

# **Redexis, S.A.U. and its subsidiaries**

Consolidated Financial Statements  
for the year ended 31 December 2023  
and Consolidated Directors' Report,  
together with Independent Auditor's  
Report

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

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

## **INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

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

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### **Opinion**

We have audited the consolidated financial statements of Redexis, S.A.U. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2023, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

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### **Basis for Opinion**

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

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

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

## Most Significant Audit Matters

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

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

#### Description

As described in Note 8 to the accompanying consolidated financial statements, the Group's non-current assets include goodwill amounting to EUR 228,549 thousand and intangible assets with an indefinite useful life relating to gas distribution and transmission licences amounting to EUR 542,914 thousand arising from business combinations carried out in prior years.

The assessment of the recoverable amount of the goodwill and intangible assets with an indefinite useful life both allocated to the transmission and distribution operating segments requires the use of significant judgements and estimates by management, in estimating both the performance of the activity and the future growth of the business estimation.

We identified this matter as one of the most significant matters in our audit based on both the magnitude of the amounts affected and the high degree of judgement required of management when assessing the recoverable amount of the goodwill and intangible assets with an indefinite useful life.

#### Procedures applied in the audit

Our audit procedures included, among others, evaluating the feasibility of the valuation methodology and key assumptions used by management.

In this respect, we evaluated the feasibility of the cash flow projections and the discount rates applied by comparing the assumptions made with data obtained from both internal and external sources, and performed a critical evaluation of the key assumptions in the models used.

In particular, we verified the feasibility of the remuneration formulae used for the estimation of the revenue having checked that they were consistent with the current regulations, as well as the use of a terminal value in the valuation of assets by applying a perpetual growth rate, for which we have involved our internal valuation specialists.

In addition, we have conducted a retrospective review on prior years estimations with the aim of identifying bias in management cash flow projections and assessed the historical compliance of the Group's budgets in order to assess the reliability of the estimates made by the Management.

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

### Description

### Procedures applied in the audit

Finally, we have performed a sensitivity analysis regarding the key assumptions and assumptions identified, also evaluating whether the note 3.g), 3.f) and 8 of the attached consolidated annual accounts include all relevant disclosures required in accordance with the applicable financial reporting regulatory framework.

## Recognition of revenue from the gas system

### Description

### Procedures applied in the audit

As described in notes 1 and 4 to the attached consolidated annual accounts, the principal activity of the parent company is the distribution and transport of gas and petroleum products of any kind whose revenues are calculated on the basis of the remuneration formulae contained in the applicable regulations and subject to the system of liquidations of the National Commission on Markets and Competition (CNMC).

In this context, the accuracy and cut-off of the sales, due to the factors described above, were considered to be significant matters in our audit for 2023.

Our audit procedures included, among others, understanding the regulated revenue process followed by the Group, reviewing current legislation and evaluating compliance therewith.

These tests were applied together with procedures to verify the applicable remuneration parameters and management information used by the Group to calculate the revenue for the year. In addition, the correct recognition of the settlements received in the year was verified, together with the collections made from and payments made to the associated gas system.

Lastly, we checked that the disclosures included in Notes 3.o) and 28 to the accompanying consolidated financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

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## **Other Information: Consolidated Directors' Report**

The other information comprises only the consolidated directors' report for 2023, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the consolidated management report, as required by the regulations governing the audit activity, consists of:

- a) Only verify that the consolidated non-financial information statement has been provided in the manner provided for in the applicable regulations and, if not, report on it.
- b) To evaluate and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on the knowledge of the Group obtained during the audit of those accounts, and to assess and report on whether the content and presentation of this part of the consolidated directors' report comply with the applicable rules. If, based on the work we have done, we conclude that there are material improprieties, we are obliged to report it.

Based on the work done, as described above, we have verified that the information referred to in paragraph a) above is provided in the manner provided for in the applicable regulations and that the rest of the information contained in the consolidated directors' report is consistent with that of the consolidated annual accounts for the financial year 2023 and its content and presentation are in accordance with the applicable rules.

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

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

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

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

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

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

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

DELOITTE, S.L.

Registered in ROAC under no. S0692



Javier Medrano Domínguez

Registered in ROAC under no. 22892

20 March 2024

## **Appendix I to our auditor's report**

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



REDEXIS, S.A.U. AND SUBSIDIARIES  
Consolidated Annual Accounts and Consolidated Directors' Report  
at 31 December 2023  
prepared in accordance with International Financial  
Reporting Standards as adopted by the European Union  
(With Independent Auditors' Report thereon)

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REDEXIS, S.A.U. AND SUBSIDIARIES

Consolidated Statement of Financial Position for 31 December 2023  
(Expressed in thousands of Euros)

<u>Assets</u>	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Property, plant and equipment	7	1,295,861	1,324,524
Goodwill	8	228,549	219,175
Other intangible assets	8	560,437	561,767
Right of use assets	9	8,696	8,609
Non-current financial assets	11 and 12	1,732	1,553
Shareholdings accounted for by the equity method		2,433	-
Trade and other receivables	11 and 15	10,004	7,899
<b>Total Non-Current Assets</b>		<b>2,107,712</b>	<b>2,123,526</b>
Inventories	14	13,107	13,348
Trade and other receivables	11 and 15	87,635	63,751
Other current financial assets	11 and 12	104	110
Other current assets	15	1,280	2,171
Cash and cash equivalents	11 and 16	92,302	81,102
<b>Total Current Assets</b>		<b>194,428</b>	<b>160,483</b>
<b>Total Assets</b>		<b>2,302,140</b>	<b>2,284,009</b>
<u>Equity and Liabilities</u>	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Capital		100,000	100,000
Share premium		105,433	105,433
Other reserves		361,341	332,979
Other comprehensive income		17,639	28,362
Equity attributable to equity holders of the Parent		584,413	566,774
Equity: Non-controlling interests		28	26
<b>Total Equity</b>	<b>17</b>	<b>584,441</b>	<b>566,800</b>
Debt with related companies	18 and 19	995,657	993,746
Loans and borrowings	20	452,700	470,194
Other financial liabilities	18	2,536	2,033
Lease liabilities	9	6,761	6,723
Deferred tax liabilities	13	106,808	105,130
Provisions for employee benefits	24	118	118
Other provisions	25	5,412	3,073
Government grants and other liabilities	27	22,412	21,086
<b>Total Non-Current Liabilities</b>		<b>1,592,404</b>	<b>1,602,101</b>
Debt with related companies	18 and 19	12,455	12,489
Interest		12,455	12,489
Loans and borrowings	20	24,380	14,183
Principal		22,180	11,808
Interest		2,200	2,375
Trade and other payables	21	80,999	81,183
Current income tax liabilities	13	1,435	1,810
Other current liabilities	21	3,980	3,470
Lease liabilities	9	2,046	1,972
<b>Total Current Liabilities</b>		<b>125,295</b>	<b>115,107</b>
<b>Total Equity and Liabilities</b>		<b>2,302,140</b>	<b>2,284,009</b>

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

REDEXIS, S.A.U. AND SUBSIDIARIES

Consolidated Income Statements for 2023  
(Expressed in thousands of Euros)

	Notes	2023	2022
Revenue	28	238,723	249,721
Other income	29	7,408	5,402
Self-constructed non-current assets		14,377	14,284
Consumption of raw materials and consumables		(43,847)	(46,250)
Employee benefits expense	31	(26,918)	(25,860)
Depreciation and amortisation	7, 8 and 9	(103,284)	(100,781)
Impairment losses on non-current assets		(1,023)	(951)
Other operating expenses	30	(26,867)	(27,771)
<b>Results from operating activities</b>		<b>58,569</b>	<b>67,793</b>
Finance income		665	271
Finance costs		(36,212)	(29,466)
<b>Finance profit/loss</b>	<b>32</b>	<b>(35,547)</b>	<b>(29,195)</b>
<b>Result of investments accounted for by the equity method</b>		<b>(25)</b>	<b>-</b>
<b>Profit before income tax</b>		<b>22,997</b>	<b>38,598</b>
Income tax expense	13	(5,357)	(10,235)
<b>Profit for the year</b>		<b>17,640</b>	<b>28,362</b>
<b>Profit for the year attributable to equity holders of the Parent</b>		<b>17,639</b>	<b>28,362</b>
<b>Profit for the year attributable to non-controlling interests</b>		<b>1</b>	<b>-</b>

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

REDEXIS, S.A.U. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income for the Year Ended  
31/12/2023  
(Expressed in thousands of Euros)

	<u>2023</u>	<u>2022</u>
Profit for the year	<u>17,640</u>	<u>28,362</u>
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Other comprehensive income for the year, net of taxes	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u><b>17,640</b></u>	<u><b>28,362</b></u>
Total comprehensive income attributable to:		
Equity holders of the Parent	17,639	28,362
Non-Controlling Interests	<u>1</u>	<u>-</u>
	<u><b>17,640</b></u>	<u><b>28,362</b></u>

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

REDEXIS, S.A.U. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity for  
the Year Ended 31 December 2023  
(Expressed in thousands of Euros)

Equity attributable to equity holders of the Parent

	Capital	Share premium	Legal reserve	Other reserves	Profit/loss for the year	Total	Interest Non-Controlling	Total equity
<b>Balance at 31 December 2022</b>	<b>100,000</b>	<b>105,433</b>	<b>20,000</b>	<b>312,979</b>	<b>28,362</b>	<b>566,774</b>	<b>26</b>	<b>566,800</b>
Profit/(loss) for 2023	-	-	-	-	17,639	17,639	1	17,640
Dividends	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	1	1
Distribution of profit/(loss) for 2022	-	-	-	28,362	(28,362)	-	-	-
<b>Balance at 31 December 2023</b>	<b>100,000</b>	<b>105,433</b>	<b>20,000</b>	<b>341,341</b>	<b>17,639</b>	<b>584,413</b>	<b>28</b>	<b>584,441</b>

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



REDEXIS, S.A.U. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity for  
the Year Ended 31 December 2022  
(Expressed in thousands of Euros)

Equity attributable to equity holders of the Parent

	Capital	Share premium	Legal reserve	Other reserves	Profit/loss for the year	Total	Interest Non-Controlling	Total equity
<b>Balance at 31 December 2021</b>	<b>100,000</b>	<b>105,433</b>	<b>20,000</b>	<b>304,871</b>	<b>38,108</b>	<b>568,412</b>	<b>26</b>	<b>568,438</b>
Profit/(loss) for 2022	-	-	-	-	28,362	28,362	-	28,362
Dividends	-	-	-	(30,000)	-	(30,000)	-	(30,000)
Other movements	-	-	-	-	-	-	-	-
Distribution of profit/(loss) for 2021	-	-	-	38,108	(38,108)	-	-	-
<b>Balance at 31 December 2022</b>	<b>100,000</b>	<b>105,433</b>	<b>20,000</b>	<b>312,979</b>	<b>28,362</b>	<b>566,774</b>	<b>26</b>	<b>566,800</b>

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

REDEXIS, S.A.U. AND SUBSIDIARIES

Consolidated Statement of Cash Flows for  
the Year Ended 31 December 2022  
(Expressed in thousands of Euros)

	Notes	2023	2022
<b>Cash flows from operating activities</b>			
Profit for the year before tax		22,997	38,598
<i>Adjustments for:</i>			
Depreciations	7, 8 and 9	103,284	100,781
Impairment losses on non-current assets		1,023	951
Change in provisions		270	(402)
Government grants taken to income		(1,704)	(1,524)
Finance income	32	(665)	(271)
Finance costs	32	36,212	29,466
		<b>161,416</b>	<b>167,599</b>
<b>Changes in working capital</b>			
		<b>(8,883)</b>	<b>(12,060)</b>
Inventories		241	(3,633)
Trade and other receivables		1,646	2,438
Other current assets		897	6,960
Trade and other payables		(15,531)	(19,327)
Other current liabilities		510	217
Other non-current assets and liabilities		3,355	1,284
<b>Cash generated from operations</b>		<b>152,533</b>	<b>155,539</b>
Interest and commissions paid		(33,949)	(26,757)
Interest received		665	159
Income tax paid		(4,572)	(8,393)
<b>Net cash from operating activities</b>		<b>114,677</b>	<b>120,548</b>
<b>Cash flows from investing activities</b>			
Payments for purchases of distribution and LPG assets in use		(1,396)	(18,847)
Payments for acquisition of property, plant and equipment and intangible assets		(90,079)	(93,496)
<b>Net cash used in investing activities</b>		<b>(91,475)</b>	<b>(112,343)</b>
<b>Cash flows from financing activities</b>			
Payments for acquisition of financial assets		(2,258)	(3)
Payments of loans and borrowings		(12,353)	(9,412)
Proceeds from loans and borrowings		4,671	76,296
Payments from loans and borrowings with related parties		-	-
Payments of lease liabilities		(2,061)	(2,207)
Dividends paid		-	(31,900)
<b>Net cash from financing activities</b>		<b>(12,002)</b>	<b>32,774</b>
Net increase (decrease) in cash and cash equivalents		11,200	40,979
Cash and cash equivalents at 1 January		81,102	40,123
Cash and cash equivalents at 31 December		92,302	81,102

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

## REDEXIS, S.A.U. AND SUBSIDIARIES

### Notes to the Consolidated Annual Accounts

#### (1) Nature, activities and composition of the Group

Redexis, S.A.U. (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 n.º 2, 28043 Madrid and its tax residence is at Avda. Ranillas, n.º 1, bloque D, planta 2º. C.P. 50018, Zaragoza (Spain). On 20 May 2021, the Parent's Shareholders General Meeting resolved to change the company name from Redexis Gas, S.A. to Redexis, S.A.

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

Therefore, at 31 December 2022, Redexis, S.A.U. was 33.33% owned by Chase Gas Investments Limited; is 33.34% owned by Arbejdsmarkedets Tillægspension (ATP); and is 33.33% owned by Guotong Romeo Holdings Limited.

During the fiscal year 2023, in order to give effect to the legally established principle of separation of activities between regulated activities and those dedicated to the production of gases and, in compliance with the provisions of article 63 of Hydrocarbon Law 34/1998, of 7 October (Note 4), a corporate reorganisation process has been carried out consisting of: (i) incorporating a newly created company (Redexis Energía S.A.), in order for this company to act as the holding company of the business group, (ii) carrying out the simultaneous contribution of the shares of Redexis S.A.U. to the newly incorporated holding company, operations which were completed on 20 December 2023.

As a result of the corporate reorganisation process, the shares of Redexis, S.A.U. are now fully owned by its parent company, Redexis Energía, S.A., thus becoming the sole shareholder of Redexis, S.A.U., and the latter is now a single-member company.

The shareholding of Redexis Energía S.A. now also consists of the companies Arbejdsmarkedets Tillægspension (hereinafter "ATP"), Chase Gas Investments Limited (hereinafter "Chase") and Guotong Romeo Holdings Limited (hereinafter "Guotong") in the same shareholding as they held in Redexis S.A.U., that is, each of them holding 33.34%, 33.33% and 33.33%, respectively, of the shares of the new company.

In 2023, Redexis Gas Servicios, S.L.U., a subsidiary of the parent company Redexis, S.A.U., carried out the following commercial transactions:

- It has incorporated the limited liability company H2 Duero, S.L., with 80% of its share capital, the remaining 20% being owned by Somacyl, S.A. Its corporate purpose is, among others, to carry out activities, works and services related to the business of production, transmission, storage, supply and marketing of hydrogen, biogas, carbon dioxide and other energy fluids (biofuels and other derivatives), through its own or third-party facilities, as well as the design, construction, commissioning, operation and maintenance of all types of infrastructure and complementary facilities necessary for these activities.

Notes to the Consolidated Annual Accounts

- It has incorporated 9 limited liability companies whose corporate purposes are, inter alia, the performance of activities, works and services related to the production and supply of energy and, in particular, renewable gases and their derivatives.
- It has acquired 70% of the share capital of Energygreen Gas Almazán, S.L. and 100% of the share capital of Galivi Solar, S.L. (renamed Biored Lorca S.L.U since February 2024), both operating companies mainly dedicated to the management, treatment and disposal of non-hazardous waste (mainly from the agricultural and food industry) and its use for the production of biogas and other derivatives such as agricultural fertilisers.

(2) Basis of Presentation

The Consolidated Annual Accounts for 2023 have been prepared on the basis of the accounting records of Redexis, S.A.U. 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, S.A.U. and subsidiaries at 31 December 2023 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The Governing Body of the Parent considers that the Consolidated Annual Accounts for 2023, authorised for issue on 28 February 2024, will be approved with no changes by the sole shareholder. The annual accounts for the 2022 financial year were approved by the Shareholders General Meeting on 25 May 2023.

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 accounting criteria were applied uniformly in 2023 and 2022, and there are no operations or transactions recorded following different accounting principles that might cause discrepancies in the interpretation of the comparative figures for both periods.

The Consolidated Statement Of Financial Position, Consolidated Income Statements, Consolidated Statement Of Comprehensive Income, Consolidated Statement Of Changes In Equity, Consolidated Statement Of Cash Flows and the Consolidated Annual Report, in addition to the figures of the year 2023, include comparative figures for the previous year, approved by the shareholders at the General Meeting held on 25 May 2023.

Notes to the Consolidated Annual Accounts

c) Functional and presentation currency

The functional currency used by the Group is the Euro. The figures contained in the attached annual accounts are expressed in thousands of Euros, unless otherwise indicated, and are therefore rounded to the closest figure, with the Euro being the functional currency.

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

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

- Useful lives of property, plant and equipment and intangible assets (see Notes 3.d and 3.f)
- The assessment of the recoverability of intangible assets with an indefinite useful life and goodwill to determine any impairment losses (see Note 3.g)
- The assessment of whether deferred tax assets are likely to be recovered based on the business plan for the coming years and the recovery periods stipulated in Spanish tax legislation for the recovery of those assets, as well as the resolution of possible differences in interpretation with the Tax Administration (see Notes 3.p and 13)

The Group directors' estimates were calculated on the best information available as of 31 December 2023. Unforeseen future events could make it necessary to make changes in the coming years, which might lead to adjustments in the consolidated annual accounts that would be recorded prospectively, as the case may be.

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

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

- ✓ Amendment to IAS 1 to decrease the difficulties of entities in applying the concept of materiality as regards the requirements to disclose 'significant accounting policies'.
- ✓ Amendment to IAS 1 as regards the classification of current or non-current liabilities.
- ✓ Amendment to IAS 8 on the definition of accounting estimates to facilitate the distinction between a change in accounting estimate and a change in accounting policy.

## REDEXIS, S.A.U. AND SUBSIDIARIES

### Notes to the Consolidated Annual Accounts

- ✓ Amendment to IAS 12 clarifying how to recognise deferred tax arising from assets and liabilities resulting from a single transaction.

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

Furthermore, the following mandatory standards, modifications and interpretations as of 1 January 2024 were approved:

- ✓ Amendment to IFRS 16 clarifying the accounting for liabilities arising on sale and leaseback transactions.
- ✓ Amendment to IAS 7 and IFRS 17 introducing new disclosures on financing arrangements with suppliers.

#### f) Principle of going concern

The Directors have formulated these consolidated annual accounts in accordance with the principle of the company as a going concern.

### (3) Accounting Principles

#### (a) Subsidiaries

Appendix I to these consolidated annual accounts lists the subsidiaries of Redexis, as well as the percentage of ownership and the consolidation method applied to them.

Subsidiaries are entities over which the Parent Company, either directly or indirectly through subsidiaries, exercises control. The Parent 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 Parent Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Parent 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.

In order to determine the existence of sole control, joint control and/or significant influence in each entity of the Group, the consistency between the shareholding and political control of the company is reviewed, by virtue of the articles of association and agreements between shareholders.

Investments in subsidiaries are accounted for using the full consolidation method when the Redexis Group has full or unshared control of the investee.

Investments in subsidiaries are accounted for using the equity method when the Redexis Group has significant influence or joint control, that is, the power to influence financial and operating policies, but not sole control.

## REDEXIS, S.A.U. AND SUBSIDIARIES

### Notes to the Consolidated Annual Accounts

The result of valuing investments using the equity method is reflected under “Other reserves” in the Consolidated Statement of Financial Position and “Result of investments accounted for using the equity method” in the Consolidated Income Statements.

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.

At the date of taking control, the assets, liabilities and contingent liabilities of the subsidiary are measured at fair value. If there is a positive difference between the acquisition cost of the subsidiary and the market value, this is recorded as goodwill, as it corresponds to assets that cannot be separately identified and measured. If the difference is negative, it is recorded as a credit to consolidated profit/loss.

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.

During the year, the Group's scope of consolidation was extended with:

- 9 new companies were established, all of which are wholly owned (100% ownership) and therefore consolidated using the global integration method. One of these companies, Galivi Solar, S.L., is already operational, while the rest are newly created. All of these companies are involved in biogas-related activities as an energy source; Biored Bajo Cinca, S.L., Biored Arevalo, S.L., Biored Cuellar, S.L., Biored Ejea, S.L., Eficiencia y Red Solar, S.L., Biored Medina del Campo, S.L., Biored Alcores, S.L. y Biored Calatayud, S.L.;
- 4 new companies were established under joint management and accounted for using the equity method. One of these companies, Energygreen Gas Almazán, S.L., is already operational, while the remaining three are newly created. The company H2Duero, S.L., in which Redexis owns 80% of the property, is related to hydrogen as a renewable energy source, while the other three are related to biogas. Redexis owns 75% of the property of both Biored Vegas Altas, S.L. and Biored Cella, S.L., and 70% of Energygreen Gas Almazán, S.L.

On February 10, 2023, the company Redexis Gas Servicios, S.L.U. from the Redexis Gas Group acquired 70% of the shares of Energygreen Gas Almazán, S.L.

## REDEXIS, S.A.U. AND SUBSIDIARIES

### Notes to the Consolidated Annual Accounts

On November 21, 2023, the company Redexis Gas Servicios, S.L.U. from the Redexis Gas Group acquired 100% of the shares of Galivi Solar, S.L. This acquisition resulted in the creation of goodwill, which corresponds to the difference between the consideration paid and the fair value of the assets and liabilities acquired from the company. The Group is currently analyzing the allocation of goodwill, which will be completed within one year, as established by IFRS 3.

(b) Segment reporting

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

(c) Non-Controlling interests

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

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

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

(d) Property, plant and equipment

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



## REDEXIS, S.A.U. AND SUBSIDIARIES

### Notes to the Consolidated Annual Accounts

The cost of PPE includes the estimated costs of dismantling or removal and the restoration of the site on which it is located. At the time of the initial valuation of PPE, the Group estimates the current value of the future obligations derived from the dismantling, removal or others associated with that PPE, as well as the costs of site rehabilitation. That current value is activated as the higher cost of the corresponding asset, giving rise to the recognition of a provision (see Note 3n), subject to the financial update in the years following its creation.

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:

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REDEXIS, S.A.U. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

	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
Photovoltaic Installations	Straight-line	15
Optical fibre	Straight-line	20
Refuelling stations	Straight-line	20
Hydrogen pipeline	Straight-line	20
Biomethane Plant	Straight-line	10-20
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, which sets the remuneration for natural gas transmission activities for facilities that came into service subsequent to 1 January 2008.

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

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

Notes to the Consolidated Annual Accounts

(e) Right of use assets

(i) Identification of a lease

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

These include subsoil occupancy rates for the gas distribution activity well as the fees for subsoil occupancy for the gas transmission activity.

(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.

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

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

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

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

## REDEXIS, S.A.U. AND SUBSIDIARIES

### Notes to the Consolidated Annual Accounts

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.

Notes to the Consolidated Annual Accounts

(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.

- 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 in the Consolidated Statement of Financial Position, less any accumulated amortisation and impairment losses. Computer software maintenance costs are charged as expenses when incurred.

- Other intangible assets

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

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REDEXIS, S.A.U. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(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:

	Depreciation 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

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.

## REDEXIS, S.A.U. AND SUBSIDIARIES

### Notes to the Consolidated Annual Accounts

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

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

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

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

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

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

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

#### (h) Financial instruments

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

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

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

Notes to the Consolidated Annual Accounts

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

(i) Offset principles

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

(ii) Financial assets and liabilities at amortised cost

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

(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 Statements for anticipated future credit losses of the financial assets measured at amortised cost.

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

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

(v) Financial asset disposals, modifications and cancellations

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

(vi) Interest and dividends



Notes to the Consolidated Annual Accounts

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

(vii) Financial liability disposals and modifications

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

(i) Distributions to shareholders

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

(j) Inventories

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

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

Subsequently, the Group values its inventories at weighted average cost.

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

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

(k) Cash and cash equivalents

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

(l) Government grants and Other liabilities

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

Notes to the Consolidated Annual Accounts

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 and other liabilities" 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

The Group has contracted pension commitments with certain members of its workforce. These obligations, acquired through the defined contribution scheme, are basically arranged through pension plans or insurance policies.

Defined benefit plans

Defined benefit liabilities recognised in the Consolidated Statement of Financial Position reflect the present value of defined benefit obligations at the reporting date, minus the fair value at that date of plan assets.

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

Notes to the Consolidated Annual Accounts

(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 policy followed regarding the recording of provisions for risks and expenses consists of recording the estimated amount to cover probable or certain responsibilities arising from litigations in progress and for compensations or pending obligations, warrants and other similar guarantees. Its provision is made when the responsibility or obligation that determines the compensation or payment arises.

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 Statements item in which the related expense was recognised, and any surplus is accounted for in other income.

Provisions for dismantling, restoration and similar liabilities

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

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

(o) Recognition of revenue from contracts with customers

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

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

Distribution activity

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

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

The regulated revenues from distribution activity each year is set ex-ante for each gas year by the National Commission on Markets and Competition (CNMC) in keeping with the new authorities attributed to it, effective as of 1 January 2020 by Royal Decree-Law 1/2019 (formerly attributed to the Spanish Ministry for Ecological Transition).

Therefore, the resolutions of the CNMC published prior to the start of each year, establish the remuneration for the coming year based on expected sales and new customers for that year (for remuneration and rate purposes, the term 'year' hereinafter refers to gas 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. With regard to references to 'gas year', it should be noted that in accordance with Additional Provision 1 of CNMC Circular 6/2020, of 22 July, regarding the calculation of local natural gas distribution network tolls and regasification, the gas year and the rate period no longer correspond to the calendar year but instead to the period between 1 October and 30 September of the following year.

As of 2019 the CNMC has developed a series of Circulars that will define the methodology for determining remuneration for the distribution and transmission of natural gas for the following regulatory period (2021-2026). These methodologies establish models that are conceptually very similar to those in force before 2021, but that entail certain adjustments to remuneration as of the year 2021.

This remuneration is comprised of a fixed component (Euro/customer) and two variable components in keeping with the increase (or decrease) in the volume of gas supplied to the 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 which certain additional incentives exist, such as the gasification of new municipalities, new industrial customers or new vehicular natural gas service stations.

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The Group establishes the variable remuneration at the close of each year, using the methodology defined in the regulation, with the best information available at that time (supply as well as demand points), adjusting this figure with the verified information after closing the figures for each year. In turn, and once it has the final figures for the year, the CNMC determines the final amount of this remuneration in the resolution it publishes the following year, and also establishes the provisional remuneration for the year following publication and regularisation of the remuneration for the year in which it is published, with the best figures available at that time.

By means of the Resolution of 19 May 2022 of the CNMC, establishing the remuneration for the 2023 gas year of the companies that perform regulated liquefied natural gas, transmission and distribution facility activities, the CNMC approved the remuneration covering the period between 1 October 2022 and 30 September 2023. In that Resolution the appropriate adjustments were made to the remuneration for the years 2020, 2021 and 2022.

Likewise, by means of the Resolution of 30 May 2023 of CNMC, establishing the remuneration for the 2024 gas year of the companies that perform regulated liquefied natural gas, transmission and distribution facility activities, the CNMC approved the remuneration covering the period between 1 October 2023 and 30 September 2024. In that Resolution the appropriate adjustments were made to the remuneration for the gas years 2021, 2022 and 2023.

This distribution activity remuneration will be adjusted once the final amounts of this Remuneration have been set by the CNMC, 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 Statements when they arise.

These resolutions may, where appropriate, lead to price reviews of certain regulated items, such as connection charges, or meter rental charges. With regard to connection charges, these continue to be those established in Order IET/2445/2014, while the prices for the rental of meters and remote metering equipment for pressures equal to or lower than 4 bar continue to be those established in Appendix III of Order TEC/1367/2018.

During 2023 the Group received the final settlement for regulated activities in the gas sector for 2022, which had an immaterial impact on the Consolidated Income Statement.

In accordance with Ministerial 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 2023 and 2022 in the amount of Euros 4,537 thousand and Euros 4,717 thousand, respectively (see Note 28). In 2023 the measurement differences for 2022 were settled and those for 2021 were settled in 2022.

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Transmission activity

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

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

As with the distribution activity, the gas transmission activity is regulated and the remuneration is set for each gas year by the CNMC in keeping with the new authorities attributed to it, effective as of 1 January 2020 by Royal Decree-Act 1/2019 (formerly attributed to the Spanish Ministry for Ecological Transition).

This remuneration is fixed for gas year 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.

Due to the aforementioned change in gas year indicated in the section on the distribution activity, that is likewise applicable to the transmission activity, the remuneration recognised for the 2023 transmission activity was established in CNMC Resolution of 19 May 2022, establishing the remuneration for the 2023 gas year of the companies that perform regulated liquefied natural gas, transmission and natural gas distribution facility activities, and in CNMC Resolution of 30 May 2023, establishing the remuneration for the 2024 gas year of the companies that perform regulated liquefied natural gas, transmission and distribution facility activities, insofar as the first Resolution covers the period from 1 October 2022 to 30 September 2023, and the second covers the period from 1 October 2023 to 30 September 2024.

On the other hand, Order TED/1286/2020 and the Resolutions cited in the preceding paragraph include the corresponding adjustments to remuneration for uninterrupted supply from previous years.

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

As previously mentioned, during 2019 and 2020 the CNMC developed a series of Circulars that will define the methodology for determining remuneration for the distribution and transmission of natural gas for the following regulatory period (2021-2026). These methodologies establish models that are conceptually very similar to those set at the time by Act 18/2014, but entail certain adjustments to remuneration as of the year 2021.

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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 transmission measurement differences as regulated transmission revenue in the Consolidated Income Statements for 2023 and 2022 at the amount of Euros 542 thousand and Euros 2,285 thousand, respectively (see Note 28).

Additionally, the Group is subject, among other things, to the following regulatory framework in the field of transmission and distribution of natural gas:

- 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 TED/1022/2021, of 27 September, regulating the settlement procedures for remuneration from regulated activities, and for specifically allocated gas charges and fees of the gas sector.
- 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 included the deficits accumulated in prior years, was set at Euros 1,025 million, which regulated entities are able to recover in fifteen consecutive annual payments. On 1 December 2017 the Group assigned the credit right it held with respect to this deficit in the amount of Euros 42 million collected in its entirety.

After the application of the surpluses obtained in the final settlements of subsequent years, the accumulated deficit at 31 December 2014 pending amortisation amounts to Euros 41.1 million, with an annuity of Euros 5.49 million planned for 2024 to continue its amortisation.

#### Registration fees

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

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

The Group recognises the revenue for the registration fees at the moment at which the connection is made and verified, since it is at that moment when the customer

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obtains the benefits of the service rendered and there is no future obligation associated with it (Note 28).

Rental of Natural Gas metering equipment

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

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

The Group recognises the revenue throughout the provision of the service, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides it (Note 28).

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

Rental of Community Receiving Facilities (CRF)

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

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

The Group recognises the revenue throughout the term of the contract, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides it (Note 28).

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

Inspections of individual receiving facilities (IRF)

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

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

The revenue is recognised at the moment of the inspection, since it is at that time when the customer obtains the benefits of the service rendered (Note 28).

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



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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, subject to estimate since invoicing does not coincide with the close of the calendar year (Note 28).

#### Contracting party connection charges

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

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

The revenue is recognised at the moment of connection of the community receiving facility and the commissioning of gas, since this is the time at which control of the services rendered is transferred to the customer (Note 28).

#### Applicant connection charges

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

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

The Group recognises these connection charges as income in proportion to the annual depreciation of the assets being financed (20 years), or over the period specified in the contract if this is less or, where applicable, when their disposal or impairment occurs, since the customer simultaneously receives and consumes the benefits of the service at the same time the Group provides them. The method to

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

(p) Income tax

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

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

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

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

(i) Recognition of deferred tax liabilities

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

(ii) Recognition of deferred tax assets

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

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

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

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

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

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

#### (iv) Offset and classification

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

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

Deferred tax assets and liabilities are recognised in the Consolidated Statement Of Financial Position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

#### (v) Consolidated taxation

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

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

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

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- 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 year end. 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

Separation of regulated and liberalised activities

Article 63 of Hydrocarbon Law 34/1998, of 7 October, establishes the principle of separation of activities between companies carrying out one or more of the regulated activities of regasification, basic storage, transmission and distribution and those carrying out deregulated activities (production or marketing).

This principle, which is incorporated transversally in the energy markets (such as, for example, in the electricity sector), has its origin in the process of market liberalisation initiated in the gas sector by Directive 1998/30/EC and developed by the successive Directives (2003/55/EC and 2009/73/EC). The principle of separation of activities seeks to avoid conflicts of interest between the owners of the infrastructures through which energy is transmitted (regulated activities), and those who produce or market this energy (liberalised activities), while the relationship between both types of activities must be governed by a neutral, transparent and objective third-party access regime established by regulation.

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As Spain does not have natural gas fields with a significant capacity, practically all the natural gas consumed has historically been imported from other countries, so that natural gas production activity nationally has been unrepresentative. However, technological developments, environmental objectives at EU level (the REPower EU Plan approved by the European Commission in 2022 includes a target of 35 bcm of biomethane production in the European Union by 2030), and the fact that Spain has been recognised by the European Union as the fifth EU country with the greatest potential for biomethane production, are leading to an exponential deployment of renewable gas production projects that will make it possible to decarbonise consumption supplied from the natural gas grid, taking advantage of the autonomy and security of supply provided by the grid, and without users having to make new investments.

This is why new business opportunities are emerging in the sector, and companies interested in participating in the new production activity must adapt their structures to the aforementioned principle of separation of activities between the regulated activities of regasification, basic storage, transmission and distribution and production.

Natural gas transmission and distribution activities

Directive 98/30/EC of the European Parliament and of the Council, of 22 June 1998, defined the bases of the internal natural gas market, configuring a liberalised market for the supply of natural gas.

Thus, 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 important 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 introduced 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

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thresholds are exceeded. If these thresholds are not exceeded, the imbalances are financed by the parties subject to the settlement system in proportion to their remuneration, generating receivables in the following five years, with a market interest rate set by Ministerial Order.

- With regard to the remuneration of regulated activities, the reform includes the basic principle of considering the necessary costs for an efficient and well-managed company to perform the activity at the lowest cost for the system.
- In line with electricity sector regulations and the need to ensure regulatory stability, regulatory periods of six years were defined, during which the financial rate cannot be reviewed and no automatic update formulas will be applied to the remuneration of any of the activities. However, as the regulatory reform was proposed in a deficit scenario that is expected to be remedied in the coming years, it allows certain remuneration parameters to be adjusted every three years if significant variations arise in the income and expense items.
- An in-depth, standard review (as described in Note 3 (o)) was undertaken of the remuneration from all activities, encompassing all assets, including those already in service.

By means of Spanish Royal Decree-Law 1/2019, a reform of the scope of powers for the gas system was carried out, adapting the powers of the Spanish National Commission on Financial Markets and Competition (hereinafter, "CNMC") to the requirements of EU law in relation to Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council, of 13 July 2009, concerning common rules for the internal market in electricity and natural gas. Among these reforms, worthy of mention is the attribution of powers in favour of the CNMC regarding the establishment of methodologies for determining tolls and remuneration of the regulated activities, including the setting of their values. Therefore, as of 2020, the CNMC has the power to establish these issues, while anything regarding the establishment of new methodologies for determining the remuneration of regulated activities were not applicable until 1 January 2021, upon the conclusion of the first 6-year regulatory period that was established in the aforementioned Law 18/2014. In this regard, during 2019 and 2020, the CNMC worked on a series of Circulars that defined the methodologies for remuneration of the regulated activities developed by Redexis in the gas sector (transmission and distribution) and that are applicable as of January 2021 through December 2026. The most relevant Circulars, insofar as they enable the determination of remuneration for the distribution and transmission activity, were as follows:

- Circular 9/2019, of 12 December, of the National Commission on Markets and Competition, regarding the establishment of the methodology for determining the remuneration of natural gas transmission facilities and of liquefied natural gas plants.
- Circular 4/2020, of 31 March, of the National Commission on Markets and Competition, regarding the establishment of the methodology for determining the remuneration of natural gas distribution.

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

More recently, the 2021-2030 Integrated National Energy and Climate Plan (PNIEC), approved by Resolution of the Council of Ministers on 16 March 2021, despite anticipating a decrease in the final energy consumption in 2030 with respect to the 2015 values (79.2 ktep vs 84.9), projects a stable natural gas consumption within that period, remaining at 13 ktep. All of which confirms the fundamental role of gas in the energy transition process since, in keeping with the PNIEC's target scenario, this would increase from 15.4% in final energy consumption in 2015 to 17.3% in 2030.

A new version of the Integrated National Energy and Climate Plan 2023-2030 was submitted for public consultation in June 2023. The process has allowed stakeholders to submit comments and a new version of the document is expected to be published in June 2024.

Channelled bulk LPG retail marketing activity (LPG pipeline distribution)

The Hydrocarbons Act, in its article 44-2, among the activities related to the supply of liquefied petroleum gases recognises the retail marketing of channelled bulk LPG, understood as the distribution and supply of LPG from one or several tanks by pipeline to more than one supply point, delivered to customers in gaseous phase, and whose consumption is measured by a meter for each of the consumers. Therefore, unlike what is established for the natural gas sector, in this activity the distribution and supply are carried out by the same agent and it is specifically called "retail marketing of channelled bulk LPG" (or, more simplified, "pipeline LPG distribution").

This is an activity in which both the sale price to end users (consisting of a fixed term €/month and a variable term c€/kg) and the acquisition or purchase price of LPG from wholesale marketers (c€/kg) are regulated, which are updated each month based on the Order of 16 July 1998 of the Ministry of Industry and Energy, which updates the marketing costs of the system for automatic determination of maximum pre-tax sale prices of liquefied petroleum gases and by which certain supplies are liberalised, and based on Order ITC/3292/2008 of 14 November, which modifies the automatic pre-tax sale tariff determination system of pipeline liquefied petroleum gases.

The pipeline LPG distribution activity is subject to a specific Regulation contained in Royal Decree 1085/1992. However, since it is ultimately the supply of fuel gases by pipeline, this activity is subject to the same technical distribution and use regulations as natural gas distribution, which were approved by Royal Decree 919/2006. So much so that this activity is subject to many of the rights and obligations of the natural gas distribution activity, such as the facility construction and maintenance requirements, the receipt of registration fees in payment for the incorporation of new supply points, or the establishment of a completely identical framework of rights and obligations for the periodic inspection of the reception facilities.

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(5) Segment reporting

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

While the detailed information furnished makes reference to the transmission activity, global amounts that make reference to the rest of the activities are also indicated: natural gas distribution, transmission of natural gas, LPG distribution 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. The Group has developed an allocation model based on profit centres, which are divided into final and allocable.

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

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

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

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

The most significant segment details are as follows:

	31/12/2023				
	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Goodwill	54,432	164,440	303	9,374	<b>228,549</b>
Non-current assets	1,137,250	523,107	172,099	46,707	<b>1,879,163</b>
Current assets	93,363	50,793	24,660	25,612	<b>194,428</b>
<b>Total assets</b>	<b>1,285,045</b>	<b>738,340</b>	<b>197,062</b>	<b>81,693</b>	<b>2,302,140</b>
Non-current liabilities	948,089	471,083	138,474	34,758	<b>1,592,404</b>
Current liabilities	89,672	11,043	12,821	11,759	<b>125,295</b>
<b>Total liabilities</b>	<b>1,037,761</b>	<b>482,126</b>	<b>151,295</b>	<b>46,517</b>	<b>1,717,699</b>



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31/12/2022					
Thousands of Euros					
	Distribution	Transmission	LPG	Other activities	Consolidated
Goodwill	54,432	164,440	303	-	219,175
Non-current assets	1,161,805	535,442	177,502	29,602	1,904,351
Current assets	77,195	42,310	24,799	16,180	160,483
<b>Total assets</b>	<b>1,293,431</b>	<b>742,192</b>	<b>202,604</b>	<b>45,782</b>	<b>2,284,009</b>
Non-current liabilities	934,871	509,525	143,216	14,489	1,602,101
Current liabilities	75,896	11,821	14,754	12,636	115,107
<b>Total liabilities</b>	<b>1,010,767</b>	<b>521,346</b>	<b>157,970</b>	<b>27,125</b>	<b>1,717,208</b>

31/12/2023					
Thousands of Euros					
	Distribution	Transmission	LPG	Other activities	Consolidated
Revenue	128,152	52,172	44,519	13,880	238,723
Other income	4,926	615	123	1,744	7,408
Self-constructed non-current assets	10,223	1,938	551	1,665	14,377
Provisions	(2,998)	(258)	(30,557)	(10,034)	(43,847)
Employee benefits expense	(17,724)	(5,132)	(46)	(4,016)	(26,918)
Depreciation and impairment expenses	(76,221)	(14,619)	(11,800)	(1,667)	(104,307)
Other operating expenses	(17,710)	(3,236)	(3,543)	(2,378)	(26,867)
Finance profit/loss	(25,034)	(5,371)	(5,333)	191	(35,547)
Result of investments accounted for using the equity method	-	-	-	(25)	(25)
<b>Profit/loss before tax</b>	<b>3,614</b>	<b>26,109</b>	<b>(6,086)</b>	<b>(640)</b>	<b>22,997</b>

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	31/12/2022				
	Thousands of Euros				
	Distribution	Transmission	LPG	Other activities	Consolidated
Revenue	130,777	59,091	44,567	15,286	249,721
Other income	4,148	558	201	494	5,402
Self-constructed non-current assets	10,139	1,609	528	2,007	14,284
Provisions	(3,564)	(1,500)	(31,179)	(10,006)	(46,250)
Employee benefits expense	(17,769)	(5,092)	(130)	(2,870)	(25,861)
Depreciation and impairment expenses	(74,649)	(14,663)	(10,939)	(1,481)	(101,732)
Other operating expenses	(17,747)	(3,337)	(3,543)	(3,145)	(27,772)
Finance profit/loss	(24,031)	(4,348)	(4,387)	131	(29,195)
<b>Profit/loss before tax</b>	<b>7,304</b>	<b>32,318</b>	<b>(4,882)</b>	<b>418</b>	<b>38,598</b>

(6) Subsidiaries

(a) Composition of the Group

Appendix I contains information on the subsidiaries included in the Group's consolidation and Appendix II contains information on the related companies included in the Group's scope of consolidation whose evaluation is detailed below:

	Thousands of Euros
	2023
Biored Cella, S.L.	249,849
Biored Vegas Altas, S.L	3,000
H2 Duero, S.L.	400,000
Energygreen Gas Almazán, S.L.	1,779,829
	<b>2,432,678</b>

(b) Non-Controlling interests

Non-controlling interests reflect the 0.02% equity investment in Redexis Gas Murcia, S.A. and the 25% equity investment in Eficiencia y Red Solar, S.L.

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### Notes to the Consolidated Annual Accounts

#### (c) Related companies

Redexis Gas Finance, B.V. was incorporated on 10 March 2014 in the Netherlands and at 31 December 2023 is an investee of Guotong Romeo Holdings Limited, Chase Gas Investments Limited and Arbejdsmarkedets Tillægspension (ATP) (same shareholders as the Parent). Its principal activity is the issue of debt.

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

The amount of the loans received by the Parent at 31 December 2023 and 2022 is Euros 1,000,000 thousand, and this is the same amount as the one guaranteed by the Parent for the Redexis Gas Finance, B.V. issues. The list of these loans is itemised in Note 19.

The Redexis Foundation was incorporated on 12 July 2019 and its purpose, in general, is the promotion of technological innovation and the development of social, charity, assistance, training or cultural works. Specifically, the Foundation promotes the development and well-being of the social groups that exist in the territories where the Redexis Group operates, with special consideration given to promoting infrastructures that contribute to a sustainable development and cleaner economy.

Redexis Energía, S.A. is the sole shareholder of the Parent and was incorporated with limited liability under Spanish law in Madrid on 20 December 2023. Its registered office is located at calle Mahonia no. 2, 28043 Madrid (Spain) and its main corporate purpose is the holding, purchase, subscription, exchange and sale of domestic and foreign securities, on its own account and without intermediary activity, for the purpose of controlling, administering and managing these companies.

#### (7) Property, plant and equipment

Details of property, plant and equipment and movement during the years ended 31 December 2023 and 2022 are as follows:

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	Thousands of Euros						
	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Other property, plant and equipment	Under construction and advances	Total
<b>Cost at 31 December 2022</b>	<b>7,034</b>	<b>6,970</b>	<b>2,309,782</b>	<b>4,323</b>	<b>2,356</b>	<b>37,638</b>	<b>2,368,103</b>
Additions	-	-	871	-	-	62,711	63,581
Business combination additions (Galivi Solar, S.L.) (Note 3a)	30	4,561	791	20	57	1,589	7,047
Transfers	19	2	63,106	13	136	(63,275)	-
Disposals	-	-	(1,456)	-	-	(2,533)	(3,989)
<b>Cost at 31 December 2023</b>	<b>7,084</b>	<b>11,532</b>	<b>2,373,093</b>	<b>4,356</b>	<b>2,549</b>	<b>36,129</b>	<b>2,434,742</b>
Accumulated depreciation at 31 December 2022	-	(2,571)	(1,035,542)	(3,522)	(1,944)	-	(1,043,579)
Depreciations	-	(886)	(93,673)	59	(247)	-	(94,746)
Business combination additions (Galivi Solar, S.L.) (Note 3a)	-	(1,459)	(234)	(13)	(35)	-	(1,741)
Transfers	-	299	(34)	(271)	6	-	-
Disposals	-	-	1,185	(0)	-	-	1,185
Accumulated depreciation at 31 December 2023	-	(4,618)	(1,128,297)	(3,746)	(2,220)	-	(1,138,881)
<b>Net carrying amount at 31 December 2023</b>	<b>7,084</b>	<b>6,915</b>	<b>1,244,796</b>	<b>610</b>	<b>328</b>	<b>36,129</b>	<b>1,295,861</b>

	Thousands of Euros						
	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Other property, plant and equipment	Under construction and advances	Total
<b>Cost at 31 December 2022</b>	<b>7,026</b>	<b>6,891</b>	<b>2,204,274</b>	<b>4,000</b>	<b>2,150</b>	<b>45,281</b>	<b>2,269,621</b>
Additions	-	-	16,336	-	-	83,909	100,245
Transfers	8	79	90,094	323	206	(90,711)	-
Disposals	-	-	(922)	-	-	(841)	(1,763)
<b>Cost at 31 December 2023</b>	<b>7,034</b>	<b>6,970</b>	<b>2,309,782</b>	<b>4,323</b>	<b>2,356</b>	<b>37,638</b>	<b>2,368,103</b>
Accumulated depreciation at 31 December 2022	-	(2,052)	(945,619)	(3,343)	(1,644)	-	(952,658)
Depreciations	-	(519)	(90,719)	(179)	(300)	-	(91,716)
Disposals	-	-	795	-	-	-	795
Accumulated depreciation at 31 December 2023	-	(2,571)	(1,035,542)	(3,522)	(1,944)	-	(1,043,579)
<b>Net carrying amount at 31 December 2023</b>	<b>7,034</b>	<b>4,399</b>	<b>1,274,240</b>	<b>801</b>	<b>412</b>	<b>37,638</b>	<b>1,324,524</b>

The majority of the additions taking place in 2023 and 2022 are from the organic growth of the Group by means of the extension of distribution networks, in new municipalities as well as in locations already served by the Group.

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In addition, worthy of note are the corporate transactions for the integration of LPG networks and facilities that are described below:

- On 7 June 2022 a framework agreement was signed between Gas Extremadura Red GLP, S.L.U. and Redexis for the purchase and transfer to Redexis of LPG facilities, and for the sale and transfer to Gas Extremadura of other LPG facilities, for a total of approximately 713,464 Euros for the purchase and 47,523 Euros for the sale, with the result that Redexis provides service to approximately 808 supply points. This transaction was approved in 2022, with the effective transfer of assets taking place in its entirety during 2023.
- At 30 December 2021, Cepsa Comercial Petróleo, S.A.U., GASIB Sociedad Ibérica de Gas Licuado, S.L.U. and Redexis entered into a framework agreement for the purchase and conveyance of LPG networks and facilities serving around 2,295 supply points, for approximately Euros 1,565 thousand. This transaction was approved in 2022, with the effective transfer of the assets taking place for the most part during 2023.
- At 16 December 2021 several companies of the Nedgia Group and Redexis entered into a framework agreement for the purchase and conveyance of LPG networks and facilities serving around 14,450 supply points, for approximately Euros 19,998 thousand. This transaction was approved by the CNMC, and all of the assets were transferred in 2022 and 2023.
- On 28 December 2020, Repsol Butano, S.A. and the Group entered into a framework agreement for the purchase and conveyance of LPG networks and facilities serving around 4,230 thousand supply points, for approximately Euros 4,838 thousand. The effective transfer of all assets took place in 2023.

At 31 December 2023, "property, plant and equipment under construction and advances" reflects investments in gas transmission and distribution networks that the Group expects to complete in the coming months.

At 31 December 2023, the Group has recognised gas plant dismantling costs of Euros 53 thousand under Technical installations and machinery (Euros 53 thousand at 31 December 2022). 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 2023 and 2022 is as follows:

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	Thousands of Euros	
	2023	2022
Buildings	1,690	96
Technical installations and machinery	306,170	267,488
Other installations, equipment and furniture	3,018	2,533
Other property, plant and equipment	1,863	1,218
	<b>312,741</b>	<b>271,335</b>

(8) Intangible assets

Details of intangible assets and movement during the years ended 31 December 2023 and 2022 are as follows:

	Thousands of Euros				
	Licences	Goodwill	Computer software	Other intangible assets	Total
<b>Cost at 31 December 2022</b>	<b>542,914</b>	<b>219,175</b>	<b>60,430</b>	<b>8,168</b>	<b>830,687</b>
Additions	-	9,374	4,465	803	14,642
Business combination additions (Galivi Solar, S.L.) (Note 3a)	-	-	73	-	73
Disposals	-	-	-	(162)	(162)
<b>Cost at 31 December 2023</b>	<b>542,914</b>	<b>228,549</b>	<b>64,968</b>	<b>8,809</b>	<b>845,240</b>
Accumulated depreciation at 31 December 2022	-	-	(47,955)	(1,790)	(49,745)
Business combination additions (Galivi Solar, S.L.) (Note 3a)	-	-	(57)	-	(57)
Depreciations	-	-	(6,354)	(98)	(6,452)
Accumulated depreciation at 31 December 2023	-	-	(54,366)	(1,888)	(56,254)
<b>Net carrying amount at 31 December 2023</b>	<b>542,914</b>	<b>228,549</b>	<b>10,602</b>	<b>6,921</b>	<b>788,986</b>

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	Thousands of Euros				
	Licences	Goodwill	Computer software	Other intangible assets	Total
<b>Cost at 31 December 2021</b>	<b>542,914</b>	<b>219,175</b>	<b>54,572</b>	<b>7,344</b>	<b>824,004</b>
Additions	-	-	5,859	853	6,712
Disposals	-	-	-	(29)	(29)
<b>Cost at 31 December 2022</b>	<b>542,914</b>	<b>219,175</b>	<b>60,430</b>	<b>8,168</b>	<b>830,687</b>
Accumulated depreciation at 31 December 2021	-	-	(41,531)	(1,353)	(42,884)
Depreciations	-	-	(6,425)	(437)	(6,862)
Accumulated depreciation at 31 December 2022	-	-	(47,955)	(1,790)	(49,745)
<b>Net carrying amount at 31 December 2022</b>	<b>542,914</b>	<b>219,175</b>	<b>12,475</b>	<b>6,378</b>	<b>780,942</b>

The volume of additions for the investment in IT applications in 2023 and 2022 comes from system and software implementation projects, as well as evolutionary improvements to corporate systems.

The additions to goodwill correspond to the difference between the consideration paid and the fair value of the assets and liabilities acquired from the company Galivi Solar, S.L. The Group is analysing the allocation of goodwill that will be carried out within the one-year period, as established by IFRS 3.

The goodwill arising on the business combination carried out in 2010, amounting to Euros 213,053 thousand (subsequently reduced by Euros 1,584 thousand), and that generated on the business combination carried out in 2015 amounting to Euros 7,706 thousand, are essentially based on the future profits from the ordinary activities of the Parent Company and the companies Redexis Gas Infraestructuras, S.L.U. and Redexis Gas Murcia, S.A., which fail to meet the conditions to qualify for recognition as a separate asset.

Details of the allocation of goodwill at 31 December 2023 and 2022, by cash-generating unit (CGU), are as follows:

	Thousands of Euros	
	2023	2022
Gas distribution	54,432	54,432
Gas transmission	164,440	164,440
LPG	303	303
Biogas	9,374	-
	<b>228,549</b>	<b>219,175</b>

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 2023 and 2022 is as follows:

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	Thousands of Euros	
	2023	2022
Gas distribution	333,493	333,493
Gas transmission	209,421	209,421
	<b>542,914</b>	<b>542,914</b>

The cost of fully amortised intangible assets in use at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Computer software	43,404	36,674
Other intangible assets	1,114	1,023
	<b>44,518</b>	<b>37,697</b>

(9) Right of use assets and lease liabilities

Details and movement in the accounts included in the right of use assets by classes during the years ended at 31 December 2023 and 2022 are as follows:

	Thousands of Euros					
	Land	Buildings	Motor Vehicles	Information Processing Equipment	Subsoil use	Total
<b>Cost at 31 December 2022</b>	<b>2,886</b>	<b>8,485</b>	<b>3,354</b>	<b>211</b>	<b>4,667</b>	19,602
Additions	172	1,174	622	-	208	2,176
Disposals	-	(66)	-	-	-	(66)
<b>Cost at 31 December 2023</b>	<b>3,058</b>	<b>9,593</b>	<b>3,976</b>	<b>211</b>	<b>4,875</b>	<b>21,713</b>
Accumulated depreciation at 31 December 2022	(697)	(6,141)	(2,176)	(180)	(1,799)	(10,994)
Depreciations	(254)	(977)	(452)	(31)	(372)	(2,086)
Disposals	-	63	-	-	-	63
Accumulated depreciation at 31 December 2023	(951)	(7,055)	(2,628)	(211)	(2,171)	(13,017)
<b>Net carrying amount at 31 December 2023</b>	<b>2,107</b>	<b>2,538</b>	<b>1,347</b>	<b>-</b>	<b>2,704</b>	<b>8,696</b>



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	Thousands of Euros					
	Land	Buildings	Motor Vehicles	Information Processing Equipment	Subsoil use	Total
<b>Cost at 31 December 2021</b>	<b>1,795</b>	<b>7,870</b>	<b>3,054</b>	<b>203</b>	<b>7,539</b>	<b>20,462</b>
Additions	1,091	737	300	8	83	2,219
Disposals	-	(123)	-	-	(2,956)	(3,079)
<b>Cost at 31 December 2022</b>	<b>2,886</b>	<b>8,485</b>	<b>3,354</b>	<b>211</b>	<b>4,667</b>	<b>19,602</b>
Accumulated depreciation at 31 December 2021	(438)	(5,019)	(1,781)	(150)	(1,512)	(8,900)
Depreciations	(259)	(1,122)	(395)	(31)	(396)	(2,203)
Disposals	(0)	0	-	-	109	109
Accumulated depreciation at 31 December 2022	(697)	(6,141)	(2,176)	(180)	(1,799)	(10,994)
<b>Net carrying amount at 31 December 2022</b>	<b>2,189</b>	<b>2,344</b>	<b>1,178</b>	<b>31</b>	<b>2,868</b>	<b>8,609</b>

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

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

In addition, the Group has short-term lease contracts, for which it has recorded an expense in the amount of Euros 269 thousand (Euros 513 thousand in the previous year) (Note 30).

The details and relevant amounts of lease contracts by asset type at 31 December 2023 and 2022 are as follows:

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	Thousands of Euros					
	Land	Buildings	IT Equipment	Motor Vehicles	Subsoil use	Total
<b>31/12/2023</b>						
<b>Amounts</b>						
Fixed lease payments	287	1,035	32	480	452	<b>2,286</b>
Financial expenses for lease liabilities	50	61	-	32	81	<b>224</b>
Long term lease liabilities	1,933	1,626	-	933	2,269	<b>6,761</b>
Short term lease liabilities	243	993	-	453	356	<b>2,045</b>
<b>Conditions</b>						
Lease term	10 years	3 to 4 years	4 years	4 years	4 to 35 years	

	Thousands of Euros					
	Land	Buildings	IT Equipment	Motor Vehicles	Subsoil use	Total
<b>31/12/2022</b>						
<b>Amounts</b>						
Fixed lease payments	291	1,197	32	420	485	<b>2,424</b>
Financial expenses for lease liabilities	52	60	1	28	76	<b>217</b>
Long term lease liabilities	1,998	1,491	-	816	2,419	<b>6,723</b>
Short term lease liabilities	244	929	32	396	370	<b>1,972</b>
<b>Conditions</b>						
Lease term	10 years	3 to 4 years	4 years	4 years	4 to 35 years	

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

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	Thousands of Euros	
	2023	2022
Up to six months	1,023	986
From six months to one year	1,023	986
From one to two years	2,057	1,946
From two to three years	1,645	1,556
From four to five years	575	568
Over five years	2,484	2,652
	<b>8,807</b>	<b>8,695</b>

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

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

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

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

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

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

According to the projections and estimates available to the Company (which include the considerations of the 2021-2030 Integrated National Energy and Climate Plan - PNIEC), the cash flow forecasts attributable to the CGUs to which goodwill and various intangible assets with indefinite useful lives have been allocated make it possible to recover the value of goodwill and intangible assets with indefinite useful lives recognised at 31 December 2023.

A sensitivity analysis to the assumption of the average cost of after-tax capital in a projection period of 15 years shows that, for the natural gas distribution activity, a sign of impairment of goodwill and intangible assets with indefinite lives would only exist if the

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perpetual growth rate (g) was -7.7% or lower; in the case of the activity of transmission of natural gas, for a sign of impairment to exist the rate (g) would have to fall to -2% or lower.

(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	
	2023	2022	2023	2022
Financial assets at amortised cost				
Loans	27	27	104	110
Security and other deposits delivered	1,642	1,461	-	-
Other financial assets	63	65	-	-
Shareholdings accounted for by the equity method	2,433	-	-	-
Trade and other receivables				
Trade receivables	9,849	6,133	38,376	39,627
Other receivables	155	1,766	51,275	25,430
Impairment	-	-	(2,016)	(1,306)
Cash and cash equivalents	-	-	92,302	81,102
<b>Total financial assets</b>	<b>14,169</b>	<b>9,452</b>	<b>180,041</b>	<b>144,964</b>

The amount of net profits and losses, corresponding to the category of financial assets at amortised cost in the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Finance income at amortised cost	12	16
Reversal/(Losses) for impairment (Notes 15 and 30)	(824)	51
	<b>(81)</b>	<b>67</b>

(12) Current and Non-Current Financial Assets

Details of current and non-current financial assets at 31 December 2023 and 2022 are as follows:

	Thousands of Euros			
	2023		2022	
	Non-current	Current	Non-current	Current
Security deposits paid	1,642	-	1,461	-

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Loans to employees and other	27	104	27	110
Other financial assets	63	-	65	-
<b>Total</b>	<b>1,732</b>	<b>104</b>	<b>1,553</b>	<b>110</b>

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

(13) Income tax

At the Shareholders General Meeting held on 17 December 2010 the Parent Company shareholders agreed that, with effect as of 1 January 2011, the Company would apply the consolidated taxation regime regulated in Title VII, Chapter VII of the now repealed Royal Legislative Decree 4/2004, of 5 March, replaced by Title VII, Chapter VI of Law 27/2014, of 27 November, approving the Corporate Income Tax Law. Redexis, S.A.U. is the Parent company of a new tax group also made up of the subsidiaries detailed in Appendix I attached.

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

	2023		
	Thousands of Euros		
	Assets	Liabilities	Net
Property, plant and equipment	1,639	(28,943)	(27,304)
Goodwill	-	(11,934)	(11,934)
Deferred income	-	(1,630)	(1,630)
Intangible assets	-	(68,266)	(68,266)
Provisions	52	-	52
Amortisation and depreciation	857	-	857
Personnel remuneration	1,107	-	1,107
Tax loss carryforwards	310	-	310
<b>Net assets and liabilities</b>	<b>3,965</b>	<b>(110,773)</b>	<b>(106,808)</b>

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	2022		
	Thousands of Euros		
	Assets	Liabilities	Net
Property, plant and equipment	1,614	(30,291)	(28,677)
Goodwill	-	(10,335)	(10,335)
Deferred income	-	(1,959)	(1,959)
Intangible assets	-	(66,942)	(66,942)
Provisions	232	-	232
Amortisation and depreciation	1,519	-	1,519
Personnel remuneration	1,033	-	1,033
<b>Net assets and liabilities</b>	<b>4,398</b>	<b>(109,528)</b>	<b>(105,130)</b>

There are no unrecorded deferred tax assets or liabilities.

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, detailed in the accounts for the mentioned year, 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 Statements for 2014. The merger was carried out under the special protection tax regime contained in Chapter VII of Title VII of the Spanish Corporate Income Tax Law and, therefore, the tax value of the property, plant and equipment, intangible assets and goodwill at 1 January 2014 was Euros 23,846 thousand, Euros 245,314 thousand and Euros 6,030 thousand, respectively. The tax effects occur as of when the merger was entered in the Mercantile Registry on 27 February 2015.

On 23 December 2015, the Parent 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

## REDEXIS, S.A.U. AND SUBSIDIARIES

### Notes to the Consolidated Annual Accounts

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 Parent 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 Statements.

The tax value of intangible assets and goodwill in 2017 increased by Euros 43,031 thousand and Euros 75,253 thousand respectively. The Parent 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. 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 674 thousand at 31 December 2023 (Euros 1,157 thousand at 31 December 2022). 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 Parent Company has opted for the 10-year reversal period.

In accordance with legislation in force, the Group may offset its tax loss carryforwards up to a maximum of 25% of taxable income before the offset. In the calculation of corporate income tax for 2022, the tax Group offset all tax loss carryforwards in an amount of Euros 971 thousand.

With effect from tax periods beginning in 2023, the taxable income of the tax group will be determined by taking into account only 50 per cent of the individual tax losses of each of the entities comprising the tax group.

With effect for subsequent tax periods, the amount of the individual losses not included in the taxable income of the tax group due to the application of the aforementioned measure will be included in the taxable income of the tax group in equal parts in each of the first ten tax periods beginning on or after 1 January 2024, as a result of which the group has recorded a deferred tax asset amounting to Euros 312 thousand.

In the event of loss of the consolidated taxation regime or termination of the tax group, the amount of the individual tax losses pending inclusion in the taxable income of the group will be included in the last tax period in which the group is taxed under the consolidated taxation regime.

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

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

There are no items charged or credited directly against other overall income and net equity in 2023 and 2022.

Details of the income tax expense are as follows:

	Thousands of Euros	
	2023	2022
<b>Current tax for the year</b>	<b>4,444</b>	<b>8,067</b>
<b>Adjustment of prior years</b>	<b>(436)</b>	<b>527</b>
Deferred tax		
<b>Origination and reversal of temporary differences</b>	<b>(3,596)</b>	<b>(3,271)</b>
Accelerated depreciation and amortisation	(1,454)	(1,454)
Depreciation and amortisation	720	681
Salaries payable	(1)	366
Goodwill	(2,486)	(2,486)
Provisions	(375)	(378)
<b>Income tax expense for the year (companies)</b>	<b>412</b>	<b>5,323</b>
Adjustments and eliminations on consolidation	4,945	4,911
<b>Income tax expense for the year (Group)</b>	<b>5,357</b>	<b>10,235</b>



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

	Thousands of Euros	
	2023	2022
Current tax	4,444	8,067
Tax loss carryforwards offset and recognised in prior years	311	(243)
<b>Income tax payable for the year (Group)</b>	<b>4,755</b>	<b>7,825</b>
Payments on account during the year	(3,320)	(6,015)
<b>Current income tax liability</b>	<b>1,435</b>	<b>1,810</b>

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

	Thousands of Euros	
	2023	2022
Profit for the year before tax	22,997	38,598
Tax at 25%	5,749	9,649
Adjustment of prior years	(436)	527
Other net movements	44	59
<b>Income tax expense for the year (Group)</b>	<b>5,357</b>	<b>10,235</b>

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

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

<u>Tax</u>	<u>Years open</u>
Corporate Income Tax (All Group companies*)	2015 – 2018
Value Added Tax (Redexis, S.A.U.)	2017 – 2018
Non-Resident Income Tax (Redexis, S.A.U.)	2016 – 2019

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The audit actions were finalised during 2022. As regards corporate income tax, the Tax Authorities issued a settlement to increase the payment of Euros 1,109 thousand plus default interest for the years 2015-2018 for some deductions corresponding to technological innovation, research and development expenses the Group had applied, and that the auditors did not consider appropriate.

They proceeded with the aforementioned regularisation and corresponding record of compliance, imposing no fine whatsoever.

As regards the rest of the taxes and years under inspection, the result of the audit actions was verified and accepted for all companies of the Group.

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

<u>Tax</u>	<u>Years open</u>
Corporate Income Tax (*)	2019 – 2022
Value Added Tax (**)	2019 – 2023
Personal Income Tax	2019 – 2023
All other applicable Taxes	2019 – 2023

(\*) The period for filing corporate income tax is within 25 calendar days following six months after the end of the year, whereby the Corporate Income Tax corresponding to 2023 will not be open to inspection until 25 July 2024.

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

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

(14) Inventories

Details of Inventories are as follows:

	<u>Thousands of Euros</u>	
	<u>2023</u>	<u>2022</u>
LPG inventories	8,443	9,941
Solar Panels	3,090	2,699

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Other	88	218
Supplier advances	1,486	491
	<u>13,107</u>	<u>13,348</u>

At 31 December 2023 and 2022, the Group had no commitments to purchase or sell inventories.

(15) Trade, other receivables and other current assets

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

	Thousands of Euros			
	2023		2022	
	Non-current	Current	Non-current	Current
Trade receivables	9,849	38,376	6,133	39,627
Receivables, settlements pending	155	49,826	1,766	23,411
Other receivables	-	1,449	-	2,019
Less impairment due to uncollectibility	-	(2,016)	-	(1,306)
<b>Total trade and other receivables</b>	<b>10,004</b>	<b>87,635</b>	<b>7,899</b>	<b>63,751</b>

	Thousands of Euros	
	2023	2022
Public entities balances receivable		
Taxation authorities, recoverable VAT	503	1,216
Taxation authorities, withholdings	106	28
Other	155	415
Prepayments	516	511
<b>Total other assets</b>	<b>1,280</b>	<b>2,171</b>

Trade receivables primarily comprise balances receivable from suppliers of natural gas for tolls invoiced and propane gas invoiced to end customers. In the case of non-current, they come from sales with deferred payment of energy facilities for third parties.

Current and non-current receivables recorded under debtors, settlements receivable reflect settlements and measurement differences receivable from the gas system.

Movement in impairment due to uncollectibility is as follows:

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	Thousands of Euros	
	2023	2022
Balance at 1 January	(1,306)	(1,532)
Impairment charge	(871)	(330)
Reversals for impairment	47	381
Business combination additions (Galivi)	(65)	-
Cancellations	179	175
<b>Balance at 31 December</b>	<b>(2,016)</b>	<b>(1,306)</b>

At 31 December 2023 and 31 December 2022 there are no past-due unimpaired trade receivables corresponding to balances with Public Entities, for which no credit risk is foreseen.

(16) Cash and cash equivalents

Details of cash and cash equivalents are as follows:

	Thousands of Euros	
	2023	2022
Cash in hand and at banks	92,302	81,102
	<b>92,302</b>	<b>81,102</b>

(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 2023 and 2022, the share capital of the Parent 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 2023, Redexis, S.A.U. is wholly owned by Redexis Energía, S.A. At 31 December 2022, Redexis, S.A.U. was owned (i) 33.33% by Chase Gas Investments Limited, a subsidiary of the USS private equity fund; (ii) 33.34% by Arbejdsmarkedets Tillægspension (ATP) private equity fund; and (iii) 33.33% by Guotong Romeo Holdings Limited, a company owned by the funds Guoxin Guotong Fund LLT and CNIC Corporation Limited.

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

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

In order to monitor and achieve these objectives, the Group maintains a prudent financial policy that specifies a commitment to maintain an investment grade rating, in other words, BBB- or greater by Standard & Poor's rating agency or any other agency with which the Group maintains a rating request. This entails the fulfilment of a series of leverage ratios and cash generation in accordance with that rating.

(b) Share premium

This reserve, amounting to Euros 105,433 thousand at 31 December 2023 and 2022, is freely distributable, provided that its distribution would not reduce the Parent's equity to an amount lower than share capital.

(c) Other reserves

Details of "Other reserves" are as follows:

	Thousands of Euros	
	2023	2022
Legal reserve	20,000	20,000
Other shareholder contributions	67,538	67,538
Other reserves	273,803	245,441
	<b>361,341</b>	<b>332,979</b>

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 2023 and 2022, the Parent 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.

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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 Parent'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 2023 and 2022, other reserves include goodwill reserves amounting to Euros 16,356 thousand, which are non-distributable until the carrying amount of goodwill is lower than the amount of this reserve in the annual accounts of each Group company.

Details of reserves contributed by each Group company at 31 December 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	2022
Redexis, S.A.U.	357,397	329,871
Redexis Gas Murcia, S.A.U.	6,380	4,026
Redexis Gas Servicios, S.L.U.	(1,340)	(1,077)
Redexis GLP, S.L.U.	(6,916)	(5,523)
Redexis Infraestructuras, S.L.U.	5,819	5,681
	<b>361,341</b>	<b>332,979</b>

(d) Dividends

During 2023 the Parent did not pay dividends to its shareholders (30,000 thousand Euros in 2022).

(e) Profit/loss for the year

Details of profit/(loss) for the year contributed by each Group company at 31 December 2023 and 2022 are as follows:

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	Thousands of Euros	
	2023	2022
Redexis, S.A.U.	23,117	27,525
Redexis Gas Servicios, S.L.U.	(510)	(262)
Redexis GLP, S.L.U.	(800)	(1,393)
Redexis Gas Murcia, S.A.U.	2,914	2,354
Redexis Infraestructuras, S.L.U.	(7,672)	138
Galivi Solar, S.L.U.	616	-
Energy Green Gas Almazán, S.L.	(25)	-
	<b>17,640</b>	<b>28,362</b>

(18) Financial Liabilities by Class and Category

(a) Classification of financial liabilities by category

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

	Thousands of Euros	
	2023	
	Carrying amount Non-current	Carrying amount Current
<b>Financial liabilities at amortised cost</b>		
Debt with related companies	995,657	12,455
Loans and borrowings		
Variable rate	225,223	2,021
Fixed rate	227,477	18,807
Security and other deposits received	875	-
Payables transformable into subsidies	1,661	-
Other financial liabilities	-	3,552
Lease liabilities	6,761	2,046
<b>Total financial liabilities</b>	<b>1,457,654</b>	<b>38,881</b>

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	Thousands of Euros	
	2022	
	Carrying amount Non-current	Carrying amount Current
<b>Financial liabilities at amortised cost</b>		
Debt with related companies	993,746	12,489
Loans and borrowings		
Variable rate	223,036	244
Fixed rate	247,158	11,543
Security and other deposits received	872	-
Payables transformable into subsidies	1,161	-
Other financial liabilities	-	2,396
Lease liabilities	6,723	1,972
<b>Total financial liabilities</b>	<b>1,472,695</b>	<b>28,644</b>

The fair value of loans and borrowings with related companies at 31 December 2023 is Euros 958,530 thousand (Euros 920,900 thousand at 31 December 2022). For the rest of the liabilities, the fair value is similar to the carrying amount

The average interest rate of these debts with related companies and bank borrowings is 1.96% (1.95% in 2022).

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 2023 comprise finance costs at amortised cost totalling Euros 35,804 thousand (Euros 28,907 thousand in 2022).

(c) Changes in Liabilities arising from Financing Activities

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



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	Thousands of Euros			
	Debt with related companies	Loans and borrowings	Lease liabilities	Total
<b>Balance at 31 December 2021</b>	<b>991,885</b>	<b>414,165</b>	<b>11,765</b>	<b>1,417,815</b>
Cash flows	-	66,884	(2,207)	<b>64,677</b>
Other changes	1,861	(1,443)	(863)	<b>(446)</b>
<b>Balance at 31 December 2022</b>	<b>993,746</b>	<b>479,605</b>	<b>8,695</b>	<b>1,482,046</b>
Cash flows	-	(7,682)	(2,061)	<b>(9,743)</b>
Other changes	1,912	2,957	2,173	<b>7,041</b>
<b>Balance at 31 December 2023</b>	<b>995,657</b>	<b>474,880</b>	<b>8,807</b>	<b>1,479,343</b>

(19) Debt with related companies

As indicated in Note 6c, at 31 December 2023 the Parent was extended a series of loans by related party Redexis Gas Finance, B.V. in a nominal amount of Euros 1,000,000 thousand at 31 December 2023 and 2022.

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

The list of loans at the close of 2023 and 2022 is as follows:

Years 2023 and 2022

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

No transactions were performed in 2023, as in 2022.

Accrued interest not yet due at 31 December 2023 and 2022 is reflected under "Loans and Borrowings with Related Companies" under current liabilities in the Consolidated Statement Of Financial Position.

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(20) Loans and Borrowings

Details on loans and borrowings at 31 December 2023 and at 31 December 2022 are as follows:

Type	2023			
	Thousands of Euros			
	Maturity	Maximum available	Carrying amount	
			Current	Non-current
Loans and borrowings:				
- ESG linked - Revolving Credit Facility	2026	300,000	63 <sup>(1)</sup>	(692) <sup>(2)</sup>
- EIB loan 2015	2036	122,353	10,126	112,851
- EIB loan 2017	2039	47,059	3,429	44,037
- EIB loan 2018	2040	75,000	5,253	70,588
- ESG linked - Term Loan	2027/2029	225,000	95	224,076
- Reindus 2015	2025	143	72	72
- Reindus 2016	2026	156	52	104
- Reindus 2018	2027	382	76	306
- BBVA 1	2025	225	122	103
- BBVA 2	2026	943	401	542
- BBVA 3	2024	322	322	-
- BBVA 4	2024	202	202	-
- Caixabank 1	2025	197	107	90
- Caixabank 2	2026	766	326	441
- Santander	2025	204	122	82
- ENISA	2026	163	63	100
		<b>773,115</b>	<b>20,831</b>	<b>452,700</b>

(1) Commitment fee.

(2) Outstanding depreciable expenses

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Type	Maturity	Thousands of Euros		
		Maximum available	Carrying amount at 31 December 2022	
			Current	Non-current
Loans and borrowings:				
- ESG linked - Revolving Credit Facility	2024-2026	300,000	63 <sup>(1)</sup>	(980) <sup>(2)</sup>
- EIB loan 2015	2036	131,765	10,183	122,248
- EIB loan 2017	2039	50,000	520	49,910
- EIB loan 2018	2040	75,000	841	75,000
- ESG linked - New Term Loan	2027-2029	300,000	181	224,016
		<b>856,765</b>	<b>11,787</b>	<b>470,194</b>

(1) Commitment fee.

(2) Outstanding depreciable expenses

The maturity by year of the loans is:

At 31 December 2023:

	2024	2025	2026	2027	2028 and thereafter	Total
EIB	16,765	16,765	16,765	16,765	177,352	244,412
TERM LOAN	-	-	-	-	225,000	225,000
REST	1,863	1,261	426	153	-	3,703
<b>TOTAL</b>	<b>18,628</b>	<b>18,026</b>	<b>17,191</b>	<b>16,918</b>	<b>402,352</b>	<b>473,115</b>

In 2023, the most relevant financing operations were as follows:

- In June 2023, the Parent unilaterally waived the right to draw down the Euros 75,000 thousand available under the Term Loan financing formalised in June 2022, leaving Euros 225,000 thousand actually drawn down.

In 2022 the following financing transactions took place:

- In June 2022 the Parent formalised a Term Loan with several Spanish and international institutions in an amount of Euros 300,000 thousand for a term of 5 years, with two optional one-year extensions, and that would reach maturity in 2029. The funds have been allocated to the operational requirements of the Group's business, including the early termination of the Term Loan formalised in May 2020 with a maturity in 2023. Euros 225 million of this loan were drawn, with

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the ability to draw the rest until June 2023 at the Group's discretion and with no type of restriction or condition.

(21) Trade and other payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2023	2022
Suppliers	8,056	9,575
Trade payables	16,990	17,971
Payables, settlements pending	26,674	11,704
Salaries payable	2,707	2,686
Payables for acquisition of non-current assets	26,572	39,246
<b>Total trade and other payables</b>	<b>80,999</b>	<b>81,183</b>

	Thousands of Euros	
	2023	2022
Public entities, other		
tax		
Taxation authorities, personal income	339	373
Social Security payables	454	452
Taxation authorities, personal VAT tax	342	71
Public utility rates, taxes and local council payables	2,845	2,574
<b>Total other liabilities</b>	<b>3,980</b>	<b>3,470</b>

Payables, settlements pending at 31 December 2023 primarily include the balances related to provisional settlements pending final settlement by the regulatory body for 2021, 2022 and 2023 (for the years 2020, 2021 and 2022 at 31 December 2022).

Payables for acquisition of non-current assets at 31 December 2023 and 2022 mainly reflect payables for acquisitions of property, plant and equipment, primarily for the extension of distribution networks.

(22) Late Payments to Suppliers. Additional Provision 3 of Spanish Law 18/2022, of 28 September.

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

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	2023	2022
	Days	
Average supplier payment period	41	45
Transactions paid ratio	42	47
Transactions payable ratio	34	35
	Amount (thousands of Euros)	
Total payments made	198,976	198,874
Total payments outstanding	20,194	33,384

To calculate the average period of payment to suppliers, the commercial operations corresponding to the delivery of goods or provision of services accrued in each year were taken into account.

Trade and other payables for debts with suppliers of goods or services, included in the item "Trade and other payables" of the current liabilities of the balance sheet are considered suppliers exclusively for the purposes of providing the information set out in this Resolution, regardless of any financing for advance collection from the supplier.

"Average payment period to suppliers" is understood as the term that elapses from the receipt of the goods or the provision of services by the supplier and the material payment of the operation.

The following is the breakdown of the monetary volume and number of invoices paid within the legal period established.

	2023	2022
Monetary volume (thousands of Euros)	193,652	178,302
<i>Percentage of the total payments made</i>	87%	89%
Number of invoices	44,772	32,462
<i>Percentage of the total invoices</i>	83%	84%

According to Law 3/2004, of December 29, which establishes measures to combat late payment in commercial transactions, modified in turn by Article 33 of Law 11/2013, of July 26, on measures to support entrepreneurs and stimulate growth and job creation, the maximum legal payment period applicable to the Company in the year 2023 is 30 days, unless agreed otherwise between the parties and extended up to a maximum of 60 days.

(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

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risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits.

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

**Credit risk**

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

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

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

The tables below show the ageing of financial assets at 31 December 2023 and 2022:

	2023					Total
	Thousands of Euros					
	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years	
Trade and other receivables, fixed rate	8,742	29,066	49,827	6,482	3,522	97,639
Other financial assets	3	-	101	-	1,732	1,836
<b>Total assets</b>	<b>8,745</b>	<b>29,066</b>	<b>49,928</b>	<b>6,482</b>	<b>5,254</b>	<b>99,475</b>

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	2022					Total
	Thousands of Euros					
	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years	
Trade and other receivables, fixed rate	8,508	31,832	23,411	6,596	1,303	71,650
Other financial assets	9	-	101	-	1,553	1,663
<b>Total assets</b>	<b>8,517</b>	<b>31,832</b>	<b>23,512</b>	<b>6,596</b>	<b>2,856</b>	<b>73,313</b>

**Liquidity risk**

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

The goal of the Group's finance management is to maintain flexible financing through the availability of the credit facilities contracted. To cover any operating needs that may be necessary, it maintains credit facilities in the amount of Euros 300,000 thousand available at 31 December 2023 (Euros 375,000 thousand available at 31 December 2022, see Note 21) which, together with cash and cash equivalents (Euros 92,302 thousand in 2023 and Euros 81,102 thousand in 2022) and the current cash flow generation, cover the operating needs of the Group.

Details of the Group's exposure to liquidity risk at 31 December 2023 and 2022 are shown below. The tables reflect the analysis of financial liabilities by contractual maturity date.

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2023						
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	3,216	2,357	18,807	292,282	160,418	477,080
Variable rate	-	2,357	-	225,223	-	227,580
Principal	-	336	-	225,223	-	225,559
Interest	-	2,021	-	-	-	2,021
Fixed rate	3,216	-	18,807	67,059	160,418	249,500
Principal	3,216	-	18,628	67,059	160,418	249,321
Interest	-	-	179	-	-	179
Trade and other payables	11,151	67,141	2,707	-	-	80,999
Debt with related parties	-	-	12,455	495,178	500,479	1,008,112
Fixed rate	-	-	12,455	495,178	500,479	1,008,112
Principal	-	-	-	495,178	500,479	995,657
Interest	-	-	12,455	-	-	12,455
<b>Total liabilities</b>	<b>14,367</b>	<b>69,498</b>	<b>33,969</b>	<b>787,460</b>	<b>660,897</b>	<b>1,566,191</b>

  

2022						
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	-	244	11,543	290,095	180,099	481,981
Variable rate	-	244	-	223,036	-	223,280
Principal	-	-	-	223,036	-	223,036
Interest	-	244	-	-	-	244
Fixed rate	-	-	11,543	67,059	180,099	258,700
Principal	-	-	9,412	67,059	180,099	256,569
Interest	-	-	2,131	-	-	2,131
Trade and other payables	16,987	61,510	2,686	-	-	81,183
Debt with related parties	-	-	12,489	495,178	498,568	1,006,235
Fixed rate	-	-	12,489	495,178	498,568	1,006,235
Principal	-	-	-	495,178	498,568	993,746
Interest	-	-	12,489	-	-	12,489
<b>Total liabilities</b>	<b>16,987</b>	<b>61,510</b>	<b>26,719</b>	<b>785,273</b>	<b>678,667</b>	<b>1,569,399</b>

(24) Provisions for Employee Benefits



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

	Thousands of Euros	
	2023	2022
	Non-current	Non-current
Benefit obligations	118	118
<b>Total</b>	<b>118</b>	<b>118</b>

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

Under the current pension scheme, certain Group 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, for which insurance policies have been arranged for cover the Plan. d.

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

At 31 December 2023 and 2022 obligations with employees provisioned with internal funds correspond to long-service bonuses for serving personnel.

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

	Other long-term employee benefits	
	2023	2022
Balance at 1 January	118	132
Personnel expenses	-	5
Actuarial gains and losses	-	(19)
<b>Balance at 31 December</b>	<b>118</b>	<b>118</b>

The contributions made by the Group to the pension plan amounted to Euros 666 thousand in the year ended 31 December 2023 and are included under personnel expenses in the Consolidated Income Statements (Euros 638 thousand in the year ended 31 December 2022, Note 31).

At 31 December 2023 and at 31 December 2022, no accrued contributions were pending.

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(25) Other provisions

Movement in other provisions in 2023 and 2022 was as follows:

	Thousands of Euros	
	2023	2022
Balance at 1 January	3,073	2,290
Charges	3,052	622
Payments	(121)	(33)
Reclassifications	(584)	247
Applications	(8)	(53)
<b>At 31 December</b>	<b>5,412</b>	<b>3,073</b>

These provisions mainly include measurement differences in the distribution and transmission activity pending settlement, several lawsuits and provisions to dismantle facilities and contingent payments for business combinations carried out during the year.

Guarantees

The Group has extended guarantees to various government bodies totalling Euros 46,475 thousand at 31 December 2023 (Euros 51,185 thousand at 31 December 2022) 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:

2023
Thousands of Euros

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Body/Item	Scope	Balance at 1 January	Additions	Disposals	Amounts transferred to the Income Statements	Balances at 31 December
Public entities	PE	12,630	65	(130)	(757)	11,808
Connection charges	Private	8,456	3,171	(76)	(947)	10,604
		<b>21,086</b>	<b>3,236</b>	<b>(206)</b>	<b>(1,704)</b>	<b>22,412</b>

2022

Thousands of Euros						
Body/Item	Scope	Balance at 1 January	Additions	Disposals	Amounts transferred to the Income Statements	Balances at 31 December
Public entities	PE	13,496	90	(131)	(825)	12,630
Connection charges	Private	8,023	1,218	(87)	(699)	8,456
		<b>21,519</b>	<b>1,308</b>	<b>(217)</b>	<b>(1,524)</b>	<b>21,086</b>

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

(28) Revenue from ordinary activities

Details of revenue are as follows:

	Thousands of Euros	
	2023	2022
Remuneration for distribution activities	104,585	106,677
Remuneration for transmission activities	52,374	59,086
<b>Remuneration for transmission and distribution activities</b>	<b>156,959</b>	<b>165,762</b>
Regulated LPG sales	39,851	38,624
Other regulated distribution revenue (connection charges, equipment rental and others)	27,071	29,169
Other non-regulated revenue	14,842	16,166
<b>Total</b>	<b>238,723</b>	<b>249,721</b>

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Notes to the Consolidated Annual Accounts

(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	
	2023	2022
<b>Service rendered and/or asset transferred over time</b>		
Gas distribution	104,585	106,677
Gas transmission	52,374	59,086
Sale of LPG	39,851	40,492
Rental of metering equipment	7,397	7,218
Renting and maintaining CRF	9,381	8,695
<b>Service rendered and/or asset transferred at a specific time</b>		
Registration fees	1,566	1,853
IRF Inspections	6,270	6,743
Contracting party connection charges	1,616	2,064
Supply reinstatement fee	840	728
Revenue from the sale of facilities and PV solar	10,768	12,799
Lease income	1,757	1,748
Other income	2,318	1,619

(ii) Contract balances

At 31 December 2023 and 2022, the Group had no accounts receivable, customer contract assets or liabilities.

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(29) Other income

Details of other income are as follows:

	Thousands of Euros	
	2023	2022
Government grants taken to income (Note 27)	757	825
Applicant connection charge (Note 27)	947	699
Income from third-party offsets	407	324
Profits associated with property, plant and equipment	436	99
Lease income	67	126
LNG transmission revenue	3,284	2,830
Other income	1,510	499
<b>Total</b>	<b>7,408</b>	<b>5,402</b>

(30) Other Operating expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2023	2022
Operating lease expenses (Note 9)	269	513
Repairs and maintenance	8,441	7,663
Independent professional services	2,271	2,119
Bank and similar fees	339	343
Advertising and publicity	880	1,922
Utilities	556	386
Insurance premiums	759	813
Taxes	2,235	2,409
Outsourced services	7,274	7,585
Other expenses	3,641	3,357
Impairment losses / (profit) and uncollectibility of trade and other receivables (Note 11)	824	(51)
Other non-recurrent expenses	(622)	713
<b>Total</b>	<b>26,867</b>	<b>27,771</b>

(31) Employee benefits expense

Details of the employee benefits expense for 2023 and 2022 are as follows:

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	Thousands of Euros	
	2023	2022
Salaries and wages	20,547	20,442
Social Security payable by the Company	4,989	4,743
Contributions to defined benefit plans (Note 24a)	666	638
Provisions	-	(621)
Other employee benefits	678	620
Non-recurrent expenses	38	38
<b>Total</b>	<b>26,918</b>	<b>25,860</b>

The average headcount of the Group in 2023 and 2022, distributed by category, is as follows:

	Number	
	2023	2022
Steering Committee	11	11
Executives and managers	121	121
Technical and Support Staff	191	192
Other categories	17	13
<b>Total</b>	<b>340</b>	<b>337</b>

At the 2023 and 2022 year ends the distribution by gender of Group personnel and the members of the Board of Directors is as follows:

	2023			2022		
	Male	Female	Total	Male	Female	Total
Board members	7	1	8	7	1	8
Steering Committee	6	3	9	6	3	9
Executives and managers	94	25	119	94	28	122
Technical and Support Staff	117	69	186	131	70	201
Other categories	8	3	11	16	7	23
<b>Total</b>	<b>232</b>	<b>101</b>	<b>333</b>	<b>254</b>	<b>109</b>	<b>363</b>

(32) Finance Income and Costs

Details of finance income and costs are as follows:



































































