe-red office	Activity	Auditor	Company holding investment	% owners-hip	% 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	Registe-red office	Activity	Auditor	Company holding investment	% owners-hip	% of voting rights
Redexis Gas Finance, B.V.	Nether-lands	Issue of bonds	KPMG Ac-countants, N.V.	Chase Gas Investments Limited ATP, Infrastructure II APS y Guotong Romeo Holdings Limited	-	-

Details of Subsidiaries at 31 December 2017:

Company name	Registe-red office	Activity	Auditor	Company holding investment	% owners-hip	% of voting rights
Redexis Gas Finance, B.V.	Nether-lands	Issue of bonds	KPMG Ac-countants, N.V.	Augusta Infrastructure UK Limited, Chase Gas Investments Limited ATP e Infrastructure II APS	-	-

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(1) Position of the company

Redexis Gas, S.A. (hereinafter Redexis or the Group) 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.

Its activity is regulated and it is aimed at providing end customers with an optimised, high-quality service that is safe and efficient, while designing, building, maintaining and improving its transmission and distribution infrastructures to ensure the supply of clean and efficient energy.

Its main objectives include:

- Safety: zero accidents.
- Offering an excellent and quality service by means of modern energy infrastructures.
- Operating efficiency based on the adoption of the most advanced technology.
- A Spanish gas sector reference in energy transition.

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 users, employees and shareholders.

With more than 680,500 supply points, it facilitates access to natural gas, a source of clean, safe, convenient and efficient energy in 500 municipalities across 27 provinces through more than 10,400 kilometres of its own energy infrastructures throughout ten Autonomous Regions. At the close of 2018, Redexis obtained a license to operate in 607 municipalities in eleven autonomous regions.

Wherever the supply of natural gas is not yet available, 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 customer.

The Group is furthermore promoting vehicle gas through investments in new mobility infrastructures.

Redexis opts for growth and connecting with the real needs of society by anticipating changes and taking advantage of the opportunities of a circular, cleaner and more sustainable economy. It is at the forefront and is capable of responding to gas expansion needs with the development of infrastructures based on big data and Artificial Intelligence parameters.

In addition, the Group is concerned with energy transition, and wants to position itself as a leader in the development of new projects that promote clean and renewable energies such as hydrogen, biomethane or photovoltaic energy.

1.1. Basic indicators

Operating data	2018	2017	% Var.
Connection points	**680,512**	**649,653**	***4.8%***
Natural gas (NG) P<4bar	595,067	570,097	*4.4%*
LPG	85,159	79,278	*7.4%*
Natural gas (NG) P>4 bar	286	278	*2.9%*
Provinces served	**27**	**27**	-
Municipalities served	**500**	**485**	-
Length of the network (km)	**10,498**	**9,990**	*5.1%*
Distribution network (km)	8,855	8,348	*6.1%*
Transmission network (km)	1,643	1,643	-
Power distributed (NG + LPG) (GWh)[1]	**14,800**	**13,044**	***13.5%***

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

At the close of 2018, the Group has 680,512 supply points, 4.8% more than in 2017, which facilitate access to clean, safe, convenient and efficient energy to 500 municipalities distributed over 27 provinces in ten Autonomous Regions in Spanish territory. At 31 December 2018, the total length of the Group network was 10,498 kilometres conveying 34,064 GWh, including the energy distributed in P>60 bars.

Financial information	**2018**	**2017**	**% Var.**
Figures in millions of Euros, except where indicated			
Revenue	**244.3**	**231.8**	***5.4%***
Distribution - regulated	105.6	100.0	*5.6%*
Other distribution revenues - regulated	25.9	28.3	*(8.5%)*
Transmission - regulated	61.9	63.0	*(1.7%)*
Regulated LPG business	28.4	25.0	*13.6%*
Other operating income	8.9	3.3	*169.7%*
Self-constructed non-current assets	13.5	12.2	*10.7%*
EBITDA	**169.4**	**162.2**	***4.4%***
EBITDA Margin	*69.3%*	*70.0%*	*(0.6 p.p.)*
EBITDA Margin (with net LPG margin in revenue)	*75.6%*	*75.0%*	*0.5 p.p.*
Total CAPEX	**138.4**	**129.3**	***7.0%***
Distribution	123.1	112.1	*9.8%*
Transmission	2.2	6.1	*(63.9%)*
Other purchases (LPG)	7.0	0.7	*100%*
Intangible Assets	5.8	5.5	*5.5%*
Right of use assets and others	0.3	4.9	*(93.9%)*

From a financial standpoint, the Group closed 2018 with revenue growth of 5.4% to Euros 244.3 million.

The consolidated EBITDA of the Group in 2018 amounted to Euros 169.4 million, up 4.4% on the prior year and an EBITDA margin of 69.3% (75.6% if the net margin of LPG is included in Revenue).

Group investments totalled Euros 138.4 million in 2018, of which 94.9% was channelled into organic growth and the rest into the acquisition of LPG supply points from Cepsa.

1.2. Principal activities

Redexis is the parent of a set 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 renewable applications of natural gas and hydrogen.

During 2018, the Group has focused on its core 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 2018, the Group has 595,353 natural gas supply points and a distribution network spanning 7,908 km conveying 14,424 GWh of power (excluding industrial supply and LPG) to 250 municipalities in Spain.

Redexis continues to expand its network to new municipalities in the regions in which it operates. In this regard, the Group has begun to operate in 17 new municipalities and 3 urban centres in the autonomous regions of Andalusia, Aragon, Balearic Islands, Castilla-La Mancha, Castilla y Leon, Madrid and Murcia, and has applied for 23 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. The Group 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.

At the close of 2018, Redexis has connected its 8 gas service stations ("gas refuelling stations"), and has also signed an agreement for collaboration with the Mallorca Transport Consortium for the promotion of compressed natural gas (CNG) for the regular interurban transport of passengers in Mallorca. Within this scope, it has also signed an agreement with the Zaragoza Auto-Taxi Cooperative for the construction, start-up and maintenance of a gas refuelling station in Zaragoza, which will enable the regular supply of compressed natural gas (CNG).

In 2018, the Group developed a plan for the implementation of gas refuelling stations on a national level for the 2019-21 period which envisages the construction of more than 80 facilities.

Redexis continues developing artificial intelligence tools that have given way to new possibilities for the creation of value in an endless number of contexts. By means of algorithms and advanced analytics, artificial intelligence is capable of revealing relevant information, previously concealed in enormous databases. All of this enables the construction of tools that will make it possible to broaden the network more efficiently, to optimise contracting, improve the levels of safety and quality of the supply.

(B) Transmission

Redexis builds, 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 2018, 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 the Group 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.

The Group now has 85,159 LPG supply points in 437 municipalities at the national level, most of them acquired from Repsol in 2015 and 2016 and from Cepsa in 2017 and 2018.

At the close of 2018, Redexis began supplying LPG in a new municipality in Aragon, to which another 14 municipalities should be added as a result of the purchase of LPG points from Cepsa in the autonomous regions of Aragon, Andalusia, Castilla-La Mancha and Extremadura.

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.

In 2018, Redexis closed an agreement with Nedgia for the purchase of over 2,800 LPG points in the provinces of Gerona, Alicante, Valencia, Leon, Salamanca and Teruel, commencing its activity in the province of Valencia.

The Group has also closed an agreement with Cepsa by which it acquired more than 500 additional LPG points in Aragon and Castilla y Leon, where it was already operating.

1.3 Corporate and shareholding structure

Redexis, with corporate headquarters in Madrid and 334 employees at the close of 2018, is equally owned by two European pension funds, Universities Superannuation Scheme ("USS") and Arbejdsmarkedets Tillægspension ("ATP"), and by the financial investors Guoxin Guotong Fund LLP ("GT Fund") and CNIC Corporation Limited ("CNIC") that hold a joint stake.

On 4 April 2018, ATP and USS, as well as the financial investors GT Fund and CNIC signed several agreements to acquire 50.1% of Redexis Gas, S.A. and Redexis Gas Finance B.V. from the infrastructure funds managed by Goldman Sachs ("GSIP").

The close of the purchase took place on 20 June 2018, resulting in the following Redexis Gas, S.A. shareholding structure: ATP 33.3%, USS 33.3% and GT Fund and CNIC 33.3% jointly.

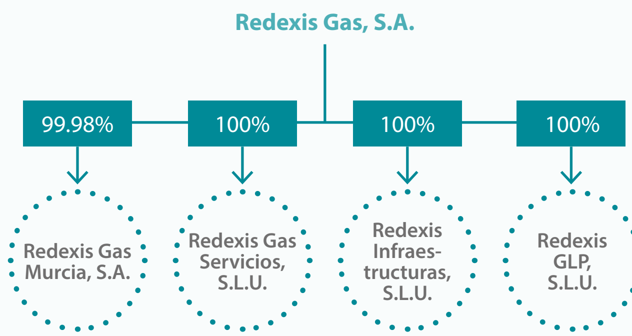
On the other hand, in recent years, the Group has modified its structure for the purpose of rendering its operations with greater efficiency.

On 8 March 2018, the Chief Executive Officer of Enagás and the Chairman of Redexis signed an agreement to promote renewable hydrogen by means of a stake held by Redexis in the company Hydrogen to Gas (H2Gas), whose purpose is, among others, the technological development and promotion of infrastructures for the production and transmission of hydrogen generated from renewable energies.

Under the brand "H2Gas", Enagás, with 60% of the company and Redexis with the remaining 40%, work together, among other activities, on the advancement and development of the introduction of renewable hydrogen in the gas transmission and distribution networks, contemplating the use of "Power to Gas" technologies that enable the generation of hydrogen from water and electricity and its injection into the gas pipeline network, whether directly or converted into synthetic natural gas or biomethane.

At the close of 2018, the corporate structure of Redexis is:

Redexis Group Structure



1.4 Business model and strategy

The purpose of the strategy defined by Redexis is to design, construct, operate and maintain energy infrastructures and to promote renewable applications of natural gas and hydrogen by means of a long-term sustainable project. Under this scenario, the Group focuses its strategy on the following priorities:

- Balanced and sustainable growth.
- Operational excellence.
- Innovation.
- Risk Management.
- Commitment to create value for society and to preserve the environment.

This strategy allows Redexis to adapt to the changes from a circular, cleaner and sustainable economy.

(2) Business evolution and results

2.1. Key milestones in 2018

- Attractive growth in its distribution and LPG businesses.

- More than 27,000 organic supplies in 2018, attaining an increase of 4.8% in supply points compared to 2017.

- Development of new channels and reinforcement of the recruitment team that assists in accelerating the growth of Group activity and in recruiting new supply points for the networks deployed.

- Significant growth of the industrial sector that opts for gas as an efficient, affordable and clean energy source.
- Improvement in operating efficiency thanks to the innovation of the processes and technology based on advanced artificial intelligence tools.

- New shareholding structure equally distributed among ATP, 33.3%, USS, 33.3% and GT Fund and CNIC, 33.3% jointly, that supports the strategic plan of the Group as well as its financial policy.

- New loan of Euros 125 million with the European Investment Bank (EIB) to finance gas distribution projects in Spain in the 2018-2019 period.

- Driving force of the Spanish gas sector in the energy transition, developing projects in accordance with a cleaner and sustainable circular economy.

- Development of vehicular natural gas (VNG) refuelling stations, promoting its demand as an alternative fuel in transportation.

- Agreement with Enagás to promote hydrogen by means of the creation of "H2Gas", whose objective is the technological development and the promotion of hydrogen production and transmission infrastructures generated from renewable energies.

- Modification of the Integrated Management System for its adaptation to the new requirements of ISO 14001:2015 environmental management systems and the implementation of ISO 50001:2011 on energy management to increase energy efficiency and reduce environmental impacts.

- Verification of the Group carbon footprint during December 2018.

- Approval of the II Collective Agreement of the Group, whose application will remain in force through 31 December 2021.

2.2. Analysis of results

Key indicators:

Key financial indicators	2018	2017	Var.	%
Figures in millions of Euros				
Revenue	**221.8**	**216.4**	**5.5**	***2.5%***
Regulated distribution revenue	105.6	100.0	5.6	*5.6%*
Other regulated distribution revenue	25.9	28.3	(2.4)	*(8.5%)*
Regulated transmission revenue	61.9	63.0	(1.1)	*(1.7%)*
Regulated LPG business	28.4	25.0	3.3	*13.2%*
Other operating income	**8.9**	**3.3**	**5.6**	***169.7%***
Self-constructed non-current assets	**13.5**	**12.2**	**1.4**	***11.5%***
Total Income	**244.3**	**231.8**	**12.5**	***5.4%***
Supplies	(21.6)	(16.8)	(4.8)	*28.6%*
Employee benefits expense	(26.6)	(25.7)	(0.8)	*3.1%*
Other recurrent operating expenses	(26.7)	(27.1)	0.4	*(1.5%)*
EBITDA	**169.4**	**162.2**	**7.2**	***4.4%***
Non-recurring revenue adjustment				
for Transmission from prior years	(0.4)	(0.1)	(0.4)	*400.0%*
Other non-recurrent operating expenses	(1.1)	(0.0)	(1.1)	*N/A*
Non-recurrent workforce expenses	(8.6)	(1.8)	(6.8)	*377.8%*
Impairment losses on non-current assets	(2.4)	(0.7)	(1.7)	*242.9%*
Depreciation and amortisation	(83.5)	(79.0)	(4.5)	*5.7%*
Earnings before interest and taxes (EBIT)	**73.4**	**80.5**	**(7.2)**	***(8.9%)***
Net finance income/(cost)	(33.0)	(30.2)	(2.8)	*9.3%*
Earnings before tax (EBT)	**40.3**	**50.3**	**(10.0)**	***(19.9%)***
Income tax (expense)/revenue	(10.5)	(0.6)	(9.9)	*N/A*
Profit/(loss) for the year	**29.9**	**49.7**	**(19.8)**	***(39.8%)***

Nota 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.
Nota 2: The 2017 income tax expense included income due to reduction of deferred tax liabilities arising from the merger (for increased deductibility of goodwill) as explained in note 13, Income Tax.

At the end of 2018, Redexis recorded revenues of Euros 244.3 million, an increase of 5.4% on 2017, primarily due to its regulated activities.

Distribution revenues continue to improve with respect to last year, by 5.6%, to Euros 105.6 million, essentially as a result of a higher number of connection points in existing and newly added municipalities.

Redexis 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 objectives of the Redexis financial strategy are to maintain the investment grade, diversify sources of financing, reduce the cost of financing, increase flexibility and extend the maturity profile of the debt.

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.

Instrument		Ratio	Issue date	Principal (€m)	Capital drawn at 31 December 2018 (€m)	Maturity	Coupon
EIB	Loan	Fixed	December 2015	160	160	2036	
		Fixed / Variable	January 2018	125	-	20 years following drawdown	
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	-	2024	-
Total				**1,735**	**1,310**		
Cash and cash equivalents					50		
Net debt					**1,260**		

In January 2018, Redexis agreed on a new loan with the EIB in the amount of Euros 125 million within the framework of the European Fund for Strategic Investments (EFSI), allocated toward the development of natural gas distribution networks in Spanish territory.

At the close of 2018, the net debt of the Group amounts to Euros 1,260 million.

Redexis has liquidity and sufficient financial resources to ensure its growth, address its future investments and to be prepared for debt maturities.

3.2. Credit rating

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

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, the Spanish gas sector will continue promoting, 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, the Group 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 Redexis 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.

Redexis 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 an 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 company 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 2018, Redexis had a total of 336 employees while the average headcount for the year was 330.

In 2018, the Group signed a new Collective Agreement with the UGT and CCOO trade unions to improve the working, economic, operational and social benefit conditions of its employees, which will be applicable through 31 December 2021.

(8) Own shares

Redexis did not hold any own shares at 31 December 2018, nor did it perform any transactions with own shares during 2018.

(9) Financial instruments

The risk management policy is explained in note 23 to the consolidated annual accounts.

(10) 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.

By means of the introduction of new technologies and the development of new business projects, it seeks to become a more effective and efficient Company.

With regard to its most operational facet, the Group focuses its ongoing innovation efforts on activities to optimise and manage assets to improve the quality and reliability of the natural gas supply; on more efficient services and products to meet consumers' requirements while respecting the principle of sustainability; and on ensuring an appropriate level of knowledge within the Group to optimise use of technology.

In 2017, Redexis developed artificial intelligence tools that were implemented in the business in 2018, and that have given way to new possibilities for the creation of value in an endless number of contexts. By means of algorithms and advanced analytics, artificial intelligence is capable of revealing relevant information, previously concealed in enormous databases. All of this makes it possible to build tools to optimise worker decision-making time and to improve the results by generating new channels of continuous growth.

It is not just immersed in new artificial intelligence applications in its business processes, but is also working on the hybridisation with other new technologies, such as augmented reality or robots to multiply the capabilities of artificial intelligence in order to generate value.

In addition, the Group supports the development of innovation projects in cooperation with other entities for the purpose of implementing innovative technologies to improve the competitiveness of small and medium-sized enterprises.

Likewise, Redexis adapts to the existing reality and is capable of anticipating changes, taking advantage of opportunities tied to a circular, cleaner and sustainable economy:

- Wager for the development of vehicular natural gas (VNG) refuelling stations, promoting its demand as an alternative fuel in transportation, and providing an integral and comprehensive solution to transport fleet companies or individuals.
- It develops initiatives for the application of hydrogen to its infrastructure network. In March 2018, the Group signed an agreement with Enagás to promote hydrogen by means of the creation of "H2Gas", whose objective is the technological development and the promotion of hydrogen production and transmission infrastructures generated from renewable energies. The project contemplates the use of "Power to Gas" technology, which enables the generation of hydrogen from water and electricity and its injection into the gas pipeline network, whether directly or converted into synthetic natural gas or biomethane.
- It promotes initiatives for production of biomethane and the injection into its gas pipeline network in collaboration with organic waste processing administrations, technicians and companies.

(11) 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.

In spite of all these advantages, 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.

This commitment is assumed and fostered through the environmental policy of the Group by means of which the principles to be followed are established to advance in the improvement of its environmental management.

During the first half of 2018, Redexis amended its Integrated Management System for its adaptation to the new requirements of ISO 14001:2015 environmental management systems and implemented the ISO 50001:2011 energy management system.

This process involved the amendment of the entire system, including the environmental policy with another for energy management, the environment and occupational health and safety management, the definition of new objectives and environmental aspects and the preparation of new environmental indicators adapted to the Group.

Given the opportunities for improvement revealed during this process, in 2018 Redexis implemented ISO 5001:2011 on energy management to increase energy efficiency and reduce environmental impacts.

In the course of 2018, 10 environmental audits were performed, internal as well as external, to improve the processes.

At the close of 2018, Redexis has the ISO 14001: 2015, environmental management system, the ISO 50001: 2011, energy management system, and the OHSAS 18001: 2007, the occupational health and safety management system.

In addition, in December 2018 the Group obtained the carbon footprint, surpassing the verification with no reservations and with the declaration of a positive opinion 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.

Annexes

About this Report

This 2018 Annual Report is the fifth one published by the Company since it began publication in 2013. It has evolved and been adapted to current standards and trends in the preparation and publication of information with the aim of offering a transparent and global view of Redexis' performance, meeting the expectations of its stakeholders.

It is prepared annually and includes the information necessary to understand the results and their evolution, the situation of the Group and the impact of its activity with respect to economic, environmental and social issues.
The scope of the information in this Report coincides with the scope of financial consolidation, which refers to the period from 1 January 2018 to 31 December 2018 and covers both Redexis Gas, S.A. and its subsidiaries.

In addition, Redexis prepares a Sustainability Report detailing the impact of its activity on the environment and society.

For more information, please see **Redexis Sustainability Report 2018**.

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Safety and emergencies:
Redexis offers you an Emergency Service 24 hours a day, 365 days a year, to assist you with any actions required to guarantee your safety and that of your property, carrying out operations to open or close gas facilities and emergency actions in the event of any safety incident: gas smell, fire or explosion, as stated in ITC-ICG-01 of the Technical Regulations on Distribution and Use of Gaseous Fuels approved by Royal Decree 919/2006.

To communicate any emergency, please contact Redexis Emergencies
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