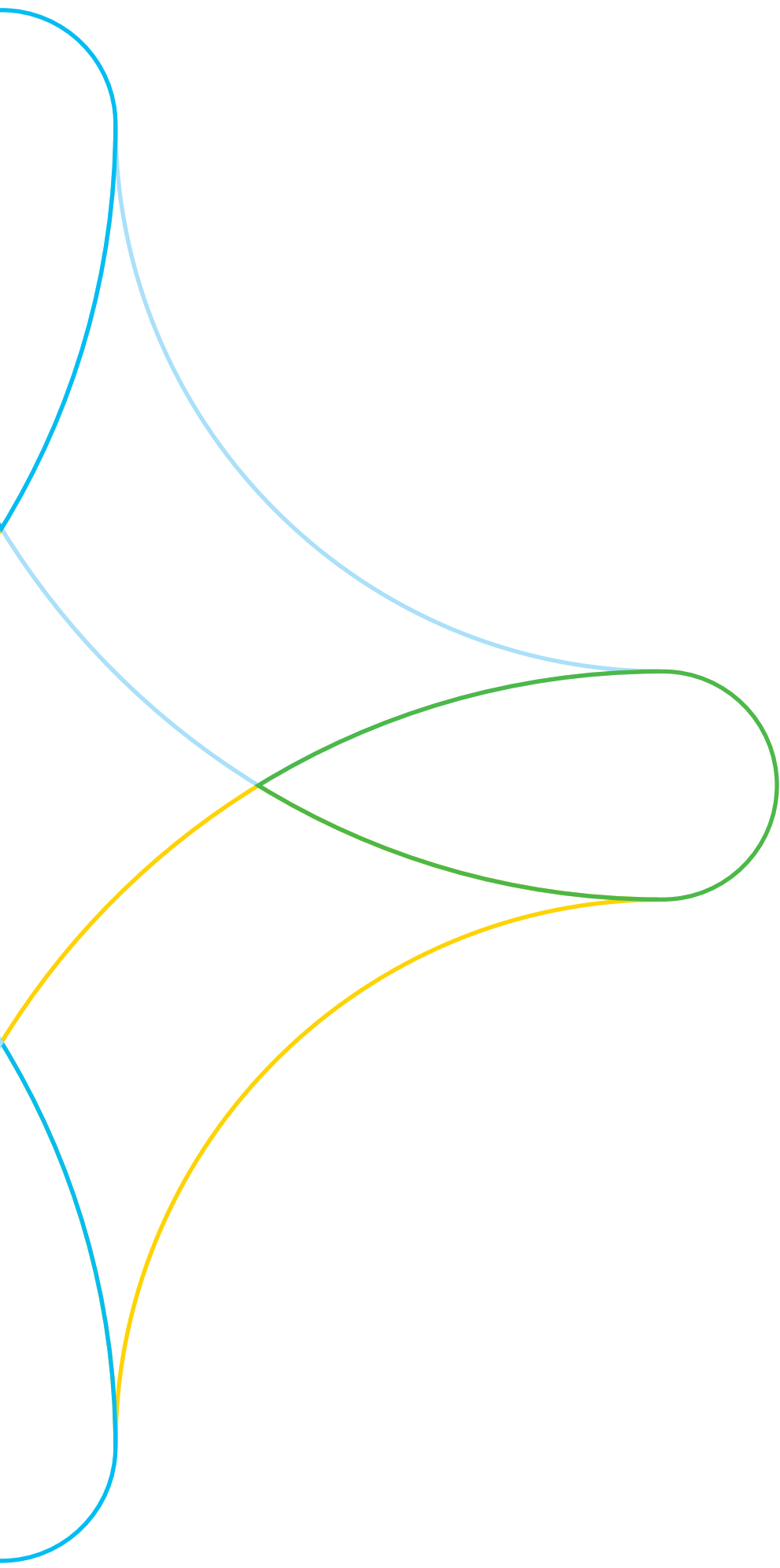
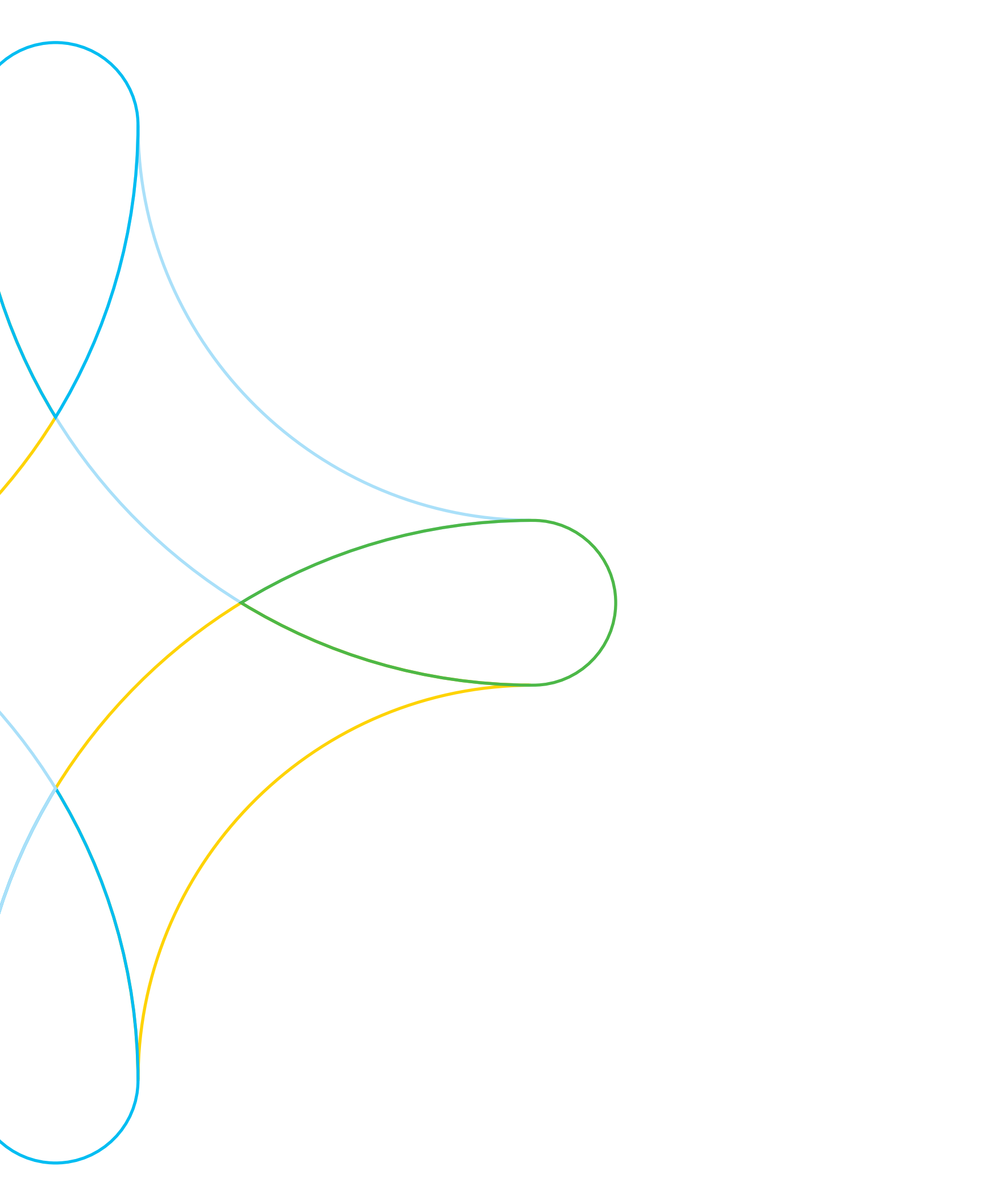
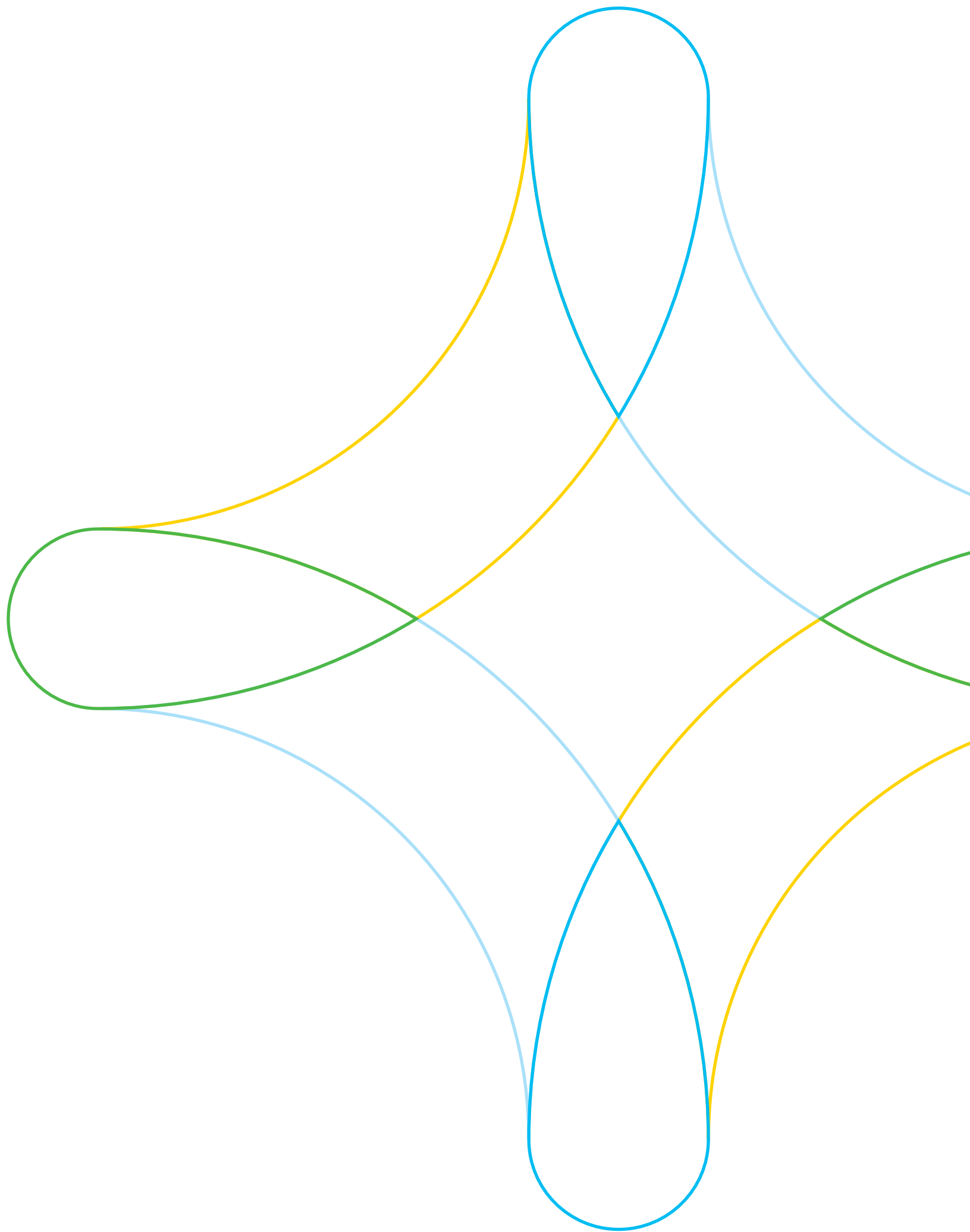

ANNUAL
REPORT
2014









Redexis
gas

WELCOME TO THE REDEXIS GAS 2014 ANNUAL REPORT

You will like the future

This report presents in a unified manner the financial, social, environmental and Corporate Governance aspects of Redexis Gas during the year 2014. It is intended to give all stakeholders a true image of its activity and performance throughout the year, showing once again its strong commitment to the integration of sustainability in its business model.

All the information contained in this Report is presented by Redexis Gas in a transparent, dynamic, concise and very visual manner, for ease of reading, and stating its strategy, turnover, main projects and activities it develops in the communities where it is present.

Additionally, again this year, the Report commits to supporting the ten principles of the United Nations Global Compact.

To obtain further information and access a greater level of detail, you may access the corporate website www.redexisgas.es where you will find additional documents to better understand the activities and actions of Redexis Gas.

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Redexis gas



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OVERVIEW
OF
THE YEAR
2014

1

THE COMPANY AT A GLANCE

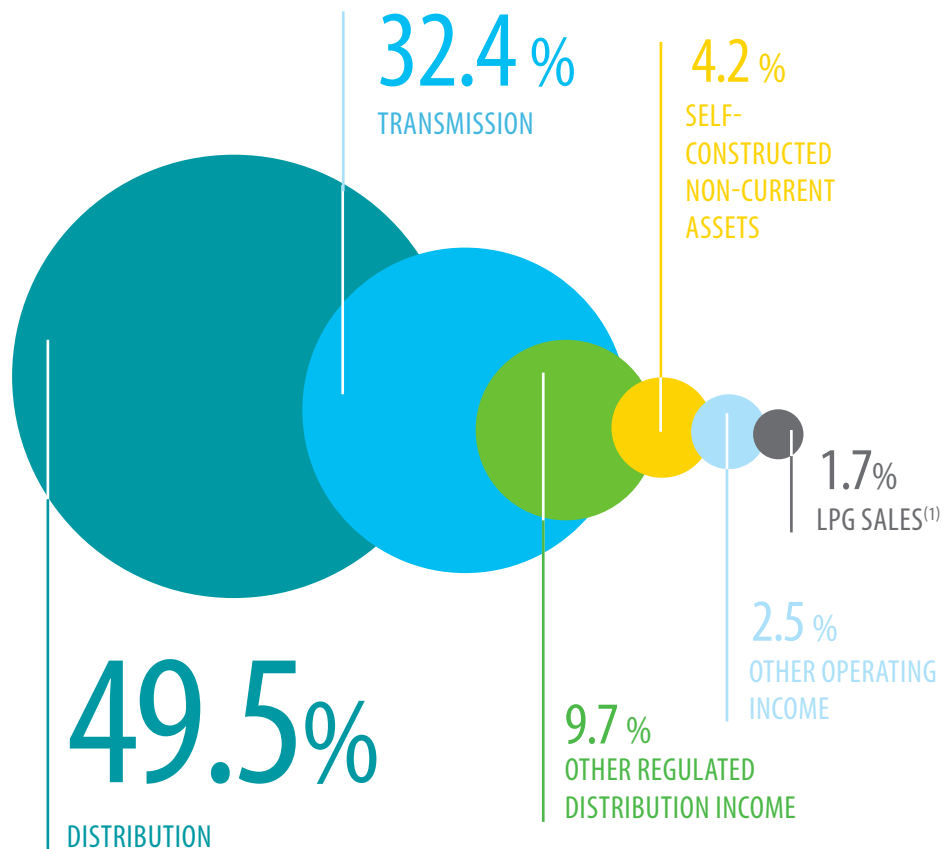
Redexis Gas is one of the leading companies in the development and operation of natural gas transmission and distribution infrastructures in Spain. It operates its own networks of a length of 8,000 kilometers, throughout eight Autonomous Communities, by means of which it provides access to this source of safe, convenient and efficient energy to over five million persons, industries and commercial establishments, in a total of 215 municipalities and 21 provinces.

The Company, owned by Goldman Sachs Infrastructure Partners and co-investors, has a solid and continued plan to expand and roll out the network for the purpose of constantly creating value in the communities in which it operates, where it has already invested over 1 billion Euros.

AREAS WHERE REDEXIS GAS OPERATES



SPLIT OF REVENUES OF 2014

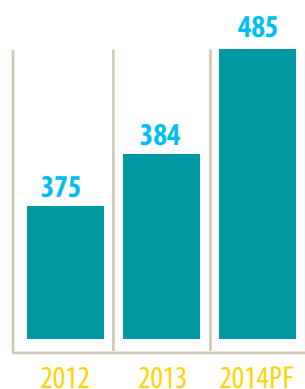


⁽¹⁾ Liquid petroleum gas

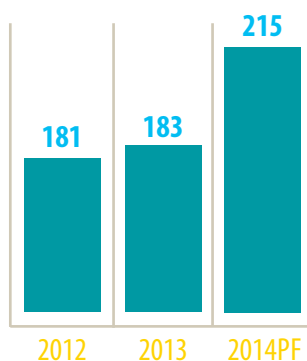
KEY FIGURES

OPERATING

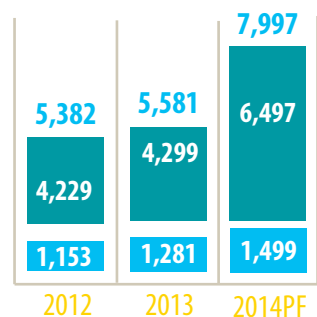
CONNECTION POINTS (thousand)



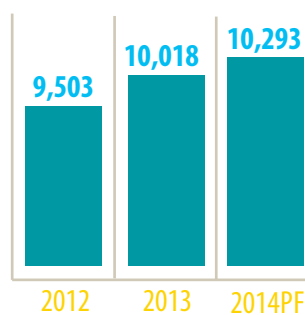
MUNICIPALITIES SERVED



NETWORK LENGTH (Km)



ENERGY DISTRIBUTED (GWh)



■ Distribution network length
■ Transmission network length

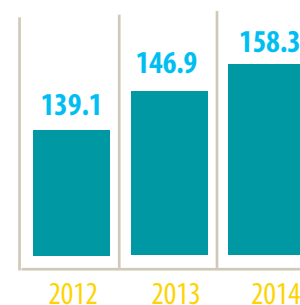
KEY OPERATING DATA

| | UNIT | 2012 | 2013 | 2014 PF |
|-----------------------------|------|---------|---------|---------|
| Connection Points | # | 375,434 | 384,168 | 484,734 |
| Provinces served | # | 19 | 19 | 21 |
| Municipalities served | # | 181 | 183 | 215 |
| Network length | Km | 5,382 | 5,581 | 7,997 |
| Distribution network length | Km | 4,229 | 4,299 | 6,497 |
| Transmission network length | Km | 1,153 | 1,281 | 1,499 |
| Energy distributed | GWh | 9,503 | 10,018 | 10,293 |

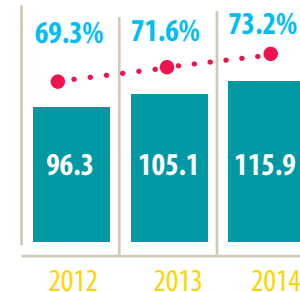
NOTE: PF means Proforma and includes the operating data of Redexis Gas and Gas Energía Distribución Murcia (GEDM)

FINANCIAL

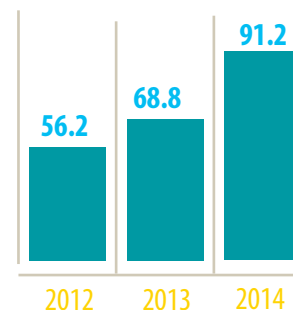
REVENUES (€m)



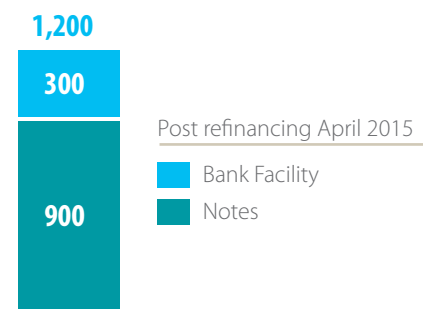
EBITDA (€m) / MARGIN (%)



CAPEX (€m)



CAPITAL STRUCTURE (€m)



NOTE: The financial data for 2014 do not include GEDM

LETTER FROM THE EXECUTIVE CHAIRMAN

2014 has been a year marked again by growth for Redexis Gas. The results obtained show the Company's capacity to face the challenges of the future, which involve taking gas to the maximum number of households and businesses in our country, through growth plans focused towards rolling out modern natural gas infrastructures.

In 2014, Redexis Gas reached a gross operating income of Euro 115.9 million, increasing the figure obtained in 2013 by 10.2%, with a 73.2% margin, exceeding by 1.7 percentage points the one obtained in 2013, thanks to the investment effort made and the management seeking operating and financial efficiency. The revenues of Redexis Gas reached Euro 158.3 million, which entails a 7.7% increase compared to the previous year. It can be highlighted that our Company has grown 3.2% in 2014 compared to the previous year, closing the year with 396,533 supply points.

These results reflect the Company's strength and show the commitment of each one of its employees to exceed the challenges posed. For such reason, I want to start this letter by congratulating the whole team of Redexis Gas, for its excellent work and dedication, with the utmost confidence that internal talent will be the key to exceed the expectations that the future holds for us.

During the year, the Company carried out a significant transaction to acquire key assets in Spain, achieving a greater scope of action and a new growth dimension. That is the agreement entered into with Naturgas EDP to purchase Gas Energía Distribución Murcia, together with other additional distribution assets in Catalonia, Extremadura, Community of Madrid, Castile and Leon and Region of Murcia. For Redexis Gas, such acquisition entails

increasing by 30% its number of supply points, to exceed half a million throughout Spain, and over 8,100 kilometres of networks to provide access to natural gas to over 5 million persons in 227 Spanish municipalities. I have no doubt that the consequences of integrating these assets will be beneficial for the future of Redexis Gas, not only because of the boost derived from the geographical fitting of the same, but also because of the operating synergies they will bring.

Our investment policy to extend transmission and distribution networks continued in 2014, a year in which the Group invested Euro 91.2 million, 32.5% more than the previous year 2013. And we will continue this way in the future. In 2015, Redexis Gas will invest over Euro 320 million to continue the expansion of already existing networks, take gas to 30 new municipalities throughout the Spanish geography, and acquire Gas Energía Distribución Murcia and the natural gas distribution assets in Catalonia, Extremadura, Community of Madrid, Castile and Leon and Region of Murcia, mentioned above. Additionally, the Company will continue to promote the presentation of projects to obtain the preliminary administrative authorization and boost its growth throughout Spain.

The year 2014 has been marked by the regulatory change in the gas sector, which has gained stability and competitiveness, thanks to measures aimed at promoting gasification in Spain, favouring the growth of gas networks and the resulting increase of investments. Such process, as befits a strategic industry, was decisive to define a new framework to correct imbalances and promote investments in assets in the future. It must be highlighted that Redexis Gas operates in a sector that brings competitiveness to the economy,



“These results reflect the Company’s strength and show the commitment of each one of its employees to exceed the challenges posed”.

contributing to environmental, industrial and socioeconomic improvement of citizens and companies.

The financial structure of Redexis Gas is backed by the capital markets. It is a Company listed on the Luxembourg Stock Exchange and with an “Investment Grade” credit rating by Moody’s (Baa3) and Fitch (BBB). In 2014, the Company completed the refinancing of its capital structure with a view to continuing with the development of new gas infrastructures in Spain and, this way, have a greater number of financing sources. The new structure included a bond issue that was supported by more than 200 investors from countries such as the United Kingdom, Germany, France and Spain, for an amount of Euro 650 million, and a Euro 300 million facility from a syndicate of banks. On the other hand, at the beginning of 2015 investors showed their support and trust in the Company, successfully completing a new bond issue for an amount of Euro 250 million. These resources provide flexibility to Redexis Gas, given that they extend their maturities twelve years, to April 2027.

Additionally, in 2014, a relevant milestone took place in the highest governance body

in Redexis Gas, such as the appointment of Cristina Ávila as director, combining her executive functions with this new responsibility, so that now the Board is formed by ten directors and one secretary non-director, under my chairmanship.

In Redexis Gas we understand Corporate Responsibility as the responsible, efficient and comprehensive management of the company and taking conscience of economic, social and environmental circumstances existing around us. Proof of this is our decision to adhere to the Spanish Network of the United Nations Global compact, undertaking to support, through its activities, the consolidation of this international plan. Additionally, Redexis Gas is committed to innovation, actively contributing to sustainable development and the creation of jobs that generate value in society.

Precisely, one of our initiatives, which I am particularly proud of, aims at improving the employability options of professionals in the gas industry. It is the “First Redexis Gas Training and Employment Programme”, with the support of the Department of Economy and Competitiveness of the

Balearic government, and which we will extend to other communities throughout 2015. This Programme links training to the needs of companies and the labour market, focusing on two main groups: young people and long-term unemployed people over 45. The professionals who obtain this certification are ready to collaborate with Redexis Gas in its gas expansion plan.

I conclude these lines full of enthusiasm for the present and future of Redexis Gas, convinced of the good path we’re moving along as a benchmark element in the roll out and management of gas infrastructures in Spain and I am very grateful to our shareholders for the trust deposited. In 2015, and in successive years, we will continue working in the same direction and with the same enthusiasm to deal with the challenges that the future brings.

Fernando Bergasa
Executive Chairman

LETTER FROM THE DIRECTOR GENERAL MANAGER

The Redexis Gas 2014 Annual Report reflects the excellent results we have obtained. Once again, we have exceeded all the growth targets set for the year, and we are firmly committed to continuing along the same path. The achievement of all our 2014 targets is the result of the intense work that the entire Redexis Gas Team carries out on a day-to-day basis, implementing the Strategic Plan, and reinforces the huge enthusiasm and confidence we all have for the future. A future in which natural gas plays an essential role in the promotion of economic development, improving competitiveness in all sectors, creating jobs and working with the utmost respect for the environment.

Our results show the growth trend experienced in Redexis Gas. We closed 2014 with a Euro 158.3 million turnover, 7.7% higher than the previous year, and with a Euro 115.9 million gross operating profit, 10.2% higher than the previous year, improving the operating margin in 1.7 percentage points. The operating expenses and operating costs were reduced by 13% last year. The extension of infrastructures we have undertaken allows us now to provide access to natural gas in Spain to five million persons, industries and commercial establishments, in a total of 215 municipalities in 21 Spanish provinces, and in the Autonomous Communities of Aragon, Balearic Islands, Andalusia, Castile and León, Castile - La Mancha, Region of Murcia, Community of Valencia and Madrid. In 2014, our investments increased by 32.5%, reaching Euro 91.2 million, compared to the Euro 68.8 million invested the previous year.

For the natural gas distribution business, we closed 2014 with 396,533 supply points, which represents a 3.2% increase compared to 2013, and 4,439 kilometres of distribution networks built, which entails a 3.2% increase compared to the previous year. The investments made grew 54.4% in distribution, to reach Euro 44.0 million.

Redexis Gas expanded the gas network to 10 new municipalities in five different Autonomous Communities, boosting the economy of the municipalities it reaches and generating activity, employment and progress. Additionally, Redexis Gas has presented over 200 projects to obtain preliminary administrative authorisations and plans to take gas to a total of 30 new towns in 2015.

In the natural gas transmission business, Redexis Gas was the Company in the sector to roll out more kilometres in Spain in 2014, with a total of 152 kilometres and a Euro 39.4 million investment, closing the year with a 1,434 kilometre transmission network, which represents an 11.9% increase compared to 2013. Redexis Gas built 3 new gas pipelines in Spanish territory: "Son Reus – Andratx" in Mallorca, with a 41 kilometre length and a Euro 16.4 million investment; "Elche – Monóvar – Algueña", with 59 kilometres and a Euro 16.1 million investment, and culminated the second phase of the 52 kilometre long gas pipeline of "Huércal-Overa – Baza – Guadix", in the provinces of Granada and Almería, with a total investment of over Euro 35.0 million.

Additionally, in the last quarter of 2014 we reached an agreement with Naturgas EDP to purchase Gas Energía Distribución Murcia, together with additional natural gas distribution assets in Catalonia, Extremadura, Community of Madrid, Castile and Leon and Region of Murcia. For Redexis Gas, such acquisition means exceeding half million natural gas supply points and over 8,100 kilometres of networks to provide access to natural gas to over 5 million persons in 227 municipalities throughout Spain.

During 2014, Redexis Gas promoted its brand presence at national and regional level, involving both institutions and society in general, and becoming a benchmark for excellence in the development and



“During 2014, Redexis Gas promoted its brand presence, becoming a benchmark for excellence in the development and operation of gas networks”.

operation of gas networks. Also, we have renewed and implemented new IT Systems in the Company, pursuant to the best standards in the market, aimed at increasing the efficiency of our business and focusing more accurately on the expansion of our networks.

The reorganisation of the companies in the Redexis Gas Group has been completed in the first quarter of 2015, for the main purpose of achieving operating synergies and greater efficiency in resource management. As a result, Redexis Gas, S.A. has taken over the companies Redexis Gas Aragón S.A.U., Redexis Gas Baleares, S.A.U., Distribuidora Regional del Gas S.A.U., Redexis Gas Distribución S.A.U., Redexis Gas Transporte, S.L.U. and Transportista Regional del Gas S.A.

Redexis Gas puts extreme care into conserving the environment, from the preservation of the natural surroundings of its facilities and works, to the rationalization of resources and minimization of environmental impacts. We are a Company committed to the best practices of excellence within the scopes of quality, safety, health and the environment. We have plans and policies that have been

audited and approved by AENOR and which meet the commitments based on the OHSAS 18001:2007 standard.

Also, Redexis Gas considers environmental excellence as an essential value and establishes environmental management programs, environmental targets and goals, permanently committed to continued improvement. In 2013, it developed and implemented a management system based on its Environmental Policy, and in 2014 it obtained the UNE-EN ISO 14001:2004 certification.

It can be highlighted that natural gas is a source of energy that notably improves the economy of families by providing comfort and well-being, in addition to being a fuel that does not require storage and does not run out. On the other hand, it also provides competitiveness to businesses, hotels, commercial establishments and industries of all kinds. The average savings in the energy bill after replacing electricity or diesel is 20-50%, and at hotels and restaurants the savings can range from 40-50%. It is environmentally-friendly, since its CO₂ emissions to the air are less than half than the ones with other fuels.

Lastly, I want to place special emphasis on the excellent professionals that are part of Redexis Gas and who are the key to the Company's success. During 2014, the Redexis Gas team has made new recruitments, and now directly employs 250 professionals and generates approximately 2,000 indirect jobs. There is no doubt that it is a committed team that carries out an excellent work every day, and I want to sincerely thank them for their effort and dedication.

In 2015 we will continue to significantly expand our gas infrastructure roll out and operation activity, while increasing our investment and job-creating capacity. We will work every day with enthusiasm and optimism, to create the maximum value for our clients, employees and shareholders.

Cristina Ávila

Director General Manager



MILESTONES IN THE YEAR

2015

APRIL 2015

Redexis Gas successfully completed an issue of notes, for an amount of Euro 250 million, with maturity in 2027 and an annual coupon of 1.875%.

Region of Murcia: commencement of supply of natural gas in Águilas.

MARCH 2015

Hosting of the Commercial Awards of Gas 2014.

Community of Valencia: Inauguration of the distribution of natural gas in Jávea (Alicante).

Andalusia: Commencement of supply of natural gas in Húercal-Overa (Almería).

Balearic Islands: Commencement of supply of natural gas in Ibiza.

Balearic Islands: Redexis Gas signed an agreement with the Association of Industrialists of Majorca to promote natural gas in Majorcan industry.



FEBRUARY 2015

Redexis Gas, S.A. formally executed the merger of its subsidiaries, Redexis Gas, S.A. now being the one that directly operates the natural gas transmission and distribution activities.

Murcia: Redexis Gas starts operating in Murcia.

Aragón: Commencement of natural gas distribution in Híjar (Teruel).

Andalusia: the Convention of Safety in Gas Facilities for Domestic Use was signed.

Balearic Islands: Inauguration of the Son Reus – Andratx gas pipeline.

JANUARY 2015

Redexis Gas culminates the acquisition of Gas Energía Distribución de Murcia.

Balearic Islands: Redexis Gas presents, together with the Balearic Government, the "First Redexis Gas Training and Employment Programme".

Balearic Islands: Presentation to the Balearic Government of the investment plan for the next five years in the islands.

Aragón: Presentation to the town council of Ejea de los Caballeros of the investment plans of Redexis Gas in the municipality.

Andalusia: Inauguration of the Húercal-Overa-Baza-Guadix gas pipeline.

2014

DECEMBER 2014

Redexis Gas acquired Gas Energía Distribución de Murcia and other important assets in four autonomous communities.

Redexis Gas launched a program for young people "Promoting talent with energy", pursuant to an agreement entered into with Universia.

Aragón: Redexis Gas supplies gas to the residential complex of the Civil Guard in Aragón.

Aragón: Presentation to the town council of Caspe of the 2015 expansion plans in the municipality, which involve an investment of half a million Euros.

Andalusia: Redexis Gas communicates that it will invest twelve million Euros until 2017 in the province of Granada.

NOVEMBER 2014

Andalusia: Redexis Gas started supplying natural gas to Airbus at its facilities in Puerto Real (Cádiz).



Andalusia: Presentation to the town council of Albox (Almería) of the city's gasification project.

Balearic Islands: Redexis Gas signed an agreement with JS Hotels to install natural gas in five hotels in Can Picafort.

OCTOBER 2014

Balearic Islands: Presentation to the City Council of Palma de Mallorca of the investment plan, with an estimate of over two million Euros.

Aragón: Commencement of distribution of natural gas in Belchite (Zaragoza).

Andalusia: Redexis Gas celebrated with the residents of Cazorla (Jaén) the arrival of natural gas.

SEPTEMBER 2014

Cristina Ávila became a member of the Board of Directors of Redexis Gas.

Redexis Gas established its independent IT systems platform.

JULY 2014

Castile-La Mancha: Commencement of distribution of natural gas in Hellín (Albacete).

Castile-La Mancha: Collaboration agreement signed with the government of CLM, to subsidize the construction works of natural gas distribution pipelines.

Community of Valencia: Inauguration of the Marina Alta gas pipeline.

JUNE 2014

Redexis Gas inaugurated its new headquarters at the **Balearic Islands**.

Redexis Gas adhered to the Spanish Network of the United Nations Global Compact.

Andalusia: Commencement of distribution of natural gas in Mengíbar (Jaén).

APRIL 2014

The shareholders of Redexis Gas capitalized the participating loan they had been granted for an amount of Euro 459 million.

Redexis Gas successfully completed the formal execution of Euro 300 million loan to promote the expansion of its networks.

Redexis Gas successfully completed an issue of notes for an amount of Euro 650 million, with maturity in 2021.

Redexis Gas obtained an investment grade rating of Moody's y Fitch for its refinancing.

Redexis Gas inaugurated its new headquarters at Parque Empresarial Dinamiza in **Zaragoza**.

MARCH 2014

Redexis Gas, S.L. changed its corporate form into **Redexis Gas, S.A.**

FEBRUARY 2014

Appointment of Cristina Ávila as Managing Director of Redexis Gas.





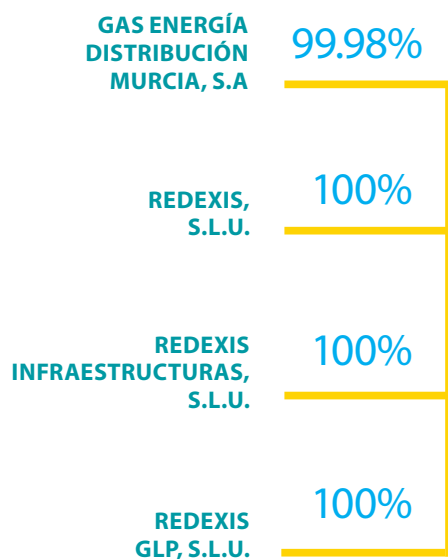
GOVERNING BODIES

THE SHAREHOLDERS

Redexis Gas, S.A., with its registered office in Zaragoza, is the holding company owned by Goldman Sachs Infrastructure Partners and co-investors.

STRUCTURE OF THE GROUP

On 27 February 2015, the merger of the Redexis Gas Group was executed, with the formal extinction of the companies Redexis Gas Aragón S.A.U., Redexis Gas Baleares, S.A.U., Distribuidora Regional del Gas S.A.U., Redexis Gas Distribución S.A.U., Redexis Gas Transporte, S.L.U. and Transportista Regional del Gas S.A. Since such date, all assets are directly operated by Redexis Gas, S.A., except for Gas Energía Distribución Murcia, S.A. (GEDM).



BOARD OF DIRECTORS (as of 30 April 2015)

| MEMBER | OFFICE |
|---|--------------------------|
| MR. FERNANDO BERGASA CÁCERES | EXECUTIVE CHAIRMAN |
| MS. CRISTINA ÁVILA GARCÍA | DIRECTOR GENERAL MANAGER |
| MR. PHILIPPE LOUIS HUBERT CAMU | DIRECTOR |
| MR. PETER ROBERT LYNEHAM | DIRECTOR |
| MR. MATTEO BOTTO POALA | DIRECTOR |
| MR. CLAUDIO AGUIRRE PEMÁN | DIRECTOR |
| MR. ULRIK DAN WEUDER | DIRECTOR |
| MR. STEPHEN ALAN JOHN DEELEY | DIRECTOR |
| MR. MARCUS HUBERTUS GERTRUDIS VENNEKENS | DIRECTOR |
| MR. GERARDUS NICOLAAS MEIJSEN | DIRECTOR |
| MR. IGNACIO PEREÑA PINEDO | SECRETARY NON-DIRECTOR |

MANAGEMENT EXECUTIVE COMMITTEE (as of 30 April 2015)



MR. FERNANDO BERGASA CÁCERES EXECUTIVE CHAIRMAN

- Executive Chairman of Redexis Gas, S.A.
- PhD in Chemistry, University of Princeton, and executive training at the Universities of Harvard and Chicago.
- Between 2007 and 2011 he held the office of managing director in Naturgas Energía and director at HC Energía.
- Previously, he held different executive offices in Endesa S.A. and was a consultant at Mckinsey&Co.
- Fernando Bergasa is also a director at Sedigas and a member of the American Chemical Society.



MS. CRISTINA ÁVILA GARCÍA DIRECTOR GENERAL MANAGER

- Director General Manager of Redexis Gas, S.A.
- Industrial Engineer Graduate from ICAI and MBA from IESE.
- Between 2007 and 2011 she was the general manager of operations at Naturgas Energía and a director at Naturgas Energía Transporte and Naturgas Energía Distribución.
- She previously held executive offices at Endesa Internacional and was a consultant at Arthur D. Little.
- Cristina Ávila is also a director at Sedigas.



MR. DAVID FOLGADO DELGADO CHIEF FINANCIAL OFFICER

- Chief Financial Officer at Redexis Gas, S.A.
- Graduate in Business Administration and Management from the *Universidad Autónoma de Madrid*, with a masters degree in Accounting and Auditing from the *Universidad de Salamanca* and a masters degree in Business Management from the *Instituto de Empresa*.
- From 2003 to 2012, he worked at Ono as Director of Corporate Financing, Investor Relations, Cash Management and Planning.
- From 1998 to 2003 he developed his professional activity at Deloitte, in the audit and consulting areas.
- David Folgado is also a director in Secuoya Grupo de Comunicación and in Redexis Gas Finance B.V.

• **Mr. Ignacio Montaner Gutierrez**, General Manager for Aragón and Operations Director

• **Mr. Julio César Campillo Fernandez**, General Manager for the Southern-Mediterranean Area

• **Mr. Javier Crespo Millán**, General Manager for the Central Area and Distribution Director

• **Mr. Ignacio Pereña Pinedo**, Regulatory and General Counsel and Board Secretary

• **Mr. Diego Sánchez Muslera**, Transmission Director

• **Mr. Carlos Losada Ramírez**, Expansion Director

• **Ms. Mercedes Barreiro Hernández**, Systems Director

• **Mr. Borja Polo Baños**, Business Development Director

• **Mr. Juan García Menéndez**, HR Director

• **Ms. Estefanía Somoza Villar**, Corporate Communication and IR Director

• **Ms. Mireya Martínez San Martín**, Internal Audit Director





BUSINESS
MODEL AND
STRATEGY

2



CORPORATE PROFILE

Redexis Gas is one of the leading companies in the development and operation of natural gas transmission and distribution in Spain. With 485 thousand connection points, the Company provides service to nearly five million persons, industries and commercial establishments in 215 municipalities of 21 provinces, through 8,000 kilometres of its own gas transmission and distribution networks. It operates in the Communities of Aragón, Balearic Islands,

Andalusia, Castile and León, Castile-La Mancha, Community of Valencia, Madrid and Murcia, where it provides access to this safe, convenient and efficient source of energy.

The company carries out its business in a transparent and independent manner, with the objective of providing a quality, safe, and efficient service, of maximum excellence for society.



MISSION, VISION AND VALUES

MISSION

To be a leader in the development and operation of gas infrastructures, maximizing growth and efficiency, and contributing decisively to sustainable development and generation of value for customers, employees and shareholders.

VISION

To be a benchmark gas company, firmly committed to its customers, employees and shareholders, and admired for its capacity to excel and create value.

VALUES

Advance. To endeavor and take risks to reach ambitious targets, taking advantage of our strengths and making successful decisions, based on profitability, efficiency and quality criteria.

All whilst using our professionalism and talent to obtain excellence and imagining future scenarios that will ensure sustainable development.

Live. Believe in what we do, reach even further, without limits. Feel proud of being part of Redexis Gas, making the Company's needs ours, working as a team with passion and enthusiasm and internalizing and spreading our philosophy and our values. Ultimately, "Living Redexis Gas".

Care. To care for the things and people around us, respecting the community and the environment. To keep a responsible attitude towards our stakeholders, living up to our promises and with the clear objective of always exceeding their expectations. To work as a team, so they feel a part of it, cared for and secure with us, based on principles of honesty, transparency and integrity.

Overcome. To have a mindset that continuously overcomes obstacles to help us to grow, grow and grow, towards a bigger future, with global expansion and continuous success. Dynamism, flexibility and the ability to adapt quickly to change are essential to our positioning in the market. Our innovative approach, proactiveness and positive attitude, are necessary to distinguish us vis-à-vis our competitors.

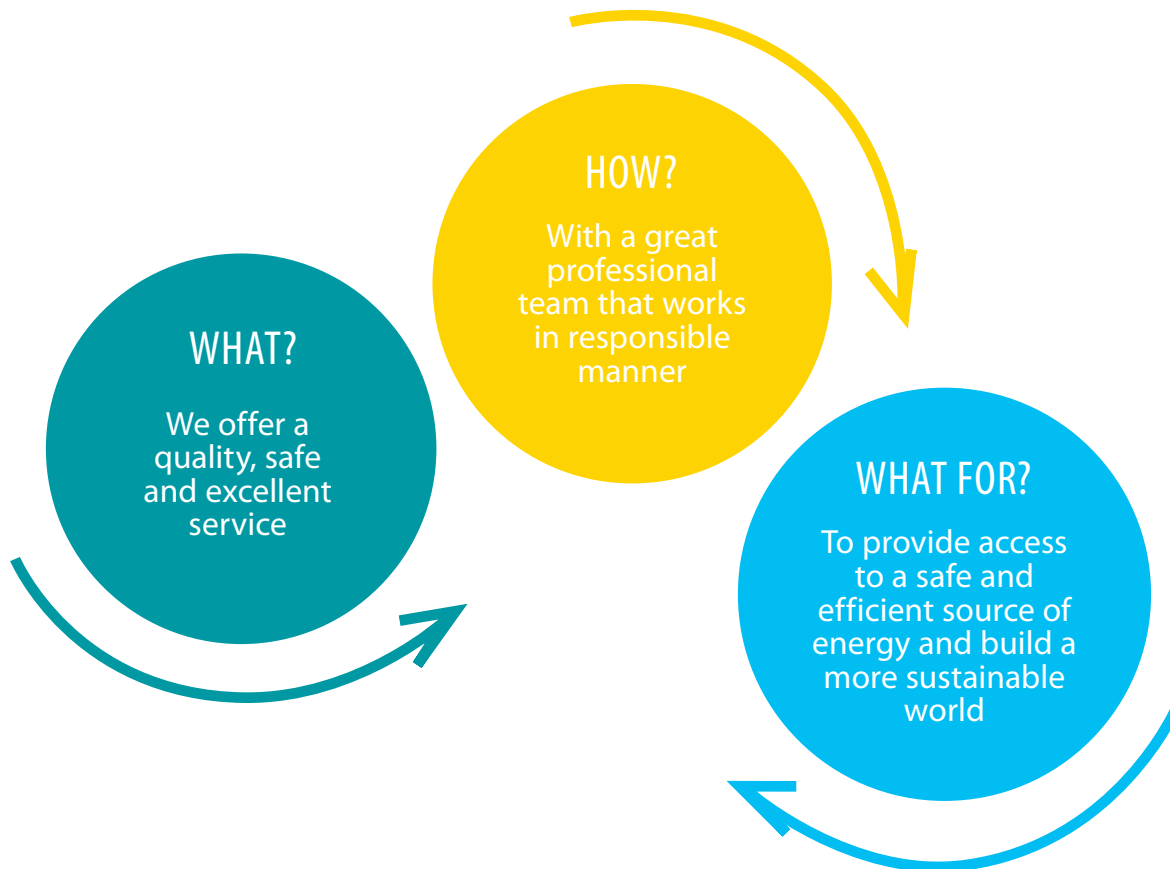
Inspire. To be a leader of reference, motivating and driving others to achieve their objectives. It is necessary that the inspirational leader assist the professional and personal development of those around him, promoting a culture of generosity and recognition, and spreading optimism. Ultimately, inspire to Advance, to Live, to Overcome and to Care.

THE STRATEGY: FORWARD THINKING

Redexis Gas is a benchmark gas company, leader in efficiency and strongly committed to its users, employees and shareholders. It makes an effort to better understand and connect with the company's actual needs; to create new capacities that enable the design of better sustainable solutions and strengthen the Company so that

it may respond better, faster and more consistently to the challenges posed by market developments.

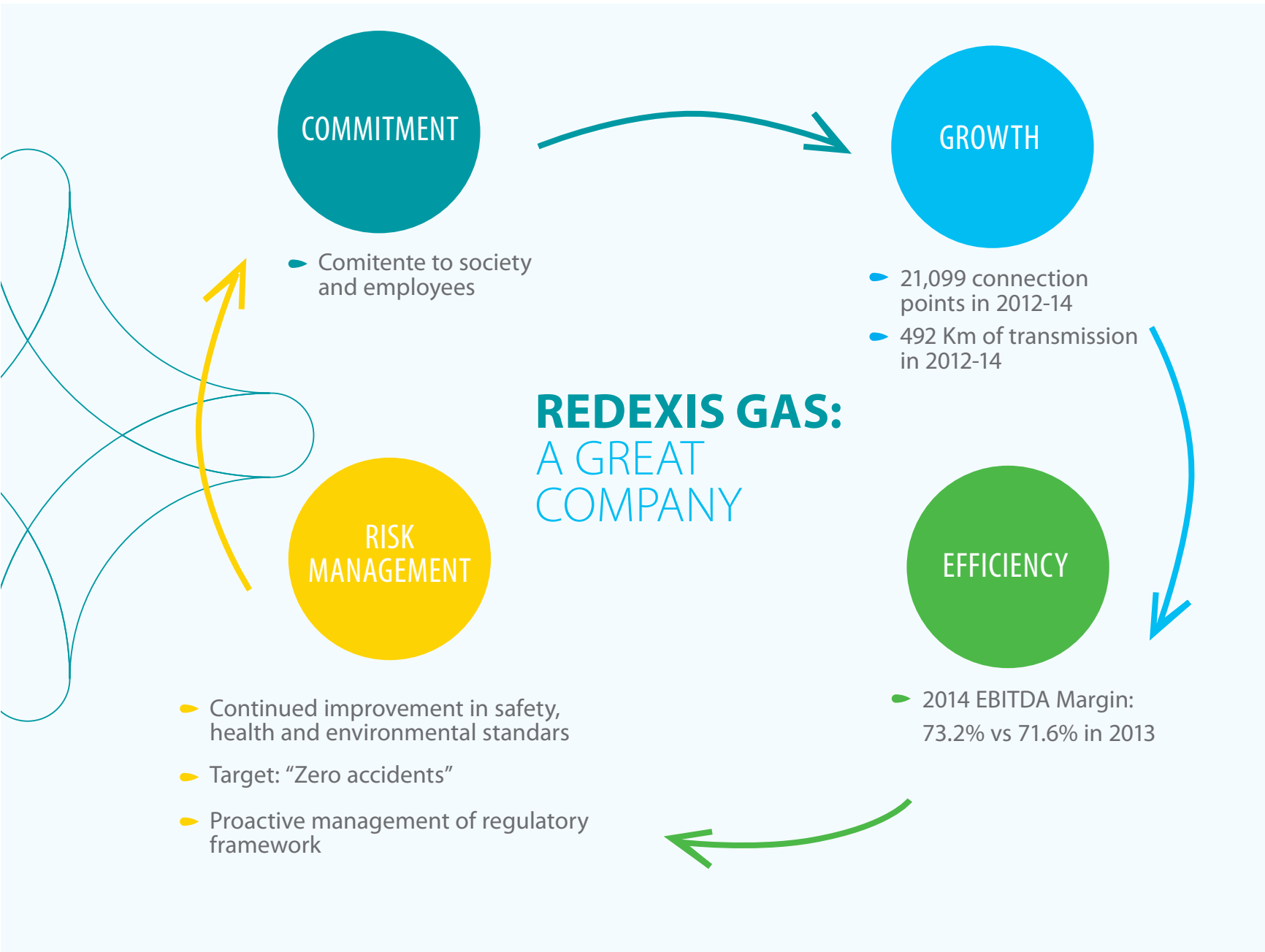
Redexis Gas has its own distinctive way of developing its activity, based on the principles of integrity, prudence, transparency, quality and excellence.



Its strategy is in line with the concerns and expectations of those who have a relation with the Company, or are affected by its activity, and it focuses on a series of objectives that aim for global leadership, optimizing the rate of return of its resources and promoting sustainable development. Redexis Gas attains such objectives by applying its business strategy, which it translates into action plans.

Building on its experience, Redexis Gas continues to expand its activities throughout new regions in the Spanish territory.

The expansion of the network has become an important element of its growth strategy, based on achieving excellence in matters of quality and safety, supported by a continued long-term investment plan. An example of this has been the inauguration of three new gas pipelines located in Andalusia, Balearic Islands and the Community of Valencia, the provision of service to 10 new municipalities as well as the advanced construction phase of the "Son Reus-Inca-Alcudia" gas pipeline in the Balearic Islands and the acquisition of the company Gas Energía Distribución Murcia, S.A. on 30 January 2015.



The path followed and results obtained so far by Redexis Gas show its excellent capacity to face future challenges, reinforce its growth strategy, and provide

the same with incentives to continue investing in the roll out of new natural gas transmission and distribution networks in Spain.



THE HISTORY



The Redexis Gas Group has been supplying gas to its users for over 160 years, in a safe, convenient and clean manner. Since its origins, it has tried to provide innovative solutions by implementing advanced gas infrastructures, adapted to each moment in history.

Throughout a century and a half, the Company has gained presence and significance in the Spanish market.

In mid-19th century, authorisation was obtained to install in Zaragoza the Group's first compressed gas plant, which was awarded the concession of the city's lighting through piped coal gas. In this same period, Societé pour l'éclairage des villes de Biarritz et Saragosse acquired the plant and other assets.

The incorporation of Compañía del Gas de Zaragoza, S.A. did not take place until the year 1927, as part of Eléctricas Reunidas de Zaragoza.

In the 70's, with the arrival of natural gas through the Barcelona pipeline, the company Distribuidora del Gas de Zaragoza, S.A. was incorporated (1976), the maximum shareholder being Eléctricas Reunidas de Zaragoza.

At the beginning of the 80's, the concession of Gas de Zaragoza, S.A. was transferred to Distribuidora de Gas de Zaragoza, S.A. and the supply of carburized water gas started to be replaced with methane-air.

In 1985, the company Gas Huesca, S.A. was incorporated,

and one year later, Endesa acquired Eléctricas Reunidas de Zaragoza and its respective investee companies. Four years later, the Company reached 100,000 connection points.

During the 90's, there was a significant transformation of all methane-air clients into natural gas clients. Throughout this period, Distribuidora de Gas de Zaragoza, S.A. and Gas Huesca, S.A. merged, giving rise to Gas Aragón, S.A. (1993).

In 1997, Endesa Gas was incorporated, formed by different distribution companies established throughout the Spanish territory.

In the year 2000, the Company commissioned its first pipeline to carry gas, and one year later, the transmission activity began with the incorporation of Endesa Gas Transportista, S.L. and Transportista Regional del Gas, S.A.

In 2006, the Company had more than 300,000 connection points, and one year later, it had built over 3,000 km of distribution network.

2010 and 2013 were significant years for Redexis Gas. In 2010, two investment funds managed by Goldman Sachs acquired 80% of the share capital of the asset holding company of Endesa Gas, which one year later changed its corporate name to Endesa Gas T&D, S.L. Two years later, in 2013, Goldman Sachs Infrastructure Partners took control over 100% of the Company, which changed its corporate name to Redexis Gas, S.A., thus concluding the Group's acquisition process.

Since then, Redexis Gas has shown a strong capacity to grow, making fast progress until becoming a great company that has the support of all its stakeholders, such as its shareholders, investors and employees. A company strongly committed to society, that maintains a constant policy of investment in modern and efficient transmission and distribution networks, and which has a broad portfolio of projects that generate value and employment.

Towards the end of 2014, the Company signed an agreement with Naturgas Energía Distribución S.A. for the purchase of the company Gas Energía

Distribución de Murcia (GEDM), as well as other natural gas distribution assets in Catalonia, Extremadura, Community of Madrid and Castile and León. The purchase of GEDM was closed on 30 January 2015 and the purchase of the additional assets will be concluded in the month of June, thus concluding the acquisition. This transaction evidences the strength of Redexis Gas in the gas distribution sector, reaching over five million inhabitants.

The beginning of 2015 has been marked by the formal execution of the merger of its subsidiaries, Redexis Gas, S.A. now being the one that directly operates the natural gas transmission and distribution activities.

In 2015, the Company continues to develop its efficient, expansive, innovative and committed business model, for the purpose of creating sustainable value.





THE BRAND

“The most important way to express our brand is through our identity, representing the sum of all that we are”

Being exceptional on a daily basis is vital for Redexis Gas, it is what allows the same to have a vision for the future and move one step ahead. Therefore, the Company advances and improves day by day, to offer natural gas to the greatest number possible of Spanish homes and companies.

Redexis Gas is aware of the importance of the way it

interacts with its environment and the values it transmits to society, in sum, of reflecting its corporate identity. In view of the cultural change experienced in 2014 with the introduction of values suited for a certain context, the Company changed its image around, consolidating its brand with a new corporate colour: **turquoise**, which from now on will be present in its day to day activities.



Redexis
gas

The symbol is inspired in the 4 cardinal points star, representing a clear course. Its vertices include the forms of (blue) gas flames, which represent the Company's activity, and a (green) leaf that represents its commitment to the environment, interconnected through lines that represent the transmission and distribution pipe layout.

The logotype conveys proximity and modernity.

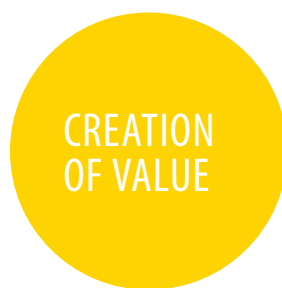
“Excellent networks”



The keys for its brand positioning suggest the guidelines that define the conduct it must follow. They are present in everything it says, does and achieves. These values contribute to project and strengthen its brand spirit:



- **Commitment** to its stakeholders to achieve its goals.



- **Creation of Value** to achieve excellence.



- **Adaptation** to change as the key of success.



- **Personal and corporate responsibility** driving all of its actions.

All of this provides its stakeholders the ease
of knowing that it is always a wise decision to rely on Redexis Gas





THE BUSINESS
OF REDEXIS
GAS

3



THE BUSINESS OF REDEXIS GAS

Natural gas is a safe, efficient and clean energy, with plenty reserves worldwide and many applications.

Its undisputed role in the economy and in the reduction of other types of energies with a negative impact on the environment make natural gas a source of Energy that must be increasingly present in the future energy mix.

Natural gas has a series of **functional, economic and environmental advantages** over the rest of fuels. It is a clean (it does not emit particles and has very low contents of NOx and SOx), affordable, reliable, convenient and ecological energy (with low emissions of CO₂)



MORE AFFORDABLE
SUPPLY OF THE ENERGY



MAINTENANCE ACTIONS
ARE REDUCED



CONSTANT TEMPERATURE
THROUGH OUT THE HOUSEHOLD



INCREASES THEIR
USEFUL LIFE



ENERGY IS
ALWAYS
AVAILABLE



THE SPACE OCCUPIED
BY THE BOILER IS
AVAILABLE



OFFICIAL TARIFFS



IT IS A NON-CONTAMINANT
ENERGY



COMPETITIVENESS OF NATURAL GAS

| | HOUSEHOLDS | CONDOMINIUM | HOTEL | MIDDLE SIZE INDUSTRY | HOSPITAL | BUS | VESSEL |
|---------------------|-------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|---------------------------------|-------------------------------------|
| ENERGY CONSUMPTION | 15 MWh / year | 500 MWh / year | 250 MWh / year | 2,000 MWh / year | 10,000 MWh / year | 300 MWh / year | 190,000 MWh / year |
| OIL INVOICE | 1,417 € / year | 40,140 € / year | 36,500 € / year | 160,330 € / year | 801,653 € / year | 29,000 € / year | 5,500,000 € / year |
| NATURAL GAS INVOICE | 900 € / year | 27,784 € / year | 22,300 € / year | 82,645 € / year | 404,959 € / year | 20,500 € / year | 4,400,000 € / year |
| SAVINGS | 517 € / year (-36%) | 12,356 € / year (-31%) | 14,200 € / year (-39%) | 77,686 € / year (-48%) | 396,694 € / year (-49%) | 8,500 € / year (-29%) | 1,100,000 € / year (-20%) |

Source: Sedigas; Redexis Gas

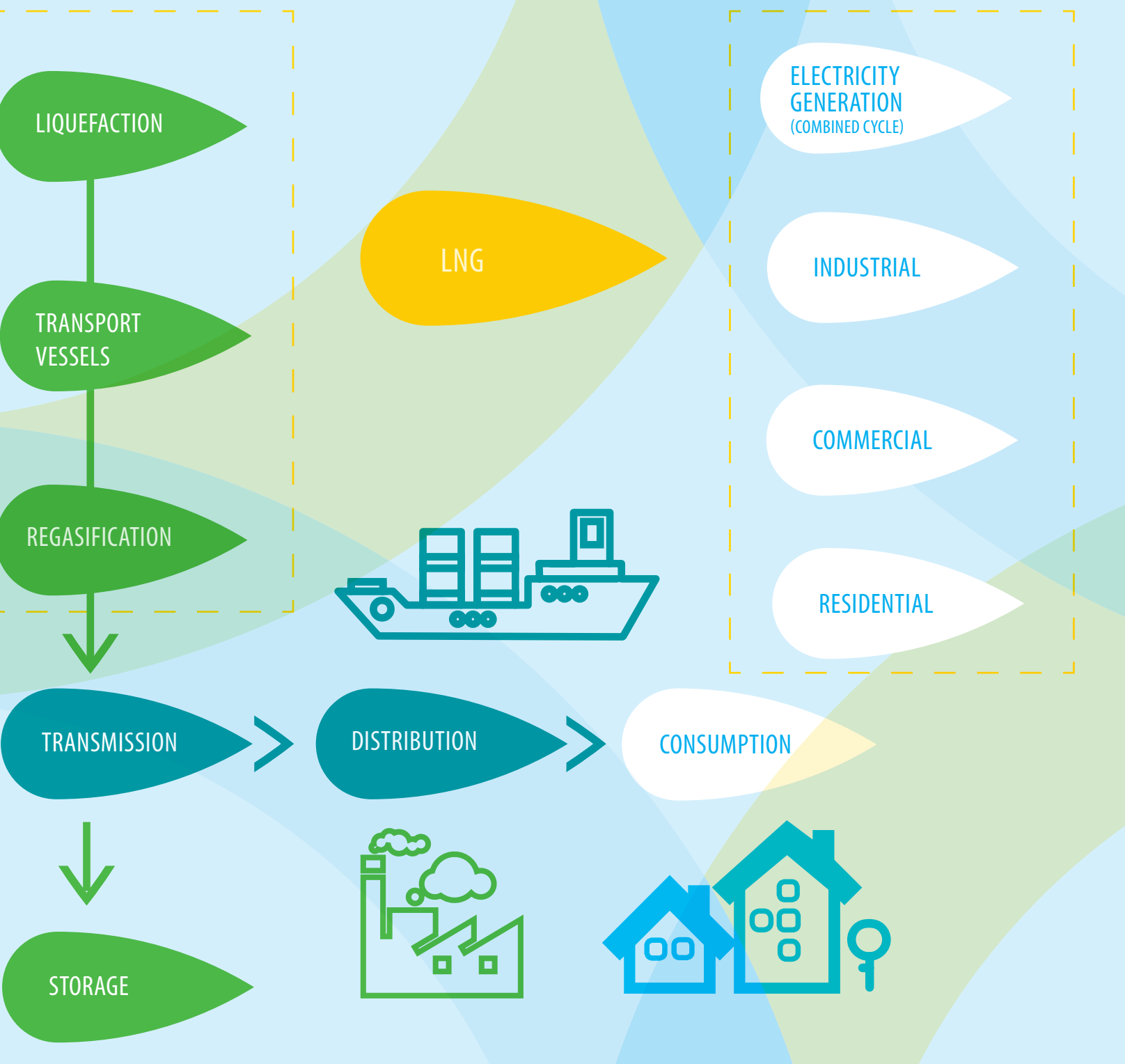
THE VALUE CHAIN OF NATURAL GAS

THE ACTIVITIES THAT ARE PART OF THE NATURAL GAS CHAIN VALUE ARE THE ONES SHOWN IN THE FOLLOWING FIGURE, WHERE REDEXIS GAS PLAYS AN ESSENTIAL ROLE IN THE NATURAL GAS TRANSMISSION AND DISTRIBUTION PHASES.



Natural gas originates from the degradation of organic matter, and although it has often been associated with oil fields, sometimes it is discovered in isolation.

This energy is transported either in its original form, from the well or field, through gas pipelines or, in the case of long distances, in liquid form (LNG, Liquefied Natural Gas), through methane tank ships or trucks at a very low temperature, to later return the



same to its original form at the regasification plants.

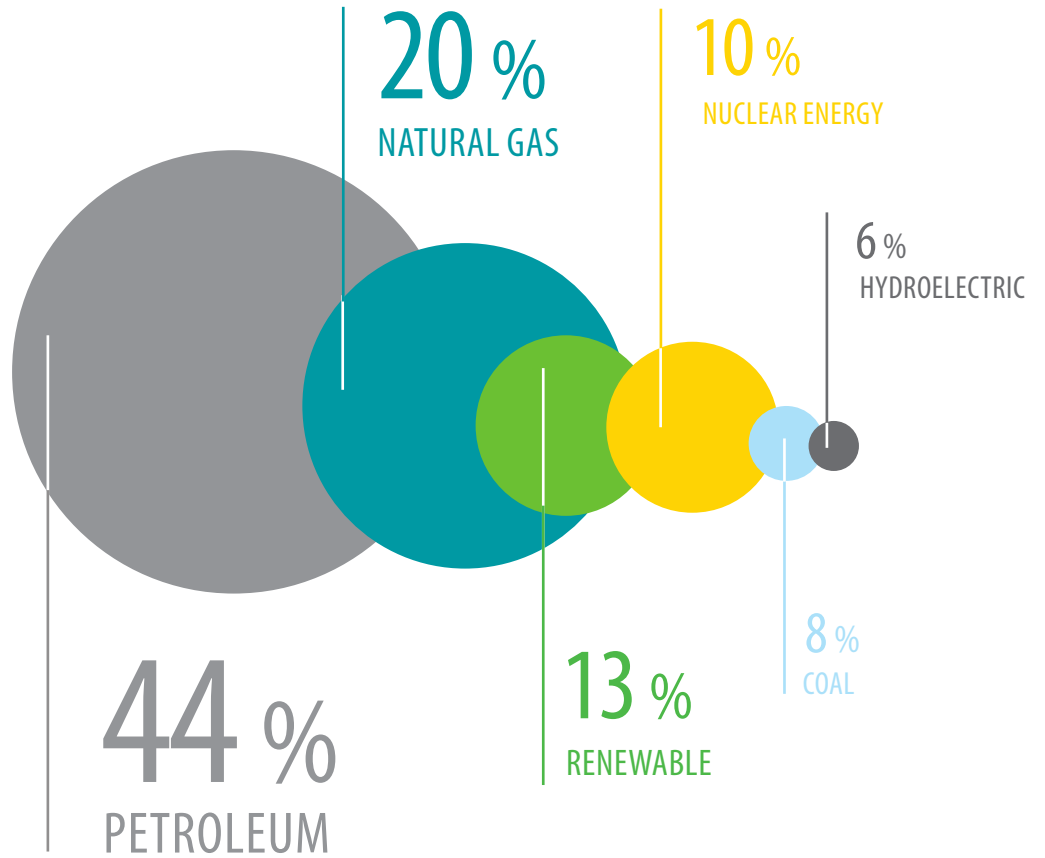
After its extraction from the gas wells, or treatment at the regasification plants, the gas can be stored underground or

enter directly into the transmission network formed by high pressure (over 4 bar) gas pipelines, which lead to industries or distribution pipelines of lower pressure (under 4 bar) to provide service to households and businesses.

MARKET ENVIRONMENT: NATURAL GAS IN SPAIN

IN SPAIN, THE NATURAL GAS INDUSTRY PLAYS A RELEVANT ROLE WITHIN THE ENERGY MIX, GIVEN THAT, IN ADDITION TO SOCIETY'S ENERGY NEEDS, IT ENSURES A SUSTAINABLE ENVIRONMENT.

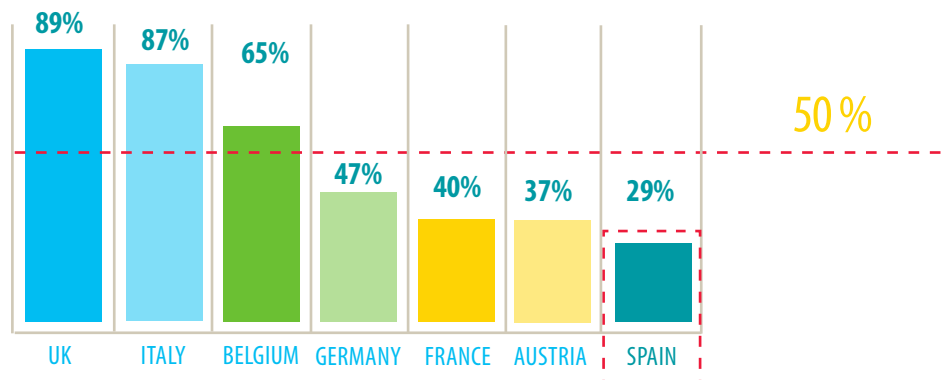
PRIMARY ENERGY CONSUMPTION IN SPAIN 2013



Source: CNMC Report on Monitoring of the natural gas retail market in Spain: 2013.

SPANISH GAS PENETRATION VS OTHER EUROPEAN COUNTRIES IN 2012

According to [Sedigas](#), natural gas currently enjoys enormous potential for the next years. Penetration is relatively low in Spanish households, and represents an opportunity for the sector, the companies and families. The estimated average penetration rate in Spain is 29%, while in the rest of the European countries it is approximately 50%.

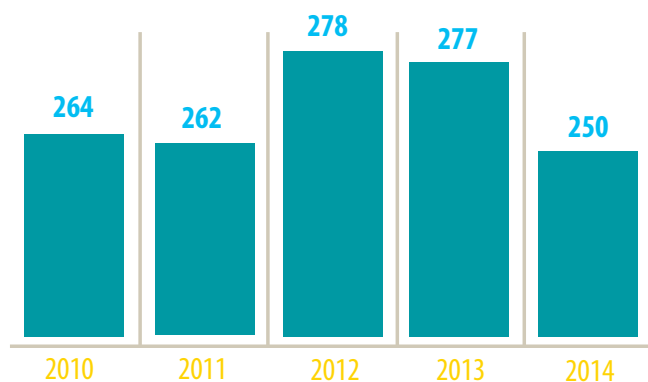


Source: Sedigas-May 2014

According to NASA, the year 2014 has been the warmest year registered since 1880. That has conditioned the consumption

of gas at household and commercial level, which has fallen 9.7% with regard to 2013, placing itself at 249,658 GWh.

CONVENTIONAL GAS CONSUMPTION IN SPAIN (thousand of GWh)



Source: Sedigas

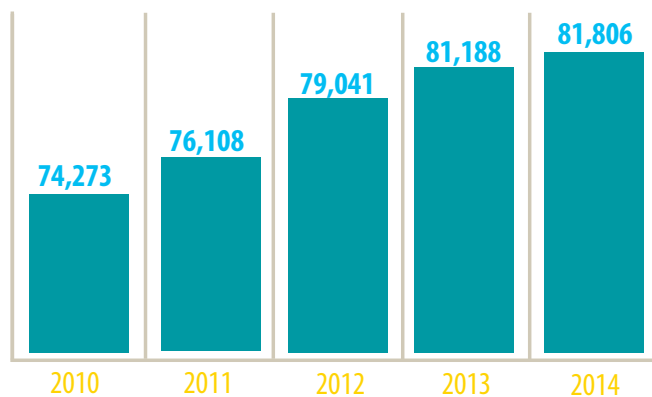
Note: Excludes other gases (propane-air mix) and electric plants

However, the expansion of gas to new municipalities, the consolidation in those in which the service is already provided and the search for new market opportunities and segments, are actions that have marked the year 2014, and provide positive perspectives of growth for 2015.

According to Sedigas, 78% of the population lives in municipalities with natural gas, although only 30% of the households have gas supply, which evidences the high potential for growth of the sector.

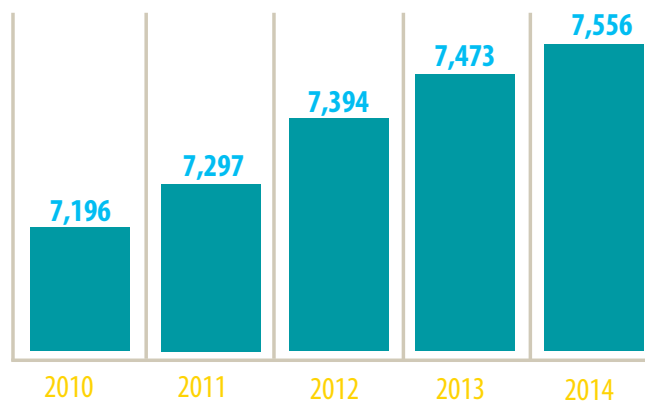
Despite the economic crisis, the companies in the sector invested €561 million in 2014, in order to continue developing a broad gas network. With these resources, in 2014, the figure of 81,800 kilometres of transmission and distribution networks has been exceeded, 1,638 municipalities with gas service have been reached (a 2.4% increase versus 2013) and the supply points have been increased in more than 82,000. This is the result of the investment made by the companies to promote a clean, abundant, safe and highly competitive energy.

NETWORK LENGTH IN SPAIN (Km)



Source: Sedigas

CONNECTION POINTS IN SPAIN (thousand)



Source: Sedigas

In Spain, natural gas is prepared to face future growth with sufficient and efficient capacity, thanks to the constant development of modern and flexible gas

infrastructures based both on its capacity to diversify the supply and provide a quick answer to the different agents' demand.



SCOPE OF ACTIVITY OF REDEXIS GAS

Redexis Gas is one of the leading companies in the development and operation of natural gas transmission and distribution infrastructures in Spain. Its activity is regulated and oriented towards providing an optimum, safe, quality and efficient service to the end user, by designing, constructing, maintaining and improving infrastructures, for the purpose of ensuring

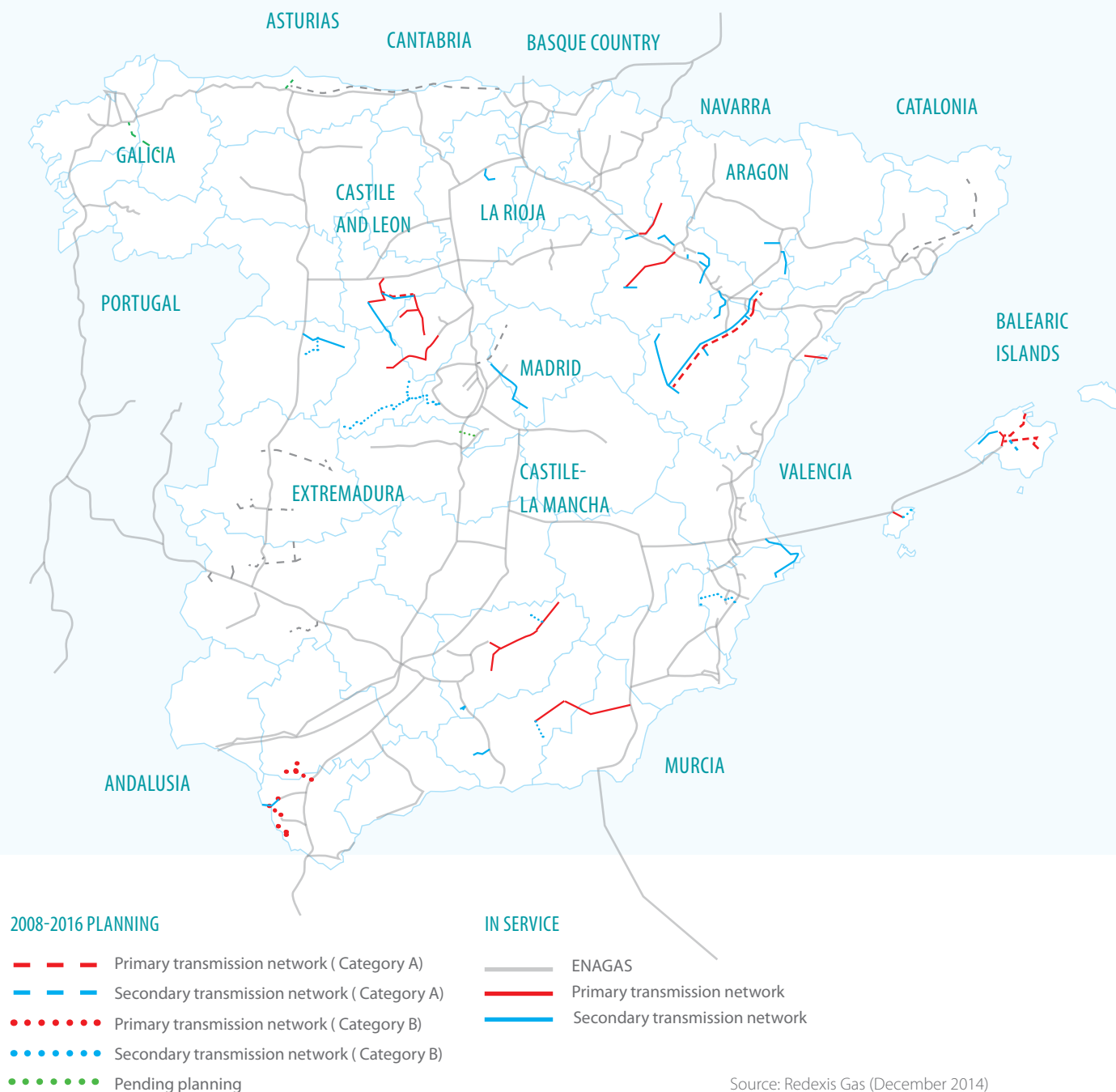
the supply of natural gas, one of the cleanest and most efficient existing energies.

Redexis Gas transports natural gas from the delivery points within Spain's main or primary network, to the consumption points, in the best safety and quality conditions.

THE VALUE CHAIN OF THE GAS INDUSTRY

| | | |
|-----------------------------|---|-------------------------------|
| PRODUCER OR IMPORTER | It performs the exploration, investigation and exploitation of hydrocarbon fields. | NON-REGULATED ACTIVITY |
| REGASIFICATION | Owner of the regasification plants that transform the liquefied natural gas carried in ships and introduce the same into the system. | REGULATED ACTIVITY |
| UNDERGROUND STORAGE | Owner of facilities to store natural gas in gaseous form. | REGULATED ACTIVITY |
| CARRIER | Owner of the main and secondary infrastructure for natural gas transmission in the Spanish territory. | REGULATED ACTIVITY |
| DISTRIBUTOR | Owner of the natural gas distribution infrastructure that connects the transmission system with the consumption points. | REGULATED ACTIVITY |
| MARKETER | Purchases natural gas from producers and then sells to consumers. It uses the national gas system to deliver gas at the consumption points. | NON-REGULATED ACTIVITY |

GAS TRANSMISSION INFRASTRUCTURE IN SPAIN



Source: Redexis Gas (December 2014)

The Group operates mainly in regions with a gas penetration below the Spanish average (29% according to Sedigas). Its scope of action is developed in eight Autonomous Communities within the Spanish territory (Aragón, Balearic Islands, Andalusia, Castile and León,

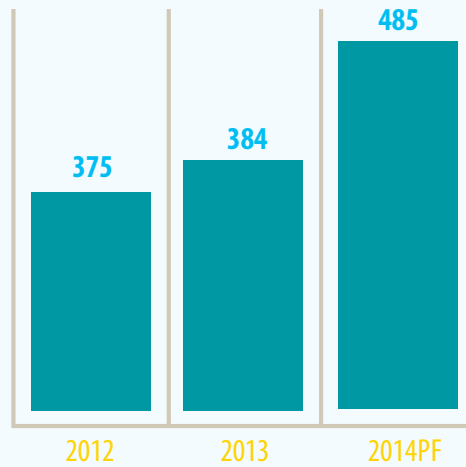
Castile-La Mancha, Community of Valencia, Madrid and Murcia), providing service to more than 484,700 users (supply or connection points) in 215 municipalities of 21 provinces, through 7,997 km of constructed network, which carries over 10,293 GWh of natural gas.

1.1 %
CONNECTION POINTS
GROWTH IN THE
SECTOR

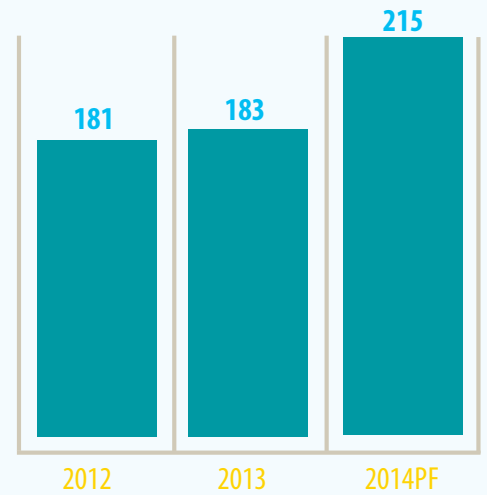
VS

3.2 %
CONNECTION POINTS
GROWTH IN
REDEXIS GAS

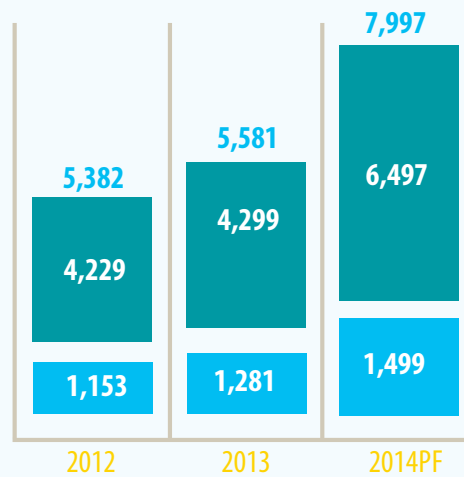
CONNECTION POINTS (thousand)



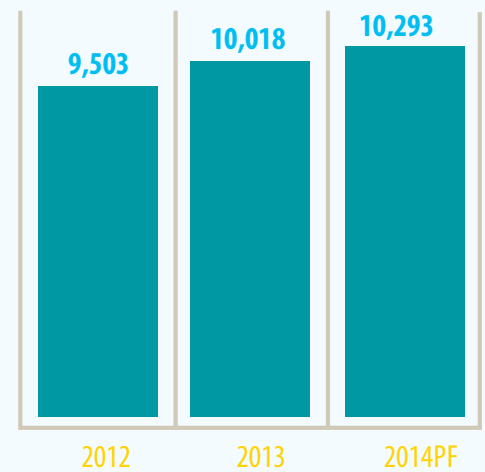
MUNICIPALITIES SERVED



NETWORK LENGTH (Km)



ENERGY DISTRIBUTED (GWh)



- Transmission network length
- Distribution network length

Note: PF means Proforma and includes the operating data of Redexis Gas and Gas Energía Distribución Murcia (GEDM)



TRANSMISSION

Redexis Gas operates and maintains its own natural gas transmission network, with which it provides access to natural gas to the end consumer through the market.

GAS PIPELINE CONSTRUCTION PHASES

Surveying

The layout and width of the gas pipeline right of way is marked using a GPS. It is analysed with the affected landowners and an agreement is reached on whether any change is required.

Track opening

The first layer of soil is removed throughout the width of the right of way, creating a firm track for machinery to cross and facilitate the works. This layer of soil is stored so it can be used to fill in the land at the end of the works.

Placement in the trench

The long sections that have been previously welded are carefully lowered into place in the trench. Prior to that, the bottom of the trench has been covered with a fine layer of sand free of stones. This is to avoid damaging the polyethylene coating.

Trenching

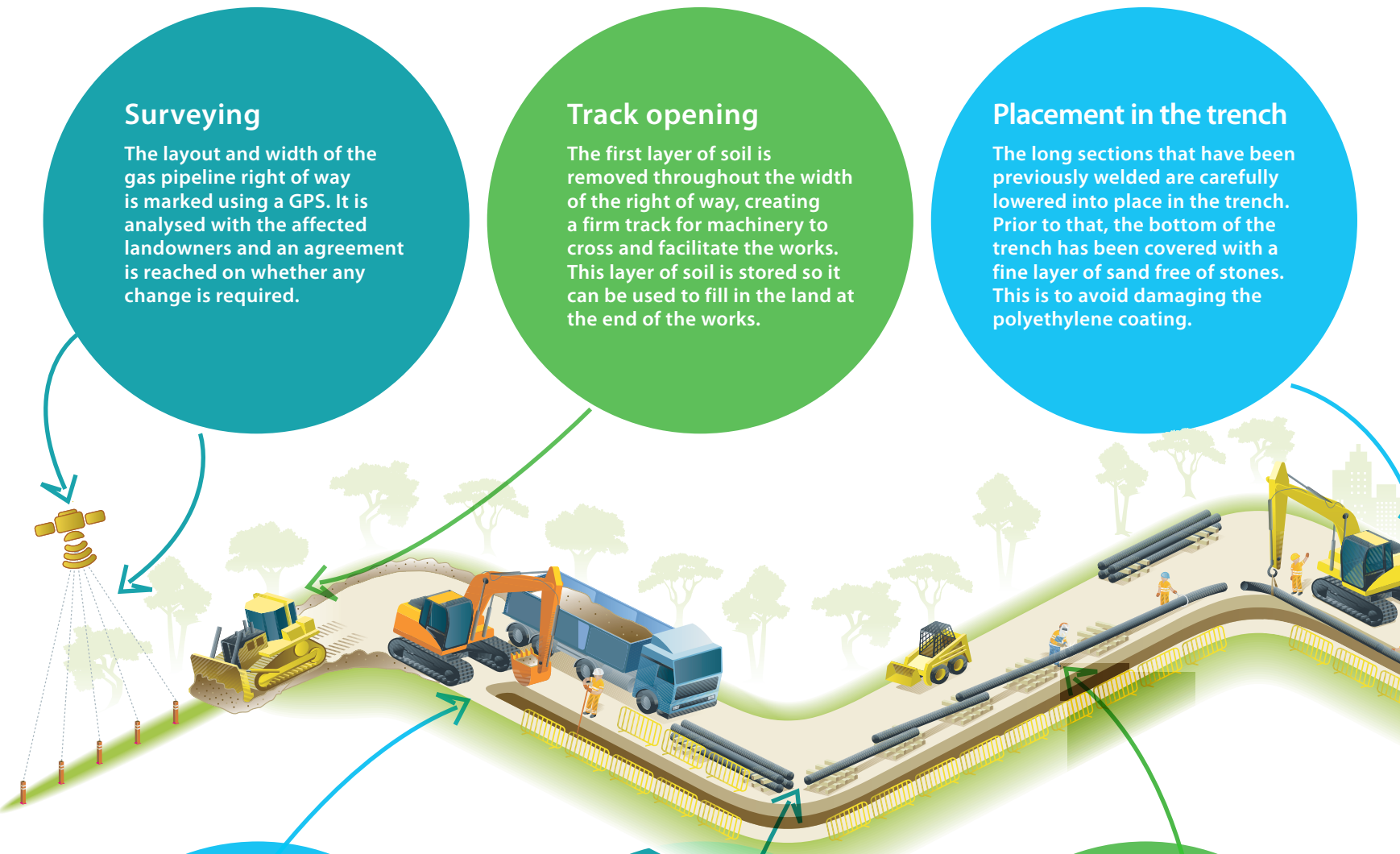
Using excavating machines or trenching machines, if the soil is very hard, a trench of one metre and a half wide and one meter and a half long is opened, where the pipe will be placed.

Stringing

Steel pipes with polyethylene coating are placed along the opened trench, supported on wooden blocks to prevent them from moving and suffering damage.

Welding

The pipes are welded forming long sections. An x-ray of each of the pipeline joints is made to verify that it has been perfectly joined. Later, the joints are coated with polyethylene strips so that all the steel is well covered and to prevent corrosion when buried.



Burying

Next, the pipeline is buried using fine sand, free of stones, so that it is properly protected. Then, a strip of yellow plastic marker tape is placed on top of the pipe, which will warn of the existence of the gas pipeline if future excavations are performed, and lastly, the soil that was taken out during the trenching is replaced, until reaching the original ground line.

Backfilling

Finally, the topsoil that was collected when the trench was opened is added, the fields are ploughed, the walls are rebuilt and natural areas such as creeks or rivers are reinforced with rockfilling. It is restored to its original condition.

Commissioning of gas

Once the construction has concluded, the pressure tests have been performed and it has been verified that everything is working perfectly, the workers fill the pipeline with gas and gauge the pressure so that it correctly reaches households, commercial establishments and industries, which will all benefit from the virtues of natural gas.



Tie-ins

Once the longer sections have been lowered to the trench, they are joined through welding, forming a continuous pipeline throughout the route.

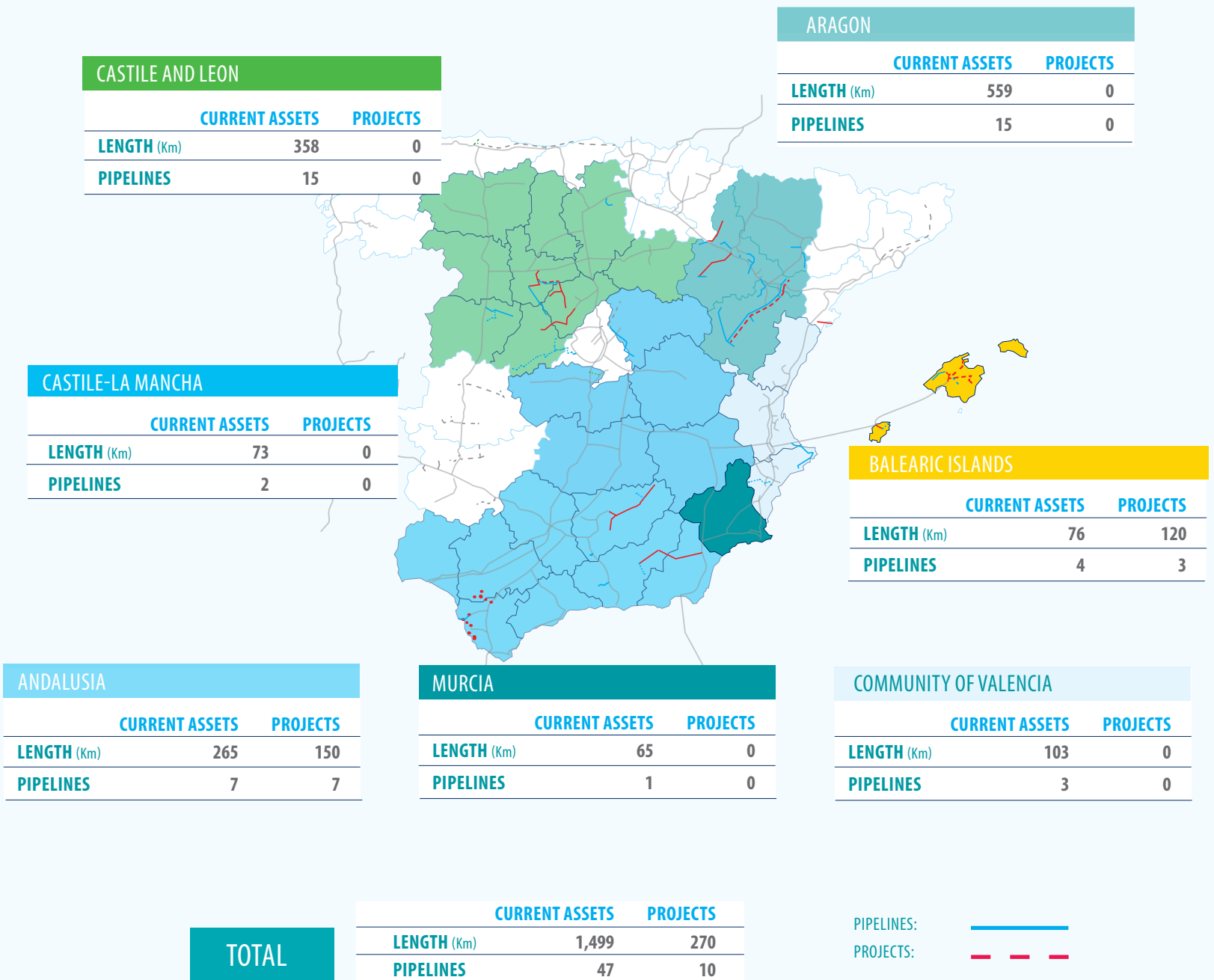
Signalling

Lastly, yellow signposts are placed so that everybody knows that there is a gas pipeline buried there, and no construction is undertaken, or trees planted, which could damage the pipeline.

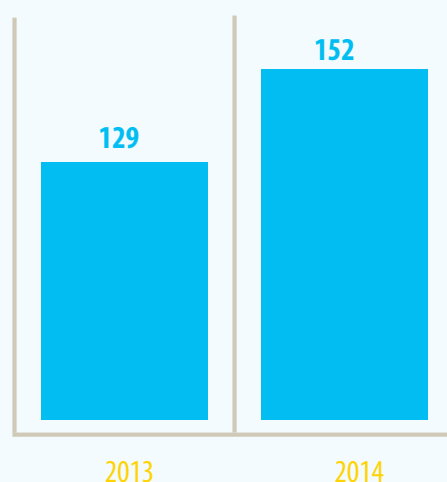
By the end of 2014, Redexis Gas had a 1,434 Km network formed by 46 gas pipelines through which gas is transported at a pressure exceeding 4 bar to industrial centres or to the connection points with distribution networks, in accordance with the provisions of the rules and legislation in force.

On 30 January 2015, Redexis Gas concluded the acquisition of Gas Energía Distribución Murcia, S.A. (GEDM) incorporating 65 Km to its transmission network.

TRANSMISSION ASSETS IN SPAIN (2014)



EVOLUTION OF THE TRANSMISSION NETWORK LENGTH OF REDEXIS GAS (Km)



During the year 2014, Redexis Gas has built 152 km of pipelines. In two years, the Company has boosted

investment and employment by building 282 km of transmission gas pipelines.

| PIPELINES BUILT | REGION | NETWORK (KM) |
|--|-----------------------|--------------|
| 2013 | | 129 |
| Huércal-Overa – Baza – Guadix (Phase I) | Andalusia | 83 |
| Arévalo – Sanchidrián | Castile and Leon | 25 |
| Marina Alta (Phase II) | Community of Valencia | 22 |
| 2014 | | 152 |
| Huércal-Overa – Baza – Guadix (Phase II) | Andalusia | 52 |
| Son Reus – Andratx | Balearic Islands | 41 |
| Elche – Monóvar – Algueña | Community of Valencia | 59 |

During 2015, Redexis Gas started the construction of the “Son Reus - Inca - Alcudia” gas pipeline in the Balearic Islands, 45 kilometres long, articulating the natural gas transmission network in the Balearic Islands.

Likewise, Redexis Gas is in the process of obtaining the authorisation to build another 7 future transmission gas pipelines, which will add 225 kilometres to its networks.



DISTRIBUTION

Redexis Gas also carries out distribution activities by building, operating and maintaining the necessary facilities used to supply natural gas at different municipalities in the Spanish geography.

Its functions are:

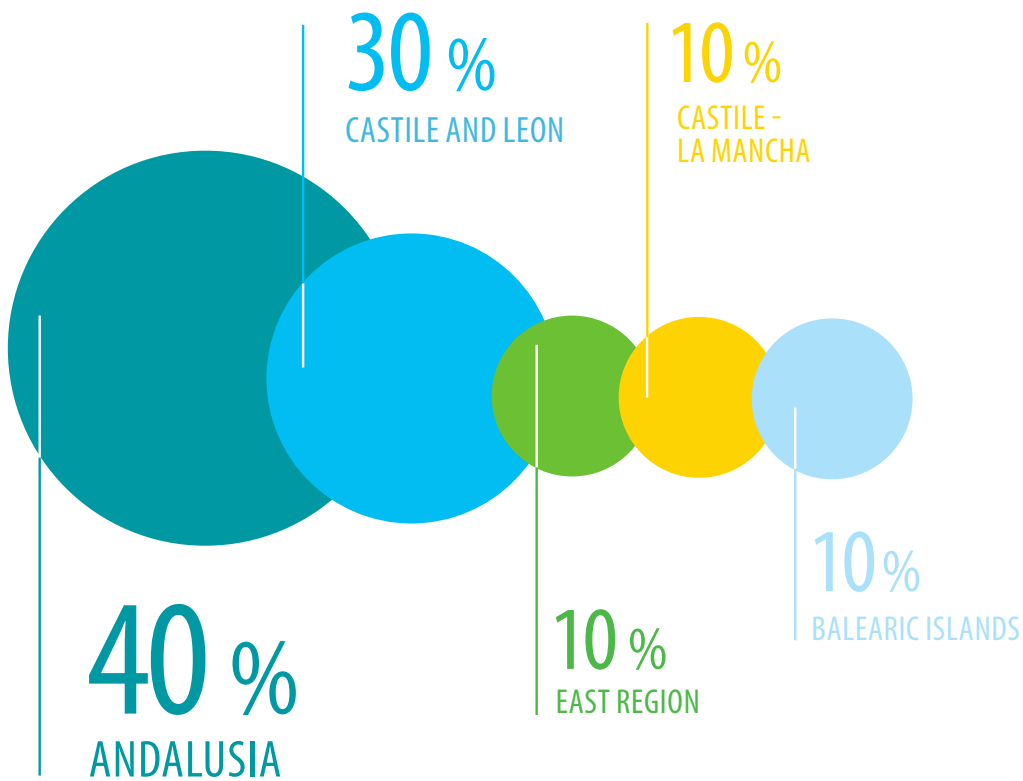
- To efficiently and effectively manage its regulated distribution assets, including the planning of new infrastructures, their development and construction, as well as operation, maintenance and optimization services.
- To distribute gas to the end user and guarantee superior service.

- To incentivize the use of natural gas, stressing its advantages compared to other more expensive and pollutant energies.

By the end of 2014, Redexis Gas had built a distribution network of 4,439 km a through which more than 8,600 GWh of energy were carried to 193 municipalities in 20 provinces of the Spanish territory.

During this year, the Company rolled out 139 kilometres of natural gas distribution networks and started providing service to 10 new municipalities. Also, it presented over 200 projects to obtain preliminary administrative authorisations.

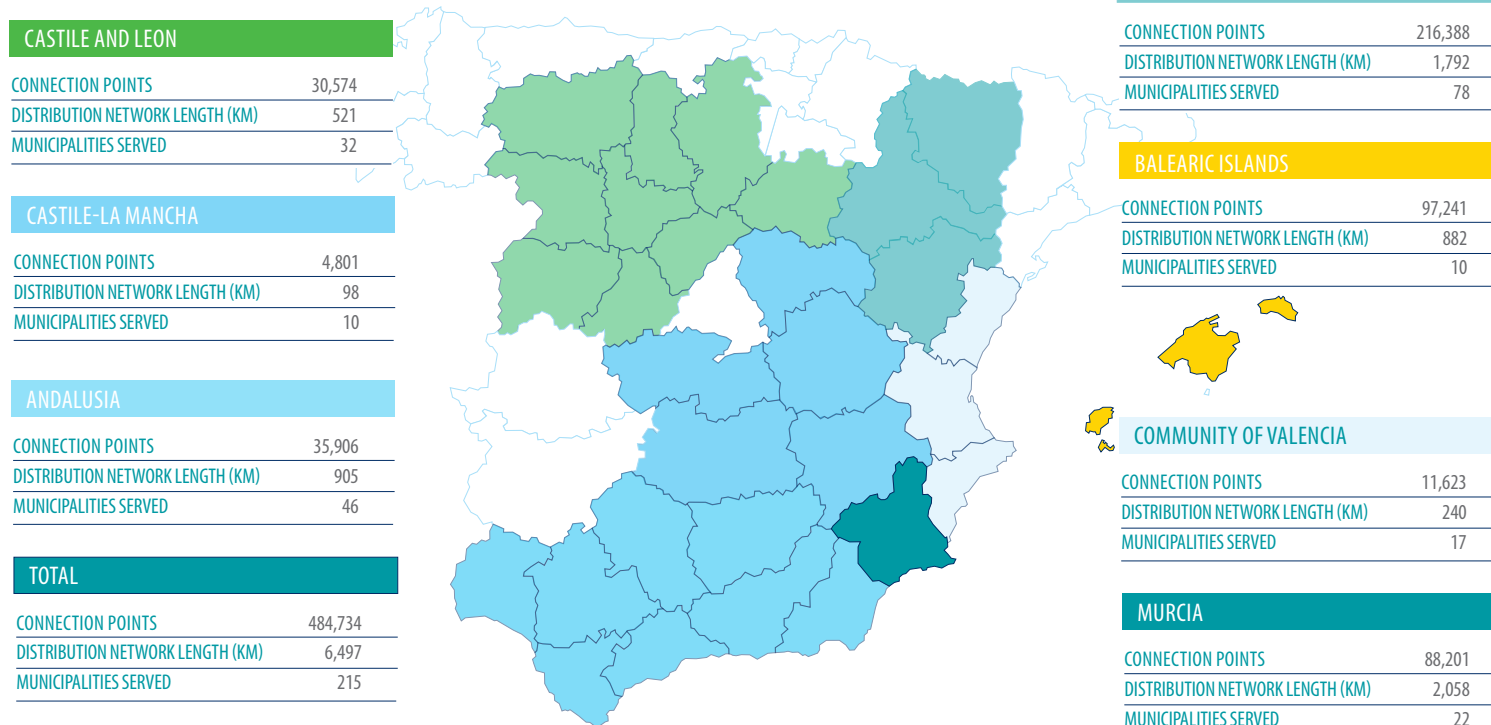
MUNICIPALITIES SERVED IN 2014



On 30 January 2015, Redexis Gas added 2,058 km to its distribution network, by acquiring GEDM. This new step offers

the Company the opportunity to invest in the southern-eastern region of Spain, which has a low rate of natural gas penetration.

DISTRIBUTION ASSETS (2014)



At the closing of 2014, Redexis Gas had an Administrative Authorisation to distribute natural gas in 123 additional municipalities.

Likewise, Redexis Gas offers a series of regulated services to end users, guaranteeing at all times the safety, quality and excellence of the work carried out.

1. It develops reception facilities in condominiums and households.
2. It rents metering equipment.

3. It performs readings of meters at households where it has installed the equipment to measure the consumption of gas made by the user during a certain period.

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

5. It provides different services at homes: connection, verification of facilities, reconnection, etc.

OTHER NON-REGULATED ACTIVITIES

Additionally, Redexis Gas distributes liquefied petroleum gas (LPG) and offers a series of non-regulated services to end users.

REGULATORY CHANGES IN THE INDUSTRY



Multiple agents intervene in the Spanish gas sector, and although the supply and commercialisation of this Energy are non-regulated, the rest of the phases are regulated.

The natural gas industry in Spain has experienced significant changes in recent years as regards its structure and operation, caused to a great extent by the adjustment of its regulatory framework to the principles established in the European Directives concerning common rules for the internal market in natural gas and their implementing Regulations.

The ultimate goal sought by the European Regulation is to create the framework required for the operation of an internal gas market, erected on the basis of effective competition among agents, safety of supply, and transparency.

At national level the year 2014 has been characterised by the regulatory changes that have transformed the Spanish energetic reality, and particularly the one of the gas industry. In view of this new energetic reality, the gas sector is responding by increasing the capacity to adapt,

extending new markets, attracting new users and boosting competitiveness.

The gas regulatory environment has focused on two main fronts, which have proven not to be necessarily conflicting. So, on the one hand, an attempt was made to deal with an incipient deficit in the settlement system (that is, between the revenues generated by tolls and remuneration recognized in favour of the agents), but on the other hand, it was sought to continue promoting the growth of a sector undergoing a solid expansion, with a gasification index much lower than other Mediterranean countries of similar characteristics to the ones of Spain.

To achieve both objectives, Act 18/2014 was approved which, together with the ministerial orders implementing the same (IET/2355/2014 e IET/2445/2014), deals with a reform of the general scheme of revenues and costs of the system, based on ensuring economic balance. Therefore, account must be taken of the demand fluctuations and the level of development of the existing infrastructures, without hindering the principle of an

adequate remuneration for investment in regulated assets, or the safety of supply.

For such purpose, the principle of economic and financial sustainability of the gas system is established, so that any regulatory measure that entails increased costs or reduced revenues must incorporate a reduction of costs or increase of revenues.

Also, certain mechanisms are established to restrict the appearance of annual timing distortions in the settlement system, through an automatic review of tolls when certain thresholds are exceeded. If the mentioned thresholds are not exceeded, the distortions are financed by the settlement system subjects, in proportion to their remuneration, generating credit rights for the five following years, and at a market interest rate that shall be fixed by a Ministerial Order.

In line with the provisions of the regulation of the electric sector, and for the purpose of ensuring regulatory stability, six-year regulatory periods are defined, during which the financial fee may not be reviewed, nor will automatic escalation formulas apply to the review of regulated prices. However, account taken that the regulatory reform has been raised in an unprofitable scenario, trusting that the situation can be reversed in the next years, the possibility is introduced of adjusting every three years certain retributive parameters if there are any significant variations in the revenues and costs.

With regard to the remuneration of regulated activities specifically, the reform sets out the basic principle of considering the necessary costs of performing the activity for an efficient and well-managed company, thus observing the principle of carrying out the activity at the lower cost for the system, and ensuring at the same time reasonable profitability for companies.

So, a deep and homogeneous review of the remuneration of all activities is made, which affects all assets, including the ones that are already operating.

In the case of the transmission activity, the rationale sought with the regulatory review is to “make variable” the remuneration of the developers of these assets so that it adjusts better and faster to the level of use of the



infrastructures, which is precisely what generates the revenues to fund for the same. With this, reductions have been obtained in the remuneration of this activity, which amount to approximately 120 million Euros per year in the case of gas pipelines, 20 million Euros per year in the case of regasification plants, and 6 million Euros per year in the case of underground storages.

With regard to the distribution activity, the review has been based on carrying out a new valuation of the remuneration bases of the agents who, reducing the global amount in approximately Euro 110 million, would favourably consider the growth achieved since the last regulatory review (made in the year 2002), also giving particular value to the household-commercial consumption, which is the one that allows the system to collect more tolls. Such remuneration bases will be updated annually, taking into account the increase in consumption and number of consumers connected to each distributor, giving special incentives for the gasification of new municipalities, which should allow to bring the national gasification index closer to the averages of the Mediterranean countries, where they are notably higher.

Given the new energetic reality, and taking advantage of the regulatory stability scenario, the gas sector is responding by increasing the adaptation capacity, extending new markets, advancing in attracting clients and promoting its competitiveness.

In view of this new regulatory framework, Redexis Gas will continue to promote the continued extension of its natural gas supply networks to new regions, maintaining the financial sustainability of the sector.





THE REDEXIS GAS NETWORK

4



NETWORK FEATURES

Redexis Gas carries natural gas from the delivery points of the primary or main network in Spain to the consumption points in the best safety and quality conditions. It operates 8,000 kilometre networks throughout Spain, where it has 47 regional transmission gas pipelines that provide service in 21 provinces.

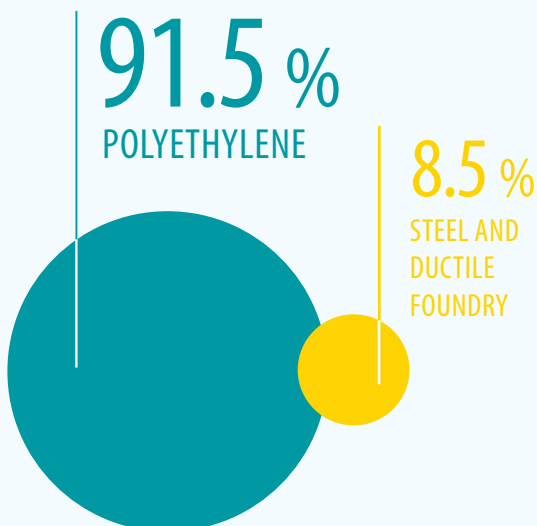
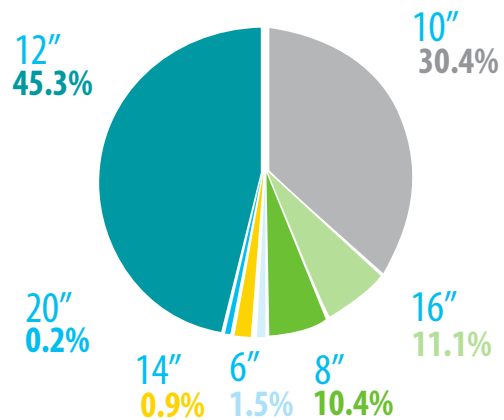
The Company has a very young transmission and distribution network: more than 60% of the transmission network has been built in the last years and a significant proportion of the distribution network has been constructed between 2005 and 2008. This means that the Company only requires a minor investment to maintain its asset base, while allowing the same to offer extraordinary safety ratios.

The transmission pipelines are built with steel pipes, a suitable material for this type of infrastructures, capable of working at high pressure, normally between 45 and 70 bar. All pipelines have an external coating that prevents corrosion, reducing the need to be replaced in the short term.

Likewise, 75 % of the transmission network is built with 10 " and 12" diameter pipes, generating synergies for the maintenance and the replacement works and acquisitions.

TRANSMISSION NETWORK

% KM OF PIPE BY DIAMETER (2014)



DISTRIBUTION NETWORK

% KM OF PIPE MATERIAL (2014)

The distribution pipelines are built with steel when the pressure in the network exceeds 10 bar, and with polyethylene when the pressure in the network is equal or lower.

All steel pipelines in the Redexis Gas network are protected with cathodic protection, increasing their durability and reducing the maintenance expenses.

Redexis Gas continues to significantly develop its distribution network, and the need to carry out an asset replacement programme in the long term is not envisaged.



NETWORK OPERATION

Redexis Gas has a Control Centre from where it supervises the main parameters that define the condition of its infrastructures, such as gas pressure, flow or temperature. Likewise, the elements of all the Group's gas pipelines, whether for transmission or distribution, are identified, ensuring fast access to the same to perform the usual field operation works.

NETWORK EXPANSION PROGRAM

The Group undertakes major investments in the regions where it has a significant presence and in those which allow the same to have access to the greatest number of final clients through its distribution networks.

The Redexis Gas distribution network expansion program is aligned with the connections in the regions that benefit from a new transmission network. The amount of the investment required to expand the distribution network depends on the type of final connection to the network, which may be:

- **New Households.** New connection points of new residential developments.

- **Vertical Distribution of Power (Vertical Saturation).**

New connection points within a building connected to the Group's distribution network which requires individual installation at the client's household.

- **Horizontal Distribution of Power (Horizontal Saturation).**

New connection points in buildings not connected to the distribution network. This requires electric supply and other individual facilities to reach each client.

- **Expansion of the Network.**

New connection points in neighbourhoods where there is no distribution network and which require an infrastructure to provide supply to such points.

- **Commercial / Industrial.**

New connection points for users of industrial or commercial premises that are not connected to the network.

The Group analyzes every investment opportunity internally using models, and performs a series of tests and sensitivities. Finally, it is the Investments Committee (formed by the majority of the members of the Management Committee), who approves the same pursuant to certain investment criteria.





ECONOMIC-
FINANCIAL
VISION OF
REDEXIS GAS

5

ECONOMIC-FINANCIAL VISION OF REDEXIS GAS

The main activities of Redexis Gas are the transmission and distribution of natural gas, as well as the services linked to the distribution of natural gas, such as inspections, rentals, connection and disconnection rights, among others, and to a lesser extent, the distribution of liquid petroleum gas (LPG).

The operating and economic-financial results of Redexis Gas for the year 2014 were very positive, showing a significant growth in its activity.

| KEY OPERATING DATA | UNIT | 2012 | 2013 | 2014PF |
|-----------------------------|------|---------|---------|---------|
| Connection Points | # | 375,434 | 384,168 | 484,734 |
| Provinces served | # | 19 | 19 | 21 |
| Municipalities served | # | 181 | 183 | 215 |
| Network length | Km | 5,382 | 5,581 | 7,997 |
| Distribution network length | Km | 4,229 | 4,299 | 6,497 |
| Transmission network length | Km | 1,153 | 1,281 | 1,499 |
| Energy distributed | GWh | 9,503 | 10,018 | 10,293 |
| P<4bar | GWh | 4,524 | 4,698 | 4,686 |
| P>4bar | GWh | 4,980 | 5,320 | 5,607 |
| Gas pipelines | # | 42 | 44 | 47 |

| KEY FINANCIAL DATA Data in €million unless otherwise stated | 2012 | 2013 | 2014 |
|--|--------------|--------------|--------------|
| Revenues | 139.1 | 146.9 | 158.3 |
| Distribution (regulated) | 76.7 | 73.9 | 78.3 |
| Other regulated distribution income | 12.7 | 13.4 | 15.4 |
| Transmission (regulated) | 38.1 | 44.4 | 51.2 |
| Other non-regulated income | 11.6 | 15.1 | 13.4 |
| LPG sales | 6.3 | 4.3 | 2.7 |
| Other operating income | 2.0 | 4.7 | 4.0 |
| Self-constructed non-current assets | 3.2 | 6.2 | 6.7 |
| EBITDA | 96.3 | 105.1 | 115.9 |
| EBITDA Margin | 69.3% | 71.6% | 73.2% |
| Capex | 56.2 | 68.8 | 91.2 |

Note 1: PF means Proforma and includes the operating data of Redexis Gas and Gas Energía Distribución Murcia (GEDM)

Note 2: The financial data of 2014 do not include GEDM

REVENUES

The revenues of Redexis Gas originate from the remuneration it receives from the gas system for carrying out its transmission and distribution activities, acknowledged by the national regulatory authorities: [Ministry of Industry, Energy and Tourism \(MINETUR\)](#) and the [National Commission for Markets and Competition \(CNMC\)](#), allowing the Group to recover the investment

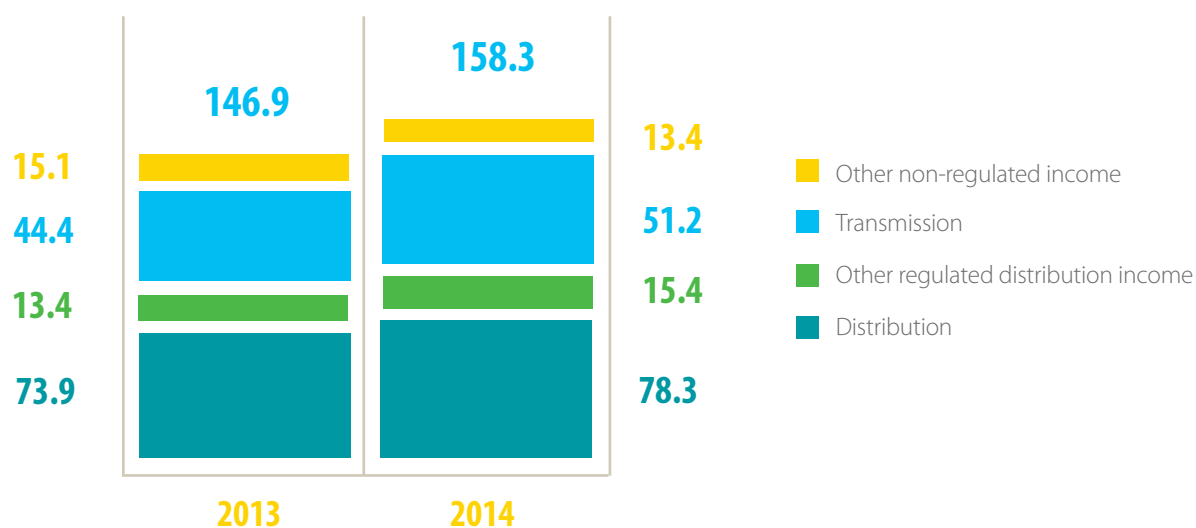
made, obtain a reasonable return and promote efficient management.

In 2014, more than 91% of the Group's revenues originated from regulated activities, and the rest from its non-regulated activities. The following table breaks down the Group's revenues according to the activities carried out:

| SERVICES | DESCRIPTION | % OF REVENUES AT 31 DECEMBER 2014 |
|---|---|-----------------------------------|
| REGULATED | | |
| DISTRIBUTION | Remuneration based on the parametric formula | 49.5% |
| OTHER REGULATED DISTRIBUTION ACTIVITIES (Inspections, rentals, activation royalties...) | Remuneration from ancillary services | 9.7% |
| TRANSMISSION | Remuneration based on parametric formula | 32.4% |
| NON-REGULATED (Liquid Petroleum Gas (LPG) and others) | Remuneration of non-regulated activities and others | 8.4% |

Redexis Gas achieved a 7.7% growth of revenues at the closing of the year 2014, reaching the figure of Euro 158 million, thanks to the successful growth of its regulated activities.

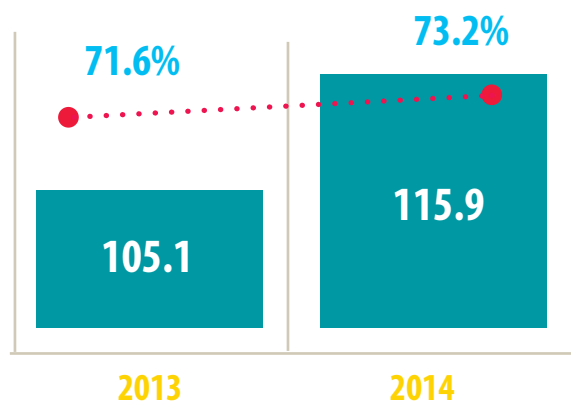
SPLIT OF REVENUES (€m)



EBITDA

The EBITDA for the year 2014 amounted to Euro 116 million, with a 10.2% increase compared to the one of the previous year and a 73.2% EBITDA margin, thanks to the good performance of the revenues and continued improvement of efficiency.

EBITDA (€m) / MARGIN (%)

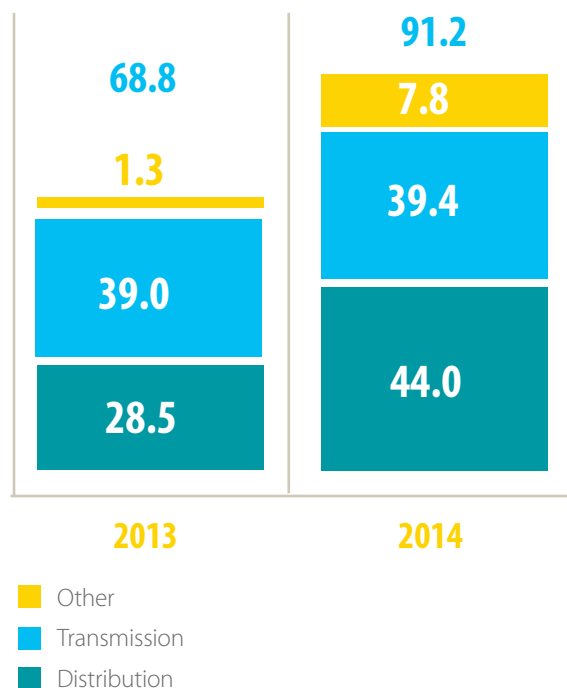


INVESTMENT

The investments of Redexis Gas reached Euro 91.2 million in the year 2014. Out of such amount:

- 48% related to investments made in the distribution business, with the incorporation of new supply points and taking gas to 10 new municipalities.
- 43% were investments in the transmission network, mainly to carry out 152 additional kilometres distributed in Andalusia (Phase II of the "Huércal-Overa - Baza - Guadix"), Balearic Islands ("Son Reus - Andratx") and Community of Valencia ("Elche - Monóvar - Algueña").
- The rest were investments made in other intangible assets related to the implementation of new systems in Redexis Gas after separating from the Endesa Group. The new systems have provided additional flexibility to Redexis Gas, improving its expansion activity and operating growth.

SPLIT OF CAPEX (€m)





FINANCIAL STRUCTURE

One of the Company's major milestones has been the success of its note issues.

On 8 April 2014, Redexis Gas closed its first issue of notes for an amount of Euro 650 million with maturity in 2021 and a 2.75% annual coupon which, together with the Euro 300 million bank facility, provided the Company with a mature and stable share capital structure. The funds obtained from such issue were used to refinance the debt of Redexis Gas, strengthening the Company's financial structure.

The credit ratings given to such transaction by Moody's and Fitch were «Baa3» and «BBB», respectively, both with a stable perspective.

Likewise, on 8 April 2014, the existing guarantees on the Company's shares and on the credit rights derived from the intragroup loan entered into on 17 December 2010, were cancelled. On that same date, the participating loans existing between the Company and

its shareholders, Augusta Global Cooperative U.A. and Zaragoza International Cooperative, U.A., entered into on 17 December 2010 and 9 December 2013, were cancelled.

On 27 April 2015, Redexis Gas successfully closed a new issue of notes for an amount of Euro 250 million, issued at par value and with an annual coupon of 1.875%.

The investors' answer to this issue has been very positive. After a week of meetings with European investors in Paris, London and Madrid, the orders book was closed at an amount exceeding Euro 425 million and over 65 orders, which has allowed distributing the issue among a broad group of high quality investors in the main European exchanges.

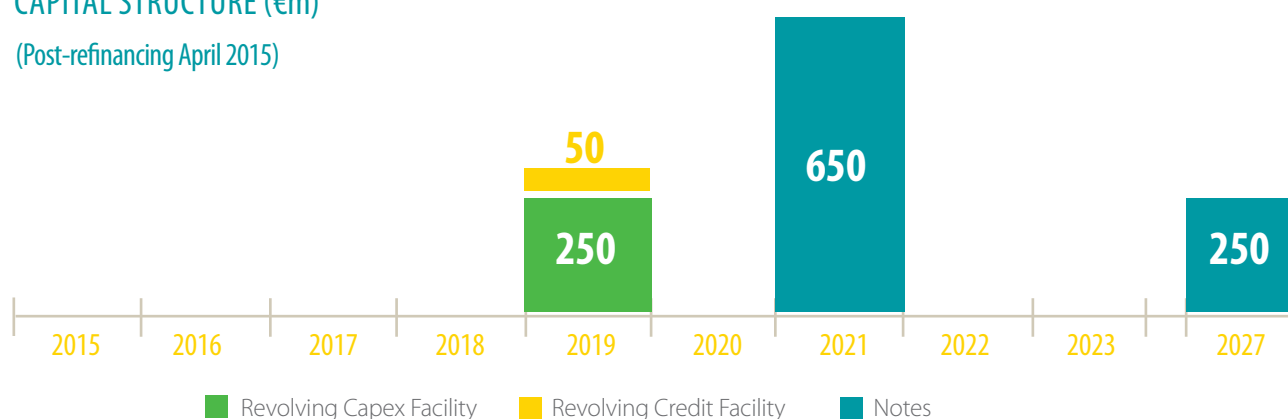
The credit ratings granted for this new issue have been maintained.

This new capital structure allows Redexis Gas to enter into a new stage, where flexibility and stability are the essential characteristics.

| TRANCHE | TYPE | AMOUNT | MATURITY |
|---------------------------|----------|--------------|----------|
| NOTES | Fixed | €650 million | 2021 |
| | | €250 million | 2027 |
| REVOLVING CAPEX FACILITY | Floating | €250 million | 2019 |
| REVOLVING CREDIT FACILITY | Floating | €50 million | 2019 |

CAPITAL STRUCTURE (€m)

(Post-refinancing April 2015)







THE
COMMITMENT
OF REDEXIS
GAS

6



THE COMMITMENT OF REDEXIS GAS

INITIATIVES CONCERNING THE COMMITMENT OF REDEXIS GAS TO ITS STAKEHOLDERS

- It has voluntarily adopted the Corporate Governance recommendations for listed companies.
- It has an internal Code of Conduct that ensures regulatory compliance.
- It has drawn up a Protocol to communicate irregular events.
- It has an internal Channel for Complaints, which allows any employee or person related to the Company to report to Management any behaviour that may be irregular. Also, it has developed an external channel for complaints which may be accessed from its [website](#).
- It has signed a new collective bargaining agreement for all its employees.
- It continuously reinforces the terms of procurement and the follow-up of its contractors, to ensure compliance with the policies.
- It constantly reinforces its internal safety, health and environment team with the incorporation of highly qualified personnel.
- It has significantly improved its operational metrics in matters of accidents, number of emergencies and response times.
- It has commenced a multi-annual investment program for the purpose of eliminating all confined spaces existing in its network.
- Its safety, health and working conditions, and environmental policies have been audited and approved by AENOR.
- The Group is OHSAS 18001 and ISO 14001 certified.
- It supports the Ten principles of the United Nations Global Compact.
- It promotes employability and contributes to generating employment, with training focused on companies and the labour market needs.
- It actively contributes to the development of local communities by launching energy efficiency and natural gas promotion campaigns.
- It supports cultural and sporting activities.

“The Group’s main objective is to adopt a business strategy framed within an ethical, social, environmental and economically responsible behaviour”

Redexis Gas is aware of the importance of ensuring the trust and understanding of its stakeholders, since they are crucial to the success of its business plans. Generating and maintaining a Corporate Responsibility (CR) culture is a challenge to be managed in the long term, which implies reinforcing the Company's values, framing actions within a policy in line with such values, carrying out training actions and raising awareness among the employees, and implementing and improving instruments that help to

establish, measure and manage the advances.

Through its activity, Redexis Gas can contribute to promote a more sustainable lifestyle. The facilities and services it offers contribute to improve competitiveness and quality of life of persons, achieving at the same time a reduction of the environmental impact. The development of an atmosphere of confidence with its stakeholders is a priority for the Company.

TO ITS STAKEHOLDERS

Redexis Gas acknowledges that all stakeholders in connection with its activity have a legitimate interest in the different aspects of the Company's day-to-day management and is aware that it plays an important role in economic, social and environmental development. The current economic and social reality involves new challenges in the dialogue with stakeholders. It is important to analyse this relationship as a process of continued improvement and constant changing, and verify whether the strategy to be followed and changes in the (social and economic) context have maintained, modified or generated any kind of stakeholder, taking as a reference the corporate values, the impact and the capacity to mutually influence each other.

Redexis Gas endeavours to ensure open and constructive communication with all parties involved, studying and creating dialogue and mutual understanding mechanisms so that all the needs of all groups are taken into account in its sustainable development.

Accordingly, the Company has different communication channels to handle the expectations and opinions of the stakeholders for the purpose of providing answers that generate value for the business and for the stakeholders. In addition to using the Group's website (www.redexisgas.es), the users have different communication channels available, according to their field of interest. The Company's strategy of dialogue and cooperation allows for a very close relationship with its stakeholders.



SHAREHOLDERS AND INVESTORS

“Result orientation is one of the drivers that guides the actions of Redexis Gas, which are based on transparency and responsibility”

The basis to trust the Company resides in the constant search for transparent, easy and close dialogue with the financial community, as well as in the application of certain values: credibility, value and market orientation. It is important to generate realistic expectations in the financial community, as well as to publish adequate and pertinent information for the purpose of transparency. For such reason, Redexis Gas actively works for the purpose of obtaining an adequate return for the resources used, promoting the efficient management thereof and applying at all times the best practices of reporting clarity.

To handle this relationship, Redexis Gas has an Investor Relations Department, integrated

within the Financial Department. The tasks of this department are to identify and adequately solve the concerns and demands for information from shareholders, analysts, current and potential investors, bondholders, credit rating agencies and other market players, supported by a combination of communication means and channels that facilitate such relationship.

This department is in charge of coordinating relations with the rating agencies. At present, there are two rating agencies (Moody’s and Fitch) which analyse the strategy, business, solvency and evolution of Redexis Gas, assigning a certain credit rating thereto. The chart below shows the current ratings:

| AGENCY | CORPORATE | SENIOR UNSECURED NOTES | OUTLOOK | DATE OF LATEST PUBLICATION |
|---------|-----------|------------------------|---------|----------------------------|
| Fitch | BBB- | BBB | Stable | 15 April 2015 |
| Moody’s | Baa3 | Baa3 | Stable | 14 April 2015 |

Likewise, through the Investor Relations department, support is given to the management team when taking decisions; it is a matter of increasing the Company’s visibility in the financial markets, and the different parties are kept up to date with regard to the Company’s and the industry’s most relevant information, the competitive dynamics of the markets and the company’s operational and financial evolution.

The usual means used to transmit information to the financial market are, in addition to the half-

yearly publication of results, the participation in seminars, conferences and meetings with the key agents in the industry.

Also, all analysts and investors who deem it appropriate may visit the Redexis Gas website (www.redexisgas.es) where they can subscribe to the distribution list or write to the investor’s mailbox: investor.relations@redexisgas.es to receive information about all significant news and developments of the Group.

USERS

The relationship of Redexis Gas with its users is based on providing services to all of them. For such purpose, **investment, service quality and listening to needs** are the three **core pillars on which the organization sustains its relationship** with the users of its infrastructures, who can be divided into three different segments, according to the use they give to natural gas:

- a) Household Segment
- b) Services Segment
- c) Industrial Segment

In the household segment, the year 2014 brought a strong increase in activations compared to the previous year, thanks to a substantial increase of the installers adhered to Redexis Gas as collaborators. Additionally, communication with this profile of user notably increased, thanks to the company's new website which provides a new point of contact and plenty useful information for the day-to-day activities.

With regard to the services and industrial sectors, Redexis Gas has promoted customized energy solutions for these types of companies, helping them to achieve

improvements in their economic results, thanks to the implementation of more competitive energy as regards the price, and which improves day-to-day operations. So, Redexis Gas has promoted the growth of these organisations and increased their competitiveness.

Redexis Gas is committed to **constantly listening** to the needs of its users, with a view to getting involved in the process of continued improvement of its services. For such purpose, the Company keeps permanent communication lines open with them, so that they may always be in touch with their natural gas distributor:

- Customer Service, telephone number through which the customer can pass on all its doubts and suggestions, whenever it considers it necessary.
- Emergency Service (CAT) through which the Redexis Gas specialists classify the actions according to the risk or severity of the situation and indicate how to act ([See Section Commitment of Redexis Gas to safety](#))
- Website: www.redexisgas.es



EMPLOYEES

235 employees
 27% of female employees in the staff
 89% of employees with a permanent contract

The sector in which Redexis Gas operates sets a much defined style in the management of people. The gas sector is knowledge-intensive, and changes are increasingly fast, the speed of progress in new materials and technologies requires flexibility and

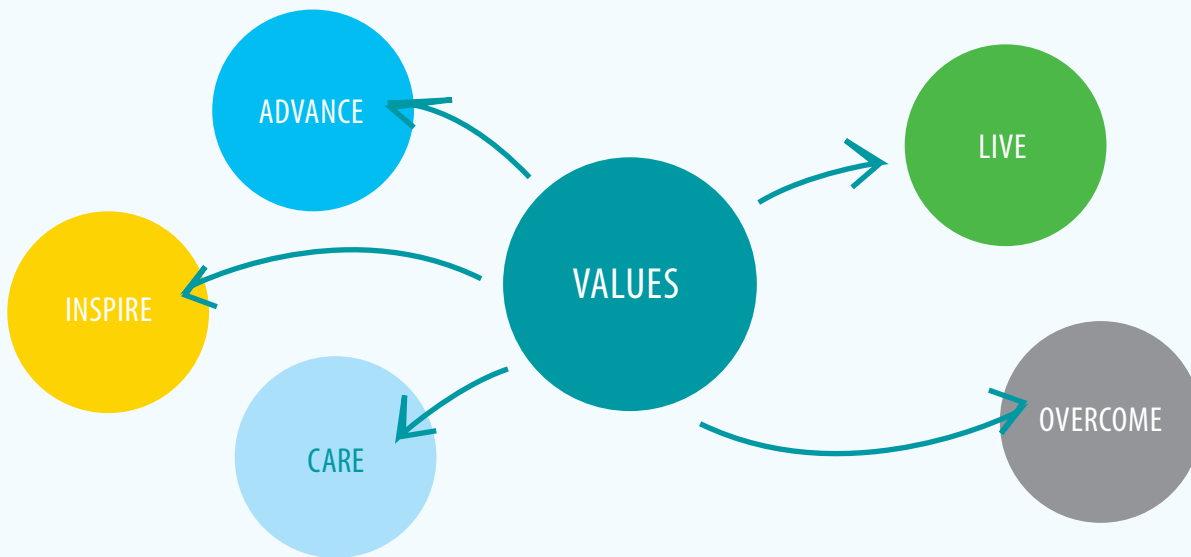
readiness to stay ahead, professionals are highly prepared and their mobility is greater than in other sectors... All this sets very specific rules with which the Human Resources Department (HR) of Redexis Gas must operate.

“People are the most valuable asset of a company”

The Company’s people management area focuses on acknowledging, promoting and reinforcing the strong points of the professionals within the same, to facilitate compliance with the strategy.

1. Culture

Part of the work it does to promote the growth of its employees is undertaken with its identity, for which reason, it is based on a set of corporate values and it directs its efforts to consolidating the same as its flagship.



**“It is not a matter of ENUNTIATING values,
 it is a matter of BRINGING the VALUES ALIVE”**

**“Corporate values are important tools to create a company where
 employees are brought together by their common goals, and where they
 share one same ambition”**

2. Personnel management

Redexis Gas has great professionals, characterised for being ethical, dynamic, flexible persons, eager to grow and learn, capable of working as a team, and with a permanent concern for learning and excelling.

At Redexis Gas we do not only care about “what” is done, but also **“how” it is done is decisive when evaluating the performance of the professionals.**

Working at Redexis Gas requires a very dynamic personality, which will be the key to the professional success of any person working in the Company. This path starts at the selection process; that is precisely the point at which it is most important to detect models of behaviour suited to Redexis Gas. Investing time and resources in the selection process guarantees an organisation where the difference between what the person is, and what the person does, is minimum.

The process of finding professionals that adjust to such profile is defined at two times:

- When they join the company through the selection processes; and
- With the professional development, where the management of performance is the tool to identify the profiles that most adjust to the corporate culture.

Within this scope, the Company not only focuses on the passive recruiting that derives from a need or selection process, but goes one step further, maintaining and promoting its image as a good employer. For such reason, in 2014, Redexis Gas has started a **professional talent program for young people “Promoting talent with energy”**, thanks to the agreement entered into with Universia, the largest network of universities in Latin America. Through such program, the Company offers 30 paid

internships for students of Industrial Engineering (Graduate or Diploma), Computer Science, Business Management, Economics, Marketing, HR, Law and Communication. This way, young students are given the opportunity to access the labour market and can acquire their first working experience at different points of the Spanish geography.

Training and development

The importance of knowledge is essential for the success of any company. Redexis Gas needs to know where its potential is to adequately face the challenges that the market imposes on the same every day. For such reason, it has developed different projects with which it detects the essential knowledge, the persons suited to undertake the tasks with a greater impact on the company, as well as critical positions.

“Supporting professional development of employees is supporting the Company’s success”

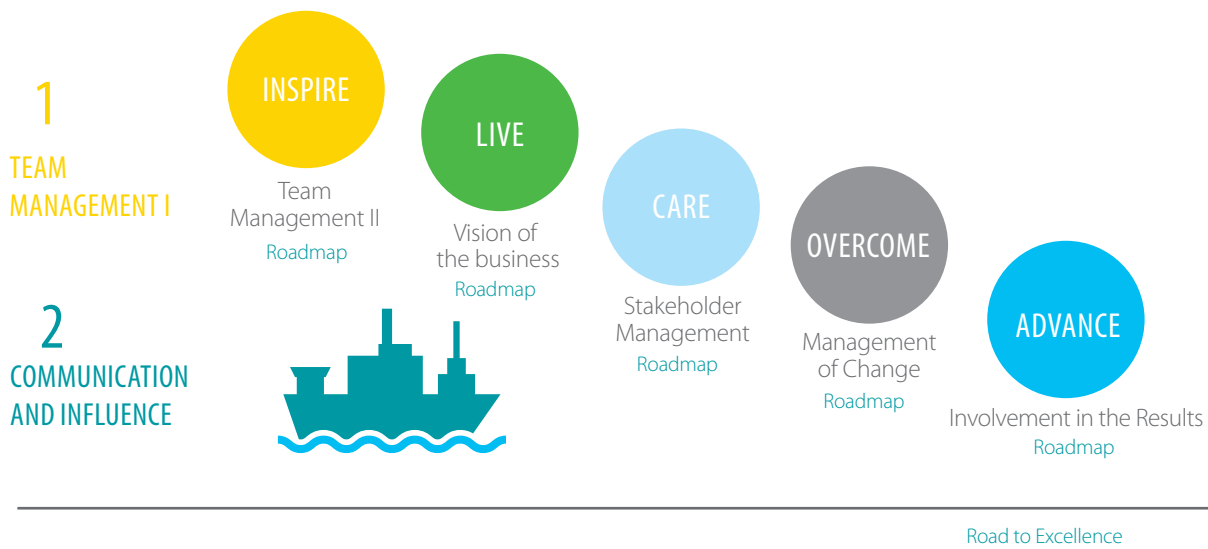
Sticking to its commitment to the progress of its professionals, during 2014 the Company started a **Development Program**, a clear commitment of Redexis Gas to the company’s internal talent, for the purpose of providing tools that accompany and help boost the professional development of its employees.

Such commitment is reinforced though new challenges that it has started to develop during the first quarter of 2015, with the creation of a new program called **“Road towards Excellence”**. Its main goal is to strengthen core competencies always linked to the Company’s values, to achieve the strategic challenges of Redexis Gas. Such values are the elements on which the new performance evaluation model will be based, which will be implemented during 2015.

Development of the Program

2014
TUNING
Transversal Modules

2015
DESTINATIONS REACHED
Developing the Values of Redexis



Internal communication

Transparency, access to information and constant dialogue are key matters for the efficient management of internal communications within Redexis Gas.

During 2014, Redexis Gas started a new internal communications portal for the purpose of keeping employees informed, on a daily basis, about the Company's achievements, and as a personal management tool.

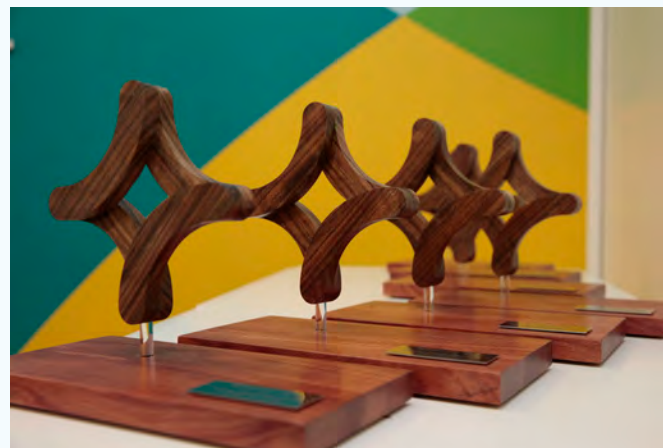
This new intranet entails advancing in the consolidation of the corporate culture, promotes collaboration between teams and sharing information and tools.

Rewards

Redexis Gas is aware that its success resides in its human team, and maintains the commitment to improve and reward the skills, capacities and level of responsibility and motivation of the same. For such reason, in 2014, Redexis Gas has rewarded the salespersons who, with their effort and work, have contributed to the

Company's growth, meeting their performance targets, in addition to acknowledging their commitment to achieve activations.

On this occasion, six salespersons have been rewarded, two awards in each of the three categories: household, services and industrial sector.



3. Industrial relations

Redexis Gas makes an effort to improve industrial relations among its employees, trying to adjust the same to the socio-economic circumstances in general, and of the Company in particular.

On 2 February 2015, the Company reached an **agreement with the union representatives** for the purpose of rationalizing the different and multiple working hours and shifts existing. Such agreement was ratified at the assemblies that were held at each of the work places, culminating with a success for everybody.

Likewise, a **new Pensions Plan** was agreed with the Workers' Representatives of all offices, effective in 2015, and which benefits the entire Group's staff.

The Company and the unions have acted responsibly and reached consensus to sign this agreement, which is an excellent achievement.

4. Health and safety

At Redexis Gas, the health and safety of all persons working at the same are of vital importance. For such reason, there is a department dedicated to guaranteeing well-being at work. From there, preventive plans and programs are implemented, which take care of the employee's health and safety, disseminating and consolidating a culture for the purpose of raising awareness with regard to the risks and promoting responsible conducts among all of its collaborators.

Once again, the year 2014 has been characterized by its zero accidents rate. This evidences that Redexis Gas knows how to identify the risks that can affect its staff, ensuring at all times their health and safety.

Likewise, the Company has a **Safety, Health and Working Conditions Policy** aimed at achieving the continuous improvement of the working conditions and the protection of health, as fundamental values

of the corporate culture of Redexis Gas. Through this policy, the Company assumes commitments with regard to:

- The nature and magnitude of the risks,
- Regulatory compliance,
- Improvement of the health and safety and working conditions,
- Professional and personal conduct,
- Contractor companies,
- Information,
- Training,
- Consultation and participation
- Customers, and
- Citizens.

These **commitments, based on the OHSAS 18001:2007 standard**, are duly documented and available for the company's stakeholders; are reviewed from time to time to adapt and modify the same, if necessary, and provide the framework of reference to establish and measure the company's objectives in matters of health and safety at the workplace.

To fulfil these commitments, Redexis Gas carries out preventive and training actions in order to protect its own assets, human and financial resources, constantly seeking the synergies required not only within the Group, but also with the suppliers, contractors, partners and customers involved in the activity.

For this purpose, Redexis Gas performs interventions of technical and organizational nature to continuously improve its processes, systems and capacities to guarantee the quality and safety of the goods, services and installations it offers. Notable among such interventions are:

- The continued improvement of its occupational health and safety management system.
- The continued analysis of the risk and critical points of the processes and the resources to be protected.

- The adoption of the best technologies.
- The monitoring, updating and improvement of the work methodologies.
- The organisation of training and informative interventions.

Likewise, all companies in the Redexis Gas Group are certified for health and safety management under the **OHSAS18001:2007 certification**.

5. Staff

MAIN MAGNITUDES

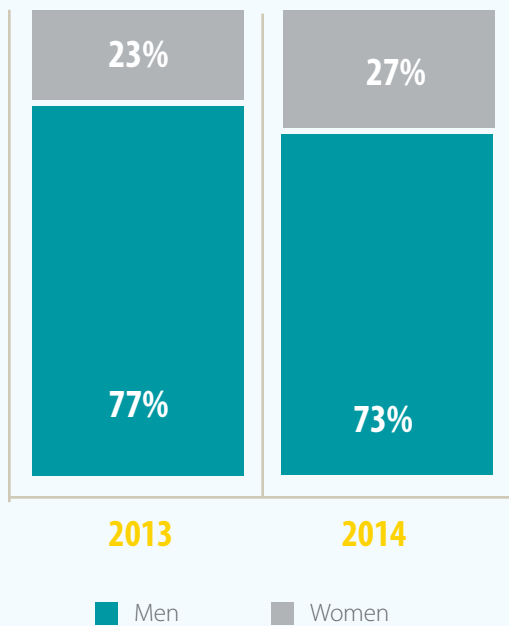
| | 2013 | 2014 |
|---|-----------|-----------|
| Number of employees (average workforce) | 200 | 221 |
| Number of employees (as of 31 December) | 207 | 235 |
| % men / women | 78% / 22% | 73% / 27% |
| Average age of employees | 42 | 42 |
| Average time in Redexis Gas | 12.6 | 10.3 |
| Turnover rate (%) | 6.8% | 12.2% |
| Absenteeism rate (%) | 1.8% | 1.7% |



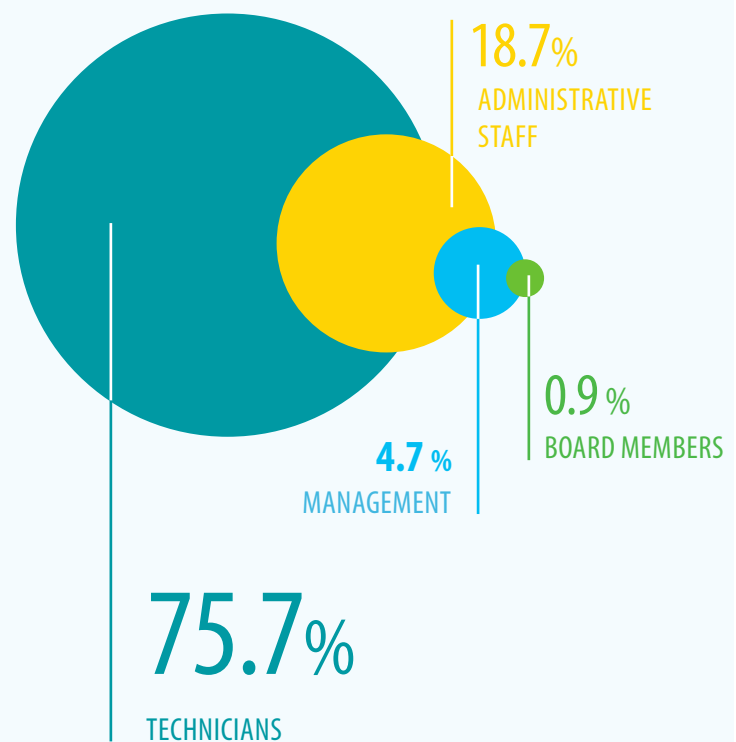
By the closing of 2014, Redexis Gas had an average of 221 professionals distributed throughout the Spanish territory who, on a day-to-day basis, show

their high level of commitment to well-done work and to assuming and overcoming the new social and economic challenges.

BREAKDOWN OF WORKFORCE BY SEX



BREAKDOWN OF WORKFORCE BY CATEGORY IN 2014



The presence of a greater number of female workers must be highlighted: a 33% increase versus the previous year

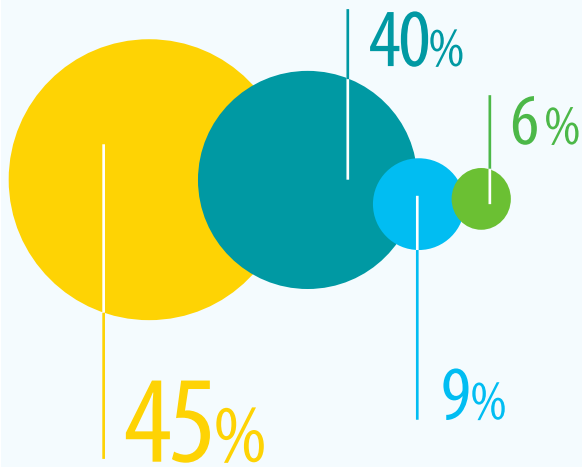
It can be highlighted that Redexis Gas has a highly qualified team, which is perfectly prepared to develop its work and make Redexis Gas a benchmark company.

In 2014, the average age of employees was 42 years, which

reveals that it is a young staff, with expertise and great potential, holding stable positions. An example of this is the high percentage of staff with a permanent contract (89%) during 2014, which shows a positive stability of permanence and commitment from the employees.

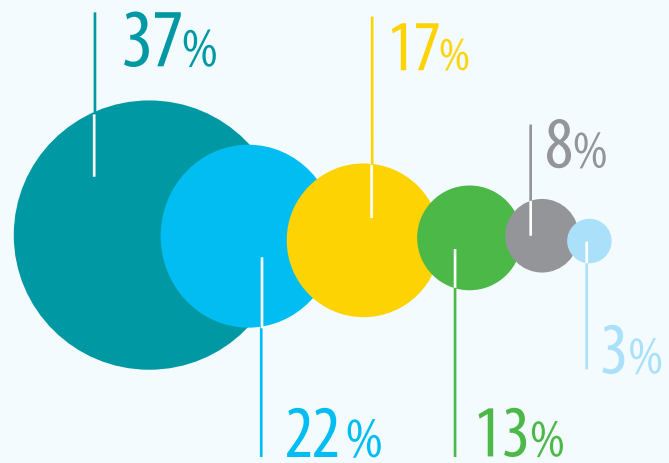


BREAKDOWN OF WORKFORCE BY AGE GROUPS IN 2014



- < 30 years
- < 30-40 years
- 41-50 years
- > 50 years

BREAKDOWN OF WORKFORCE BY REGIONAL CLUSTERS IN 2014



- Aragon
- Madrid
- Balearic Islands
- Andalusia
- Center
- East region

The challenges set for 2015 will entail an important step for the staff of Redexis Gas, since the work of

the professionals will be linked to the competencies demanded by the Organization.

SUPPLIERS

Working together with suppliers appears as an indispensable tool to create greater added value through the implementation of more efficient processes.

Redexis Gas fosters medium-long term commercial relationships based on collaborative dialogue, which provide stability to the suppliers. The procurement strategy allows the company to improve its efficiency and attract significant savings through:

- Strategic approaches to negotiation processes
- Continuous benchmarking
- Understanding the evolution of the cost of materials and raw materials
- Scale economies
- Multi-annual contracts

Year after year, Redexis Gas tries to improve its purchasing management model to guarantee the maximum transparency possible and maintain durable, stable and reliable commercial relationships that guarantee the excellence of its facilities and services. Also, the Company seeks to minimise, throughout the supply chain, the business, technical, environmental and health and safety risks, in addition to the ones related to employment conditions and ethical conduct.

For Redexis Gas, working with certified suppliers is a guarantee of professionalism, quality and sustainability, and therefore, it requires certification

“The final objective is to achieve sustainable growth through collaborative dialogue based on an exercise of transparency between the parties”

and evaluates suppliers supported by the RePro external platform, a system to classify suppliers in Spain, in compliance with Act 31/2007 on procurement procedures in the energy sector. This external system performs a follow-up of suppliers’ documentation and certifications, which includes: compliance with tax and social security obligations, liability insurance policy, ISO and OSHAS certifications, fines or penalties, etc.

In 2014, Redexis Gas managed, through 250 suppliers, a purchasing volume for an amount of Euro 120 million, which constitutes a significant source of creation of wealth, as well as an opportunity to build fruitful relationships with suppliers, under the commitment to effectiveness, efficiency, flexibility, equal opportunities and transparency.

Redexis Gas is strongly committed to economic development in the regions it operates, by creating jobs in service provider companies and ancillary industry, as well as boosting their capacities. In 2014, nearly 98% of the purchases were made from local suppliers.



The year 2015 will be a year of change within this scope, given that the Company plans to submit the purchasing rules to the Board of Directors for approval. With the implementation of ERP SAP MM it intends to transfer

internal rule compliance to the ERP. The purchasing management model intends to guarantee the maximum transparency possible and to boost competition through tender processes for most demanded goods and services.

PUBLIC AUTHORITIES AND REGULATORY ENTITIES

The 1998 Act on Hydrocarbons, when transposing European Directive 1998/30/EC, introduced deep changes in the development of gas activities, deregulating the activities of sourcing and supply, and regulating the rest of the intermediate stages, which include transmission and distribution. The successive European Directives 2003/54/EC and 2009/73/EC and their transposition to Spanish law have advanced in such deregulation process.

These reforms have opened the way to an objective and transparent energy system of free competition, but strongly regulated in some aspects due to its technical complexity, particularly as a result of the integration into the energy common market within the scope of the European Union.

Administrative management of the gas sector facilities/infrastructures and all related regulation, is carried out by the Central and Regional Governments, under the supervision of the National Commission for Markets and Competition (a body that depends on the Government Authorities), which also has as a purpose to ensure the proper operation of the system from a technical and economic standpoint, ensuring competition and consumer protection.

Therefore, in a scenario where regulation is of great relevance to define the master lines for business development, Redexis Gas is permanently in contact

with the Public Authorities and the regulator, participating, collaborating and drawing on its experience in the implementation and adjustment of regulations.

The above mentioned public Authorities and regulatory entities are the ones with which Redexis Gas establishes a necessary relationship to provide its services as carrier and distributor of the Spanish gas system. They are in charge of regulating its activity, as well as evaluating its management and remunerating its services.

Procedure to obtain authorisations for the distribution activity

Although the main principles are defined in an act of national scope (Act 34/1998, on the Hydrocarbon Sector), the regional entity is the competent body to grant the administrative authorisations for the development of the distribution network in a municipality.

Procedure to obtain authorisations for the transmission activity

Although the main principles are defined in the mentioned Hydrocarbon Act, the competent administration may be Regional (for the construction of gas pipelines with a pressure lower than 60) or National (for the construction of gas pipelines with a pressure exceeding 60 bar).

LOCAL COMMUNITIES

Redexis Gas is a company committed to the local communities in which it operates. For such reason, its goal is to promote and maintain an ongoing dialogue with the different players, both government and private entities, at different local, regional, national and European levels.

The Company keeps a very close relationship with its local communities, supported by a strategy of dialogue and cooperation that it develops through different communication platforms. The approach of Redexis Gas towards relationships with local communities is based on transparency and the intention of opening and building throughout time a bidirectional dialogue for the purpose of providing synergic and shared solutions, taking into account the needs and potentials in each territory.

It is a priority for the company to listen, analyze and maximize the shared value through periodic meetings with its stakeholders, associations, institutions, local entrepreneurs, working groups and special meetings with citizens, seeking to establish a permanent dialogue with the interested parties, which allows to evaluate the needs and identify specific solutions.

During 2014, Redexis Gas has maintained its commitment to efficiently contribute to socio-

economic development, promoting collaborations with cultural and social organisations, initiatives for economic development, placement of value on the environment and territory through initiatives such as the “Open days”, events where the arrival of natural gas is celebrated with the citizens of the municipalities where it is present.

In addition to carrying out specific projects to boost the local economy, Redexis Gas, contributes to support the business network of its territories, thanks to the secondary activities it generates. By selecting regional and local contractors and subcontractors, provided it is possible, and hiring local personnel, the Company, whether directly or indirectly, sustains the growth of the economy in the regions where it operates.



MEDIA

Aware of the importance of maintaining an ongoing contact with its stakeholders, Redexis Gas has strengthened its relationship with the media, both with regard to the dissemination of its activity as gas transmission and distribution operator, and to give an answer to the media's needs for information.

Throughout 2014, the Company has shared with the media all corporate and business news, in a direct and ongoing manner. Redexis Gas has a relationship both with national, regional and economic print media, as well as with radios, televisions and online media to which it transmits, in person or through

publications on its corporate website, information about its projects and results. Additionally, its corporate website (www.redexisgas.es) presents the information not only to the media professionals, but also to all those interested in knowing the different aspects of the supply of natural gas and all the elements that form part of the same.

In 2014, Redexis Gas has been very present in the media, thanks to all the communication actions and events carried out. The Company has strongly focused on regional press, establishing a daily follow-up thanks to the actions performed, such as the inauguration of gas pipelines or taking natural gas to municipalities belonging to all the communities in which it operates: Andalusia, Community of Valencia, Castile-La Mancha, Aragón, Castile and León,

Balearic Islands and Region of Murcia. During this year, different members of the Management Committee have been interviewed on different national and regional media, whether print, radio, television or the Internet.

In addition to the press releases that Redexis Gas sends to the media, other ways of dialogue are established, such as meetings with media or the corporate mail, and the queries mailbox located on the corporate website, through which the media can send their requests.

Redexis Gas is committed to continuing this path of collaboration and confidence with the media and journalists that follow its information on a continued or sporadic basis, ensuring the maximum reliability and transparency possible.



TO SOCIETY AND ITS ENVIRONMENT

Redexis Gas is aware of the need to give an answer to the great challenges of today's society and to collaborate with the environment in which it works. For such reason, it orients all its sustainable development efforts towards working under two principles:

- Commitment to society
- Respect for the environment

Redexis Gas develops its activity in eight Autonomous Communities, reaching 215 municipalities. It is a priority for the Group to be able to guarantee and maintain the supply of gas in all of them, and thus it works actively in the development of its transmission and distribution networks, to offer a service in adequate safety and quality conditions.

Due to the activity it is engaged in, decision-making requires a responsible exercise, considering the positions of the affected agents, and thus it is essential to enable the participation of enterprises and agents in the industry, through dialogue with competitors and the authorities involved.

To facilitate such dialogue and form part of the same, Redexis Gas is present and actively collaborates with different associations within the gas industry, seeking positions that are in accordance with its vision and circulating information about the operation of the gas system that promotes the well-being and progress of the communities in which it is present. So, the Company actively participates in the Safety and Sustainable Development Committee of the Spanish Gas Association (Sedigas), in its commitment to develop the gas industry.

The commitment to the social development of the communities in which it operates is a challenge for Redexis Gas. As a prominent player in the natural gas industry, it contributes with its activities to making available to all citizens and companies an essential good such as gas.

The company assumes, as an objective of its business management, the contribution to the company's sustainable development, for which it carries out different actions that promote social, sports and cultural actions that contribute to society's well-being. Among the notable events in 2014, the following can be mentioned:

- Launching of the **"First Redexis Gas Training and Employment Program"**, addressed to over fifty persons, the object of which is to promote employability in the gas sector in the Balearic Islands, training qualified professionals in four areas: works technician, inspector, technical installer or salesperson in natural gas.
- Launching of a professional talent program for young people **"Promoting talent with energy"**, thanks to the agreement entered into with Universia, whereby it offers 24 remunerated internships for students, providing them access to the labour market.
- **Sponsorship of the 64 Trophy "Ciutat de Palma"**, organised by the Royal Sail Club in the children and junior categories, with the participation of 500 sportspersons from 12 different countries.
- **Sponsorship of the permanent exhibition of El Greco** in the Cathedral of Sigüenza, in Guadalajara, inaugurated by the president of Castile – La Mancha, M^a Dolores de Cospedal.
- **Sponsorship of the 11th National Contest of Flamenco singing** with the City Council of San Fernando, for the 25th anniversary of the foundation of Peña Camarón de la Isla.
- **Sponsorship of the 5th BBT Marathon** in Sierra de Cazorla and the 5th Cursa Eivissa Patrimoni de la Humanitat-Gran Premi Redexis Gas in Eivissa.
- Collaboration with the **Lent Concert Requiem Mass** in Chiclana.
- Sponsorship of the world's largest **drumming procession (Tamborrada)** in Hellín (Albacete) with the participation of more than 12,000 drummers.

To continue responding to society's needs, the Company adhered in June 2014 to the **United Nations Global Compact** initiative, for the purpose of fostering as part of its strategy, the ten principles related to human rights, working conditions, the environment and fighting corruption.

Likewise, Redexis Gas combines its business objectives with the protection of the environment and the adequate management of the expectations of its stakeholders in this regard. **Environmental excellence** is a **fundamental value** for the Company, and thus there is a department dedicated to guaranteeing that the activities developed by the Company are carried out in a sustainable and environmentally friendly manner.

Driven by the Senior Management, the **Environmental Policy** intends to be the framework in which, on the one hand, the general lines to be followed (principles) are defined and, on the other hand, the particularities of each business line and project are set. The policy concerns all those who work for the Company, its circle of value and third parties, firmly guaranteeing its commitment to sustainable development, the preservation of the environment and efficient use of resources.

Among the **environmental commitments** included in the policy, the following can be highlighted:

- The integration of environmental management and sustainable development into the Company's corporate strategy.
- The preservation of the natural environment at its facilities and works, adopting measures to minimize possible impacts, paying special attention to the obligations resulting from the Environmental Impact Statements for exceptional works.
- The rational use of resources, and the minimization of environmental impact and generation of waste, emissions and discharges.
- The performance of training actions to sensitize and raise awareness among the persons who form part of the Company.

- The implementation of environmental policies with regard to its contractors and suppliers, including environmental criteria in the procurement specifications, establishing environmental controls for the activities developed at the works, the activities and the facilities owned by Redexis Gas.

To develop these commitments, Redexis Gas establishes environmental management programs, environmental goals and objectives, making a permanent effort for continued improvement.

Also, the Company has an **Environmental Emergency Plan (PEA)** for its facilities and networks, which describes the actions that will be followed if a situation of environmental emergency is detected at the facilities and networks owned by the same, which could have environmental consequences. The adequate management of environmental incidents consists of the adoption, promptly and in a coordinated manner, of measures allowing to control and limit its negative consequences on the environment, thus avoiding and minimizing possible environmental impacts associated to the same. Such management includes:

- Efficiently planning the organisation of human resources and the use of the available technical means.
- Preventing and reducing the damages that may be caused by such situations to people, facilities and the environment.
- Establishing the Communication Plan.

The PEA is a supplementary document to the Autocorrection Plans (PAU) or Internal Emergency Plans (PEI) elaborated for transmission gas pipelines, natural gas and propane storage plants it relates to, and distribution networks of distributing companies.

During the year 2014, the Company reached the goals set, focused on obtaining the **UNE-EN ISO 14001:2004 certification** for all its investee companies, showing, once more, its permanent commitment to continued improvement, the environment and sustainable development.



Additionally, throughout 2014, the Company has continued to promote the development of initiatives and actions focused on reducing and offsetting its environmental footprint, for the purpose of meeting its goals and commitments with the environment. Among such actions, the following are worth mentioning:

- The environmental sensitization campaign addressed to its employees, for the purpose of promoting the responsible consumption of resources and contributing to improve the environment.
- The improvements in waste management:
 - The agreement signed with an authorized waste manager.
 - Registration and control of waste generated at the offices.
 - Communications made as small producers of hazardous waste at the offices.
- Notices given with regard to activities that can potentially pollute the atmosphere and the relevant sources of emission in the different territories in which it operates, in accordance with the obligations set out in Act 34/2007 and Royal Decree 100/2011.
- Environmental inspections made.

The strategy of Redexis Gas in environmental matters inherently leads to the integral treatment of the impacts it causes, with a preventive attitude towards the generation thereof, correcting the ones that have inevitably occurred and, if appropriate, adequately offsetting the ones that have taken place.

TO INNOVATION

Redexis Gas is an organization in constant evolution, adapting to the needs of its clients and society's demands. The diversification process it is undergoing in recent years has led the same to undertake a wide range of activities which take on innovation and development in a purposeful way.

Innovation is one of the drives of progress and growth in Redexis Gas since it allows the solutions put forward by the Company to reach a notable competitive position within the Spanish gas market. The involvement in research, development and innovation is obvious from the increase of the investment and R&D&i effort made by the Group. This effort translates into tangible improvements in productivity, quality, customer satisfaction, occupational safety, obtaining new and better materials and goods and more efficient design.

2013 and 2014 have been years that have marked the path of Redexis Gas due to the changing environment in terms of innovation, technologies and organization. In this context, Redexis Gas has redesigned its innovation activity adding competitiveness to the business lines.

For Redexis Gas, innovation must be understood both with regard to its strictly technological component and its operational dimension, for the purpose of providing competitive advantages in its main activities. The commitments it assumes as an answer to its support to innovation are:

- To increase coordination and synergies between the R&D&i activity of the different business lines.
- To promote the safety and efficiency of the Group's activities.
- To reorganise the activity to focus on profitability, efficiency and excellence.



During the year 2014, Redexis Gas has completed the initiatives it had proposed:

a) Regarding its **technological dimension**, a great transformation project has been carried out, which saw the light in September 2014, which included:

- The definition and commencement of production of the company's new CPDs based on the private *cloud* modality.
- The definition and start-up of the data network of Redexis Gas.
- The renewal of the Workstation of all employees (computers, printers, telephony...).
- The migration of communications from remote telemetering and telecontrol, to the new network interface modules of the Redexis Gas control centre.
- The definition and commissioning of new Company management systems, with the implementation of SAP R3 and the Utilities SAP I-SU vertical solution, as well as their connection to all common applications in the sector (SL-ATR, SCTD,...).
- The migration to the new tools of all data from previous applications, including the histories.
- The implementation and roll out of mobility for inspections and readings.
- The creation of a unique street directory for Redexis Gas.
- The creation of a new intranet for the Company's internal communications.
- The renewal of a new corporate website.

Likewise, Redexis Gas has planned and started projects that allow the adaptation of its systems to the regulatory requirements published in the year 2014 and beginning of 2015.

During the first quarter of 2015, the Company has successfully closed the merger of the companies and within the project of reengineering the activation process, it has started the project to start operating a CRM and it has commenced the implementation of new tools to manage the maintenance and project management.

Additionally, and as a consequence of the purchase of GEDM, Redexis Gas is carrying out a project to integrate this company, which will conclude in the second semester of 2015.

b) In its **operating dimension**, Redexis Gas has implemented strategies and actions that contribute to the efficiency of its operations and to reduce the environmental footprint generated.

During the last years and with particular intensity in 2014, a series of technological standards have become standard in the transmission and distribution activity, which have allowed to:

- Optimise the design and construction of the facilities to give an answer to the demands of new populations, contributing to the expansion of the business to new municipalities.
- Implement and introduce new technological solutions, improving the technical services, becoming a benchmark for the rest of the sector.
- Obtain approval for more efficient new equipment and materials.
- Improve the operation and safety of the facilities.
- Ensure compliance with the safety regulations in all scopes of application.

EXAMPLES OF ACTIONS TAKEN IN 2014

CONSTRUCTION OF DISTRIBUTION FACILITIES

• MODULAR APPROACH TO LIQUID NATURAL GAS (LNG) SATELLITE PLANTS:

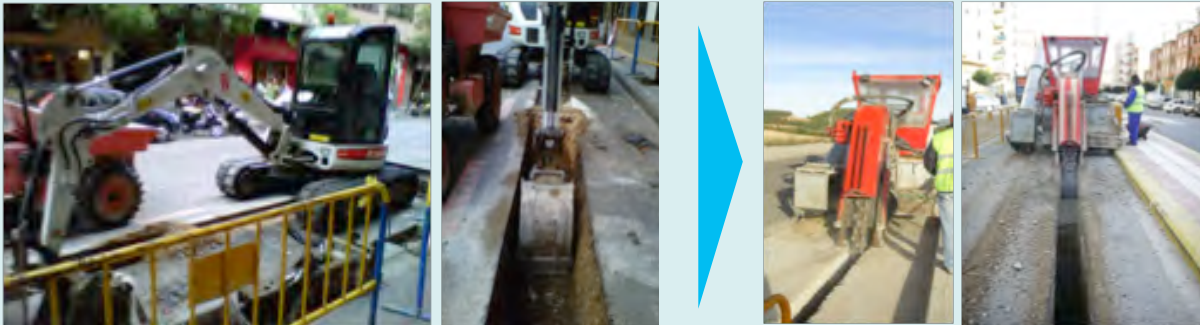
Base design of the plants adjusted to the needs of the new towns that the company intends to serve, introducing technical upgrades. Such modular approach has allowed to reduce the size of the plot and entails cost savings of approximately 30% compared to the previous standardization, without giving up the functionality and operation of the plants.



3D View of Modular LNG Plant

• DEVELOPMENT OF CONSTRUCTION SCALE FOR NEW DISTRIBUTION NETWORKS:

- Optimisation of civil works associated to piping, by adjusting the size of the trench to each pipe diameter.



- Introduction of the reuse of soil from excavation, reducing the generation of urban solid waste.

Such optimisation of the trench size together with the reuse of soil entails a reduction of the environmental impact and associated costs.

• NEW MATERIALS AND EQUIPMENT APPROVED BY REDEXIS GAS, PROVIDING GREATER EFFICIENCY AND FUNCTIONALITY

NEW SOLUTIONS FOR ELECTRIC SELF-CONSUMPTION

• ELECTRIC SELF-CONSUMPTION

• Implementation of alternatives for electric consumption in places where it is not possible to have an electric connection in the short term, or the cost of the same is very high.

- Modular solution for groups on gas (provisional solution)
- Solution for group on gs + PV solar panels (final solution)



REVIEW OF BIDDING AND TECHNICAL SPECIFICATIONS

• Review and adaptation of all Bidding and Technical Specifications to the new construction standards, for the competitive bidding process of contracts under the Framework Agreement:

- Transmission and distribution works and maintenance
- Customer service for users of gas receiver facilities

• Review and adaptation to the Company's needs of the procedures in all Distribution and Transmission areas, such as Projects, Maintenance and Operation of Facilities, Safety, Environment, etc.



TO SAFETY

Consistent with the activity developed by Redexis Gas, one of its main commitments is to ensure and improve on a continued basis, throughout its entire chain of value, the quality and safety of its facilities and of the services it provides.

The safety of its facilities is a key objective, and for such reason, Redexis Gas has a **prevention strategy** that tries to reduce the risk of incidents in the network, both from an operational and safety standpoint, analyzing the condition of its assets to reduce the likelihood of failures in the same and their consequences.

The conditions of a transmission or distribution network depend mainly on:

- The quality of the materials used for the construction of the infrastructure (for example, the use of high density polyethylene).
- The standards and technical specifications of the design of the infrastructures (for example, the elimination of confined spaces).
- The quality in the execution of the project (for example, adjusting to the project's technical specifications).
- The preventive and corrective maintenance activities carried out on the assets throughout their life.



The Company monitors and controls the operation of its assets, identifying any incident or anomaly that may occur on its network through tools that allow identifying the same in the different operating parameters in real time.

Redexis Gas, at its **Control Centre** of national scope, has information in real time from more than 10,000 signals received from more than 320 transmission and distribution facilities, for which purpose it has modern monitoring applications and qualified technical personnel that provide permanent service, 24/7.

For the purpose of operating the Company's assets with an optimum safety and effectiveness, the Control Centre of Redexis Gas has:

- The **Scada System** which allows instant receipt of the main operating values of the transmission and distribution facilities.

- The **Geographic Information System (G.I.S.)** which provides graphic and alphanumeric information of all the Company's network, enabling an integral management and prompt reaction in the case of any anomaly.
- A permanent **Telemonitoring and Anti-intruder System** for authorized accesses and undesired intrusions of the facilities.

With such set of tools, total safety is achieved at the facilities, which helps significantly to manage the operation of the facilities.

Redexis Gas also has a centralized **Emergency Call-Centre (CAT)**, which allows managing emergencies reported by consumers at their reception facilities, as well as the ones of other emergency bodies (police, firemen, 112, etc.) with regard to the rest of the facilities. With this Centre, emergencies are dealt with and handled in a more efficient manner.



The CAT liaises between the Consumer, the Emergency Care team and the Control Centre, identifying and classifying the emergencies, so that they may be notified to the care team to solve the same.

Likewise, Redexis Gas has an **Environmental Emergency Plan (PEA)** that covers all possible situations of environmental emergency that may arise in connection with its facilities and networks. In the same, a series of human means are provided to control the risks detected and act promptly and efficiently in a situation of environmental emergency. Such means are the following:

- Control Centre
- Emergency Director
- Head of Intervention
- Intervention Team
- Prevention and Environmental Unit
- Territorial Director of Environment

The organisation of action teams in Redexis Gas is not intended to replace the Public Emergency Services (Fire Department, Civil Protection, etc.), but only to take immediate measures to control and minimise the risk for the health and safety of persons, and the negative impact on the environment until the former arrive.

REDEXIS GAS PARTICIPATES IN THE "DAIMIEL 2015" SIMULATION

During 9, 10 and 11 March, the first simulation of a chemical catastrophe took place in Daimiel (Ciudad Real), which Redexis Gas collaborated in.

More than 3,000 persons took part in this simulation,

designated as "Gamma Daimiel 2015" exercise, including members of the Military Emergency Unit (UME), Emergency services of the Government of Castile-La Mancha, as well as international intervention teams from United States, France and Morocco.





CORPORATE GOVERNANCE REPORT

7

ANNUAL CORPORATE GOVERNANCE REPORT FOR THE COMPANY

REDEXIS GAS, S.A. FOR THE YEAR 2014

1. INTRODUCTION

Corporate governance regulations have evolved substantially in recent years, both at EU and national level. Their relevance and usefulness in ensuring proper operation of the markets have led the public authorities to increase and perfect the pertinent obligations, mainly focused on listed corporations, without prejudice to the introduction of regulatory provisions with regard to other entities which issue securities traded on official stock markets.

In this regard, and although the applicable legislation does not require all public limited companies to issue a corporate governance report, the Board of Directors of Redexis Gas, S.A. (the "Company") has, in the interests of transparency and diligence, resolved to issue this Annual Corporate Governance Report (the "Report").

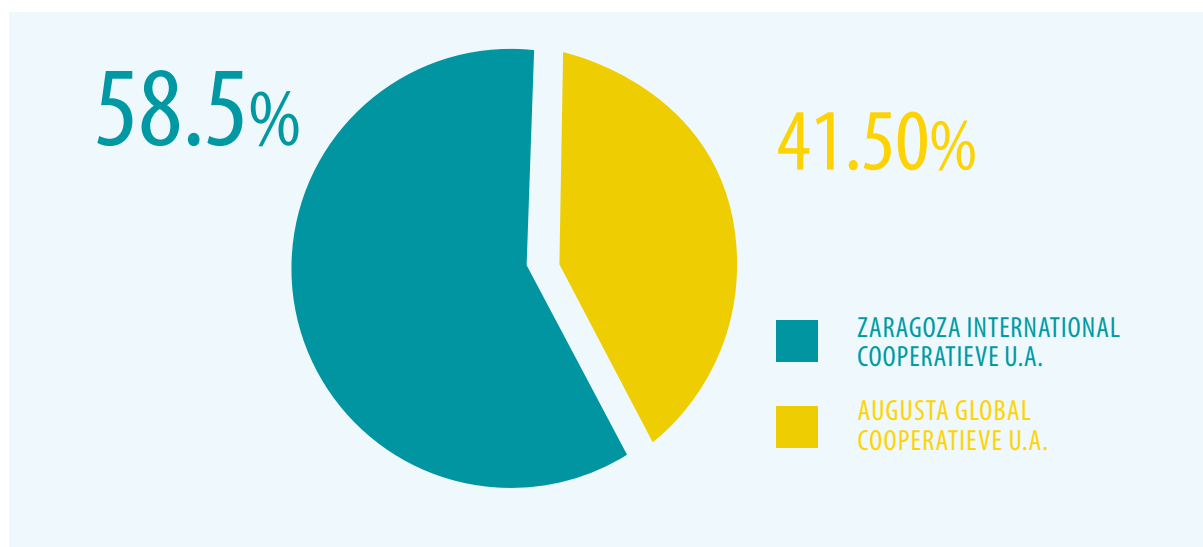
2. SHARE CAPITAL STRUCTURE

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

numbered from 1 to 10,000,000, both inclusive.

As at 31 December 2014, the share capital is fully subscribed and paid-up, with the following ownership structure:

SHARE CAPITAL



3. BOARD OF DIRECTORS STRUCTURE

3.1 COMPOSITION

The administration of the Company corresponds to a Board of Directors composed of a minimum of three and a maximum of twelve members, in accordance with the provisions of article 20 of the Articles of Association.

The Board of Directors is currently composed of ten Directors and a Non-Director Secretary.

3.2 MEMBERS OF THE BOARD OF DIRECTORS

As at 31 December 2014, the Board of Directors was composed of the following members:

EXECUTIVE CHAIRMAN

MR. FERNANDO BERGASA CÁCERES

DIRECTOR GENERAL MANAGER

MS. CRISTINA ÁVILA GARCÍA

DIRECTORS

MR. PHILIPPE LOUIS HUBERT CAMU

MR. PETER ROBERT LYNEHAM

MR. MATTEO BOTTO POALA

MR. CLAUDIO AGUIRRE PEMÁN

MR. ULRIK DAN WEUDER

MR. STEPHEN ALAN JOHN DEELEY

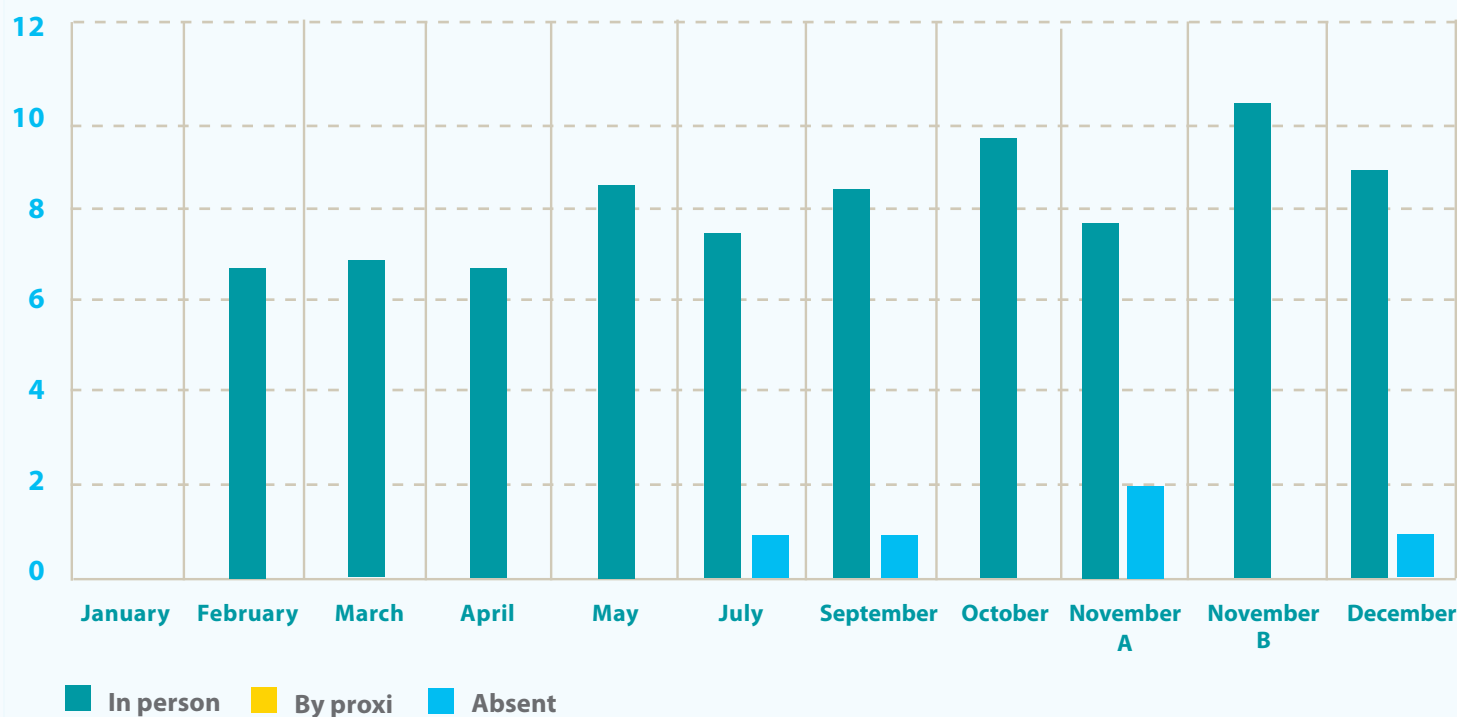
MR. MARCUS HUBERTUS GERTRUDIS VENNEKENS

MR. GERARDUS NICOLAAS MEIJSSSEN

NON-DIRECTOR SECRETARY

MR. IGNACIO PEREÑA PINEDO

ATTENDANCE AT THE MEETINGS OF THE COMPANY'S BOARD DIRECTORS



During the 2014 financial year, the following changes in the composition of the Company's Board of Directors were approved:

- On 8 April 2014, (i) Mr. Marcus Hubertus Gertrudis Vennekens; and (ii) Mr. Gerardus Nicolaas Meijssen, were appointed members of the Board of Directors at the General Shareholders Meeting.

- On 19 September 2014, (i) Ms. Cristina Ávila García was appointed member of the Board of Directors at the General Shareholders' Meeting.

The Board of Directors has held ten sessions during the 2014 financial year. In this regard, the Board members' commitment in the exercise of their functions should be noted, highlighting the high participation and attendance at them, which was 95.30% during the 2014 financial year.

3.3 TERM OF OFFICE OF DIRECTOR

The term of office of Director is five years. The directors can be re-elected for equal periods, without prejudice

to their resignation or removal at the request of the shareholders acting at the General Shareholders Meeting.

3.4. BOARD OF DIRECTORS COMMITTEES

No committees of the Board of Directors were set up during the 2014 financial year.

3.5. CONFLICT OF INTERESTS

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

It shall also be considered that the Directors have a personal interest when the issue affects a person related to them, or a Company with which they have any employment or professional relationship or when they perform a management role or have a significant holding.

In the 2014 financial year no Director reported the existence of any conflict of interest with the Company.

Furthermore, at the time of the appointment or the re-election of the Directors, all of them stated that they were not affected by any grounds for incompatibility which prevent or hinder them from exercising any of their functions and, particularly, those set out in the Act 5/2006, of 10 April, regulating the conflicts of interests of the members of the Government and the Senior Positions in the General State Administration, as well as those established in articles 227, 228, 229, 230 and 231 of Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Text of the Corporate Enterprises Act.

3.6 REMUNERATION OF THE DIRECTORS

The office of Director, acting as such position, is not remunerated, without prejudice to the right to a reimbursement by the Company of the reasonable expenses they incur due to their office.

For these purposes, during the 2014 financial year, none of the members of the Board of Directors has received any remuneration for attending the meeting of the Board of Directors.

Notwithstanding the above, at the meeting of the Board of Directors held on 13 February 2014 a resolution was passed regarding the remuneration scheme for the Chairman of the Company, Mr. Fernando Bergasa Cáceres, in his capacity of executive officer in the Company.

3.7. NOTICE OF THE MEETINGS

The meetings of the Board of Directors were called giving sufficient notice, making available to the

Directors the documentation explaining each of the items included on the agenda.

3.8. INFORMATION TO THE DIRECTORS

Before holding each of the meetings of the Board of Directors, the company management provided to each of the Directors relevant information about the Company and the Group, such as the financial

evolution of the companies in the Group, regulatory issues and on-going tenders, occupational health and safety matters and any other relevant information which they should know.



4. GENERAL SHAREHOLDERS' MEETING

4.1. GENERAL SHAREHOLDERS' MEETINGS HELD

During the 2014 financial year, in addition to the Annual General Meeting, three Extraordinary General Meetings were held on the dates and with the agendas indicated below:

ANNUAL GENERAL MEETING DATED 27 FEBRUARY 2014

AGENDA

1. Approval of the company's Annual Accounts and Management Report and the consolidated Annual Accounts and Management Report for the 2013 financial year.
2. Approval of the allocation of profits or losses for the 2013 financial year.
3. Approval of the management of the Board of Directors for 2013.
4. Appointment of auditors.
5. Change of corporate form of Redexis Gas, S.L. into a public limited company (sociedad anónima).
6. Approval of the Articles of Association of the resulting public limited company
7. Transfer of the Company's registered office.
8. Approval of the minutes of the session.

In such session, the ordinary and consolidated accounts, and the management by the Board of Directors were approved, and the allocation of profits or losses was resolved. Also, the change of corporate form of the Company into a public limited company was approved, as well as the amendment of the Articles of Association.

EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING DATED 20 MARCH 2014

AGENDA

1. Resolutions regarding the company's refinancing.
2. Approval of the minutes of the session.

In such session, the resolution was adopted to change the Company's existing financing and the subscription by the same of new financing.

EXTRAORDINARY GENERAL SHAREHOLDERS MEETING DATED 8 APRIL 2014

AGENDA

1. Appointment of new directors.
2. Approval of the minutes of the session.

In such session, it was resolved to appoint Mr. Marcus Hubertus Gertrudis Vennekens and Mr. Gerardus Nicolaas Meijssen as new Directors of the Company.

EXTRAORDINARY GENERAL SHAREHOLDERS MEETING DATED 19 SEPTEMBER 2014

AGENDA

1. Appointment of new directors.
2. Approval of the merger by acquisition
3. Allocation made to the legal reserve
4. Distribution of dividends
5. Approval of the minutes of the session

In such session, it was resolved to appoint Ms. Cristina Ávila García, General Manager of the Company, as director of the Company. The reason for this appointment was to enhance the Company's good governance practices, since the Code of Good Governance for Listed Companies, although not binding for Redexis Gas S.A., provides that it is convenient to appoint "the most significant executive officers in the company" as members of the Board of Directors, maintaining at the same time the Board's independence and capacity, so that it may analyse and supervise the work performed by the company's executive officers. Also, the Code recommends companies to promote the appointment of women as directors when they have the technical capacity required in each case by the company.

In this same session, it was resolved at the General Shareholders Meeting to make an allocation to the legal reserve and complete the same until reaching 20% of the share capital. Also, once the legal reserves were covered, the shareholders resolved to distribute an extraordinary dividend of 1.85 Euros per share.

4.2. INFORMATION TO THE SHAREHOLDERS

The Company has strictly complied with the obligations established in article 196 and 197 of the Restated Text of the Companies Act in relation to the duty to inform shareholders

(after the change of corporate form, shareholders in a public limited company) and for the purposes of facilitating and ensuring the exercise of the shareholders' rights (as appropriate).



5. CHANGE OF CORPORATE FORM INTO A PUBLIC LIMITED COMPANY

Throughout 2014, the Company has changed its corporate form, from a private limited company to a public limited company. This change enables the Company to enter into transactions that pursuant to the law are reserved to public limited companies, such as the issue of notes. To this effect, the Company's Board of Directors approved on 13 February 2014 the report regarding the Company's change of corporate form, pursuant to the report also issued for such purposes by the independent expert appointed by the Commercial Registry, as

required by the Law. Then, on 27 February 2014 the shareholders acting at the General Shareholders Meeting proceeded to approve the change of corporate form and to amend the Articles of Association accordingly. The announcement of the resolution to change the corporate form was published in the Official Gazette of the Commercial Registry on 28 February 2014. On that same day, the public instrument of change of corporate form was executed, which was duly registered with the Commercial Registry.

6. COMPANY'S REFINANCING

During 2014, the Company has proceeded to refinance its debt by changing the previously existing financing scheme. To such effect, throughout the year Redexis Gas, S.A. has obtained the investment grade from the rating entities Fitch and Moody's and has secured 650 million Euros in 7 year term notes. This issue has been made under an MTN programme (Euro Medium Term Note Programme), the issuer being Redexis Gas Finance B.V. At the same time, Redexis Gas, S.A. has entered into a revolving type bank facility agreement (Senior Term and Revolving Facilities Agreement) which provides the same up to 650 million Euros, for the purpose of financing the Company's investment policy. The resolutions regarding

the Company's refinancing were approved by the Board of Directors on 13 February 2014 and at the General Shareholders Meeting on 20 March 2014.

Likewise, on 8 April 2014 the existing guarantees on the Company's shares and on the receivables resulting from the intragroup loan entered into on 17 December 2010 were cancelled. On the same date, the shareholder loans in place between the Company and its shareholders Augusta Global Cooperatieve U.A. and Zaragoza International Cooperatieve, U.A., entered into on 17 December 2010 and 9 December 2013, were cancelled.

7. MERGER BY ACQUISITION OF THE OPERATING COMPANIES OF REDEXIS GAS

On 22 May 2014, the Company's Board of Directors approved the project of merger by acquisition of the following companies, fully owned by Redexis Gas, S.A.: Redexis Gas Transporte, S.L.U., Transportista Regional del Gas, S.A., Redexis Gas Distribución, S.A.U., Distribuidora Regional del Gas, S.A.U., Redexis Gas Aragón, S.A.U. and Redexis Gas Baleares, S.A.U., for the purpose of creating synergies and having, at the same time, a more efficient structure. This project was also approved by the corporate bodies of such companies.

In this regard, under the provisions of articles 67 and 73 of Act 34/1998, of 7 October, on the Hydrocarbon Sector, an application was subsequently made to the competent

authorities, for the authorization to transfer the facilities and for the authorizations to distribute and carry gas.

Likewise, the shareholders acting at the General Shareholders Meeting approved on 19 September 2014 the merger by acquisition on the terms proposed by the Board of Directors.

On 29 September 2014, the merger announcement was published in the Official Gazette of the Commercial Registry.

Once the authorisations are received from the relevant authorities, the merger by acquisition is intended to be executed in a public instrument and registered with the Commercial Registry at the beginning of 2015.

8. SALE AND PURCHASE OF SHARES OF GAS ENERGÍA DISTRIBUCIÓN MURCIA, S.A. AND ADDITIONAL ASSETS

In 2014, the Company's Board of Directors has proceeded to approve the sale and purchase of 99.98% of the shares in Gas Energía Distribución Murcia S.A. as well as certain additional gas distribution assets that the company Naturgás Energía Distribución S.A. had in other Autonomous Communities. Gas Energía Distribución Murcia S.A. distributes gas in 22 municipalities in the Region of Murcia and has a transmission gas pipeline (Moratalla-Mula), of over 65 kilometres. The transaction includes the purchase of

other assets in Catalonia, Extremadura, Community of Madrid and Castile and Leon.

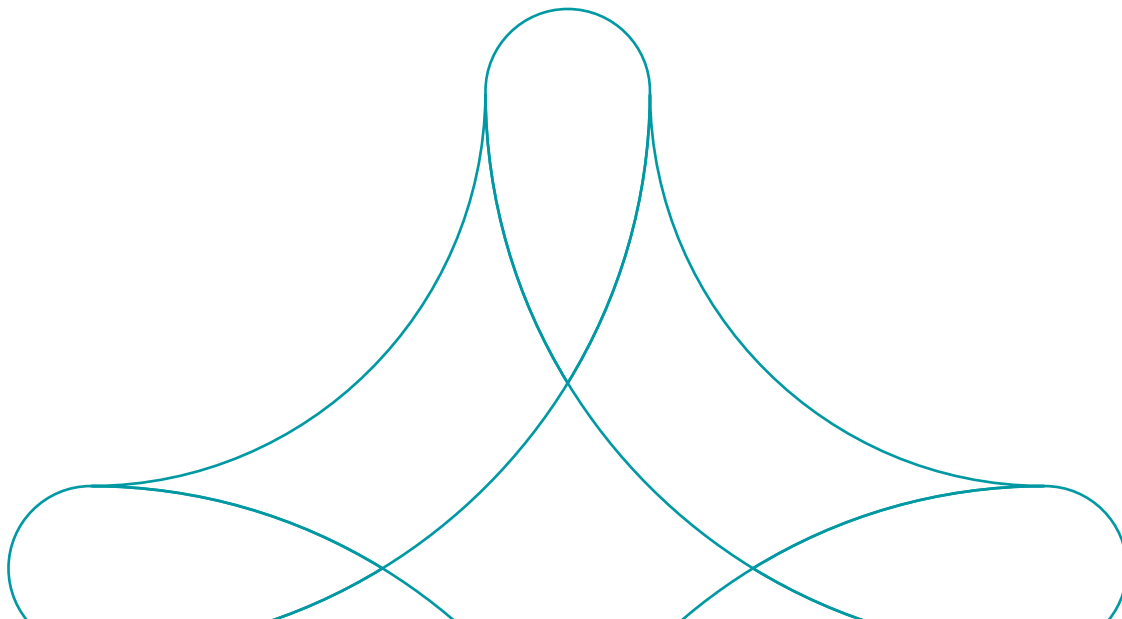
The sale and purchase was executed in a private document on 16 December 2014, which provides for the execution thereof as a public instrument in 2015, upon satisfaction of the conditions precedent set out in the agreement. Through this agreement the Company thus acquires new gas transmission and distribution infrastructures and increases its points of supply approximately 30%.

9. ACTIONS IN RELATION TO CORPORATE GOVERNANCE

The Company has been performing significant work with regard to this matter throughout the 2014 financial year. It should be noted that, among other actions carried out, a channel for claims has been established on the Company's website, so that any person, even anonymously, may report to the Company any allegedly irregular event. Therefore, this channel implements the provisions of the Code of Conduct and

Good Practices of the Redexis Gas Group. Likewise, together with a report, the channel allows sending to the Company any document regarding the same in electronic format. The reports are treated with confidentiality and security.

The Report was approved by the Board of Directors of Redexis Gas, S.A. at the meeting held on 12 February 2015.





RISK MANAGEMENT AND CONTROL

When exercising the activity of the Redexis Gas Group, such entities face a range of risks derived from both external and internal sources, which must be valued and

minimized to the extent possible with an appropriate risk management and control policy.

a) Integral risks management scheme

The activity carried out by the Group involves a series of risks, which must be identified in order to establish adequate policies to reduce the same.

The main risks identified:

a) **Market risks** arising from changes in market prices and variables, such as the exchange rate, interest rate, and prices of raw materials, etc.

b) **Credit risks** arising from the possibility of a counterparty (suppliers, contractors, etc) defaulting its contractual obligations and causing an economic or financial loss to the group.

c) **Business risks** arising from the uncertainty with regard to the performance of the key business drivers, such as the characteristics of the demand, weather conditions or strategies of the different agents.

d) **Regulatory risks** arising from regulatory changes established by the different regulators, such as changes in the remuneration of regulated activities, environmental legislation or tax laws.

e) **Operational risks** referred to the direct or indirect economic loss caused by inadequate internal procedures, technological failures, human errors or as a consequence of certain external facts, including their economic, social, environmental and reputational impact, as well as the legal risk.

f) **Reputational risks** referred to the potential negative impact on the value of the Group resulting from performing below the expectations created with the different stakeholders.

b) Risk management

For the purposes of minimising the above-described risks, Redexis Gas is implementing an ambitious risk control and management policy, with the main aim of establishing the basic principles and general framework for the management and control of risks of all kinds faced by the Company and its group of companies.

For these purposes, it can be highlighted that Redexis Gas, in the exercise of its functions and corporate responsibility, has initiated a significant task in connection with the risk management and control policies, which is currently being strengthened substantially to provide the Group with the best means to gain effective control, within the limits set

out in the legislation applicable to the activities developed by the Company.

Such task has materialized, among other measures, in the existence of a (i) Code of Conduct of the Redexis Gas Group, in which the commitments of the Group companies to ethics and good governance appear as cardinal points of the actions of each of the companies; and (ii) an internal procedure to report allegedly irregular events that includes, as an essential point thereof, a channel for complaints; and (iii) a channel for complaints included in the website of Redexis Gas, where any third party can report, make complaints or claims with regard to the Code of Conduct and best practices of the Group.

ANNUAL ACCOUNTS

ANNUAL REPORT **2014**



REDEXIS GAS, S.A. AND SUBSIDIARIES
CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT

31 December 2014

prepared in accordance with International Financial
Reporting Standards as adopted by the European Union
(With Auditors' Report Thereon)



KPMG Auditores S.L.
Centro Empresarial de Aragón
Avda. Gómez Laguna, 25
50009 Zaragoza

Independent Auditor's Report on the Consolidated Annual Accounts

To the Shareholders of
Redexis Gas, S.A.

Report on the consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Redexis Gas, S.A. (the "Company") and its subsidiaries, which comprise the consolidated statement of financial position at 31 December 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

Directors' responsibility for the consolidated annual accounts

The Company's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they present fairly the consolidated equity, consolidated financial position and consolidated financial performance of Redexis Gas, S.A. and subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the consolidated annual accounts by the Company's directors 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

KPMG Auditores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Entered into the Spanish Official Register of Auditors with number S0702, and the Spanish Institute of Registered Auditors' list of companies with reference No. 10. Filed at the Madrid Mercantile Registry in volume 11.961, sheet 90, section 8, page number M-188,007, entry number 9. Tax identification number (NIF): B-78510153

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

Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and consolidated financial position of Redexis Gas, S.A. and subsidiaries at 31 December 2014 and their consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated directors' report for 2014 contains such explanations as the Directors of Redexis Gas, S.A. consider relevant to the situation of the Group, its business performance and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2014. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Redexis Gas, S.A. and subsidiaries.

KPMG Auditores, S.L.

Estibaliz Bilbao

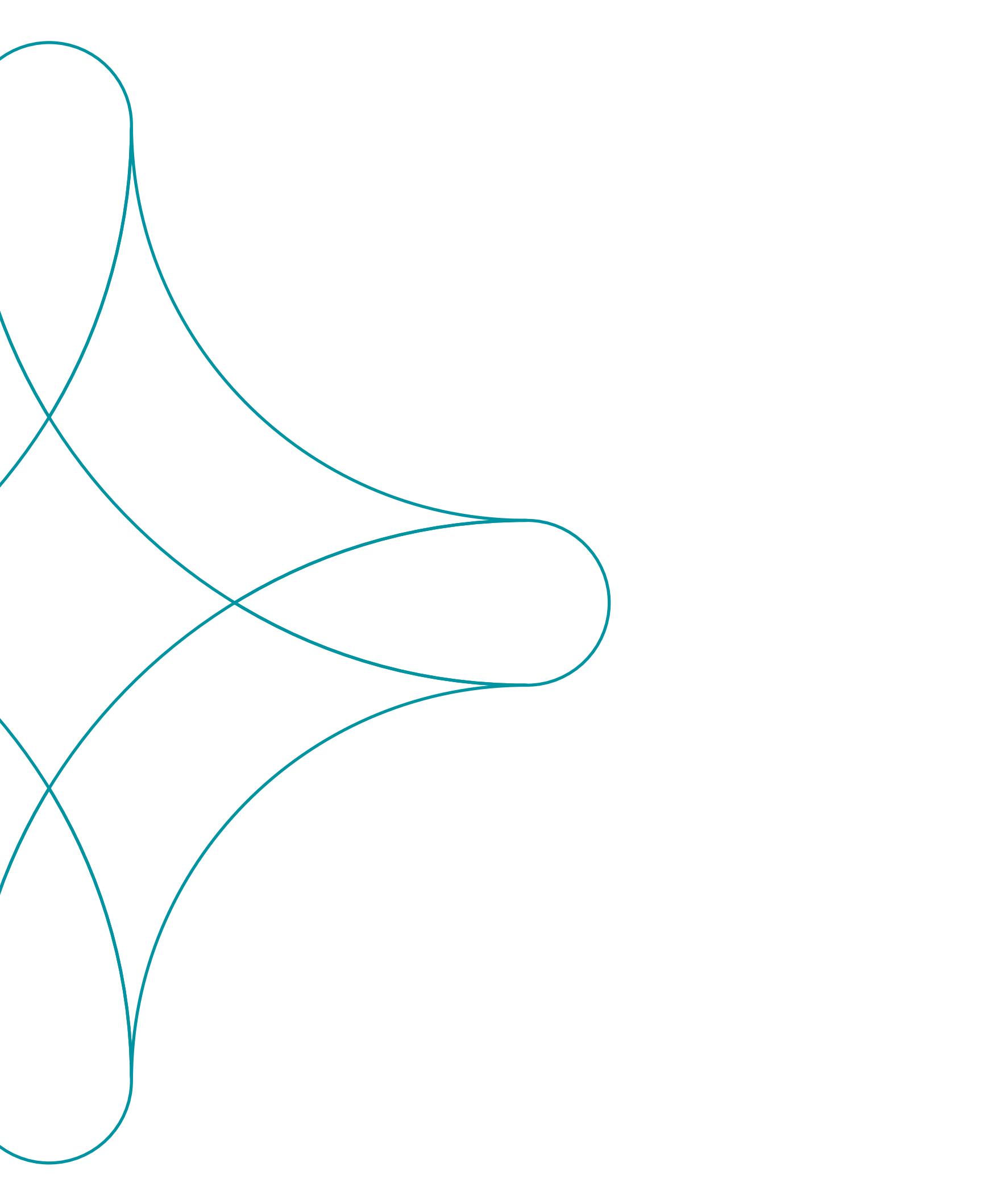
26 March 2015



Miembro ejerciente:
KPMG AUDITORES, S.L.

Año 2015 Nº 08/15/00064
SELLO CORPORATIVO: 96,00 EUR

Informe sujeto a la tasa establecida en el artículo 44 del texto refundido de la Ley de Auditoría de Cuentas, aprobado por Real Decreto Legislativo 1/2011, de 1 de julio.





CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT

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| 14. Trade and other receivables | 135 | | |

| ASSETS | NOTE | 2014 | 2013 |
|--|-----------|------------------|------------------|
| Property, plant and equipment | 6 | 677,928 | 640,382 |
| Goodwill | 7 | 213,053 | 213,053 |
| Other intangible assets | 7 | 529,502 | 526,610 |
| Deferred tax assets | 12 | 67,566 | 48,612 |
| Non-current financial assets | 11 | 6,690 | 4,595 |
| Trade and other receivables | 14 | 19,492 | - |
| Total non-current assets | | 1,514,231 | 1,433,252 |
| Inventories | 13 | 395 | 535 |
| Trade and other receivables | 14 | 45,380 | 42,596 |
| Other current financial assets | 11 | 123 | 131 |
| Other current assets | 15 | 7,241 | 7,557 |
| Cash and cash equivalents | 16 | 79,414 | 72,998 |
| Total current assets | | 132,553 | 123,817 |
| Total assets | | 1,646,784 | 1,557,069 |
| EQUITY AND LIABILITIES | NOTE | 2014 | 2013 |
| Capital | | 100,000 | 100,000 |
| Share premium | | 105,433 | 105,433 |
| Other reserves | | 407,704 | (16,763) |
| Cash flow hedges | | - | (25,790) |
| Profit/(loss) for the year | | 107,452 | (17,253) |
| Other comprehensive income | | 107,452 | (43,043) |
| Equity attributable to equity holders of the Parent | | 720,589 | 145,627 |
| Non-controlling interests | | - | 2,760 |
| Total equity | 17 | 720,573 | 148,387 |
| Financial liabilities from issuing bonds and other marketable securities | 19 | 640,925 | - |
| Loans and borrowings | 20 | 72,248 | 616,019 |
| Financial liabilities with related companies | 20 | - | 361,697 |
| Derivative financial instruments | 10 | - | 36,844 |
| Other financial liabilities | 18 | 4,262 | 4,286 |
| Deferred tax liabilities | 12 | 113,938 | 220,058 |
| Provisions for employee benefits | 24 | 4,074 | 3,766 |
| Other provisions | 25 | 2,429 | 2,232 |
| Government grants | 27 | 5,276 | 4,238 |
| Total non-current liabilities | | 843,152 | 1,249,140 |
| Financial liabilities from issuing bonds and other marketable securities | 19 | 13,076 | - |
| Loans and borrowings | 20 | 433 | 20,463 |
| Financial liabilities with related companies | 20 | - | 89,307 |
| Trade and other payables | 21 | 65,301 | 43,758 |
| Current income tax liabilities | 12 | 1,350 | 1,736 |
| Provisions for employee benefits | 24 | 863 | 2,504 |
| Other current liabilities | 28 | 2,020 | 1,774 |
| Total current liabilities | | 83,043 | 159,542 |
| Total equity and liabilities | | 1,646,784 | 1,557,069 |

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

| | NOTE | 2014 | 2013 |
|---|---------|----------------|-----------------|
| Revenue | 29 | 147,597 | 136,052 |
| Other operating income | 30 | 3,982 | 4,697 |
| Self-constructed non-current assets | | 6,686 | 6,160 |
| Supplies | | (3,893) | (5,149) |
| Employee benefits expense | 32 | (17,049) | (15,021) |
| Amortisation and depreciation | 6 and 7 | (36,608) | (35,064) |
| Other operating expenses | 31 | (26,097) | (21,544) |
| Other recurring operating expenses | | (21,454) | (21,608) |
| Other non-recurring operating expenses | | (1,644) | - |
| Impairment of non-current assets | | (2,999) | 64 |
| Results from operating activities | | 74,618 | 70,131 |
| Finance income | | 203 | 672 |
| Finance costs | | (88,936) | (76,271) |
| Net finance cost/income | 33 | (88,733) | (75,599) |
| Loss before income tax | | (14,115) | (5,468) |
| Income tax expense/(tax income) | 12 | 121,597 | (11,630) |
| Profit/(loss) for the year | | 107,482 | (17,098) |
| Profit/(loss) for the year attributable to equity holders of the Parent | | 107,452 | (17,253) |
| Profit for the year attributable to non-controlling interests | | 30 | 155 |

Consolidated Income Statements for the years ended 31 December 2014 and 2013 (Expressed in thousands of Euros)

| | NOTE | 2014 | 2013 |
|--|------|----------------|----------------|
| Profit/(loss) for the year | | 107,482 | (17,098) |
| Other comprehensive income: | | | |
| Items not to be reclassified in profit or loss | | | |
| Cash flow hedges | 10 | (6,314) | 3,089 |
| Actuarial gains/(losses) on defined benefit plans | | (1,291) | 53 |
| Tax effect | 12 | 2,281 | (943) |
| | | (5,324) | 2,199 |
| Items to be reclassified in profit or loss | | | |
| Cash flow hedges | 10 | 43,158 | 14,207 |
| Tax effect | 12 | (12,948) | (4,262) |
| | | 30,210 | 9,945 |
| Other comprehensive income for the year, net of tax | | 24,886 | 12,144 |
| Total comprehensive income for the year | | 132,368 | (4,954) |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Parent | | 132,338 | (5,109) |
| Non-controlling interests | | 30 | 155 |
| | | 132,368 | (4,954) |

Consolidated Statements of Comprehensive Income for the years ended 31 December 2014 and 2013 (Expressed in thousands of Euros)

EQUITY ATTRIBUTED TO EQUITY HOLDERS OF THE PARENT

Consolidated Statement of Changes in Equity for the year ended 31 December 2014 (Expressed in thousands of Euros)

| | OTHER COMPREHENSIVE INCOME | | | | | | TOTAL | NON-CONTROLLING INTERESTS | TOTAL EQUITY |
|---|----------------------------|----------------|---------------|-----------------|------------------|----------------------------|----------------|---------------------------|----------------|
| | CAPITAL | SHARE PREMIUM | LEGAL RESERVE | OTHER RESERVES | CASH FLOW HEDGES | PROFIT/(LOSS) FOR THE YEAR | | | |
| Balance at 31 December 2013 | 100,000 | 105,433 | - | (16,763) | (25,790) | (17,253) | 145,627 | 2,760 | 148,387 |
| Profit for 2014 | - | - | - | - | - | 107,452 | 107,452 | 30 | 107,482 |
| Transfers of cash flow hedges to the income statement, net of tax | - | - | - | - | 25,790 | - | 25,790 | - | 25,790 |
| Actuarial gains/(losses) on defined benefit plans | - | - | - | (904) | - | - | (904) | - | (904) |
| Acquisition of non-controlling interests | - | - | - | 1,580 | - | - | 1,580 | (2,790) | (1,210) |
| Shareholders' contribution | - | - | - | 458,635 | - | - | 458,635 | - | 458,635 |
| Appropriation to legal reserve | - | - | 20,000 | (20,000) | - | - | - | - | - |
| Dividends | - | - | - | (18,500) | - | - | (18,500) | - | (18,500) |
| Other | - | - | - | 909 | - | - | 909 | - | 909 |
| Application of losses for 2013 | - | - | - | (17,253) | - | 17,253 | - | - | - |
| Balance at 31 December 2014 | 100,000 | 105,433 | 20,000 | 387,704 | - | 107,452 | 720,589 | - | 720,589 |

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Consolidated Statement of Changes in Equity for the year ended 31 December 2013 (Expressed in thousands of Euros)

| | OTHER COMPREHENSIVE INCOME | | | | | TOTAL | NON-CONTROLLING INTERESTS | TOTAL EQUITY |
|---|----------------------------|----------------|-----------------|------------------|-------------------|----------------|---------------------------|----------------|
| | CAPITAL | SHARE PREMIUM | OTHER RESERVES | CASH FLOW HEDGES | LOSS FOR THE YEAR | | | |
| Balance at 31 December 2012 | 100,000 | 105,433 | 4,550 | (37,897) | (23,888) | 148,198 | 6,133 | 154,331 |
| Loss for 2013 | - | - | - | - | (17,253) | (17,253) | 155 | (17,098) |
| Additions of cash flow hedges, net of tax | - | - | - | 12,107 | - | 12,107 | - | 12,107 |
| Actuarial gains/(losses) on defined benefit plans | - | - | 37 | - | - | 37 | - | 37 |
| Acquisition of non-controlling interests | - | - | 2,538 | - | - | 2,538 | (3,528) | (990) |
| Application of losses for 2012 | - | - | (23,888) | - | 23,888 | - | - | - |
| Balance at 31 December 2013 | 100,000 | 105,433 | (16,763) | (25,790) | (17,253) | 145,627 | 2,760 | 148,387 |

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

| | NOTE | 2014 | 2013 |
|--|-----------|-----------------|-----------------|
| Cash flows attributable to operating activities | | | |
| Profit/(loss) for the year before tax | | (14,115) | (5,468) |
| <i>Adjustments for:</i> | | | |
| Amortisation and depreciation | 6 and 7 | 36,608 | 35,064 |
| Impairment losses on trade receivables | 31 | 52 | (20) |
| Change in provisions | 24 and 25 | (2,094) | (2,697) |
| Government grants taken to income | 30 | (356) | (355) |
| Finance income | | (203) | (672) |
| Finance costs | | 88,936 | 76,271 |
| Losses / (Gains) on sale of non-current assets | 30 | 2,827 | (1,851) |
| | | 111,655 | 100,272 |
| Changes in working capital | | (5,596) | (977) |
| Inventories | | 139 | 1,297 |
| Trade and other receivables | | (15,525) | (3,985) |
| Other current assets | | (109) | 3,251 |
| Trade and other payables | | 8,279 | (2,296) |
| Other current liabilities | | 244 | (284) |
| Other non-current assets and liabilities | | 1,376 | 1,040 |
| Cash generated from/(used in) operations | | 106,059 | 99,295 |
| Interest and commission paid | | (62,459) | (57,163) |
| Interest received | | 203 | 516 |
| Income tax paid | | (13,092) | (12,243) |
| Net cash from/(used in) operating activities | | 30,711 | 30,405 |
| Cash flows attributable to investing activities | | | |
| Proceeds from sale of non-current assets | | - | 2,489 |
| Payments for acquisition of property, plant and equipment | | (73,730) | (73,524) |
| Net cash from/(used in) investing activities | | (73,730) | (71,035) |
| Cash flows attributable to financing activities | | | |
| Acquisition of non-controlling interests | | (1,211) | (990) |
| Payments for the acquisition of financial assets | | (2,097) | - |
| Payments of loans and borrowings | | (574,682) | (15,074) |
| Proceeds from loans and borrowings | | - | 59,450 |
| Payments from the issuing of bonds and other marketable securities | | 645,925 | - |
| Dividends paid | | (18,500) | - |
| Net cash from/(used in) financing activities | | 49,435 | 43,386 |
| Net increase (decrease) in cash and cash equivalents | | 6,416 | 2,756 |
| Cash and cash equivalents at 1 January | | 72,998 | 70,242 |
| Cash and cash equivalents at 31 December | | 79,414 | 72,998 |

 Consolidated Statements of Cash Flows for the years ended 31 December 2014 and 2013 (Indirect Method)
 (Expressed in thousands of Euros)

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



(1) NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

Redexis Gas, S.A. (hereinafter the Company) was incorporated with limited liability under Spanish law in Madrid on 6 April 2000. The Company's registered office is in Doctor Aznar Molina nº 2, C.P. 50002, Zaragoza (Spain) and its tax domicile is Avda. Pablo Ruiz Picasso, nº 61, bloque D, planta 2º. C.P. 50018, Zaragoza (Spain).

In 2014 the Company's legal structure was changed from a limited liability company to a corporation. As a result of this change the Company can perform operations that are legally restricted to corporations, such as issuing bonds. On 13 February 2014 the Company's board of directors approved the report on changing the Company's legal structure in accordance with the report also issued for this purpose by the independent expert assigned by the Mercantile Registry, as required by law. On 27 February 2014 the Company's shareholders at their general meeting approved the change of the legal structure and the consequent amendment to its by-laws. On 28 February 2014 the agreement to make this change was announced in the Official Gazette of the Mercantile Registry. On the same date the public deed relating to the change was signed and duly filed with the Mercantile Registry.

The statutory activity of Redexis Gas, S.A. comprises the holding, purchase, subscription, swap and sale of Spanish and foreign securities, on its own behalf and without brokerage intervention, in order to govern, administrate and manage these entities. These activities do not include those expressly restricted by law to collective investment undertakings, or those activities restricted to stock exchange member brokers and brokerage firms by the Spanish Stock Market Law. Also, insofar as the Company has the necessary requisites, licences and legal or governmental authorisations it may carry out 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. If legal provisions require a professional qualification, governmental authorisation or inclusion in a public register to carry out any of these statutory activities, they must be carried out by an appropriately qualified person and, if applicable, may not be undertaken until the administrative requirements have been met.

Redexis Gas, S.A. is the parent of a group of subsidiaries and structured entities. Information on these subsidiaries and structured entities is provided in Appendix I and II.

On 22 May 2014 the company's board of directors approved the merger by absorption of the following companies that were wholly owned by Redexis Gas, S.A.: Redexis Gas Transporte, S.L.U., Transportista Regional del Gas, S.A., Redexis Gas Distribución, S.A.U., Distribuidora Regional del Gas, S.A.U., Redexis Gas Aragón, S.A.U. and Redexis Gas Baleares, S.A.U., with the aim of generating synergies and, at the same time, achieving a more efficient structure. This merger was also approved by the governing bodies of these companies. The effective accounting date for the purposes of the merger is 1 January 2014. The merger was carried out under the special protected regime.

Pursuant to articles 67 and 73 of the Hydrocarbon Industry Law 34/1998, of 7 October 1998, the authorisation to transfer the facilities and the gas distribution and transmission authorisations was sought from the competent organisations.

Also on 19 September 2014 the shareholders at the general meeting approved the merger by absorption as proposed by the board of directors.

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

After receiving the authorisations from the relevant entities, on 27 February 2015 Redexis Gas, S.A., Redexis Gas Transporte, S.L.U., Transportista Regional del Gas, S.A., Redexis Gas Distribución, S.A.U., Distribuidora Regional del Gas, S.A.U., Redexis Gas Aragón, S.A.U. and Redexis Gas Baleares, S.A.U., signed the merger deed whereby these companies were merged into Redexis Gas, S.A.

At 31 December 2014 and 2013 Redexis Gas, S.A. is 58.5% owned by Zaragoza International Coöperatieve, U.A. and 41.5% owned by Augusta Global Coöperatieve, U.A., both subsidiaries of private equity funds managed by Goldman Sachs & Co.



(2) BASIS OF PRESENTATION

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Redexis Gas, S.A. and of the consolidated companies. The consolidated annual accounts for 2014 have been prepared 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 present fairly the consolidated equity and consolidated financial position of Redexis Gas, S.A. and subsidiaries at 31 December 2014 and consolidated results of operations and changes in consolidated equity and cash flows of the Group for the year then ended.

The directors of the Parent consider that the consolidated annual accounts for 2014, authorised for issue on 26 March 2015, will be approved with no changes by the shareholders at their annual general meeting.

The consolidated annual accounts for 2014 have been prepared using the same accounting principles as those applied to the approved consolidated annual accounts for 2013, except that items of other income and expenses recognised directly in equity that can and cannot be transferred to the income statement in the future are presented separately. This requirement was introduced by the amendment to IAS 1 regarding the presentation of items in the statement of other comprehensive income, which is mandatory from 1 July 2012, and has been applied to the information for 2014 and the comparative information in these consolidated annual accounts.

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 might lead to more disclosures.

(A) BASIS OF PREPARATION OF THE ANNUAL ACCOUNTS

These consolidated annual accounts have been prepared on the historical cost basis, except for derivative financial instruments, which have been recognised at fair value.

(B) FUNCTIONAL AND PRESENTATION CURRENCY

The figures disclosed in the consolidated annual accounts are

expressed in thousands of Euros, the Group's functional and presentation currency, rounded off to the nearest thousand.

(C) 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 in conformity with 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.e).
- The assessment of the recoverability of intangible assets with an indefinite useful life and goodwill to determine any impairment losses (see note 3.f).
- The market value of certain financial instruments (see note 3.i).
- Recognition of income (see note 3.p).
- The probability of occurrence and amount of liabilities for uncertain amounts, contingent and/or decommissioning liabilities (see note 3.o).
- The assumptions used in the actuarial calculation of pensions and other obligations to employees (see note 3.n).
- 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 foreseen in Spanish tax legislation.

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2014, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.



(3) SIGNIFICANT ACCOUNTING PRINCIPLES

(A) SUBSIDIARIES

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

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

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control, until the date that control ceases.

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

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

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

(B) SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker 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 at the proportional part of the fair value of the identifiable net assets.

Non-controlling interests are disclosed in consolidated equity separately from equity attributable to equity holders of the Parent. Non-controlling interests' share in consolidated profit or loss for the year (and in consolidated total comprehensive income for the year) is disclosed separately in the consolidated income statement (consolidated statement of comprehensive income).

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

(D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost or deemed cost, less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, while also considering the criteria applicable to production costs of inventories. Capitalised production costs are recognised by allocating the costs attributable to the asset to self-constructed non-current assets in the consolidated income statement.

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

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

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

| | DEPRECIATION METHOD | ESTIMATED YEARS OF USEFUL LIFE |
|--|---------------------|--------------------------------|
| Buildings | Straight-line | 20 |
| Technical installations and machinery: | | |
| Liquefied natural gas plant | Straight-line | 20 |
| Regulating and metering stations | Straight-line | 20-30 |
| Shared gas installations | Straight-line | 20 |
| Gas transmission networks | Straight-line | 20 |
| Meter-reading equipment | Straight-line | 10 |
| Gas pipelines | Straight-line | 30-40 |
| Regasification plant | Straight-line | 20 |
| Other items of property, plant and equipment | Straight-line | 2-20 |
| Other installations, equipment and furniture | Straight-line | 4-20 |
| Transmission equipment | Straight-line | 7-9 |

Transmission facilities that entered into service prior to 31 December 2007 are amortised over 30 years. Facilities that entered into service after that date are amortised over the useful life of the transmission facilities according to the estimate made for items of property, plant and equipment. In the case of the gas pipelines this is 40 years and for the regulation and measurement stations is 30 years. These estimates are in line with Royal Decree 326/2008, of 29 February 2008, which establishes the remuneration of 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 those costs incurred which will generate probable future profits and for which the amount may reliably be measured are capitalised. Costs of day-to-day servicing are recognised in profit or loss as incurred.

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

(E) 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 (f) (impairment) are

applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

● **Licences**

This item reflects the amounts incurred in obtaining government authorisation to distribute and transmit gas in the various areas in which the Parent and the subsidiaries perform or will perform their activities, less any impairment. Costs incurred in relation to a period prior to obtaining the government authorisation are initially recognised under intangible assets and subsequently transferred to the income statement when the Group has reasonable doubts in respect of obtaining this authorisation.

● **Computer software**

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

(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 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 considers that the licences for gas distribution and transmission have an indefinite useful life because, although these are renewed every 25 years, the renewals are purely administrative and the licences cannot be awarded to another company.

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

| | AMORTISATION METHOD | ESTIMATED YEARS OF USEFUL LIFE |
|-------------------------|---------------------|--------------------------------|
| Computer software | Straight-line | 4-5 |
| Other intangible assets | Straight-line | 5-20 |

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

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

(II) IMPAIRMENT

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

(F) IMPAIRMENT OF NON-FINANCIAL ASSETS SUBJECT TO AMORTISATION OR DEPRECIATION

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

The Group tests goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet ready to enter service for potential impairment at least annually.

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

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

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

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

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

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

A reversal of an impairment loss for a CGU is allocated to the assets of each unit, except goodwill, pro rata with the carrying amounts of those 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.

(G) LEASES

Leases that, on inception, transfer substantially all the risks and rewards incidental of the assets to the Company are classified as finance leases, otherwise they are classified as operating leases.

The Group had no finance leases during 2014 or 2013.

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term.

The Group recognises initial direct costs incurred on operating leases as an expense when incurred.

(H) FINANCIAL INSTRUMENTS

Classification of 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 a party to the contract or legal transaction, in accordance with the terms set out therein.

For measurement purposes, financial instruments are classified as loans and receivables and financial liabilities at amortised cost. Financial instruments are classified into different categories based on the nature of the instruments and the Group's intentions on initial recognition.

Loans and receivables

Trade and other receivables are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

The amount of the impairment loss is measured on the basis of the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The impairment loss is recognised in profit and loss and is reversed in subsequent periods. The loss can only be reversed up to the amortised cost the assets would have had had the impairment loss not been recognised.

Financial liabilities

Trade payables and loans and borrowings are initially recognised at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this

category are measured at amortised cost using the effective interest method.

Participating loans

Upon initial recognition, the Company prepares its best estimate of the cash flows to be paid under these loans, based on business projections, and determines the effective interest rate. The Company subsequently applies the effective interest rate method, which requires adjusting the carrying amount of the participating loans, with a charge or credit to the income statement, for variations in the estimated cash flows discounted at the original effective interest rate.

Upon cancelling the participating loan from the shareholders the Company capitalises the fair value of the loans as other shareholder contributions and derecognises the financial liability at that fair value.

(I) HEDGE ACCOUNTING

Derivative financial instruments that do not meet hedge accounting requirements are classified and measured as financial assets and financial liabilities at fair value through profit or loss.

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments.

The Group only designates as hedged items liabilities that involve a non-Group party.

In cash flow hedges, the Group recognises the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in other comprehensive income. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised with a debit or credit to finance costs or finance income.

The separate component of other comprehensive income associated with the hedged item is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in fair value or present value of the expected future cash flows on the hedged item from inception of the hedge. However, if the Group expects that all or a portion of a loss recognised in other

comprehensive income will not be recovered in one or more future periods, it reclassifies into finance income or finance costs the amount that is not expected to be recovered.

The Group prospectively discontinues the accounting of fair value hedges when the hedging instrument expires, is sold, is exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. In these cases, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income is not recorded in profit or loss until the forecast transaction occurs. If the transaction is no longer expected to occur, the cumulative gain or loss that had been recognised in other comprehensive income is reclassified to finance income or finance costs.

(J) 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.

(K) INVENTORIES

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

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

(L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

(M) GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

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

of the subsidised assets or when the assets are disposed of or impaired.

This item also includes connection charges as monetary consideration for the implementation of the facilities and operations necessary to serve new gas supply points or extend existing ones. These connection charges are recognised as income in proportion to the depreciation of financial assets for the year (20 years).

(N) EMPLOYEE BENEFITS

Defined benefit plans

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

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

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

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

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

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

Defined contribution plans

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

Provisions for personnel restructuring

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

Redexis Gas, S.A. has a voluntary redundancy plan that was approved in 2000 and has made a provision of Euros 1,799 thousand in this respect at 31 December 2014 (Euros 3,727 thousand at 31 December 2013).

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

(O) 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 amounts recognised in the consolidated statement of financial position are the best estimate of the expenditure required to settle present obligations at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows

associated with the provision have not been adjusted at each reporting date.

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

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

Provisions for decommissioning, 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.

(P) REVENUE RECOGNITION

Income is calculated at the fair value of the consideration received, net of discounts and taxes. In particular the consideration receivable for regulated distribution and transmission activities is calculated as described later.

Customer contract fees are recognised as revenues in the year in which the supply is contracted.

Distribution activities

Order IET/2446/2013 of 27 December 2013 stipulates the remuneration for distribution activities for 2014. Nevertheless, in application of the subsequent Law 18/2014 the applicable remuneration in the period from July 2014 to December 2014 is that set forth in Order IET/2355/2014.

In the case of distribution the regulatory review carried out by Law 18/2014 is based on performing a new evaluation of agents' remuneration bases that, while reducing the overall amount by Euros 110 million, positively considers the growth achieved since the last regulatory review (in 2002) and grants special importance to domestic consumption, which is the main source of more toll income. These remuneration bases will be updated annually taking into account the rise in consumption and the number of consumers connected to

each distributor, with special incentives for connecting new towns to the gas supply, which will help raise the national rate of access to gas, currently 29%, to the considerably higher averages of other Mediterranean countries.

Therefore, both Orders determine the remuneration for distribution for 2015 based on the forecast average increase in the number of consumers and the rise in kWh distributed.

Order IET/2812/2012 of 27 December 2012 stipulates the remuneration for distribution activities for 2013.

The Order defines the criteria used to calculate remuneration for distribution activities in 2013 based on the adjusted remuneration for the prior year, the average increase in the number of consumers and the year-on-year rise in kWh distributed as a result of the pressure level, and stipulates the unit ratios attributable to these increases.

In accordance with accounting criteria in force, at 2013 year end the Group calculated and recognised the remuneration for distribution activities for 2013 based on the actual average increase in the number of consumers and the actual increase in kWh distributed as compared with 2012.

This remuneration for distribution activities will be adjusted once the final amounts of this remuneration have been set by the Spanish Ministry of Industry, Energy and Tourism based on the actual figures for the average increase in consumers and kWh distributed. The Group does not expect significant differences to arise between the amounts recognised and the final settlements. Nevertheless, any differences will be recognised as a change in accounting estimate in the consolidated income statement when they arise.

In 2014 the Group received the final settlement in respect of 2011 for regulated activities in the gas sector, which had practically no impact on the consolidated income statement. At the date of preparation of these consolidated annual accounts, the final settlements for regulated activities in the gas industry for 2012, 2013 and 2014 have not yet been received.

In accordance with Orders ITC/3126/2005, IET 2446/2013 and IET 2355/2014 and the technical gas system management standards (NGTS), the Group has recognised differences (known as shrinkages) as revenue in the consolidated income statement for 2014 and 2013 Euros 7,493 thousand and Euros 527 thousand, respectively (see note 29).

Transmission activity:

Order IET/2446/2013 of 27 December 2013, sets forth the tolls and charges for third-party access to gas facilities and the remuneration for regulated activities in 2014. Nevertheless, in application of the subsequent Law 18/2014 the applicable remuneration in the period from July 2014 to December 2014 is that set forth in Order IET/2355/2014.

In the case of transmission activity the main purpose of the regulatory review under Law 18/2014 is to vary the remuneration of developers of these assets so that it reflects more accurately the level of use of these infrastructures, which is precisely the source of the revenues to cover their cost. For this purpose, in respect of the fixed remuneration model that had been introduced pursuant to Royal Decree 326/2008 the automatic 2.5% review rate was eliminated and the financial rate of return on these assets was reduced, i.e. it was changed from the “yield on 10-year government bonds plus 375 basis points” to “the average yield on 10-year government bonds in the secondary market among holders of non-segregated accounts in the 24 months prior to the entry into force of the increased legislation with a spread of 50 basis points”. In contrast to this measure, a new remuneration term was introduced, defined as remuneration for uninterrupted supply, which is a variable remuneration term linked to the overall demand distributed through the transmission system.

Order ITC/3802/2008 of 26 December 2008 ratifies Order ITC/3863/2007 of 28 December 2007, specifying the fixed costs applicable to transmission activities of facilities that entered into service prior to 1 January 2008, and Royal Decree 326/2008 of 29 February 2008, establishing remuneration of natural gas transmission activities for facilities that came into service subsequent to 1 January 2008.

Order IET/2812/2012 of 27 December 2012, establishing the tolls and charges for third-party access to gas facilities in 2013, updates certain matters relating to remuneration for regulated activities within the gas sector. Specifically, Appendix V to this Order establishes the reference unit values for the investment in, operation and maintenance of transmission facilities in 2013.

In the case of facilities that have entered into service since 1 January 2008 and for which remuneration has yet to be received as the Spanish Ministry of Industry, Energy and Tourism has not yet issued its resolution, fixed remuneration has been calculated based on the unit values indicated and

the technical characteristics of each facility, in accordance with the Appendices to the corresponding Orders.

These Orders acknowledge, update and publish the remuneration on account for transmission facilities that have come into service since 1 January 2008. However, since the Ministry of Industry, Energy and Tourism did not have access to sufficient information at the date of preparation of the Orders, it calculated the remuneration on account.

In accordance with article 5 of Order ITC/3128/2011 of 17 November 2011 on matters relating to third-party access to gas facilities and remuneration for regulated activities, the Group has recognised measurement differences (known as shrinkages) as a in revenue in the consolidated income statement for 2014 and for 2015 (note 29).

The Group is also subject to the following regulatory framework:

- Royal Decree 949/2001 of 3 August 2001, which regulates third-party access to gas facilities and establishes an integrated economic system for the natural gas sector, in accordance with the mandate in article 8 of Royal Decree-Law 6/2000 of 23 June 2000.
- Order ECO/2692/2002 of 28 October 2002, which regulates the settlement procedure for remuneration from regulated activities in the natural gas sector and for specifically allocated payments, and establishes the information system to be implemented by companies.
- Royal Decree 326/2008 of 29 February 2008, which stipulates the remuneration for natural gas transmission activities for facilities entering into service since 1 January 2008.
- Royal Decree 1434/2002, of 27 December 2002, regulates transmission, distribution, trading and supply activities and the authorisation procedures for natural gas facilities.

(Q) 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 in force 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 tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

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

(I) RECOGNITION OF TAXABLE TEMPORARY DIFFERENCES

Deferred tax liabilities derived from taxable temporary differences are recognised 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 DEDUCTIBLE TEMPORARY DIFFERENCES

Deferred tax assets derived from deductible temporary differences are recognised provided that it is probable that sufficient taxable income will be available against which the deductible temporary difference can be utilised, unless the differences arise 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.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets if the Group intends to use these opportunities or it is probable that they will be utilised.

(III) MEASUREMENT

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

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

Deferred tax assets that do not meet the aforementioned 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.

The Redexis Gas Group, which comprises the companies listed in Appendix I, files consolidated tax returns.

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

- Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.
- Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or

generated the profit necessary to obtain the right to the deduction or tax credit.

(R) CLASSIFICATION OF ASSETS AND LIABILITIES AS CURRENT AND NON-CURRENT

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

(S) ENVIRONMENTAL ISSUES

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 (d).



(4) SECTOR REGULATION

The regulatory framework for the natural gas sector in Spain is based on Hydrocarbon Law 34/1998, enacted, inter alia, by Royal Decrees 949/2001 and 1434/2002. Royal Decree 949/2001 regulates third-party access to gas facilities and specifies an integrated economic system for the natural gas sector. Royal Decree 1434/2002 regulates transmission, distribution, sale and supply activities and the authorisation procedures for natural gas facilities.

Over the years, as the sector was gradually liberalised, the aforementioned Hydrocarbon Law was amended on numerous occasions. The most recent amendment was pursuant to Royal Decree-Law 8/2014 of 4 July 2014, which approved Urgent Measures for Growth, Competitiveness and Efficiency and was subsequently passed by the Spanish parliament and published as Law 18/2014, of 15 October 2014, approving Urgent Measures for Growth, Competitiveness and Efficiency. This legislation was mainly based on the consideration that the economic crisis had led to a decline in demand that revealed the insufficiency of the economic system under Royal Decree 949/2001 when demand falls or is stable. Consequently, considering that the deficit generated in the natural gas settlement system can be classified as structural, certain measures

were introduced that update the regulatory-economic framework, the most salient of which are:

- 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 infrastructures, without undermining the principle of adequate remuneration for investments in regulated activities, or the safety of the supply. It therefore established the principle of the economic and financial sustainability of the gas system in so far as 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 temporary annual mismatches in the settlement system, through the automatic review of tolls when certain thresholds are exceeded. If these thresholds are not exceeded, the mismatches are financed by those subject to the settlement system in proportion to their remuneration, generating receivables in the

following five years, with a market interest rate that will be 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 automatic update formulas will not be applicable to the remuneration of any of the activities. Nevertheless, taking into account that the regulatory reform was introduced in a deficit scenario, which is expected to be reversed in coming years, the possibility of adjusting certain remuneration parameters every three years was introduced in the event of significant variations in revenues and costs.

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



(5) SUBSIDIARIES

(A) COMPOSITION OF THE GROUP

Appendix I provides information on the subsidiaries included in the consolidated Group.

(B) NON-CONTROLLING INTERESTS

On 16 January 2013 the Parent acquired 1.08% of Redexis Gas Aragón, S.A. from non-controlling interests, therefore at 31 December 2013 it held 99.13% of that company's share capital.

In March 2014 the Company acquired 0.87% of Redexis Gas Aragón, S.A. from non-controlling interests, therefore since that date it has held 100% of the share capital of this company.

(C) CONSOLIDATED STRUCTURED ENTITIES

Redexis Gas Finance B.V. was incorporated on 10 March 2014

in the Netherlands. It is owned by Zaragoza International Coöperative, U.A. and Augusta Global Coöperative, U.A. (the same shareholders as the Parent) and its principal activity is the issuing of bonds. In April 2014 this company issued bonds totalling Euros 650,000 thousand, guaranteed by the Parent, as part of the Euro Medium Term Note Programme (EMTN programme) debt issue (see Note 19).

Redexis Gas Finance B.V. is a consolidated structured entity, mainly because the Parent has issued guarantees of Euros 650,000 thousand to holders of bonds issued by the company. The guarantees require the Parent to reimburse bondholders for any losses incurred, if the yields of the underlying assets are less than the contractual cash flows.

Appendix II provides information on the structured entity included in the consolidated Group.



(6) PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movement during the years ended 31 December 2014 and 2013 are as follows:

THOUSANDS OF EUROS

| | LAND AND BUILDINGS | TECHNICAL INSTALLATIONS AND OTHER ITEMS | UNDER CONSTRUCTION AND ADVANCES | TOTAL |
|------------------------------------|--------------------|---|---------------------------------|----------------|
| Balance at 31 December 2013 | 3,071 | 603,083 | 34,228 | 640,382 |
| Additions | 300 | 570 | 82,508 | 83,378 |
| Transfers | 5,569 | 83,893 | (89,462) | - |
| Depreciation | (70) | (34,655) | - | (34,725) |
| Disposals | - | (10,522) | (585) | (11,107) |
| Balance at 31 December 2014 | 8,870 | 642,369 | 26,689 | 677,928 |

THOUSANDS OF EUROS

| | LAND AND BUILDINGS | TECHNICAL INSTALLATIONS AND OTHER ITEMS | UNDER CONSTRUCTION AND ADVANCES | TOTAL |
|------------------------------------|--------------------|---|---------------------------------|----------------|
| Balance at 31 December 2012 | 3,079 | 576,650 | 26,948 | 606,677 |
| Additions | - | 561 | 66,964 | 67,525 |
| Transfers | - | 59,684 | (59,684) | - |
| Depreciation | (8) | (33,536) | - | (33,544) |
| Disposals | - | (276) | - | (276) |
| Balance at 31 December 2013 | 3,071 | 603,083 | 34,228 | 640,382 |

The most significant additions reflect the construction of transmission pipelines.

In 2014 construction of the following pipelines was completed:

- Primary gas transmission pipeline "Huércal – Overa – Baza – Guadix II"
- Secondary gas transmission pipeline "Son Reus – Andratx"
- Secondary gas transmission pipeline "Elche – Monóvar – Algueña"

In 2013 construction of the following pipelines was completed:

- Secondary gas transmission pipeline "Marina Alta Phase II"
- Primary gas transmission pipeline "Huercal-Overa-Baza-Guadix I"
- Secondary gas transmission pipeline "Arévalo Sanchidrián"

At 31 December 2014, property, plant and equipment under

construction reflect investments in gas transmission and distribution networks that the Group expects to complete in the coming months.

The individual values of the buildings and land are Euros 5,057 thousand and Euros 3,813 thousand, respectively, at the 2014 year end (Euros 15 thousand and Euros 3,056 thousand, respectively, at the 2013 year end).

At 31 December 2014, the Group recognised gas plant decommissioning costs of Euros 880 thousand under property, plant and equipment (Euros 880 thousand at 31 December 2013). These expenses were determined based on the Group's best estimate of the market costs of the various physical units involved in decommissioning these plants.

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

The cost of fully depreciated property, plant and equipment in use at 31 December 2014 and 2013 is as follows:

| | THOUSANDS OF EUROS | |
|--|--------------------|---------------|
| | 2014 | 2013 |
| Technical installations and machinery | 84,314 | 74,473 |
| Other installations, equipment and furniture | 602 | 404 |
| Other property, plant and equipment | 336 | 89 |
| | 85,252 | 74,966 |



(7) INTANGIBLE ASSETS

Details of intangible assets and movement during the years ended 31 December 2014 and 2013 are as follows:

THOUSANDS OF EUROS

| | GOODWILL | LICENCES | COMPUTER SOFTWARE | OTHER INTANGIBLE ASSETS | TOTAL |
|-------------------------------------|----------------|----------------|-------------------|-------------------------|----------------|
| Balances at 31 December 2013 | 213,053 | 520,397 | 4,748 | 1,465 | 739,663 |
| Additions | - | - | 6,777 | 997 | 7,774 |
| Disposals | - | - | (2,999) | - | (2,999) |
| Amortisation | - | - | (1,834) | (49) | (1,883) |
| Balances at 31 December 2014 | 213,053 | 520,397 | 6,692 | 2,413 | 742,555 |

THOUSANDS OF EUROS

| | GOODWILL | LICENCES | COMPUTER SOFTWARE | OTHER INTANGIBLE ASSETS | TOTAL |
|-------------------------------------|----------------|----------------|-------------------|-------------------------|----------------|
| Balances at 31 December 2012 | 213,053 | 520,397 | 5,039 | 1,419 | 739,908 |
| Additions | - | - | 1,218 | 57 | 1,275 |
| Amortisation | - | - | (1,509) | (11) | (1,520) |
| Balances at 31 December 2013 | 213,053 | 520,397 | 4,748 | 1,465 | 739,663 |

The goodwill arising on the business combination carried out in 2010, amounting to Euros 213,053 thousand, essentially comprises the future economic benefits from

the ordinary activities of the Parent and the subsidiaries listed in Appendix I, which did not qualify for recognition as a separate asset.

Details of the allocation of goodwill at 31 December 2014 and 2013, by cash-generating unit (CGU), are as follows:

| | THOUSANDS OF EUROS |
|------------------|--------------------|
| Gas distribution | 50,651 |
| Gas transmission | 162,402 |
| | 213,053 |

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 2014 and 2013 is as follows:

| | THOUSANDS OF EUROS |
|------------------|--------------------|
| Gas distribution | 322,946 |
| Gas transmission | 197,451 |
| | 520,397 |

The cost of fully amortised intangible assets still in use at 31 December 2014 and 2013 is as follows:

| | THOUSANDS OF EUROS | |
|-------------------------|--------------------|--------------|
| | 2014 | 2013 |
| Computer software | 9,422 | 8,653 |
| Other intangible assets | 94 | 94 |
| | 9,516 | 8,747 |



(8) 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 7.

The recoverable amount of a CGU is determined based on calculations of its fair value less costs of disposal. These calculations are based on cash flow projections from the financial budgets approved by management for 2015-2020, and an average growth rate of 2% was used. The recoverable amount includes a terminal value calculated from 2021 onwards. The discount rate used was 7.50% (7.40% in 2013).

The Group determines budgeted gross margins based on past experience and forecast market performance. The weighted average growth rates are consistent with the forecasts included

in sector reports. The discount rates used are pre-tax values and reflect specific risks related to the relevant segments.

According to the projections and estimates available to the directors of the Group, the CGUs to which goodwill and various intangible assets with indefinite useful lives are allocated are expected to generate sufficient cash flow to recover the value of the goodwill, intangible assets with indefinite useful lives and property, plant and equipment recognised at 31 December 2014.

Following a sensitivity analysis entailing different scenarios, impairment of the recoverable amount would only occur by increasing the discount rate (WACC) by 3%. Alternatively, the discount rate could be increased by 32% while simultaneously bringing the growth rate (g) down to zero.



(9) FINANCIAL ASSETS BY CATEGORY

The classification of financial assets by category and class and details of their carrying amount, which does not differ from their fair value, are as follows:

THOUSANDS OF EUROS

| | NON-CURRENT | | CURRENT | |
|------------------------------------|---------------|--------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| Loans and receivables | | | | |
| Loans | 28 | 96 | 66 | 87 |
| Deposits and guarantees | 4,523 | 4,494 | 46 | 44 |
| Other financial assets | 2,139 | 5 | 11 | - |
| Trade and other receivables | | | | |
| Trade receivables | - | - | 22,416 | 25,115 |
| Other receivables | 19,492 | - | 22,964 | 17,481 |
| Total activos financieros | 26,182 | 4,595 | 45,503 | 42,727 |

Net gains and losses for the category of loans and receivables are as follows:

THOUSANDS OF EUROS

| | 2014 | 2013 |
|---|------|------|
| Gains/(losses) for impairment (note 31) | 52 | (20) |
| | 52 | (20) |



(10) DERIVATIVE FINANCIAL INSTRUMENTS

In April 2014, the Company cancelled all commitments in respect of the derivative financial instruments described later in this note, paying the fair value to the financial institutions at the cancellation date. The total amount paid at the cancellation date was Euros 39,669 thousand.

In 2014 the Company transferred Euros 43,158 thousand from the consolidated statement of other comprehensive income to finance costs in the consolidated income statement (see note 33).

At 31 December 2013 the Company had contracted derivative financial instruments to manage its exposure to

interest rate fluctuations on bank loans. These financial instruments comprised 12 interest rate swaps arranged on 17 December 2010, which exchanged floating interest (3-month Euribor) for a fixed rate (2.43%) and expired on 25 September 2017.

The fair value of financial swaps at 31 December 2013 is based on the market values of equivalent derivative financial instruments at the reporting date, according to level 3 fair value criteria.

Details of derivative financial instruments at 31 December 2013 are as follows:

2013

THOUSANDS OF EUROS

| | | | FAIR VALUE | |
|--------------------|-------------------|------------|------------|---------------|
| | AMOUNT CONTRACTED | EXPIRY | ASSETS | LIABILITIES |
| Interest rate swap | 41,356 | 25.09.2017 | - | 2,345 |
| Interest rate swap | 30,077 | 25.09.2017 | - | 1,706 |
| Interest rate swap | 30,077 | 25.09.2017 | - | 1,706 |
| Interest rate swap | 105,270 | 25.09.2017 | - | 5,970 |
| Interest rate swap | 65,418 | 25.09.2017 | - | 3,710 |
| Interest rate swap | 82,712 | 25.09.2017 | - | 4,691 |
| Interest rate swap | 52,635 | 25.09.2017 | - | 2,985 |
| Interest rate swap | 60,154 | 25.09.2017 | - | 3,411 |
| Interest rate swap | 82,711 | 25.09.2017 | - | 4,691 |
| Interest rate swap | 30,077 | 25.09.2017 | - | 1,706 |
| Interest rate swap | 18,798 | 25.09.2017 | - | 1,066 |
| Interest rate swap | 50,379 | 25.09.2017 | - | 2,857 |
| TOTAL | 649,664 | | - | 36,844 |

In 2013 Euros 14,207 thousand was transferred from the consolidated statement of comprehensive income to finance costs in the consolidated income statement.

No ineffectiveness was recognised in the consolidated income statement in 2013.



(11) CURRENT AND NON-CURRENT FINANCIAL ASSETS

Details of current and non-current financial assets at 31 December 2014 and 2013 are as follows:

THOUSANDS OF EUROS

| | 2014 | | 2013 | |
|------------------------------|--------------|------------|--------------|------------|
| | NON-CURRENT | CURRENT | NON-CURRENT | CURRENT |
| Security deposits paid | 4,523 | 46 | 4,494 | 44 |
| Loans to employees and other | 28 | 66 | 96 | 87 |
| Other financial assets | 2,139 | 11 | 5 | - |
| Total | 6,690 | 123 | 4,595 | 131 |

Security deposits paid essentially comprise the balances lodged with public entities in respect of deposits received from customers upon contracting a service, as required by legislation in force. These security deposits are maintained throughout the duration of the customer's contract with the supplier and while

their distribution company is a Group company.

Other non-current financial assets at 31 December 2014 basically consist of deposits at financial institutions to secure certain guarantees issued by the Group.



(12) INCOME TAX

At the annual general meeting held on 17 December 2010 the Company's shareholders agreed that, with effect as of 1 January 2011, the Company would apply the consolidated taxation regime regulated in Title VII, Chapter VII of Royal

Legislative Decree 4/2004 of 5 March 2004, which approves the Revised Spanish Income Tax Law, thus the Company is the Parent of a tax group formed by the subsidiaries listed in Appendix I hereto.

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

THOUSANDS OF EUROS

| | 2014 | | |
|-----------------------------------|---------------|------------------|-----------------|
| | ASSETS | LIABILITIES | NET |
| Property, plant and equipment | 81 | (42,064) | (41,983) |
| Goodwill | - | (75) | (75) |
| Deferred income | - | (6,973) | (6,973) |
| Intangible assets | - | (64,725) | (64,725) |
| Provisions | 1,694 | - | 1,694 |
| Amortisation and depreciation | 4,874 | - | 4,874 |
| Personnel remuneration | 648 | - | 648 |
| Finance costs | 36,835 | - | 36,835 |
| Other | - | (101) | (101) |
| | 44,132 | (113,938) | (69,806) |
| Tax loss carryforwards | 23,434 | - | 23,434 |
| Net assets and liabilities | 67,566 | (113,938) | (46,372) |

THOUSANDS OF EUROS

| | 2013 | | |
|-----------------------------------|---------------|------------------|------------------|
| | ASSETS | LIABILITIES | NET |
| Property, plant and equipment | - | (56,871) | (56,871) |
| Goodwill | - | (85) | (85) |
| Deferred income | - | (8,086) | (8,086) |
| Intangible assets | - | (155,016) | (155,016) |
| Cash flow hedges | 11,053 | - | 11,053 |
| Provisions | 1,801 | - | 1,801 |
| Amortisation and depreciation | 2,575 | - | 2,575 |
| Personnel remuneration | 446 | - | 446 |
| | 15,875 | (220,058) | (204,183) |
| Unused deductions | 481 | - | 481 |
| Tax loss carryforwards | 32,256 | - | 32,256 |
| Net assets and liabilities | 48,612 | (220,058) | (171,446) |

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 non-current property, plant and equipment, which the Group applied in 2009, 2010 and 2011, as well as from the measurement at fair value of property, plant and equipment in the business combination.

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. The distributors that have applied this system depreciate the assets over a period of 20 years for accounting purposes and one year for tax purposes. The transmission companies that have applied this system depreciate the assets over a period of 40 years for accounting purposes and one year for tax purposes.

In accordance with Law 4/2008 of 23 December 2008, in order to avail of accelerated depreciation the Company's average headcount must remain the same in the 24 months following the start of the tax period during which the acquired assets enter service as in the preceding 12 months.

Royal Decree-Law 13/2010 of 3 December 2010, on tax, labour and deregulation initiatives to promote investment and create employment, allows for accelerated depreciation for new investments in fixed assets associated with economic activities. However, unlike the previous legislation, it does not impose any obligation to maintain the headcount in order to avail of this tax incentive.

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

The merger approved by the shareholders at their general meeting in 2014, described in note 1, was effective for accounting purposes from 1 January 2014. Therefore in 2014 the Group recognised the reversal of the deferred tax liability of Euros 80,748 thousand in the consolidated income statement. The merger was carried out under the special protected regime, therefore the tax value of property, plant and equipment and intangible assets was Euros 23,846 thousand and Euros 245,314 thousand, respectively at 1 January 2014.

Furthermore, for the periods 2013 and 2014, the depreciation/amortisation charge for property, plant and equipment and

intangible assets for tax purposes was limited to a maximum of 70% of the depreciation/amortisation charge for accounting purposes. Consequently, in 2014 the Group has recognised Euros 2,299 thousand as deferred tax assets (Euros 2,575 thousand in 2013).

Royal Legislative Decree 12/2012 establishes a limit on the deductibility of interest for tax periods beginning on or after 1 January 2012. As a result, net finance costs are deductible up to a limit of 30% of operating profit for the year or otherwise up to an amount of Euros 1 million. Consequently, in its provisional calculation of income tax for 2014, the tax group has estimated that net finance costs totalling Euros 54,829 thousand in 2014 will not be considered deductible (Euros 44,707 thousand in 2013 and Euros 45,689 thousand in 2012). However, the tax group can deduct these non-deductible net finance costs in the tax periods ending in the 18 consecutive years immediately following the year the costs were incurred.

In 2014 the Group has recognised deferred tax assets in respect of the tax effect of non-deductible finance costs arising on the income tax settlement for 2012, 2013 and 2014, amounting to Euros 36,835 thousand.

In accordance with prevailing tax legislation, the Company may offset its tax loss carryforwards during the periods 2012 to 2015 up to a maximum of 25% of taxable income before the offset. In its provisional calculation of income tax for 2014, the tax group has offset tax losses of Euros 15,100 thousand (Euros 13,352 thousand in the definitive income tax return for 2013).

Explicit goodwill may only be amortised up to an annual maximum of one hundredth of its amount from 2012 to 2015 and intangible assets with indefinite useful lives may be amortised up to a maximum of one fiftieth of their amount.

The deferred tax assets were recognised in the Consolidated Statement of Financial Position because based on the best estimate of future consolidated profit/loss the directors consider it likely that these assets will be recovered.

The Corporate Income Tax Law 27/2014, of 27 November 2014, amended the corporate income tax rate. This tax rate will be 28% for years starting on or after 1 January 2015 and 25% for years starting on or after 1 January 2016. The Group adjusted all its deferred tax assets and deferred tax liabilities at 31 December 2014 to a tax rate of 25%, except those that will revert in 2015 which have been adjusted to 28%, and

the deferred tax assets for non-deductible amortisation as pursuant to transitional provision 37 the Group may deduct this 5% in coming years.

Details of total current and deferred income tax in relation to items recognised directly in other comprehensive income during 2014 and 2013 are as follows:

THOUSANDS OF EUROS

| | 2014 | | 2013 | |
|----------------------------|---------|-----------------|---------|----------------|
| | CURRENT | DEFERRED | CURRENT | DEFERRED |
| Actuarial gains and losses | - | 386 | - | (16) |
| Cash flow hedges | - | (11,053) | - | (5,189) |
| | - | (10,667) | - | (5,205) |

Details of the tax expense/(tax income) are as follows:

THOUSANDS OF EUROS

| | 2014 | 2013 |
|---|------------------|---------------|
| Current tax | | |
| Present year | 18,119 | 16,099 |
| Prior year adjustments | (356) | (142) |
| Deferred tax | | |
| Source and reversal of temporary differences | (21,585) | (3,549) |
| Finance costs | (16,449) | - |
| Accelerated depreciation/amortisation of fixed assets | (2,541) | (1,765) |
| Depreciation/Amortisation of fixed assets | (2,415) | (2,731) |
| Salaries payable | (541) | (9) |
| Goodwill | 18 | 18 |
| Provisions | 343 | 938 |
| Income from the reduction in deferred tax liabilities due to the merger | (80,748) | - |
| Changes in tax rates | (9,140) | - |
| Deferred tax assets not recognised in prior years for finance costs | (27,119) | - |
| Income tax expense/ (income) of companies for the year | (120,829) | 12,408 |
| Adjustments and eliminations on consolidation | (768) | (778) |
| Group income tax expense/(income) for the year | (121,597) | 11,630 |

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

| | THOUSANDS OF EUROS | |
|---|--------------------|--------------|
| | 2014 | 2013 |
| Current tax | 18,119 | 16,099 |
| Tax loss carryforwards offset and recognised in prior years | (4,530) | (4,022) |
| Consolidation adjustments | 1 | (11) |
| Income tax expense for the year (Group) | 13,590 | 12,066 |
| Payments on account in the year | (12,242) | (10,201) |
| Withholdings | 2 | (129) |
| Current income tax liabilities | 1,350 | 1,736 |

Details of the income tax expense/(income) related to profit/(loss) for the year from continuing operations is as follows:

| | THOUSANDS OF EUROS | |
|---|--------------------|---------------|
| | 2014 | 2013 |
| Profit/(loss) for the year before tax | 14,115 | (5,468) |
| Tax at 30% | (4,234) | (1,640) |
| Temporary differences not recognised during the year | - | 13,412 |
| Prior years' adjustments | (356) | - |
| Income from the reduction in deferred tax liabilities due to the merger | (80,748) | - |
| Temporary differences from prior years recognised in the year | (27,119) | - |
| Effect of differences in income tax rates | (9,140) | - |
| Other net movements | - | (142) |
| Income tax expense/(income) for the year (Group) | (121,597) | 11,630 |

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

AT 31 DECEMBER 2014

| COMPANY / YEAR | THOUSANDS OF EUROS |
|---|--------------------|
| Redexis Gas Distribución, S.A. (*) / 1997 to 2000 | 440 |
| Grupo Redexis Gas, S.A. / 2010 | 25,860 |
| Grupo Redexis Gas, S.A. / 2011 | 67,105 |
| | 93,405 |

(*) Companies absorbed by Redexis Gas, S.A. in 2014. (See note 1)

AT 31 DECEMBER 2014

| COMPANY / YEAR | THOUSANDS OF EUROS |
|---|--------------------|
| Redexis Gas Distribución, S.A. (*) / 1997 to 2000 | 440 |
| Redexis Gas Transporte, S.L. (*) / 2010 | 13,461 |
| Redexis Gas Distribución, S.A. (*) / 2010 | 12,399 |
| Grupo Redexis Gas, S.A. / 2011 | 82,205 |
| | 108,505 |

(*) Companies absorbed by Redexis Gas, S.A. in 2014. (See note 1)

Total credits for reinvestment of extraordinary income amounted to Euros 41 thousand in 2014, as the Group purchased sufficient assets in the year to comply with the reinvestment requirements established by the revised Spanish Companies Act, approved by article 42 of Royal Decree-Law 4/2004 of 5 March 2004.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At the end of 2014, the Group companies have income tax for 2010 and subsequent years and other applicable taxes for 2011 and subsequent years open to inspection by the taxation authorities.

In 2014, the taxation authorities inspected income tax

for 2009 and 2010 of Distribuidora Regional del Gas, S.L. The result of this inspection was a reduction in the deferred tax liabilities due to accelerated depreciation and an income tax payment of Euros 463 thousand.

In 2013 and 2014, the taxation authorities notified Redexis Gas, S.A., Redexis Gas Aragón, S.A. and Redexis Gas Transporte, S.L. of an inspection of value added tax and income tax for 2011 and 2012 and income tax for 2010, 2011 and 2012.

Due to the treatment permitted by fiscal legislation of certain transactions, 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.



(13) INVENTORIES

Details of inventories are as follows:

THOUSANDS OF EUROS

| | 2014 | 2013 |
|--------------------------------------|------------|------------|
| Gas inventories | 159 | 153 |
| Inventories of liquefied propane gas | 236 | 382 |
| | 395 | 535 |

At 31 December 2014, the Group has no commitments to purchase or sell gas.



(14) TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

THOUSANDS OF EUROS

| | 31/12/14 | | 31/12/13 | |
|---|---------------|---------------|-------------|---------------|
| | NON-CURRENT | CURRENT | NON-CURRENT | CURRENT |
| Trade receivables | - | 24,028 | - | 26,702 |
| Receivables, settlements pending collection | 19,492 | 22,195 | - | 17,003 |
| Other receivables | - | 718 | - | 477 |
| Advances to personnel | - | 51 | - | - |
| Less impairment due to uncollectibility | - | (1,612) | - | (1,586) |
| Total | 19,492 | 45,380 | - | 42,596 |

Trade receivables mainly comprise the balances receivable from suppliers of natural gas for tolls invoiced.

Non-current receivables, settlements pending collection, at 31 December 2014 consist entirely of the cumulative gas system deficit attributable to the Group. This amount will be determined in the final settlement for 2014.

As established in Law 18/2014, of 15 October 2014, those subject to the settlement system will have the right to

recover the annual amounts of that cumulative deficit in the settlements of the subsequent 15 years, recognising an interest rate equivalent to market rates.

Current receivables, settlements pending collection, consist of the settlement and measurement differences to be collected from the gas system.

Movement in allowances for impairment and bad debts is as follows:

THOUSANDS OF EUROS

| | 2014 | 2013 |
|-------------------------------|----------------|----------------|
| Balance at 1 January | (1,586) | (2,583) |
| Impairment allowances | (599) | (1,221) |
| Impairment reversals | 547 | 1,990 |
| Cancellations | 26 | 228 |
| Balance at 31 December | (1,612) | (1,586) |

Impairment has been recognised for all trade balances past due at 31 December 2014 and 31 December 2013.



(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 2014 and 2013 the Company's share capital was Euros 100,000 thousand, represented by 10,000,000 shares with a par value of Euros 10 each. The first 8,000,000 of these shares are class A and the remaining 2,000,000 are class B. They were issued with a share premium of Euros 10.5433262 each, and have been subscribed and fully paid through the contribution of shares in 2010.

At 31 December 2012 Redexis Gas, S.A. was 46.8% owned by Zaragoza International Coöperatieve, U.A., 33.2% owned by Augusta Global Coöperatieve, U.A. (subsidiaries of private equity funds managed by Goldman Sachs & Co.), and 20% owned by Endesa Gas, S.A.U., a wholly owned subsidiary of Endesa Red, S.A.U., in turn a wholly owned subsidiary of the parent, Endesa, S.A.

On 9 December 2013, Endesa Gas, S.A.U. sold 2,000,000 B-class shares to the following companies:

- Zaragoza International Coöperatieve, U.A. 1,170,000 shares, representing 11.7% of the share capital.
- Augusta Global Coöperatieve, U.A. 830,000 shares, representing 8.3% of the share capital.

Also on that date, Endesa Gas, S.A.U. assigned and transferred all the balances receivable from the

Company to the aforementioned purchasers. Details are as follows:

- Zaragoza International Coöperatieve U.A. acquired balances receivable from the Company totalling Euros 42,319 thousand.
- Augusta Global Coöperatieve U.A. acquired balances receivable from the Company totalling Euros 30,021 thousand.

The sale price for the shares and receivables referred to above was Euros 130 million (Euros 89,749 thousand was the price of the receivables transferred, including Euros 17,409 thousand in interest accrued prior to the date of the transaction, and Euros 40,251 thousand was the price of the shares).

As a result, at 31 December 2014 and 2013 Redexis Gas, S.A. is 58.5% owned by Zaragoza International Coöperatieve, U.A. and 41.5% owned by Augusta Global Coöperatieve, U.A., both subsidiaries of private equity funds managed by Goldman Sachs & Co.

(B) SHARE PREMIUM

This reserve is freely distributable, provided that its distribution would not reduce the Company's equity to an amount lower than share capital.

(C) RESERVES

Details of reserves are as follows:

THOUSANDS OF EUROS

| | 2014 | 2013 |
|---------------------------------|----------------|-----------------|
| Legal reserve | 20,000 | - |
| Other shareholder contributions | 420,135 | - |
| Other reserves | (32,431) | (16,763) |
| Total | 407,704 | (16,763) |

Legal reserve

The legal reserve has been appropriated in compliance with article 274 of the revised Spanish Companies Act, which requires companies to 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 2014, the Company has appropriated to this reserve the minimum amount required by law.

Other shareholder contributions

Other shareholder contributions include the capitalisation of the fair value of the participating loans repaid in April 2014 for an amount of Euros 458,635 thousand (see note 20 (b)). This item has been reduced by the payment of dividends totalling Euros 18,500 thousand and the Euros 20,000 thousand transferred to the legal reserve pursuant to the minimum established in the revised text of the Spanish Companies Act.

Other reserves

These reserves include the Euros 26,010 thousand difference between the fair value of non-controlling interests and the fair value of the Euros 74,530 thousand consideration paid for

the acquisition of 34.99% of Redexis Gas Aragón, S.A. on 17 December 2010, as the Parent already exercised control over that company.

These reserves also include the Euros 5,432 thousand difference between the fair value of non-controlling interests and the fair value of the Euros 2,123 thousand consideration paid for the acquisition of 2.39% of Redexis Gas Aragón, S.A. in 2012, as the Parent already controlled that company and this was a transaction between shareholders.

These reserves also include the Euros 2,538 thousand difference between the fair value of non-controlling interests and the fair value of the Euros 990 thousand consideration paid for the acquisition of 1.08% of Redexis Gas Aragón, S.A. on 16 January 2013, as the Parent already controlled that company and this was a transaction between shareholders.

These reserves also include the Euros 1,580 thousand difference between the fair value of non-controlling interests and the fair value of the Euros 1,211 thousand consideration paid for the acquisition of 0.87% of Redexis Gas Aragón, S.A. in March 2014, as the Parent already controlled that company and this was a transaction between shareholders.

Details of reserves contributed by each Group company at 31 December 2014 and 2013 are as follows:

| | THOUSANDS OF EUROS | |
|--------------------------------------|--------------------|-----------------|
| | 2014 | 2013 |
| Holding | | |
| Redexis Gas, S.A. | 407,710 | (54,279) |
| Distribución de Gas | | |
| Redexis Gas Baleares, S.A. | - | 4,883 |
| Distribuidora Regional del Gas, S.A. | - | 5,389 |
| Redexis Gas Aragón, S.A. | - | 36,659 |
| Redexis Gas Distribución, S.A. | - | (13,904) |
| Redexis, S.L. | (2) | - |
| Redexis GLP, S.L. | (2) | - |
| Transporte de Gas | | |
| Redexis Gas Transporte, S.L. | - | 101 |
| Transportista Regional del Gas, S.A. | - | 4,388 |
| Redexis Infraestructuras, S.L. | (2) | - |
| | 407,704 | (16,763) |

As indicated in note 1, during 2014 Redexis Gas, S.A. absorbed six subsidiaries. Consequently, the reserves on consolidation now constitute the merger reserve of the Parent.

(D) DIVIDENDS

In October 2014 the Company distributed a dividend of Euros 18,500 thousand to shareholders, equivalent to

Euros 1.85 per share, with a charge to freely distributable reserves.

(E) PROFIT/LOSS FOR THE YEAR

Details of profit/loss for the year contributed by each Group company at 31 December 2014 and 2013 are as follows:

| | THOUSANDS OF EUROS | |
|---|--------------------|-----------------|
| | 2014 | 2013 |
| Redexis Gas, S.A. | 107,242 | (49,896) |
| Redexis Gas Finance, B.V. | 249 | - |
| Distribución de Gas | | |
| Redexis Gas Baleares, S.A.(*) | - | 7,200 |
| Distribuidora Regional del Gas, S.A.(*) | - | 3,078 |
| Redexis Gas Aragón, S.A.(*) | - | 16,537 |
| Redexis Gas Distribución, S.A.(*) | - | (2,862) |
| Redexis, S.L. | (3) | (2) |
| Redexis GLP, S.L. | (3) | (2) |
| Transporte de Gas | | |
| Redexis Gas Transporte, S.L.(*) | - | 4,158 |
| Transportista Regional del Gas, S.A.(*) | - | 4,693 |
| Redexis Infraestructuras, S.L. | (3) | (2) |
| | 107,482 | (17,098) |

(*) Companies absorbed by Redexis Gas, S.A. in 2014. (See note 1)



(18) FINANCIAL LIABILITIES BY CATEGORY

(A) CLASSIFICATION OF FINANCIAL LIABILITIES BY CATEGORY

A classification of financial liabilities by category and class, as well as their carrying amounts, is as follows:

THOUSANDS OF EUROS

| | 2014 | |
|--|--------------------------------|----------------------------|
| | NON-CURRENT CARRYING AMOUNT | CURRENT CARRYING AMOUNT |
| Debts and payables | | |
| Bonds and other listed marketable securities | 640,925 | 13,076 |
| Loans and borrowings | 72,248 | 433 |
| Variable rate | | |
| Guarantees and deposits received | 3,977 | - |
| Other financial liabilities | 285 | - |
| Trade and other payables | | |
| Suppliers and other payables | - | 7,452 |
| Suppliers of fixed assets | - | 42,773 |
| Other payables | - | 15,076 |
| Total financial liabilities | 717,435 | 78,810 |

THOUSANDS OF EUROS

| | 2013 | |
|------------------------------------|--------------------------------|----------------------------|
| | NON-CURRENT CARRYING AMOUNT | CURRENT CARRYING AMOUNT |
| Debts and payables | | |
| Loans and borrowings | 616,019 | 20,463 |
| Variable rate | | |
| Guarantees and deposits received | 4,232 | - |
| Other financial liabilities | 54 | - |
| Payables to related companies | 361,697 | 89,307 |
| Trade and other payables | | |
| Suppliers and other payables | - | 4,982 |
| Suppliers of fixed assets | - | 29,497 |
| Other payables | - | 9,279 |
| Total financial liabilities | 982,002 | 153,528 |

At 31 December 2014 the fair value of loans and borrowings is Euros 75,189 thousand (Euros 686,528 thousand at 31 December 2013), and the fair value of the liabilities from the issuing of bonds and other marketable securities at 31 December 2014 is Euros 701,129 thousand. For all other liabilities the fair value is similar to their carrying amount.

(B) NET LOSSES AND GAINS BY FINANCIAL LIABILITY CATEGORY

Net losses and gains by financial liability category for 2014 comprise finance costs at amortised cost and total Euros 88,894 thousand (Euros 76,209 thousand in 2013).



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

In April 2014 the Group issued bonds totalling Euros 650,000 thousand, as part of the Euro Medium Term Note Programme (EMTN programme) debt issue. The bonds mature on 8 April 2021. The issue price was 99,373% and the annual interest rate is 2.75%, which is payable on 8 April each year. The ranking of this issue is pari passu with the credit facility described in note 20 (a).

The accrued interest payable at 31 December was recognised under current liabilities in the consolidated statement of financial position as financial liabilities from issuing bonds and other marketable securities.

The average interest rate for the year was 3.074%.



(20) FINANCIAL LIABILITIES FROM BORROWINGS

(A) LOANS AND BORROWINGS

The terms and conditions of loans and borrowings at 31 December 2014 are as follows:

2014

THOUSANDS OF EUROS

| TYPE | CURRENCY | NOMINAL RATE | MATURITY | MAXIMUM AVAILABLE | CARRYING AMOUNT | |
|------------------------------|----------|--------------|----------|-------------------|-----------------|---------------|
| | | | | | CURRENT | NON-CURRENT |
| Loans and borrowings: | | | | | | |
| CAPEX tranche | Euros | (1) | 2019 | 250,000 | 433 (2) | 72,248 |
| Revolving tranche | Euros | (1) | 2019 | 50,000 | - | - |
| | | | | 300,000 | 433 | 72,248 |

(1) 3-month Euribor plus a spread of 1.25% on the drawdown. A fee of 35% on the spread of 1.25% for the undrawn balance.

(2) Interest of Euros 189 thousand and fee for the undrawn amount of Euros 244 thousand.

Details of the nominal amount of loans and borrowings, maturity tranche and annualised cost, at 31 December 2014 are as follows:

2014

| TYPE OF LOANS AND BORROWINGS | AMOUNT EXTENDED AT ARRANGEMENT DATE | DRAWN DOWN AT 31/12/2014 | MATURITY 2019 | TOTAL LOANS AND BORROWINGS | AVAILABLE |
|------------------------------|-------------------------------------|--------------------------|---------------|----------------------------|---------------|
| (Thousands of Euros) | | | | | |
| CAPEX | 250,000 | 75,000 | 75,000 | 75,000 | 175,000 |
| Revolving | 50,000 | - | - | - | 50,000 |
| Total | 300,000 | 75,000 | 75,000 | 75,000 | 25,000 |

At 31 December 2014 loans and borrowings comprise the amounts drawn down at that date on the Euros 300,000 thousand credit facility extended by a syndicate of eight financial institutions, the final maturity date of which is 8 April 2019. At 31 December 2014 the Company had not drawn down the full balance of the CAPEX or revolving tranches of this loan and Euros 225,000 thousand were still drawable. Drawdowns may be made up to 8 March 2019.

The terms of the aforementioned credit facility require the Group to comply with several obligations, basically

referring to maintaining a certain financial structure and complying with a number of financial covenant ratios. At 31 December 2014, the directors of the Group consider that these obligations have been met.

In April 2014 the Group repaid Euros 650,592 thousand to settle the bank loans held at 31 December 2013, which are described in the following paragraphs (see notes 10 and 17(c)).

The terms and conditions of loans and borrowings at 31 December 2013 are as follows:

2013

THOUSANDS OF EUROS

| TYPE | CURRENCY | NOMINAL RATE | MATURITY | POSSIBLE MAXIMUM | THOUSANDS OF EUROS | |
|-----------------------------|----------|--------------|------------|------------------|--------------------|----------------|
| | | | | | CURRENT | NON-CURRENT |
| Loans and borrowings | | | | | | |
| Tranche A | Euros | (3) | 24.09.2017 | 500,000 | 19,660 | 449,147 |
| CAPEX Tranche | Euros | (3) | 24.09.2017 | 344,000 | 803 | 166,872 |
| Revolving Tranche | Euros | (3) | 24.09.2017 | 20,000 | - | - |
| | | | | 864,000 | 20,463 | 616,019 |

(3) 3-month Euribor plus a spread of 2.75% until 31 December 2013, 3.25% from 31 December 2013 until 31 December 2015 and 3.50% from 31 December 2015 until 24 September 2017.

Details of the nominal amount of loans and borrowings, maturity tranche and annualised cost at 31 December 2013 are as follows:

2013

| TYPE OF BORROWING | AVERAGE INTEREST RATE | A.P.R. (*) | EXTENDED AT ARRANGEMENT DATE | DRAWN DOWN AT | MATURITY | | | | TOTAL DEBT | DRAWABLE |
|----------------------|-----------------------|--------------|------------------------------|----------------|---------------|---------------|---------------|----------------|----------------|----------------|
| | | | | | 31/12/2013 | 2014 | 2015 | 2016 | | |
| (Thousands of Euros) | 2013 | 2013 | | 31/12/2013 | 2014 | 2015 | 2016 | 2017 | | |
| Tramo A | 2.96% | 5.39% | 500,000 | 482,812 | 19,500 | 25,800 | 29,500 | 408,012 | 482,812 | - |
| CAPEX | 3.06% | 5.49% | 344,000 | 166,872 | - | - | - | 166,872 | 166,872 | 175,653 |
| Revolving | | | 20,000 | - | - | - | - | - | - | 20,000 |
| Total | | 5,43% | 864,000 | 649,684 | 19,500 | 25,800 | 29,500 | 574,884 | 649,684 | 195,653 |

(*) Includes financing cost of arranging hedge swaps Total as a weighted average

At 31 December 2013 loans and borrowings comprised the amount drawn down at that date on the loan for an initial amount of Euros 864,000 thousand extended by a syndicate of 12 financial institutions, the final maturity date of which is 24 September 2017. At 31 December 2013 the Company had not drawn down the full balance of the CAPEX or revolving tranches of this loan, and Euros 195,653 thousand were still drawable. Drawdowns were available until 31 December 2014.

The terms of the aforementioned loan contract required the Group to comply with several obligations, basically referring to maintaining a certain financial structure, complying with a number of financial covenant ratios, and restrictions on the

distribution of dividends. At 31 December 2013, the directors of the Group considered that they complied with these obligations.

Accrued interest that was not due at 31 December 2013 was recognised in loans and borrowings under current liabilities in the consolidated statement of financial position.

(B) FROM RELATED PARTIES

On 8 April 2014 the Company's shareholders entered into an agreement to cancel the participating loans totalling Euros 460,635 thousand described below (see note 17). Additionally the Company paid Euros 2,000 thousand to the shareholders as interest.

The terms and conditions of payables to related companies at 31 December 2013 were as follows:

2013

THOUSANDS OF EUROS

| TYPE | CURRENCY | EFFECTIVE RATE | NOMINAL RATE | MATURITY | NOMINAL AMOUNT | CARRYING AMOUNT | |
|--|----------|----------------|--------------|------------|----------------|-----------------|----------------|
| | | | | | | CURRENT | NON-CURRENT |
| Payables to related companies: | | | | | | | |
| Zaragoza International Coöperatieve U.A. | Euros | 10% | (1) | 17.12.2020 | 211,595 | 52,238 | 211,595 |
| Augusta Global Coöperatieve U.A. | Euros | 10% | (1) | 17.12.2020 | 150,102 | 37,069 | 150,102 |
| Total | | | | | 361,697 | 89,307 | 361,697 |

(1) Fixed interest rate of 8% plus a variable interest rate of 2% depending on the Group's results from 2011 onwards.

At 31 December 2013 financial liabilities with related parties reflect the participating loans that the shareholders extended to the Company on 1 October and 17 December 2010.

The accrued interest payable at 31 December 2013 was recognised in financial liabilities with related parties under current liabilities in the consolidated statement of financial position.



(21) TRADE AND OTHER PAYABLES

Details of trade and other payables are as follows:

THOUSANDS OF EUROS

| | 2014 | 2013 |
|-------------------------------|---------------|---------------|
| Suppliers | 383 | 840 |
| Trade payables | 7,069 | 4,142 |
| Payables, settlements pending | 10,897 | 7,054 |
| Salaries payable | 4,179 | 2,225 |
| Suppliers of fixed assets | 42,773 | 29,497 |
| | 65,301 | 43,758 |

Payables, settlements pending primarily comprise the provisional settlements received from the gas companies, which are pending final settlement by the regulatory body for 2012, 2013 and 2014.

Suppliers of fixed assets basically comprise payables arising from the acquisition of property, plant and equipment, mainly gas transmission pipelines.



(22) LATE PAYMENTS TO SUPPLIERS

Pursuant to "Reporting Requirement", the third additional provision of Law 15/2010 of 5 July 2010, the information

on late payments to suppliers by Spanish consolidated companies is as follows:

PAYMENTS MADE AND OUTSTANDING AT THE REPORTING DATE

| | 2014 | | 2013 | |
|--|--------------------|------|--------------------|------|
| | THOUSANDS OF EUROS | % | THOUSANDS OF EUROS | % |
| Within maximum legal period | 40,155 | 83% | 30,447 | 82% |
| Other | 8,414 | 17% | 6,744 | 18% |
| Total payments for the year | 48,569 | 100% | 37,191 | 100% |
| Weighted average late payment days | 32 | | 20 | |
| Late payments exceeding the maximum legal period at the reporting date | 21 | 19% | 89 | 4% |



(23) RISK MANAGEMENT POLICY

Financial risk factors

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

Certain interest rate risks were hedged by derivative instruments.

Risks are managed by the Group's Administration Department in accordance with policies approved by the board of directors. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational

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

Credit risk

Due to its activities and the particular characteristics of the customers in the sector in which it operates, the Group has no significant concentrations of credit risk.

These tables present an analysis of the ageing of financial assets at 31 December 2014 and 2013:

2014

| | THOUSANDS OF EUROS | | | | |
|--|--------------------|---------------|--------------------|------------------|---------------|
| | LESS THAN 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | MORE THAN 1 YEAR | TOTAL |
| Trade and other receivables with fixed rates | 26,815 | - | 18,565 | 19,492 | 64,872 |
| Other financial assets | - | - | 123 | 6,690 | 6,813 |
| Total assets | 26,815 | - | 18,688 | 26,182 | 71,685 |

2013

| | THOUSANDS OF EUROS | | | | |
|--|--------------------|---------------|--------------------|------------------|---------------|
| | LESS THAN 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | MORE THAN 1 YEAR | TOTAL |
| Trade and other receivables with fixed rates | 26,462 | - | 16,134 | - | 42,596 |
| Other financial assets | - | - | 131 | 4,595 | 4,726 |
| Total assets | 26,462 | - | 16,265 | 4,595 | 47,322 |

Liquidity risk

The Group applies a conservative criteria to cover its liquidity risks, based on having sufficient cash as well as sufficient financing through credit facilities. The Group's Administration Department aims to be flexible with regard to financing

through drawdowns on contracted credit facilities.

The Group's exposure to liquidity risk at 31 December 2014 and 2013 is shown below. These tables present an analysis of financial liabilities by remaining contractual maturity dates.

2014

| | THOUSANDS OF EUROS | | | | |
|---|--------------------|---------------|--------------------|------------------|----------------|
| | LESS THAN 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | MORE THAN 1 YEAR | TOTAL |
| Loans and borrowings | 433 | - | - | 72,248 | 72,681 |
| Variable rate | 433 | - | - | 72,248 | 72,681 |
| Principal | - | - | - | 72,248 | 72,248 |
| Interest | 433 | - | - | - | 433 |
| Trade and other payables | 64,230 | 1,071 | - | - | 65,301 |
| Variable rate | 64,230 | 1,071 | - | - | 65,301 |
| Principal | 64,230 | 1,071 | - | - | 65,301 |
| Interest | - | - | - | - | - |
| Financial liabilities with related companies and other financial liabilities | - | 13,076 | - | 645,187 | 658,263 |
| Principal | - | - | - | 645,187 | 645,187 |
| Interest | - | 13,076 | - | - | 13,076 |
| Total liabilities | 64,663 | 14,147 | - | 717,435 | 796,245 |

2013

| | THOUSANDS OF EUROS | | | | |
|---|--------------------|---------------|--------------------|------------------|------------------|
| | LESS THAN 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | MORE THAN 1 YEAR | TOTAL |
| Loans and borrowings | 963 | 9,750 | 9,750 | 616,019 | 636,482 |
| Variable rate | 963 | 9,750 | 9,750 | 616,019 | 636,482 |
| Principal | - | 9,750 | 9,750 | 616,019 | 635,519 |
| Interest | 963 | - | - | - | 963 |
| Trade and other payables | 27,914 | 7,601 | 8,243 | - | 43,758 |
| Variable rate | 27,914 | 7,601 | 8,243 | - | 43,758 |
| Principal | 27,914 | 7,601 | 8,243 | - | 43,758 |
| Interest | - | - | - | - | - |
| Financial liabilities with related companies and other financial liabilities | - | - | 89,307 | 365,983 | 455,290 |
| Principal | - | - | - | 365,983 | 365,983 |
| Interest | - | - | 89,307 | - | 89,307 |
| Total pasivos | 28,877 | 17,351 | 107,300 | 982,002 | 1,135,530 |

Interest rate risk in cash flows

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

The Parent's interest rate risks arise from non-current borrowings. Borrowings at variable interest rates expose the Parent to cash flow interest rate risks. Fixed-interest loans result in exposure to fair value interest rate risks.

The company monitors interest rates on an on-going basis. Nevertheless, the effect of fluctuations in interest rates on the total amount of Euros 75,000 thousand at 31 December 2014 would not have a significant effect on the income statement or on the financial liabilities of the Group.

In 2013 the Parent managed the cash flow interest rate risk through variable-to-fixed interest rate swaps. (See note 10).



(24) PROVISIONS FOR EMPLOYEE BENEFITS

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

THOUSANDS OF EUROS

| | 31/12/14 | | 31/12/13 | |
|--|--------------|------------|--------------|--------------|
| | NON-CURRENT | CURRENT | NON-CURRENT | CURRENT |
| Employee benefits | 3,079 | 59 | 2,013 | - |
| Provisions for early retirement benefits | 995 | 804 | 1,753 | 1,974 |
| Provisions for restructuring costs | - | - | - | 530 |
| Total | 4,074 | 863 | 3,766 | 2,504 |

(A) POST-EMPLOYMENT AND LONG-TERM EMPLOYEE BENEFITS

Some of the Group's employees are included in the Endesa Group Employee Pension Plan, as they worked for that company. Most of the employees have defined contribution plans for retirement and defined benefit plans for disability and death of serving employees. Insurance policies have been contracted to cover the Plan.

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

At 31 December 2014 and 2013 commitments with personnel for which provision has been made through internal funds are as follows:

- Electricity consumption during retirement for serving and retired personnel, amounting to Euros 2,881 thousand and Euros 1,764 thousand, respectively.
- Long-service bonuses for serving personnel, totalling Euros 171 thousand and Euros 194 thousand, respectively.

- Health insurance policies for retired personnel, totalling Euros 27 thousand and Euros 55 thousand, respectively.

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

OTHER LONG-TERM EMPLOYEE BENEFITS

| | 2014 | 2013 |
|---|--------------|--------------|
| Balance at 1 January | 2,013 | 2,010 |
| Charges recognised in profit or loss | | |
| Personnel expenses | 1,049 | (2) |
| Finance costs | 251 | 56 |
| Other expenses | 204 | (55) |
| Applications | | |
| Payments | (71) | (18) |
| Transfers | (12) | 12 |
| Actuarial gains and losses | (355) | 10 |
| Balance at 31 December | 3,079 | 2,013 |

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

| | |
|----------------------------------|---------------|
| Technical interest rate | 0.48% - 2.26% |
| Annual pension review rate | 2% |
| Expected rate of salary increase | 2% |
| Retirement age | 60 |

The mortality tables used to calculate the defined benefit obligation were PERM/F 2000P.

The contributions made by the Company to the pension plan amounted to Euros 402 thousand in the year ended 31 December 2014 and are included under personnel expenses in the consolidated income statement (see note 32) (Euros 485 thousand in the year ended 31 December 2013).

At 31 December 2014 no accrued contributions are pending.

(B) PROVISIONS FOR EARLY RETIREMENT BENEFITS AND RESTRUCTURING

The liability recognised at 31 December 2014 and 2013 in the statement of financial position relates to an early retirement plan which provides for the Company's obligation to supplement the public social security system benefits in the event of termination of employment as a result of an agreement between the parties. This plan affects nine employees who have all taken early retirement.

The assumptions used in the actuarial calculation of the obligations arising under these collective redundancy procedures are as follows:

| | |
|---|--------------|
| Technical interest rate | 0.40% |
| Expected rate of salary increase | 2% |
| Mortality tables | PERM/F 2000P |
| Age on accepting temporary restructuring plan (ERE) | 60 |

Movement in this non-current provision in 2014 and 2013 was as follows:

| | THOUSANDS OF EUROS | |
|---|--------------------|--------------|
| | 2014 | 2013 |
| Balance at 1 January | 1,753 | 2,829 |
| Charges recognised in profit or loss | | |
| Personnel expenses | 52 | 335 |
| Finance costs | 2 | 3 |
| Applications | | |
| Payments | (631) | (1,339) |
| Transfers and other | (167) | (38) |
| Actuarial gains and losses | | |
| | (14) | (37) |
| Balance at 31 December | 995 | 1,753 |

Movement in current provisions in 2014 and 2013 was as follows:

THOUSANDS OF EUROS

| | 2014 | | 2013 | |
|--------------------------------------|-------------------|---------------|-------------------|---------------|
| | EARLY RETIREMENTS | RESTRUCTURING | EARLY RETIREMENTS | RESTRUCTURING |
| Balance at 1 January | 1,974 | 530 | 1,588 | 3,000 |
| Charges recognised in profit or loss | | | - | - |
| Applications | (895) | (530) | | |
| Payments | (257) | - | - | (2,470) |
| Transfers and other | (18) | - | 386 | - |
| Balance at 31 December | 804 | - | 1,974 | 530 |



(25) OTHER PROVISIONS

Movement in other provisions in 2014 and 2013 was as follows:

THOUSANDS OF EUROS

| | 2014 | 2013 |
|-----------------------|--------------|--------------|
| Balance at 1 January | 2,232 | 1,772 |
| Allowances | 288 | 528 |
| Applications | (91) | (68) |
| At 31 December | 2,429 | 2,232 |

Guarantees

The Group has extended guarantees to several government bodies totalling Euros 19,541 thousand (Euros 16,413 thousand in 2013) to secure compliance with its obligations as a

holder of the authorisations 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's activities are carried out 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.

Furthermore, 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 works to extend the network, recognising the related costs as an increase in the value of the investment.



(27) GOVERNMENT GRANTS

Movement in non-refundable government grants is as follows:

2014

| BODY/ITEM | THOUSANDS OF EUROS | | | | | |
|---|----------------------|----------------------|------------|-----------------------------|--------------------|------------------------|
| | SCOPE ⁽¹⁾ | BALANCE AT 1 JANUARY | ADDITIONS | TRANSFER TO PROFIT AND LOSS | CHANGE IN TAX RATE | BALANCE AT 31 DECEMBER |
| Aragón Regional Government | RG | 744 | 149 | (41) | 60 | 913 |
| Andalusian Energy Agency | RG | 268 | 182 | (11) | 28 | 467 |
| Spanish Ministry of Industry, Tourism and Trade | CG | 835 | - | (22) | 56 | 869 |
| Connection charges | Private | 2,391 | 616 | (175) | 195 | 3,027 |
| | | 4,238 | 947 | (249) | 340 | 5,276 |

RG: regional government; CG: central government

2013

| BODY/ITEM | THOUSANDS OF EUROS | | | | |
|---|----------------------|----------------------|--------------|-----------------------------|------------------------|
| | SCOPE ⁽¹⁾ | BALANCE AT 1 JANUARY | ADDITIONS | TRANSFER TO PROFIT AND LOSS | BALANCE AT 31 DECEMBER |
| Aragón Regional Government | RG | 652 | 127 | (35) | 744 |
| Andalusian Energy Agency | RG | 200 | 87 | (19) | 268 |
| Spanish Ministry of Industry, Tourism and Trade | CG | 881 | - | (46) | 835 |
| Connection charges | Private | 1,726 | 813 | (148) | 2,391 |
| | | 3,459 | 1,027 | (248) | 4,238 |

RG: regional government; CG: central government

The capital grants awarded by regional and central governments are earmarked for investment in gas pipelines.



(28) OTHER CURRENT LIABILITIES

Details of other current liabilities are as follows:

| | THOUSANDS OF EUROS | |
|---|--------------------|--------------|
| | 2014 | 2013 |
| Public entities, other | | |
| Taxation authorities, VAT payable | 516 | - |
| Taxation authorities, withholding tax on salaries | 284 | 352 |
| Social Security payables | 301 | 250 |
| Public utility rates, taxes and city council payables | 919 | 1,172 |
| Total | 2,020 | 1,774 |



(29) REVENUE

Details of revenue are as follows:

| | THOUSANDS OF EUROS | |
|---|--------------------|----------------|
| | 2014 | 2013 |
| Remuneration for distribution activities | 78,283 | 73,928 |
| Remuneration for transmission activities | 51,214 | 44,407 |
| Remuneration for regulated activities | 129,497 | 118,335 |
| Unregulated energy sales | 2,683 | 4,286 |
| Other regulated transmission revenue (connection charges, equipment rental, other services) | 15,417 | 13,431 |
| | 147,597 | 136,052 |



(30) OTHER INCOME

Details of other income are as follows:

| | THOUSANDS OF EUROS | |
|---|--------------------|--------------|
| | 2014 | 2013 |
| Transfer of government grants to profit and loss (Note 27) | 356 | 355 |
| Gains on the sale of non-current assets held for sale and property, plant and equipment | - | 1,911 |
| Other income | 3,626 | 2,431 |
| | 3,982 | 4,697 |



(31) OTHER OPERATING EXPENSES

Details of other expenses are as follows:

THOUSANDS OF EUROS

| | 2014 | 2013 |
|---|---------------|---------------|
| Operating lease expenses | 943 | 531 |
| Repairs and maintenance | 4,222 | 3,397 |
| Independent professional services | 2,452 | 2,236 |
| Advertising and publicity | 618 | 209 |
| Utilities | 248 | 471 |
| Other expenses | 12,919 | 14,784 |
| Losses / (Gains) from impairment and uncollectibility of trade and other receivables (note 9) | 52 | (20) |
| Other non-recurring expenses | 1,644 | - |
| Impairment of non-current assets | 2,999 | (64) |
| | 26,097 | 21,544 |

Under other non-recurring expenses the Company mainly included fees for professional services due to its refinancing

(see note 19) and for the acquisition of 99.98% of the shares of Gas Energía Distribución Murcia, S.A. (see note 38).



(32) EMPLOYEE BENEFITS EXPENSE

Details of employee benefits expense during 2014 and 2013 are as follows:

THOUSANDS OF EUROS

| | 2014 | 2013 |
|--|---------------|---------------|
| Salaries and wages | 13,667 | 11,735 |
| Social Security payable by the company | 2,669 | 2,392 |
| Contributions to defined contribution pension plans (note 24(a)) | 402 | 485 |
| Other employee benefits | 311 | 409 |
| | 17,049 | 15,021 |

The average headcount of the Group in 2014 and 2013, distributed by category, is as follows.

| | NUMBER | |
|----------------------|------------|------------|
| | 2014 | 2013 |
| Management | 13 | 12 |
| Technicians | 168 | 94 |
| Administrative staff | 40 | 94 |
| | 221 | 200 |

At the 2014 and 2013 year ends, the distribution by gender of Group personnel and the members of the board of directors, by category, is as follows:

| | 2014 | | | 2013 | | |
|----------------------|------------|-----------|------------|------------|-----------|------------|
| | MALE | FEMALE | TOTAL | MALE | FEMALE | TOTAL |
| Board members | 9 | 1 | 10 | 7 | - | 7 |
| Management | 9 | 2 | 11 | 11 | 2 | 13 |
| Technicians | 149 | 29 | 178 | 81 | 13 | 94 |
| Administrative staff | 12 | 32 | 44 | 67 | 33 | 100 |
| | 179 | 64 | 243 | 166 | 48 | 214 |



(33) FINANCE INCOME AND COSTS

Details of finance income and costs are as follows:

| | THOUSANDS OF EUROS | |
|--|--------------------|-----------------|
| | 2014 | 2013 |
| Finance income | 203 | 672 |
| Interest on loans and borrowings | (7,948) | (21,486) |
| Interest on bonds issued | (14,033) | - |
| Other finance costs and interest at amortised cost (*) | (14,143) | (4,346) |
| Interest on swap settlements (note 10) (*) | (43,158) | (14,207) |
| Interest on participating loans (*) | (9,612) | (36,170) |
| Finance costs arising from provision adjustments (note 24) | (42) | (62) |
| Net finance income/(cost) | (88,733) | (75,599) |

(*) Finance costs that are not recurring in future years



(34) RELATED PARTY BALANCES AND TRANSACTIONS

Balances receivable from and payable to related parties at 31 December 2013 by category, and the main details of these balances, are provided in note

20. At 31 December 2014 there are no payables to/receivables from related parties. Group transactions with related parties are as follows:

2014

THOUSANDS OF EUROS

| | SHAREHOLDERS | KEY MANAGEMENT PERSONNEL | TOTAL |
|--------------------|--------------|--------------------------|---------------|
| Expenses | | | |
| Personnel expenses | - | 1,265 | 1,265 |
| Finance costs | 9,612 | - | 9,612 |
| | 9,612 | 1,265 | 10,877 |

2013

THOUSANDS OF EUROS

| | SHAREHOLDERS | KEY MANAGEMENT PERSONNEL | OTHER RELATED PARTIES | TOTAL |
|---------------------------|---------------|--------------------------|-----------------------|---------------|
| Expenses | | | | |
| Employee benefits expense | - | 1,315 | - | 1,315 |
| Other services received | - | - | 10,770 | 10,770 |
| Finance costs | 29,372 | - | 6,719 | 36,091 |
| | 29,372 | 1,315 | 17,489 | 48,176 |
| Investments | | | | |
| Technical installations | - | - | 105 | 105 |
| | - | - | 105 | 105 |



(35) INFORMATION ON THE PARENT'S DIRECTORS AND THE GROUP'S SENIOR MANAGEMENT PERSONNEL

At 31 December 2014 the Parent's board of directors is formed by ten members, one woman and nine men (seven men at 31 December 2013).

In 2014 senior management and the members of the board of directors received remuneration totalling Euros 1,265 thousand (Euros 1,315 thousand in 2013).

No advances or loans were granted to them during 2014 and 2013 and no guarantees were extended on their behalf.

The Group has pension and life insurance commitments with some of the current directors of the Parent.

In 2014 and 2013 the directors of the Parent have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent or any other Group company.

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



(36) SEGMENT REPORTING

As described below, the Group is organised internally into operating segments, which are strategic business units. The strategic business units are managed separately due to their different remuneration systems.

At 31 December 2014, the Group comprises the following operating segments:

- Natural gas and LPG (liquefied petroleum gas) distribution activities.
- Natural gas transmission activities.

The Group also renders sundry services, sells LPG by pipeline and supplies synthetic natural gas. These

activities do not meet the quantitative thresholds to be presented separately.

Segment accounting policies are the same as those described in note 3.

Segment performance is measured based on the pre-tax profit generated by each segment. Segment profit is used to measure performance as this information is regularly submitted to the Group's chief operating decision maker.

The main segment information is as follows:

31/12/14

THOUSANDS OF EUROS

| | DISTRIBUTION | TRANSMISSION | ADJUSTMENTS AND OTHER | CONSOLIDATED |
|-------------------------------|----------------|----------------|-----------------------|------------------|
| Goodwill | 50,651 | 162,402 | - | 213,053 |
| Non-current assets | 707,238 | 535,501 | 58,439 | 1,301,178 |
| Current assets | 32,085 | 22,294 | 78,174 | 132,553 |
| Total assets | 789,974 | 720,197 | 136,613 | 1,646,784 |
| Liabilities | 118,375 | 71,214 | 8,574 | 198,163 |
| Non-distributable liabilities | - | - | 728,032 | 728,032 |
| Total liabilities | 118,375 | 71,214 | 736,606 | 926,195 |

31/12/13

THOUSANDS OF EUROS

| | DISTRIBUTION | TRANSMISSION | ADJUSTMENTS AND OTHER | CONSOLIDATED |
|-------------------------------|----------------|----------------|-----------------------|------------------|
| Goodwill | 50,651 | 162,402 | - | 213,053 |
| Non-current assets | 679,713 | 505,626 | 34,860 | 1,220,199 |
| Current assets | 40,390 | 26,100 | 57,327 | 123,817 |
| Total assets | 770,754 | 694,128 | 92,187 | 1,557,069 |
| Liabilities | 166,955 | 115,661 | - | 282,616 |
| Non-distributable liabilities | - | - | 1,126,066 | 1,126,066 |
| Total liabilities | 166,955 | 115,661 | 1,126,066 | 1,408,682 |

Ajustes y otros recoge ajustes de consolidación y saldos atribuibles al corporativo que no es posible asignarlos a los otros segmentos.

31/12/14

THOUSANDS OF EUROS

| | DISTRIBUTION | TRANSMISSION | ADJUSTMENTS AND OTHER | CONSOLIDATED |
|--|---------------|---------------|-----------------------|-----------------|
| Revenue | 96,384 | 51,213 | - | 147,597 |
| Other operating income | 2,595 | 704 | 683 | 3,982 |
| Self-constructed non-current assets | 5,635 | 643 | 408 | 6,686 |
| Supplies | (3,601) | (292) | - | (3,893) |
| Employee benefits expense | (9,683) | (245) | (7,121) | (17,049) |
| Amortisation and depreciation | (27,594) | (8,764) | (250) | (36,608) |
| Other operating expenses | (12,720) | (1,769) | (11,608) | (26,097) |
| Finance income | 47 | 3 | 153 | 203 |
| Finance costs | (164) | (3) | (88,769) | (88,936) |
| Profit/(loss) before income tax | 50,899 | 41,490 | (106,504) | (14,115) |

31/12/13

THOUSANDS OF EUROS

| | DISTRIBUTION | TRANSMISSION | ADJUSTMENTS AND OTHER | CONSOLIDATED |
|--|---------------|---------------|-----------------------|----------------|
| Revenue | 91,645 | 44,407 | - | 136,052 |
| Other operating income | 4,447 | 250 | - | 4,697 |
| Self-constructed non-current assets | 5,336 | 824 | - | 6,160 |
| Supplies | (4,899) | (250) | - | (5,149) |
| Employee benefits expense | (10,766) | (242) | (4,013) | (15,021) |
| Amortisation and depreciation | (27,178) | (7,878) | (8) | (35,064) |
| Other operating expenses | (13,324) | (2,763) | (5,457) | (21,544) |
| Finance income | - | - | 672 | 672 |
| Finance costs | (8,513) | (12,875) | (54,883) | (76,271) |
| Profit/(loss) before income tax | 36,748 | 21,473 | (63,689) | (5,468) |



(37) AUDIT FEES

KPMG Auditores, S.L., the auditors of the annual accounts of the Group, have invoiced the following fees for professional services during the years ended 31 December 2014 and 2013:

| | THOUSANDS OF EUROS | |
|--------------------------|--------------------|------------|
| | 2014 | 2013 |
| Audit services | 203 | 184 |
| Other assurance services | 62 | 57 |
| | 265 | 241 |

The amounts detailed above include the total fees for services rendered in 2014 and 2013, irrespective of the date of invoice.

Other KPMG International affiliate firms have invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2014 and 2013:

| | THOUSANDS OF EUROS | |
|-------------------------|--------------------|-----------|
| | 2014 | 2013 |
| Tax advisory services | 134 | 10 |
| Other advisory services | 268 | - |
| | 402 | 10 |

Other auditors have invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2014 and 2013:

| | THOUSANDS OF EUROS | |
|----------------|--------------------|-----------|
| | 2014 | 2013 |
| Other services | 148 | 18 |
| | 148 | 18 |



(38) EVENTS AFTER THE REPORTING PERIOD

A) On 27 February 2015 Redexis Gas, S.A., Redexis Gas Transporte, S.L.U., Transportista Regional del Gas, S.A., Redexis Gas Distribución, S.A.U., Distribuidora Regional del Gas, S.A.U., Redexis Gas Aragón, S.A.U. and Redexis Gas Baleares, S.A.U., signed the merger deed whereby these companies were merged into Redexis Gas, S.A. (see note 1).

B) In 2014 the Company's board of directors approved the purchase of 99.98% of the shares of Gas Energía Distribución Murcia S.A. Gas Energía Distribución Murcia S.A. distributes gas to 22 municipalities in the region of Murcia and has a gas pipeline (Moratalla-Mula), which is more than 65 kilometres in length.

The purchase was agreed in a private document on 16 December 2014. The purchase of 99.98% of

the shares of Gas Energía Distribución Murcia S.A. was executed in a public deed on 30 January 2015, after compliance with the condition precedent set forth in the agreement.

On 15 January 2015 the Competition Court of the Spanish National Markets and Competition Commission (CNMC) approved the acquisition by Redexis Gas, S.A. of Gas Energía Distribución Murcia S.A. owned by Naturgas Energía Distribución, S.A.U.

The acquisition of Gas Energía Distribución Murcia S.A. was carried out with a shareholder contribution of Euros 100,000 thousand, a drawdown of Euros 50,000 thousand on the credit facility described in note 18 and Euros 36,071 thousand from cash generated by the Group.

Details of Subsidiaries at 31 December 2014

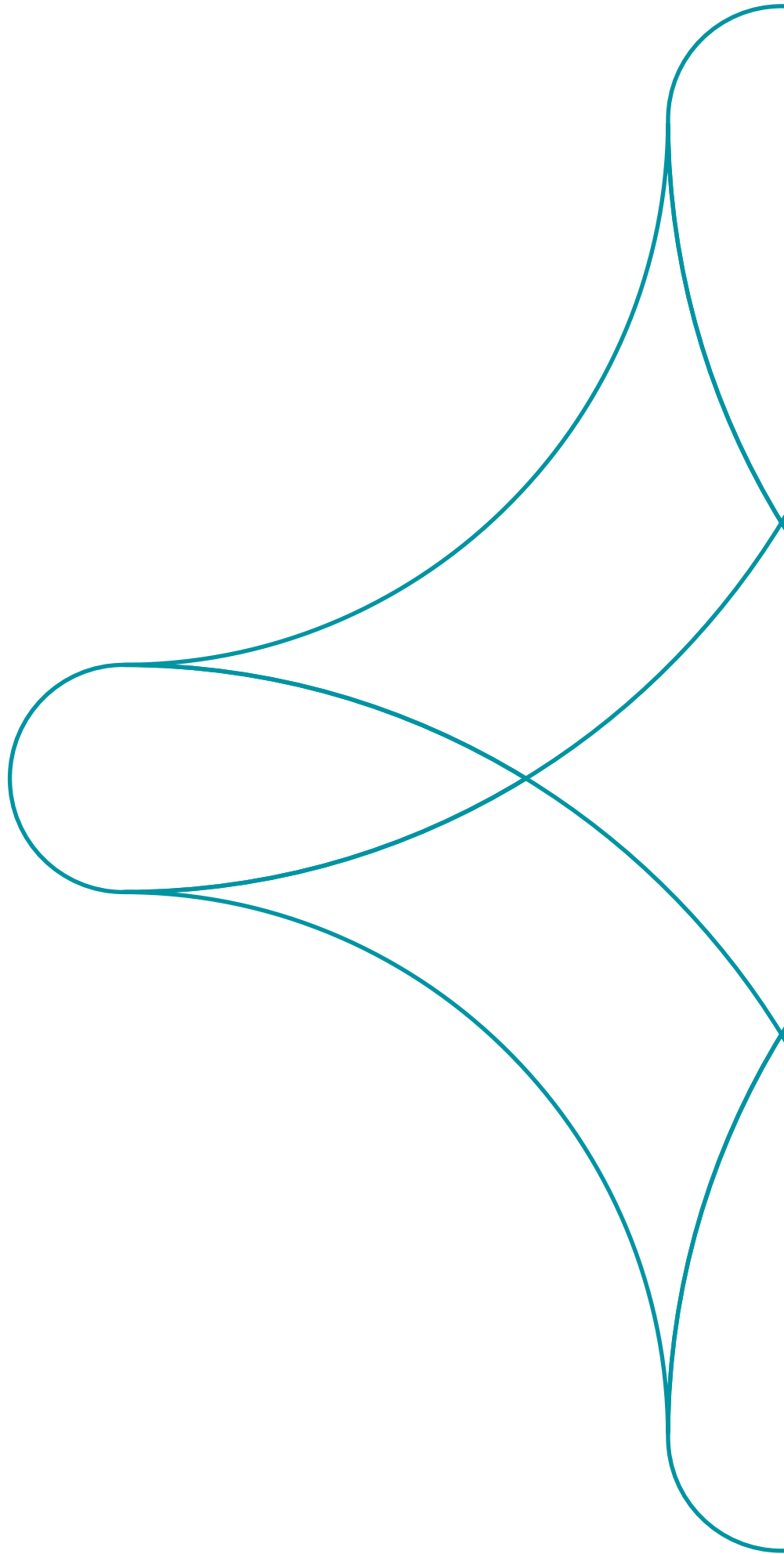
| NAME | REGISTERED OFFICE | ACTIVITY | AUDITOR | COMPANY HOLDING INVESTMENT | PERCENTAGE OWNERSHIP | PERCENTAGE OF VOTING RIGHTS |
|--------------------------------|-------------------|--|----------------------|----------------------------|----------------------|-----------------------------|
| Redexis Infraestructuras, S.L. | Madrid | Regasification of liquefied natural gas. Transmission and storage of natural gas | KPMG Auditores, S.L. | Redexis Gas, S.A. | 100 | 100 |
| Redexis, S.L. | Madrid | Distribution and secondary transmission of natural gas | KPMG Auditores, S.L. | Redexis Gas, S.A. | 100 | 100 |
| Redexis GLP, S.L. | Madrid | Regasification of liquefied natural gas. Transmission and storage of natural gas | KPMG Auditores, S.L. | Redexis Gas, S.A.. | 100 | 100 |

Details of Subsidiaries at 31 December 2013

| NAME | REGISTERED OFFICE | ACTIVITY | AUDITOR | COMPANY HOLDING INVESTMENT | PERCENTAGE OWNERSHIP | PERCENTAGE OF VOTING RIGHTS |
|---|-------------------|--|----------------------|----------------------------|----------------------|-----------------------------|
| Redexis Gas Baleares, S.A.U. (formerly Gesa Gas, S.A.U.) | Palma de Mallorca | Distribution of piped natural gas | KPMG Auditores, S.L. | Redexis Gas, S.A. | 100 | 100 |
| Redexis Gas Distribución, S.A.U. (formerly Endesa Gas distribución, S.A.U.) | Madrid | Distribution and secondary transmission of natural gas and distribution and sale of LPG | KPMG Auditores, S.L. | Redexis Gas, S.A. | 100 | 100 |
| Distribuidora Regional del Gas, S.A.U. | Valladolid | Distribution and secondary transmission of natural gas | KPMG Auditores, S.L. | Redexis Gas, S.A. | 100 | 100 |
| Redexis Gas Aragón, S.A. (formerly Gas Aragón, S.A.) | Zaragoza | Distribution and secondary transmission of natural gas. Distribution and sale of LPG through pipelines | KPMG Auditores, S.L. | Redexis Gas, S.A. | 99.13 | 99.13 |
| Redexis Gas Transporte, S.L.U. (formerly Endesa Gas Transportista, S.L.U.) | Zaragoza | Regasification of liquefied natural gas; transmission and storage of natural gas | KPMG Auditores, S.L. | Redexis Gas, S.A. | 100 | 100 |
| Transportista Regional del Gas, S.A. | Valladolid | Regasification of liquefied natural gas Transmission and storage of natural gas | KPMG Auditores, S.L. | Redexis Gas, S.A. | 100 | 100 |
| Redexis Infraestructuras, S.L. (formerly EG Administrador de Transporte de Gas, S.L.) | Madrid | Regasification of liquefied natural gas Transmission and storage of natural gas | KPMG Auditores, S.L. | Redexis Gas, S.A. | 100 | 100 |
| Redexis, S.L. (formerly EG Administrador de Distribución de Gas, S.L.) | Madrid | Distribution and secondary transmission of natural gas | KPMG Auditores, S.L. | Redexis Gas, S.A. | 100 | 100 |
| Redexis GLP, S.L. (formerly EG Actividades de GLP, S.L.) | Madrid | Regasification of liquefied natural gas Transmission and storage of natural gas | KPMG Auditores, S.L. | Redexis Gas, S.A. | 100 | 100 |

| NAME | REGISTERED OFFICE | ACTIVITY | AUDITOR | COMPANY HOLDING INVESTMENT | PERCENTAGE OWNERSHIP | PERCENTAGE OF VOTING RIGHTS |
|---------------------------|-------------------|------------------|------------------------|--|----------------------|-----------------------------|
| Redexis Gas Finance, B.V. | The Netherlands | Issuing of bonds | KPMG Accountants, N.V. | International Coöperatieve, U.A. y Augusta Global Coöperatieve, U.A. | | - |

Details of structured entities
at 31 December 2014



CONSOLIDATED DIRECTORS' REPORT

REDEXIS GAS, S.A. AND SUBSIDIARIES

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(1) RELEVANT DATA

| | 2014 | 2013 | % |
|---|------------------|-------------------|-----------------|
| Average headcount | 221 | 200 | 10.50% |
| Length of the distribution network (km) | 4,439 | 4,299 | 3.25% |
| Length of the transmission network (km) | 1,434 | 1,282 | 11.91% |
| Total network length (km) | 5,873 | 5,581 | 5.24% |
| Power distributed (MWh) | 8,614,954 | 10,018,347 | (14.01%) |
| Consumers (number) | 396,533 | 384,168 | 3.22% |
| Towns | 193 | 183 | 5.46% |



(2) EVENTS AFTER THE REPORTING PERIOD

Events subsequent to the reporting date are described in note 38 of the notes to the Consolidated Annual Accounts.



(3) ACTIVITIES

In 2014 the Redexis Gas Group mainly focused on developing new distribution and transmission infrastructure for natural gas.

● Distribution

Redexis Gas S.A. currently distributes piped gas to 193 towns.

At the 2014 year end, 8,614,954 MWh of power had been distributed to a total of 396,533 consumers (10,018,347 MWh and 384,168 consumers in 2013). The total length of the built network was 4,439 km (4,299 km in 2013).

The extension of the gas network to 10 new towns in five different autonomous regions can be considered one of the most significant events of 2014.

● Transport

At year end, a total of 1,434 km of gas pipelines was in service.

In 2014 construction of the following pipelines was completed:

- Huércal-Overa-Baza (Stage II), with 51.8km of gas pipeline to be brought into operation on 16 June 2014.
- Elche-Monóvar-Algueña, with 59.5km of gas pipeline to be brought into operation on 28 November 2014.
- Son Reus-Andratx, with 40.2km of gas pipeline to be brought into operation on 28 November 2014.



(4) RESULTS ANALYSIS

Milestones for the year:

- Positive regulatory framework for Redexis Gas and future development of networks
- Predictable and stable long range regulatory framework
- Continuous corporate improvement
- State-of-the-art fully independent IT systems with the best market standards
- Successful organic growth model in distribution and ahead of plan growth in transmission
- Acquisition of Gas Energía Distribución Murcia (GEDM)
- Reworked capital structure and Investment Grade achievement (Moody's Baa3 and Fitch's BBB-)

In 2014 the Group generated a net profit of Euros 107,452 thousand (a loss of Euros 17,253 thousand in 2013). Together with the better operating results, this spectacular improvement is mainly due to the tax effects of the merger and the recognition of deferred tax assets arising from the temporary limitation on the deductibility of finance costs, in view of the Group's debt restructuring, which will enable us to deduct these finance costs in coming years.

Key Indicators:

| THOUSANDS OF EUROS | 2014 | 2013 | VAR. | % |
|--|----------------|----------------|---------------|------------|
| Revenue | 147,597 | 136,052 | 11,545 | 8% |
| Other operating income | 3,982 | 4,697 | (715) | (15%) |
| Self-constructed non-current assets | 6,686 | 6,160 | 526 | 9% |
| Supplies | (3,893) | (5,149) | 1,256 | (24%) |
| Employee benefits expense | (17,049) | (15,021) | (2,028) | 14% |
| Other recurring operating expenses | (21,454) | (21,544) | 90 | 0% |
| Gross operating profit (EBITDA) | 115,869 | 105,195 | 10,674 | 10% |
| Other non-recurring operating expenses | (1,644) | - | (1,644) | N/A |
| Impairment of non-current assets | (2,999) | - | (2,999) | N/A |
| Amortisation and depreciation | (36,608) | (35,064) | (1,544) | 4% |
| Operating profit | 74,618 | 70,131 | 4,487 | 6% |

Revenue for 2014 amounted to Euros 147,597 thousand (Euros 136,052 thousand in 2013) and can be broken down as follows:

| THOUSANDS OF EUROS | 2014 | 2013 | VAR. | % |
|--------------------------------------|----------------|----------------|---------------|--------------|
| Regulated distribution revenue | 78,283 | 73,928 | 4,355 | 5.90% |
| Regulated transmission revenue | 51,214 | 44,407 | 6,807 | 15,33% |
| Unregulated energy sales | 2,683 | 4,286 | (1,603) | (37.39%) |
| Other regulated transmission revenue | 15,417 | 13,431 | 1,986 | 14.79% |
| Total | 147,597 | 136,052 | 11,545 | 8,48% |

As shown in the above table, the 8.48% increase in revenue is largely due to a sharp rise in regulated revenue from gas transmission (up 14.76% on the previous year), mainly as a result of the new infrastructure built.

The decline in Unregulated energy sales (LPG) is largely the result of its gradual replacement by natural gas and the lower temperatures, as 2014 was the hottest year on record.

Operating expenses totalled Euros 42,396 thousand (Euros 41,714 thousand in 2013). The variation is mainly due to the rise in personnel expenses (a 10.5% rise in the workforce) since after excluding the provision for fees relating to the acquisition of GEDM at the beginning of 2015, as explained in note 36, other operating expenses fell and likewise supplies, due mainly to lower LPG sales and therefore the overall rise was only 1.6% compared to the previous year.

The fall in other operating income was offset by the climb

in the Group's self-constructed assets, thus the major improvement in operating income has led to EBITDA of Euros 115.9 million, up Euros 10.7 million or 10% on the previous year.

Finance costs in 2014 amounted to Euros 88,936 thousand (Euros 76,271 thousand in 2013), including the cancelation of existing hedges (Euros 39,669 thousand) and the deferred expenses pending transfer to profit or loss (Euros 13,023 thousand). The refinancing carried out in 2014 will lead to major savings in coming years.

The rise in the depreciation and amortisation charge in view of additions to assets as a result of the heavy investments made, and non-current losses due to impairment of computer software linked to old systems, from which we severed ties completely in 2014, after the Group developed and implemented its own systems, coupled with the rise in finance costs already mentioned, resulted in a pre-tax loss of Euros 14,115 thousand.



(5) OUTLOOK

The Group will continue with the transmission and distribution of natural gas, which will be expanded considerably with the inclusion of the activity of Gas Energía Distribución Murcia, S.A.

The integrated system defines a framework of action for the various parties involved, setting the parameters for defining the remuneration of regulated activities. This will permit the continued operational development of the Redexis Gas Group project via:

- Maintenance of the most demanding health and safety standards.
- Growth in distribution activities in new areas and greater saturation in existing areas.
- Development of new transmission infrastructure projects.
- Ongoing optimisation in the performance of activities.

At the date of this report, the directors were unaware of the existence of any risks or uncertainties that could have significant effects for the Group. Nevertheless, the Group follows a risk hedging policy that is suitable for its activity.



(6) HUMAN RESOURCES

At 31 December 2014, the Group had a total of 235 employees, compared to a total of 208 at 31 December 2013.

In 2014 the Group was awarded ISO 14001 and OSHAS certifications, demonstrating the Group's concerns regarding protection of the environment and the safety of its employees.



(7) OWN SHARES

Redexis Gas S.A. did not hold any own shares at 31 December 2014 and performed no transactions with own shares during 2014.



(8) FINANCIAL INSTRUMENTS

The risk management policy is set forth in note 23 of the notes to the consolidated annual accounts.



(9) RESEARCH AND DEVELOPMENT

The Redexis Gas Group takes a cost-efficient and environmentally responsible approach to network expansion.

SCOPE OF THE REPORT

- **COMPANY:** Redexis Gas, S.A.
- **GEOGRAPHIC:** Spain
- **COVERED PERIOD:** 2014
- **ACTIVITY:** natural gas transmission and distribution
- **PERIODICITY OF THIS REPORT:** annual

DRAWING-UP THE REPORT

This document is the second Annual Report that the Company has published and covers the year 2014 of Redexis Gas. With the same, its evolution is reviewed, taking into account the economic, environmental and social impact of the business, as well as its contribution to help achieve the sustainability and Corporate Governance objectives.

All the business units in the Company have participated directly in the definition and delimitation of the contents of this Report. The following chart illustrates the process followed to produce the same.

PLANNING AND DISCUSSION with those responsible for the contents to select the most important subject-matters that appear in the report

COMPILATION OF DATA AND PREPARING the first draft

REVIEW of contents by **INTERNAL DEPARTMENTS** of Redexis Gas

REVIEW by the **HIGH MANAGEMENT**

REVIEW by the **SPANISH NETWORK OF THE UNITED NATIONS GLOBAL COMPACT**

APPROVAL SUBMISSION TO THE BOARD and publication on **CORPORATE WEBSITE**

Redexis Gas, in its effort to be a respectful company with society and its environment, **adhered in June 2014 to the Spanish Network of the United Nations Global Compact** undertaking to support, through its activities, the consolidation of this international project, given that

it considers the same a proposal of great value to defend human rights, protect the environment, support social development, obtain respect for labour regulations and fight corruption. This Report has the function of a Progress Report.

PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

HUMAN RIGHTS



- **PRINCIPLE 1.** Businesses should support and respect the protection of internationally proclaimed human rights, within their scope of influence.
- **PRINCIPLE 2.** Businesses must make sure that they are not complicit in human rights abuses.

LABOUR



- **PRINCIPLE 3.** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- **PRINCIPLE 4.** The elimination of all forms of forced and compulsory labour.
- **PRINCIPLE 5.** The effective abolition of child labour; and.
- **PRINCIPLE 6.** The elimination of discrimination in respect of employment and occupation.

ENVIRONMENT



- **PRINCIPLE 7.** Businesses should support a precautionary approach to environmental challenges.
- **PRINCIPLE 8.** Undertake initiatives to promote greater environmental responsibility; and.
- **PRINCIPLE 9.** Encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION



- **PRINCIPLE 10.** Businesses should work against corruption in all its forms, including extortion and bribery.



CONTACT DETAILS

- CONTACT ADDRESS

C/ Mahonia, 2
28043 Madrid



- Centralized Call-Centre: 902 515 651

- SAFETY AND EMERGENCIES:

Redexis Gas provides you an Emergency Service 24 hours a day, 365 days a year, to assist you with any actions required to guarantee your safety and the safety of your property, performing operations to open or close gas facilities and emergency actions in the case of any safety incident: gas smell, fire or explosion, as provided for in ITC-ICG-01 of the Technical Regulations on Distribution and Use of Gas Fuels, enacted by Royal Decree 919/2006.

To communicate any emergency, please contact the Distributor in your region through the telephones provided below:

- REDEXIS GAS: 900 924 622
- GAS ENERGÍA DISTRIBUCIÓN DE MURCIA (GEDM): 900 813 071

- CORPORATE CONTACT ADDRESSES:

- CORPORATE INTERNET ADDRESS: www.redexisgas.es
- INVESTOR RELATIONS: investor.relations@redexisgas.es
- COMMUNICATION: comunicacion@redexisgas.es

