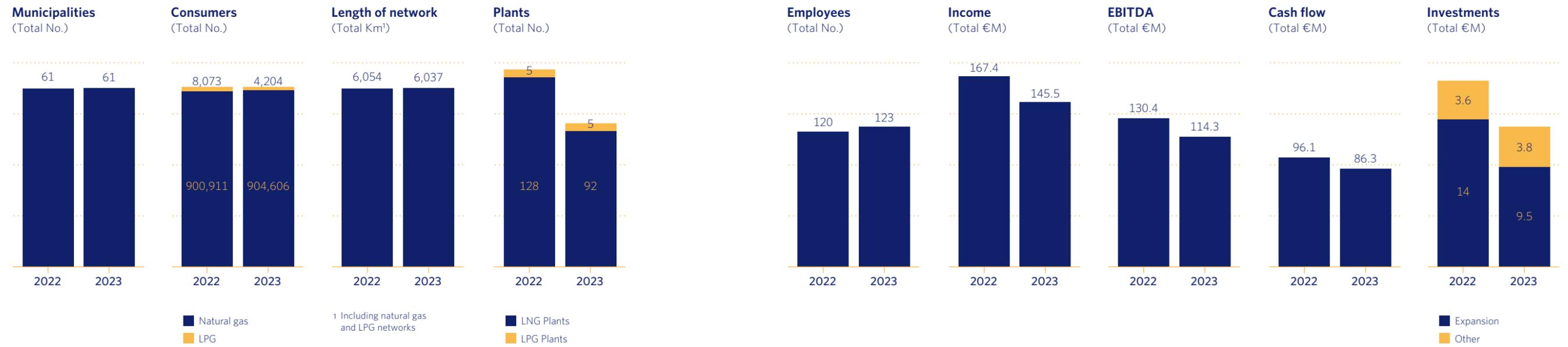




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LETTER FROM THE CHAIRMAN

Natural gas continued to play a leading role in the energy markets in 2023. Having overcome the pricing crisis of the previous two years, there was a notable drop in the perception of a possible scarcity in supply, and prices started moving in the direction of normalisation and stability, albeit at higher levels than before the crisis.

Three important events shaped the European market. The first of these was how governments reacted, by putting demand reduction measures in place, keeping reserves at high levels, and diversifying supplies, which has helped prevent any foreseeable scarcity following the drop in supply of gas from Russian pipelines. Secondly, by increasing the capacity for LNG storage and regasification (by installing floating regasification plants over a very short timeframe and starting work on further plants on land), pipeline supplies have largely been replaced, resulting in the ongoing rise in global LNG market volumes, which will be of decisive importance in both the short and medium term. Finally, although Russian gas supplies fell, they were not completely suppressed. Despite the formally imposed sanctions, Europe has

needed to rely on Russian gas to ensure the annual gas balance, particularly during winter.

Prices in Europe ended up settling at manageable levels for the European economies, albeit at considerably higher levels than before the two years of crisis. From prices of less than €20/MWh between 2014 and 2020, over recent months prices have sat between €28 and €35/MWh. There are three main reasons for this increase. Firstly, the negotiating position of supplier countries has been strengthened by the disappearance (in part) of the supply from Russian pipelines. Secondly, the major change in European procurements is the growing supply from the EU, the world's leading producer, which has become one of the main suppliers for Europe, albeit at higher prices, above the breakeven levels of fracking producers, which ensures an essential supply for European buyers but strengthens North America's position with regard to the European natural gas market. Finally, increased demand for LNG has forced prices to rise in this market.

This all undoubtedly affects the Spanish market. As well as the impact on businesses and families in terms of prices, demand has weakened, and the amount of gas used to generate electricity has fallen, due to the reduced dynamics of industrial demand and the increase in electricity generated from renewable sources, with the subsequent reduction in the thermal gap. Supply diversification remains high, with the US, Algeria, Nigeria and Russia the main suppliers.

However, despite having shrunk due to rising prices and the fall in disposable income, demand in the residential sector remains relatively robust, as in the short or medium term there is no easy replacement, either in Spain or across the rest of Europe, despite the political directives, which fail to reflect the reality of the sector. Furthermore,

there is still margin for growth, by replacing other more pollutant fuels.

In this context, Madrileña Red de Gas continues to grow in terms of supply points, at rates that outstrip those from the rest of the sector. Although this organic growth is structurally limited, the financial results continue to reflect the solidity of previous years, and form a hugely positive basis for the company's future development.

As in recent years, the biggest challenges we face stem from how the sector is regulated and from legislation guided by European and Spanish climate policy.

In terms of the gas sector, European climate policy is geared towards fostering the development of renewable gases and hydrogen, in detriment to natural gas as the basic energy vector, and increasing the economy's electrification, supported by the generation of renewable electricity sources. This means we have moved beyond the stage in which gas was perceived as just another fossil fuel to be removed from the energy grids of countries committed to the policies of the Kyoto Protocol.

In the latest version of the National Integrated Energy and Climate Plan (PNIEC), the forecasts for 2030 include a 10% drop in demand for natural gas in the residential sector, and a 20% drop in the industrial sector. A drastic fall is expected in the consumption of gas for electricity generation, as the load factor is forecast to drop from 25% to 7%, while still maintaining the same energy generation park, which raises serious doubts as to the reliability of these forecasts and their underlying hypotheses.

As a consequence, these targets to reduce demand for natural gas by 2030 face considerable challenges.

Both renewable gases and hydrogen have their own determining factors for any appreciable development to be a success. In other words, while the policies to foster

the biggest challenges we face stem from how the sector is regulated and from legislation guided by European and Spanish climate policy

these targets are achieving significant results, supported by the technical and financial maturity of the pertinent infrastructures, among other elements, natural gas is still the leading fossil fuel, due to the technological maturity of its infrastructures, its abundance, its affordability and the inherent environmental advantages in comparison with carbon or oil-based products.

By definition, biogas and biomethane are transition options before hydrogen technology reaches the necessary maturity for its use to become generalised, although they may both maintain a supply quota in the future. In this regard, there are two key issues: the relative economics of hydrogen in comparison with electrical options, and adapting existing networks to the use of hydrogen, as the final goal of the transition. In the meantime, demonstration projects and pilots will need to be subsidised in order to produce and use hydrogen, biogas and methane.

Whatever the extent to which each gas category can contribute to meeting demand, Spain has competitive advantages for producing hydrogen at affordable prices, as the country is widely considered one of the leaders in

Whatever the scenario, it is essential to take into account that the same networks that transport methane today, regardless of its origin, are the same ones that must be used to transport biomethane or hydrogen tomorrow. In the case of MRG, these networks are 100% ready for this

potential in this area. This vision should be contextualised, however, through a strictly realistic analysis of the possibilities for using hydrogen on the national market and for exporting it, given the transport difficulties and costs involved. The competition to occupy strong positions on the hydrogen market can already be felt.

The PNIEC review, which is under way at the time of writing this letter, is an opportunity to improve forecasts for the production of and demand for natural gas, biogas and biomethane, and hydrogen, based on realistic scenarios and contrasted with the industry's view and with the state of the relevant technologies within the sector.

Whatever the scenario, it is essential to take into account that the same networks that transport methane today, regardless of its origin, are the same ones that must be used to transport biomethane or hydrogen tomorrow. In the case of MRG, these networks are 100% ready for this. Extending the analysis to Spain as a whole, the costs of adapting distribution networks to make up for certain current limitations, particularly in terms of flows, are moderate and perfectly absorbable.

Madrileña Red de Gas has an infrastructure that is fully capable of channelling renewable fuels. Our networks are ready to supply both green hydrogen and biogas, without having to alter existing supply conditions. The results of the CavendisH2 study conducted by SEDIGAS and its associates show this to be the case. The study analyses the competitiveness of renewable gases and the investment needed to adapt current gas infrastructures, concluding that the required investment to adapt existing transport and distribution networks to operate with hydrogen would amount to €2.344 billion, a figure equivalent to only 6% of the revenue collected by natural gas transport and distribution companies over the past 20 years.

In thinking about the future of hydrogen and the need to develop projects that will ensure the appropriate learning and preparation for a hydrogen-based scenario, Madrileña Red de Gas is at the forefront in terms of innovative projects, such as the Pryconsa initiative (green hydrogen supplied to almost a hundred new-build homes for heating and hot water), the Inspira Madrid project (decarbonisation through the use of green hydrogen in public urban transport, with a network of five publicly accessible refuelling stations, in an initial phase, supplying both light and heavy vehicles at a competitive price compared with conventional fossil-based alternatives) and a plant to valorise farming and agro-industrial waste, and the first domestic hydrogen-based heating plant is now operational.

In the field of transport, MRG has provided pioneering support in the use of natural gas in vehicles, with excellent acceptance, which currently at least compares very favourably with electric vehicles, in terms of features, autonomy, safety and pricing. These refuelling stations form part of the comprehensive service to help customers adopt

In the field of transport, MRG has provided pioneering support in the use of natural gas in vehicles, with excellent acceptance, which currently at least compares very favourably with electric vehicles, in terms of features, autonomy, safety and pricing

mature and practical solutions at affordable costs with a notable reduction in emissions.

In the immediate future, MRG and the sector as a whole must not only adapt to energy policy but also meet the challenges presented by how the sector is regulated.

The first of these challenges is to strengthen the current payment structure in order to create the most appropriate system for a network that still needs to grow, because the full electrification of homes is not yet viable given the current conditions in large parts of Spain. Following years of extraordinarily high inflation, the second challenge is to recognise the costs involved, to ensure that appropriate levels of profitability remain in line with those of other comparable countries, whose charges are in fact higher than those applied in Spain.

Thirdly, the limitations on installing residential gas heating need to be removed, by giving users the option of choosing between alternatives based on how attractive they are in terms of costs.

Every day, Madrileña Red de Gas shows its commitment to decarbonisation and its willingness to continue investing

in infrastructures capable of adapting to energy policies that are geared towards future scenarios that are more consistent with both the reality of the industry and with how production and energy-use technologies are evolving, all in support of ensuring sufficient supply. This requires ongoing dialogue with public administrations and regulators alike.

Once again, I would like to express the company's gratitude to the shareholders for their support in this delicate and difficult context, and for their full support in ensuring we meet our strategic goals, which form the basis of the successes we hope to achieve in the future. I would also like to express my gratitude to the team of professionals who form part of MRG for their commitment, hard work and dedication in 2023, and for their trust in our vision for the future. Finally, I must thank our customers and suppliers for their loyalty and for their trust in our project.

Thank you to each and every one for making the success and continuity of our company possible.



Pedro Mielgo

COMPANY



For Madriñena Red de Gas, one of the most important milestones for the 2023 financial year has been to rank first in Spain and second in Europe in the GRESB Sustainability Index. For the third consecutive year, the company was awarded the highest “five-star” rating.

In terms of the year’s main developments, those relating to the fight against corruption stand out. Madriñena Red de Gas has updated its Code of Ethics and created an internal channel for reporting possible irregularities that may occur within the company, thus incorporating the new legal requirements set out in Law 2/2023, regulating the protection of persons who report breaches of regulations and the fight against corruption.

For yet another year, Madriñena Red de Gas has identified the main risks to which it is exposed on a daily basis and established the necessary actions to manage these risks, such as the definition of an ambitious Cybersecurity Master Plan.

1. COMPANY

1.1 Board of Directors

Consilia Asesores, S.L. **Chairman**
(Pedro Mielgo, legal representative)

Chilei Kao **Director**

Suyu Wu **Director**

Simon Davy **Director**

Romain Thierry Victor Bruneau **Director**

Alexandre Pieyre **Director**

Kai Chen **Director**

Jan Matthijs Lakerveld **Director**

Shankar Krishnamoorthy **Director**

María Martín **Secretary (non-board member)**

1.2 Management Committee

Alejandro Lafarga **CEO**

Rafael Fuentes **Legal Director**

Inés Zarauz **Financial Director**

David Ortiz **Expansion Director**

Félix Blasco **Network Operations Director**

Glen Lancaster **Director of Systems and Client Operations**

María Vázquez **Human Resources Director**

1.3 Regulatory framework

On 1 March 2023, the National Commission on Financial Markets and Competition (CNMC) published the calendar of regulatory circulars that may have an impact on aspects of energy policy that are expected to be processed in 2023.

In accordance with this timetable, in the development of its functions of supervision of the energy markets, the CNMC approved Circular 2/2023, of 28 February, which amends Circular 1/2020 of 9 January, establishing the methodology for the remuneration of the gas system technical manager.

In accordance with the provisions of its memorandum, the purpose of this Circular 2/2023 is as follows:

- Modify Circular 1/2020, of 9 January, which establishes the method of remuneration for the gas system technical manager, altering the remuneration calculation and its financing quota from the calendar year to the gas year.
- Adapt incentive-based remuneration to the provisions of Circular 6/2021 of 30 June and establish the criteria for settling incentives for the first regulatory period.
- Introduce a technical adjustment to Article 9 “Regulatory account” of Circular 1/2020 of 9 January.
- Adapt the procedure for settling the quota for financing the technical system manager’s remuneration to the provisions of Order TED/1022/2021, of 27 September.

Additionally, on 26 September 2023, Order TED/1072/2023, establishing the charges of the gas system and the remuneration and fees of the basic underground storage facilities for the gas year 2024, was published.

Finally, on 26 October 2023, the CNMC resolution was approved on the calculation, supervision and valuation

of wastage balances in the gas system corresponding to the 2022 gas year and its effect on the remuneration of facility operators.

In addition, on 30 May 2023, the CNMC approved the resolution establishing the access tolls to the transmission networks, local networks and regasification for the 2024 gas year (RAP/DE/010/22).

As set out in its report, the purpose of this resolution is to detail and justify the calculation of prices for access tolls to the transmission, local networks and regasification networks, applicable from 1 October 2023, as established in Article 36 of Circular 6/2020, of 22 July, which establishes the method for calculating natural gas transmission, local networks and regasification tolls.

1.4 Prevention of criminal offences

The risk management system for the prevention of criminal offences by Madrileña Red de Gas, is based on the following general principles:

- Legality.
- Due diligence.
- Integrity and responsible leadership.
- Compliance monitoring.
- Review and update.
- Systematic risk management adapted to changes.

In accordance with the provisions of Law 1/2015, which further amends the Criminal Code and further regulates the criminal liability of legal persons, establishing the duty of commercial companies to implement effective crime prevention measures in their organisations within the scope of their

activity, Madrileña Red de Gas has a robust criminal offence management system, consisting of:

- A crime prevention policy.
- A chart of criminal risks.
- A prevention protocol of its own.

The person responsible for this system is the criminal compliance officer.

The action controls determine what information is required and how to act in the event of situations involving breaches of regulations and/or practices contrary to the values and principles established in the code of ethics and in the anti-corruption policy of Madrileña Red de Gas.

In this regard, Madrileña Red de Gas has a whistleblowing channel (managed by an independent supplier) through which any member of our organisation, regardless of their rank or responsibilities, as well as any customer, supplier or third party, can report, with the maximum guarantees of confidentiality and non-retaliation, any irregularity or behaviour contrary to the law or to the rules and procedures established by the company.

Furthermore, in accordance with the new Law 2/2023, of 20 February, regulating the protection of persons who report regulatory infringements and the fight against corruption, the whistleblowing channel of Madrileña Red de Gas has been updated, in accordance with the advice and monitoring of the independent provider, and the management body has developed and approved policies and procedures, in order to update the internal system for reporting irregularities, in accordance with the aforementioned law. Specifically:

- The irregularity reporting policy.
- The irregularity reporting procedure.

Madrileña Red de Gas has updated its whistleblowing channel and adapted its system for reporting irregularities, thus complying with the new Whistleblower Protection Act (Act 2/2023)

Madrileña Red de Gas has updated its whistleblowing channel and adapted its system for reporting irregularities, thus complying with the new Whistleblower Protection Act (Act 2/2023).

In 2023, the risk related to criminal offences included in the company’s risk map was reassessed in order to detect conduct that may involve a breach of the relevant regulations and entail liability. As a result of this assessment, the annual compliance review report and the annual action plans are being drawn up with the needs identified. The relevant training on the prevention of criminal offences has also continued and is now provided on joining the company as part of the induction plan.

1.5 Corporate risk management

Madrileña Red de Gas has a robust risk management system, one that is fully adapted to the company and with a comprehensive approach that enables it to identify, select and implement measures and/or controls to identify, prevent, impede, reduce or control these risks.

Risk management at Madrileña Red de Gas is not limited solely to identifying events that involve risks, but also any event that involve opportunities from which the company can benefit.

Thus, to ensure appropriate risk management, Madrileña Red de Gas conducts cross-cutting risk analyses in which the business units with the closest links to the processes affected by said risks are all involved. This analysis is validated by management through the Audit and Risk Committee, composed of representatives from the Board of Directors of each of the four shareholders, several members of the Management Committee and the risk management department.

The Audit and Risk Committee reports directly to the Board of Directors, which facilitates the overall monitoring of the risk map, elaborating on the most significant risks and their evolution, recommending improvements and supporting existing mitigation plans.

The Madrileña Red de Gas risk map contemplates a broad range of risks, focusing on the ten material risks, the evaluation of which has been carried out by applying a criterion based on:

- The probability of a risk occurring.
- The impact of the combination of the effect on the current net worth and any reputational impact. The effect of the current net worth considers both the direct economic impact for the next 20 years and any possible sanctions.

Corporate risk map of MRG, 2023



This map covers emerging risks through periodical updates and establishes new monitoring processes to be added to existing ones. The action plans implemented play an important role in mitigating the consequences of these risks.

In this top 10, a new risk was added in 2023 relating to the new EU regulation on reducing methane emissions, as well as a financial risk. As information on their potential impacts has become available, a strategy has been developed to prevent and mitigate the possible consequences of these risks.

Risk management at Madrileña Red de Gas is not limited solely to identifying events that involve risks, but also any event that involve opportunities from which the company can benefit

Madrileña Red de Gas has also maintained its second place in the Europe-wide sector ranking and improved its ranking in the sector to occupy second place in the world ranking. Out of more than 680 participating companies from different sectors, MRG is ranked 17th in the global ranking

1.6 Sustainability

After eight years of participation in the international GRESB Infrastructure Sustainability Assessment (www.gresb.com) and with an outstanding score in the two previous editions, in 2023 Madrileña Red de Gas surpassed its own records by reaffirming its position as sector leader in Spain with the highest possible score: 100 points out of 100.

Madrileña Red de Gas has therefore renewed its highest rating of 5 stars, which it has obtained consecutively for the past three years, and which is obtained by only 20% of the participants with the best scores.

Madrileña Red de Gas has also maintained its second place in the Europe-wide sector ranking and improved its ranking in the sector to occupy second place in the world ranking. Out of more than 680 participating companies from different sectors, MRG is ranked 17th in the global ranking.

GRESB (Global Real Estate Sustainability Benchmark) is a global sustainability index that evaluates and rates the work of more than 500 funds and assets from different sectors to promote sustainable development under a worldwide environmental, social and corporate governance standard.

The results provide an insight into both the company’s performance compared to previous years and its level of maturity in ESG best practices (Environmental, Social and Governance), and in comparison with other companies in the same sector. The number of participants in the GRESB infrastructure assessment increased again in 2023 compared with the previous year. These figures reflect investors’ growing interest in sustainable business models and how important ESG factors are in decision-making processes.

The high score achieved by Madrileña Red de Gas in the GRESB assessment, together with the five-star rating, demonstrates the company’s strong commitment to implementing best practices in sustainability. MRG is also working to integrate the 2030 sustainable development goals into its strategy.

Furthermore, with the aim of improving communication and transparency in sustainability matters, the Madrileña Red de Gas website updates the most relevant policies, as well as the objectives defined and the performance achieved in each of the governance, environmental and social vectors, both through the results of indicators and through the different seals and verifications of business excellence (<https://madrilena.es/sostenibilidad/>).

Annual Report and Sustainability Management Plan

For the third year running, in 2023 Madrileña Red de Gas drew up and verified its Annual Sustainability Report, prepared in accordance with the GRI (Global Reporting Initiative) standards, considering the versions in force and the sector standard for the “oil & gas” sector.

This new sustainability report includes the results of the first analysis from the perspective of dual materiality:

- Impact materiality (sustainability issues that have an impact on people and the environment).



- Financial materiality (sustainability issues or topics relevant to the company that affect its performance, position and development).

To this end, the opinion of stakeholders has been taken into account through a process of surveys and interviews.

Thus, based on the result of this materiality analysis and having evaluated the opportunities for improvement as identified by stakeholders, and by identifying the priority SDGs in terms of the company’s contribution capacity, an ambitious Sustainability Master Plan has been drawn up.

Year after year, Madrileña Red de Gas is maturing as an organisation when it comes to integrating sustainability into its business strategy. The different teams at MRG work to understand and incorporate sustainability concepts into the company’s business plans and processes. The elaboration and deployment of the Sustainability Master Plan is clear evidence of this effort.

The plan is structured in terms of strategic axes and lines of action, which, in turn, are deployed in a set of actions and goals. The lines and actions linked to each axis have clear purposes to address sustainability challenges, in terms of impacts, risks and opportunities.

1.7 Cybersecurity

Madrileña Red de Gas is aware of the risks involved in the activities it has been developing relating to technology in recent years, such as how technology is integrated into the company’s business processes, the mass implementation of teleworking, massive data migration to the cloud and supply chain security.

Moreover, today’s cyber security landscape is in an era of constant change, which means that solutions that were considered advanced years ago are now basic.

Madrileña Red de Gas has a complete Cybersecurity Master Plan to guarantee an effective defence against cyber-attacks. The plan allows for:

- Identify cyber-attacks.
- Protect systems.
- Detect and respond to threats.
- Successfully recover from attacks.

In this context, the company’s cybersecurity maturity level was assessed once again in 2023, in accordance with Deloitte’s Cyber Industrial Strategy Framework (CISF) v2.0.

Thanks to the efforts made, each year Madrileña Red de Gas improves its maturity level, approaching the sector average.

To continue improving, the new Sustainability Master Plan defines the main courses of action (projects) to increase the

1. COMPANY

maturity level, focusing on mitigating any weaknesses that could pose a greater risk to cybersecurity.

The list of actions to be undertaken by Madrileña Red de Gas has, in accordance with a priority criterion, been structured in three successive waves in order to progressively increase the maturity level in security matters in the 2024-2026 period. Each wave includes safety projects pertaining to the four different domains that encompass the main objectives:

- Government
- Protection
- Surveillance
- Resilience

In the area of cybersecurity, other key milestones in 2023 were:

- Simulation before disaster recovery.
- Network penetration testing.
- Simulation of contingencies and incidents.
- Training and awareness.

1.8 Information security and personal data protection

During the previous financial year, Madrileña Red de Gas finalised the implementation and certification of its information security management system according to the ISO 27001 standard, a model that is fully aligned with the current integrated management system and into which the personal data protection management model has also been included.

The following activities are fully integrated within this management system:

- Alignment of the goals considered within the annual objective, with the actions set out in the current Cybersecurity Master Plan.
- Record of incidents relating to information security and data protection, the investigation of which helps to bring improvements to the information management system.
- Publication on the website of the information security and personal data protection policies, as well as information on the processing of personal data intended for data subjects, the dissemination of which is reinforced through the various communications sent out to users.
- Active management of the personal data protection officer's mailbox, to which a significant number of requests have been received.
- Awareness-raising and training activities for employees.
- Interaction with bodies and authorities, such as the Spanish Data Protection Agency (AEPD) and the National Cybersecurity Institute (INCIBE).

Madrileña Red de Gas also has an appointed data protection officer, who is the highest authority in this area, a person responsible for the information security management system and a person responsible for technical security.

The information security management system ensures compliance with all requirements and guarantees the security of information and the protection of personal data throughout the entire Madrileña Red de Gas supply chain.

To this end, the following actions have been carried out:

- Update of the information security policy in supplier management.
- Establishment of contractual clauses for information security and personal data protection.
- Monitoring of performance in terms of information security and data protection of suppliers, through the information they provide on the Repro - Achilles portal.
- Identification of the most sensitive suppliers from the point of view of information security.
- Different actions to coordinate business activities regarding data protection by holding meetings, unifying criteria and good practice agreements.

Relevant developments compared to previous years include an increase of around 80% in the number of queries on personal data protection compared with the 2022 financial year, as well as seven incidents being recorded, none of which occurred at the level of a personal data protection breach.

The management indicator scorecard has also been further improved and a first executive report has been developed in line with the philosophy and guidelines of this type of integrated system reporting.

This report covers different sections: incident management, physical and environmental security, compliance, supplier relations, asset management, communications security, operations security, human resources security, and information security management system process indicators.

The information security management system ensures compliance with all requirements and guarantees the security of information and the protection of personal data throughout the entire Madrileña Red de Gas supply chain



Over the course of 2023, Madrileña Red de Gas remained faithful to its corporate values, showing a strong commitment to expanding the business, in terms of both investment in infrastructure (with the construction of new networks) and attracting new supply points.

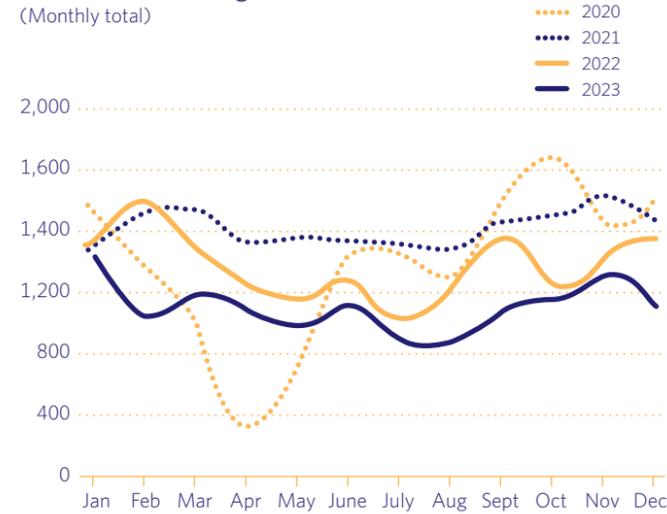
Numerous initiatives and projects have been carried out with excellent growth results, making MRG the gas distributor with the highest annual net growth, with more than 904,000 active supply points.

The emergence of new technologies and the requirements for energy efficiency in new buildings are shaping the overall market evolution.

With regards to LPG, the final phase of the project to transform more than 15,000 supply points planned for 2022 and 2023 was completed over the course of the year, facilitating access to energy that is cleaner, continuous and more reliable.

2. BUSINESS

Residential market registrations



2.1 Residential market

Despite the constant attacks launched by other energy actors against fossil fuels in general and natural gas in particular, whether in the form of advertising or new technical and environmental regulations, Madrileña Red de Gas has maintained a positive balance in the growth of the company's net points this year.

The company has brought more than 16,000 new natural gas installations into service, some as a result of the project to convert installations from propane to natural gas, and others due to commercial initiatives.

According to the final results of the Quarterly report on the natural gas market in Spain for 2023, published by the National Securities Market Commission (CNMV), which analyses issues such as the evolution of growth, market share, etc. of supply companies and DSOs in Spain's natural gas market, MRG has strengthened its position as the natural gas distribution company with the highest net annual growth.

However, the investments made in infrastructure, new projects and different initiatives over the years mean that Madrileña Red de Gas has a huge volume of potential supply points, both in new installations and in the replacement market. This is confirmed by the evolution data for the vertical saturation market and the spontaneous market; both guarantee a sustainable future in areas of high penetration, such as the Community of Madrid, the company's area of operations.

No major changes are observed in the remaining natural gas markets (horizontal saturation, vertical saturation, spontaneous and commercial premises), where an ongoing trend remains in place. It should be noted that the gas distribution geographical area is predominantly residential, and that the capillarity of the company's network is such that there are hardly any areas without a distribution network.

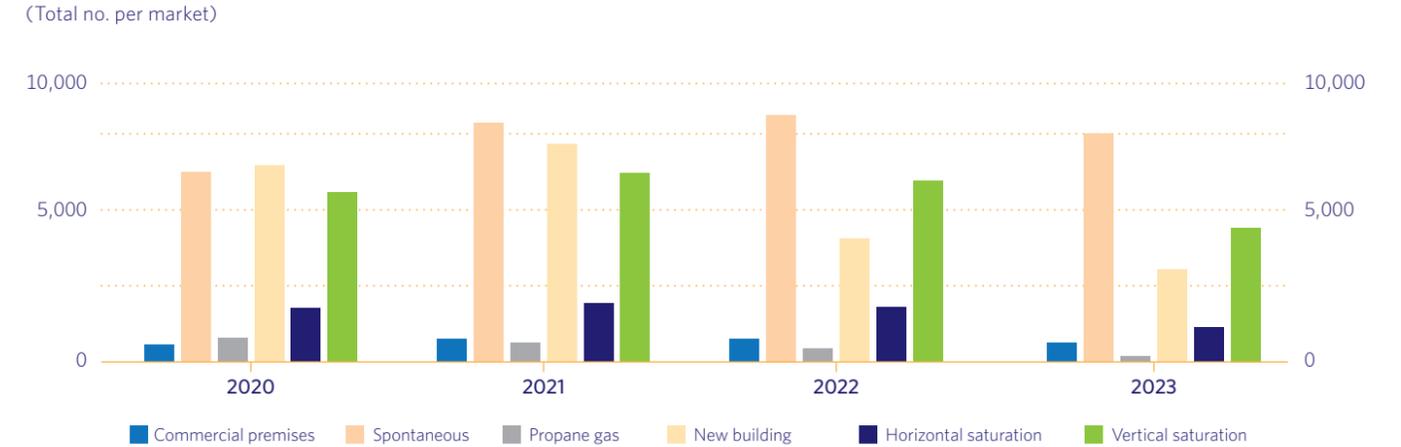
This once again highlights the success of our commercial policy, based on innovation through new strategies and new channels to reach end users.

Evolution of natural gas supply points

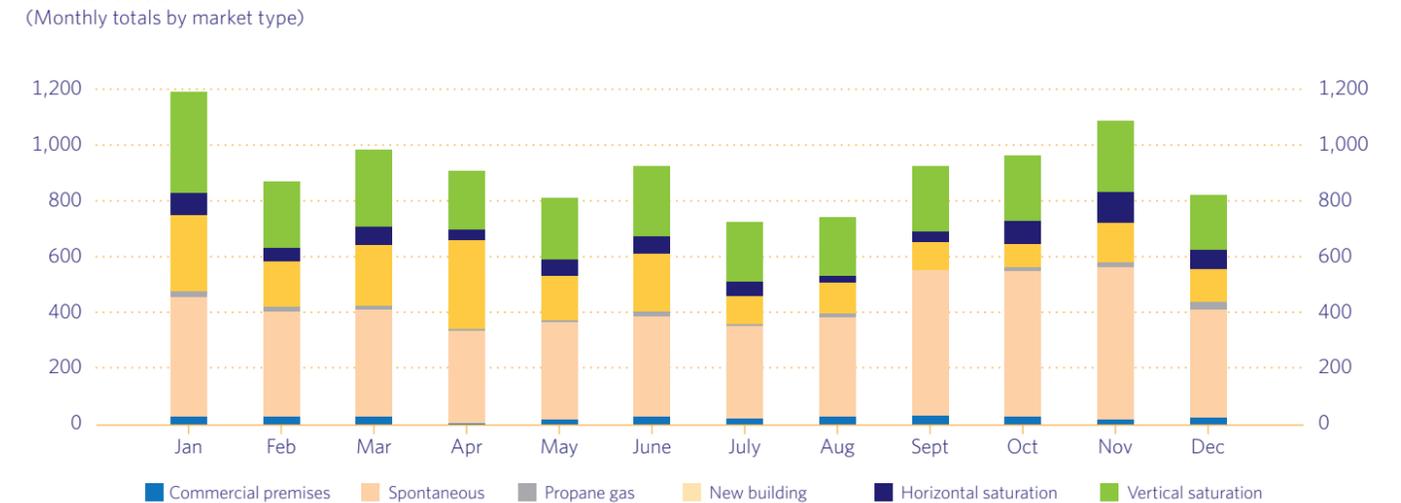


Madrileña Red de Gas has strengthened its position as the natural gas distribution company with the highest net annual growth

Evolution of new connections



New contracts



Despite the difficulties at the beginning of 2023, resulting from unstable natural gas prices, the Madrileña Red de Gas team showed a great performance. It should also be noted that many sectors continue to rely on the benefits of this fuel

2.2 Large consumers

Once again this year, the consumer market achieved the expected results. A total of 397 new supply points were reached this year, with an associated consumption of 180 GW/h.

Despite the difficulties at the beginning of 2023, resulting from unstable natural gas prices, the Madrileña Red de Gas team showed a great performance. It should also be noted that many sectors continue to rely on the benefits of this fuel.

The Panificadora de Alcalá has been baking bread and producing speciality breads and breadcrumbs since it was founded in 1955. In June 2017, the bakery suffered a major fire that affected one of its main production halls, in Montevideo Street, in Alcalá de Henares. The company has addressed this tragedy by recovering the site of the destroyed warehouse, where they have implemented more modern processes, using the latest technology.

The bakery currently produces 250,000 loaves of bread a day for consumption throughout Spain, as a result of their agreement with Mercadona. To achieve this level of production, new natural gas ovens have been fitted with a regulation capacity that allows for a rapid rise in temperature.

Another sector where natural gas is indispensable, as demonstrated again in 2023, is the pharmaceutical industry.

The versatility of gas makes it an ideal energy source at all stages of the production process – temperature control, drying and sterilisation.

Normon Laboratories acquired a 70,000 m² industrial complex in Tres Cantos. Two new steam boilers have been installed in these new halls to increase the production of orals and injectables. Normon already has two production centres in the municipality of Tres Cantos, covering more than 100,000 m² in total, ensuring it can meet its goal of doubling production and continuing to lead the generics market.

These two cases show that industries are still striving to minimise their carbon footprint and maintain their production efficiency thanks to the help of natural gas.

At Madrileña Red de Gas we continue to believe in natural gas as one of the most efficient solutions for domestic heating and hot water.

Madrid's social care agency, the Agencia Madrileña de Atención Social, which is beginning to incorporate natural gas into its centres for the elderly, thinks the same way. One of these centres is the Gran Residencia, in the city's Carabanchel district. Following a refurbishment, natural gas was chosen for use throughout (heating, hot water, kitchens and laundry). Plans are also in place to improve infrastructure and equipment, including the use of natural gas in three more centres.

Natural gas is also key in catering and small businesses, such as self-service laundries and hairdressers, which need a continuous and uninterrupted supply.

As a result, in 2023 a total of 240 new commercial premises have been connected.

These include the opening of the new luxury shopping centre in the Community of Madrid, located near Madrileña Red de Gas headquarters, which stands out for its architectural design and views of the development's golf course, La Finca Grand Café, featuring restaurants helmed

by the most renowned chefs in Spain, and which are already supplied with natural gas.

Over this past financial year, Madrileña Red de Gas has also, like the rest of the sector, had to combat the confusion generated by the new energy efficiency directive, (EU) 2023/1791, and the supposed ban on gas boilers.

This directive focuses on the fuel type of heating systems, rather than on their technology. In no case does it indicate a ban on gas boilers from 1 January 2026 and their replacement by electric alternatives. What the directive states is that from that date onwards no support will be available for energy efficiency measures involving the direct use of fuels.

Condensing boilers offer the potential to improve efficiency by reducing greenhouse gas emissions and energy consumption by up to 30%. This is a viable and affordable option for residential heating, and these boilers will play a key role in the process of transitioning systems to achieve 100% implementation of renewable sources such as green hydrogen.

In this regard, we have no intention of dispensing with this technology, given the investment cost required for a typical heat pump installation, currently at around €18,000, which is equivalent to 90% of the average annual income of a Madrid resident.

At present, there are 1.8 million residential natural gas appliances in the Madrid region. Their replacement by heat pump systems would represent a cost of around €32.5 billion for users, which is unaffordable both in the short term and in the medium and long term.

This debate has resulted in misinformation and mistrust on the part of the end customer, with centralised boiler rooms in homeowners' associations being the most affected by this lack of clarity.

Finally, thanks to the collaboration of The Marketing Hub, specific brochures were designed for each market, with sales arguments produced to help our sales teams market our product.

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2. BUSINESS

2.3 New builds

If during 2022 the trend in new construction was already undergoing a change, in 2023 there was a consolidation of other solutions for the energy needs in buildings, such as aerothermal energy and geothermal energy.

In 2023, the trend towards the use of renewable, mainly aerothermal, systems in new buildings continued apace.

Madrileña Red de Gas has continued to work actively with developers, holding regular meetings with each one to show them that using a natural gas system now is the gateway to using hydrogen in the future. The main developments involve a hybridised approach between aerothermal energy and natural gas, as this brings wide-ranging benefits, such as:

- Improved energy efficiency, unaltered energy rating, lower life-cycle cost, reliability and improved service assurance.
- The launch of a specific campaign on new builds with financial contributions to help developers.
- The fact that having natural gas is the entry point for renewable gases in buildings. Interest in renewables is a guarantee for the construction of infrastructure in new urban developments.

Centralising boiler systems was the main trend in new-build markets in 2023.

Furthermore, in 2023 a total of 17 third-party networks were managed for future property developments, whereby a collaboration agreement signed with the land developers ensures that future networks will be built that are ready for renewable gases, and future hydrogen networks will also be introduced. This involves 14.4 km of distribution networks to supply more than 3,000 homes in the future. All urban developments in our distribution area have been covered by third-party networks.

2.4 LPG Market

In 2023 Madrileña Red de Gas completed the final phase of the project to transform more than 15,000 supply points that were in planning for the 2022 and 2023.

Specifically, in 2023, more than 3,500 supply points were converted to natural gas in the municipalities of Cubas de la Sagra, Griñón, Las Rozas de Madrid, Leganés, Moraleja de Enmedio, Móstoles, San Agustín de Guadalix, Sevilla la Nueva, Villanueva de la Cañada and Villanueva del Pardillo. Propane gas (LPG) was eliminated from six of them.

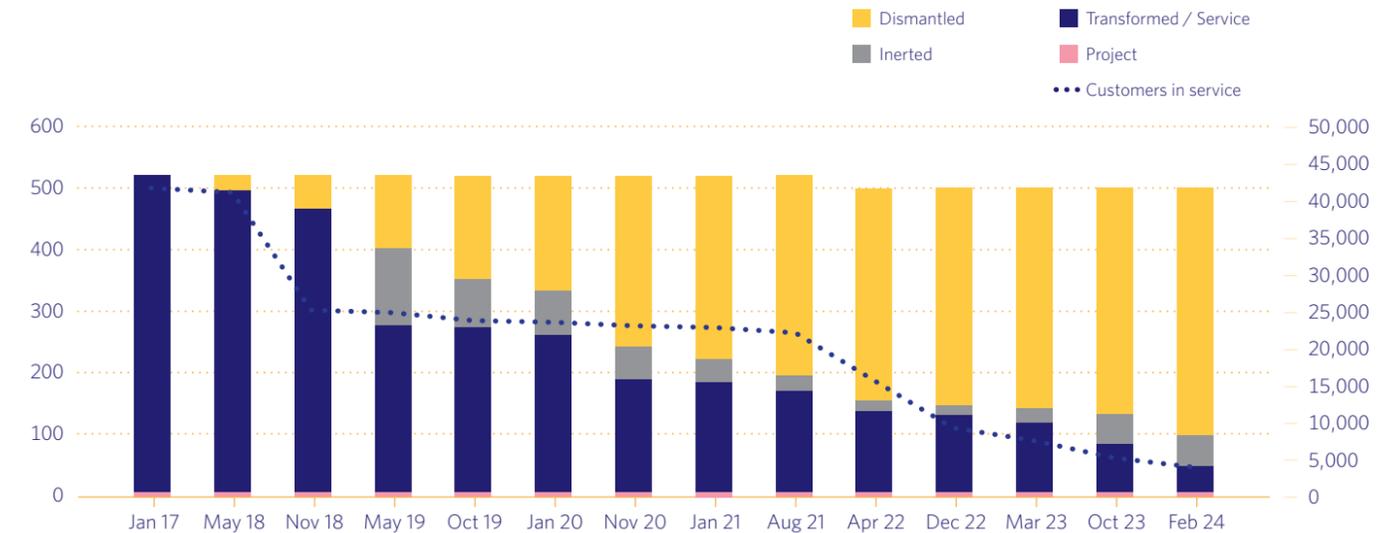
The operation was carried out by six leading companies in the sector, and 27 storage centres were converted to natural gas. Of particular note is the transformation of the ESTORIL II industrial estate in Móstoles, and the start of an operation in the Conjunto Zarzaquemada industrial estate in Leganés.

In 2023, more than €3 million were earmarked for the reuse and expansion of networks, adaptations and modifications of installations, equipment transformation and decommissioning of storage centres.

At the same time, progress continued to be made in the digitalisation and automation of the processes involved in generating orders to be executed in the field, as well as in resolving complaints, with a service time of less than 48 hours.

More than 3,000 homes are planned to be converted to natural gas. by 2024. This would complete the transformation of the municipalities of Leganés, Griñón, Villanueva de la Cañada and all the facilities where it is feasible to connect to the natural gas network. This is in addition to initiatives in the municipalities of Soto del Real, Miraflores de la Sierra and Los Molinos.

State GLP plants and no. customers service MRG



In 2023, more than €3 million were earmarked for the reuse and expansion of networks, adaptations and modifications of installations, equipment transformation and decommissioning of storage centres

2.5 Commissioning and digitalisation

The cross-sectional analysis of the data provided by the different company departments has detected that, in many of the requests for termination of supply companies, the lack of accessibility to housing in time has an impact on the volume of new registrations, as these are unregistered customers who still have supply in their homes. In 2023, addressing this issue became a priority, accelerating the dispatch of clearance teams in no-access areas. This helped to speed up and increase the volume of registrations, reaching a recovery rate of 14.43% of customers in this situation.

In keeping with the focus on improving customer service during gas installations, Madrileña Red de Gas was able to correct small defects in old installations that would otherwise have forced customers to make an unexpected financial outlay, with the company assuming the cost and all during the same visit.

This initiative also allows Madrileña Red de Gas, as distributor, to reduce the cost of intervention by reducing the number of visits required for commissions and connections.

Madrileña Red de Gas has remained resolute in its quest for process excellence. Following the development in 2022, when the management of technical documentation associated with new connections was transferred to the Virtual Office, further investment was made in 2023 to develop this application. There was also an insistence on including more administrative formalities in this process.

By linking records created online to systems in real time, there is now full control over the information provided to the customer, reducing human error to zero in terms of the availability of the unified supply point codes (CUPS) provided. It has also helped to speed up including new supply points in these connection requests.

Having a good basis in place to manage gas outages at standard installations, in cases where the installation needs to

We continue to focus on grouping together any procedure that installation companies have to carry out with Madrileña into a single space, as we have the information on the exact status of the process requested

be extended, has also helped to extend the process to include cases where the installation needs to be modified.

We continue to focus on grouping together any procedure that installation companies have to carry out with Madrileña into a single space, as we have the information on the exact status of the process requested.

It has also been observed in recent years that changes in regulations, municipal by-laws and square-metre land costs have led to an increase in the change of use from commercial premises to dwellings. These premises did not have gas supply, and now demand it.

As a result, there has been a growth in document management. Application of the regulations varies from one use to another, and it is a document to be taken into account to commission installations correctly. Providing this document online has allowed for greater traceability of these cases, fluid communication between the parties and the possibility of unifying the documentation associated with the supply point.

Being aware that there is always room for improvement in any process, and that adapting to changes is key to success, at Madrileña Red de Gas we continue to invest in digitalisation, with projects under way such as free access for installers to our potential supply points and our distribution network, and the inclusion of document management for large-consumption connections in the Virtual Office.

2.6 New municipalities

Over the course of 2023, work continued and very significant progress was made to bring natural gas to new municipalities. Supply will begin to be provided in the municipalities of Casarrubuelos and Miraflores de la Sierra in the first half of 2024.

- Commercial prospecting has begun in the municipality of Casarrubuelos, which will ensure that the town's natural gas network deployment can be programmed in the best possible way. Residents have shown great interest in having this supply, and the necessary coordination with the municipal authorities has already been advanced in order to cause as little inconvenience to citizens as possible.

Given the type of installations and dwellings, adapting to natural gas will be available to all interested parties.

- Supply of natural gas to Miraflores de la Sierra will also begin in the first half of 2024. In this case, an LNG plant will be built following the dismantling of one of the municipality's existing LPG plants and as a result of a recent major network join-up between the town centre and an area of housing developments.

To ensure greater supply security, work will begin after the winter. Throughout 2024, Madrileña Red de Gas customers who currently have LPG will have their supply converted to natural gas. This will all be carried out in compliance with safety standards and at no cost to the customer.

It should also be noted that we are in the final phase of the procedures for the arrival of supply, through our infrastructure, to the municipalities of Los Molinos and

Moralzarzal. The process is expected to be completed over the course of next year. Finally, the municipalities of El Boalo, Collado Mediano, Becerril de la Sierra and Navacerrada are all at different stages of the procedure.

2.7 Commercial initiatives

Generic campaigns throughout the territory

The 2023 financial year began with the launch of the new commercial campaigns, focusing on each particular market niche, and with which the company hopes to boost the number of pipelines and saturate existing ones. The goal is to have an impact on each home by providing specific offers that are of interest to them.

- A decentralisation commitment has been made with contributions of up to €800 / supply point.
- Multi-family campaigns are extended, with contributions of up to €550 / supply point.
- Commitment to photovoltaic/aerothermal hybridisation + natural gas, with contributions of up to €450.
- Single-family campaigns are extended, with contributions of up to €650 / supply point.

To help and support the commercial channel's marketing, the Sales Plan for the horizontal saturation (HS) market was launched in 2023:

- A commitment to network expansion in the HS market.
- With new and improved commercial contributions to the channel.
- With annual target and six-monthly review.

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Launch of new digital social media campaign

In 2023 the digital campaign was published on Facebook and Instagram, targeting 37 municipalities. The goal: to capture supply points in the HS market.

Telemarketing campaigns

In collaboration with the Intelcia group, telemarketing campaigns were extended during the first half of the year to mobilise all potential supply points in the vertical saturation and horizontal saturation markets.

Advertising actions

During 2023, different advertising initiatives were developed in digital and analogue media.

- Insertion of advertorial in the magazine *Aquí en la Sierra*, which covers the municipalities in the northern part of Madrid.
- Insertion of advertorial on green hydrogen and advertisement page in the magazine *Agremia* (Available at: agremia.com/wp-content/uploads/2023/04/Revista-AGREMIA-207_red.pdf).
- Leaflets and posters aimed at different market niches: In collaboration with TMH Group, different advertising dossiers were produced to reach hard-to-access niche markets, such as LPG tanks owned by homeowners' associations or boiler rooms with old and obsolete systems, where the best energy solution is to individualise the system.

Public offer 2023

With the campaigns carried out in 2023, we have managed to bring more than 200 installation companies with us on this journey, signing up to our 2023 public offer and the

commercial plans advertised on the Madrileña Red de Gas website. The campaigns can be viewed here: madrilena.es/profesionales/campanas-comerciales/.

Referral programme

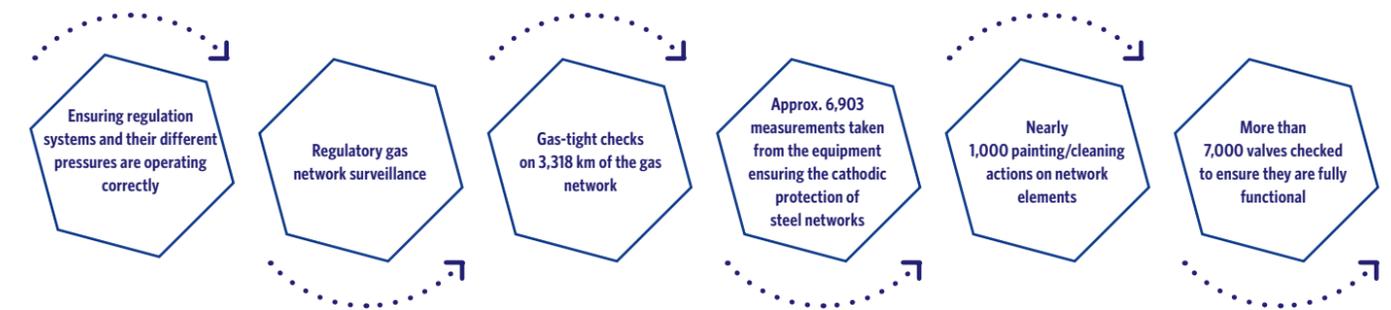
In collaboration with TMH Group, the new Madrileña Red de Gas referral programme was developed throughout 2023. Available at the end of June, it was created to reward customers who recommend the company to one of their contacts. If the recommendation results in a new joiner, both the MRG customer and the contact receive a gift.

Because it was developed internally, without depending on a third party, the programme's advantages are endless, as it is a tailor-made process, specifically developed for Madrileña Red de Gas with full integration, with no data shared with third parties. It is also self-manageable, easy to set up and fully automated (Member Gets Member).

Other actions

- Competitiveness studies: Various studies were carried out in 2023, including analysis of economic competitiveness/efficiency of natural gas in single-family homes, aerothermal and photovoltaic energy systems or their hybridisations, and analysis of competitiveness and energy rating for hydrogen and aerothermal energy systems.
- Our network of flagship premises was expanded to 12 centres.
- We upgraded our energy benchmarking tool.
- The marketing campaign was launched in Casarrubuelos, gaining more than 150 customers.

Examples of actions from the Maintenance Plan carried out



2.8 Distribution network

Once again this year, 100% of the maintenance plan established by current regulations and by Madrileña Red de Gas internal regulations were carried out on the 6,037 km of the gas network, auxiliary installations, the five satellite LNG plants and 92 existing LPG plants. More than 11,000 planned courses of action were carried out.

Likewise, in coordination with the town councils of different municipalities in the Community of Madrid, 37 LPG plants were dismantled, following the transformation from LPG to natural gas, after emptying, burning, inerting and removing 63 tanks.

To this end, more than 45 road journeys needed to be coordinated with Repsol to transfer the gas emptied to the company's main facilities, thus avoiding any emissions into the atmosphere. The waste obtained from dismantling operations was also transported to the treatment plants set up by the Community of Madrid, respecting the Madrileña Red de Gas environmental commitment. All of this was carried out without interfering with the usual activities of customers and residents of the municipalities where the LPG plants were located, and was in full

In 2023, in accordance with regulations, and with the aim of removing as many copper and steel pipes from old LPG networks as possible from our gas networks, around 228 km were rendered inert, voided and, where necessary, renewed

compliance with all safety protocols, which meant that no accidents occurred.

In 2023, Madrileña Red de Gas decommissioned 226.34 km of LPG network, transforming it into a natural gas network.

As part of the action plans planned by Madrileña Red de Gas for 2023, the renovations, meshing and corrective actions necessary to maintain safety conditions in the network and guarantee supply in the natural gas and LPG

2. BUSINESS

networks were carried out, replacing materials such as steel, cast iron and/or copper with polyethylene piping.

In 2023, in accordance with regulations, and with the aim of removing as many copper and steel pipes from old LPG networks as possible from our gas networks, around 228 km were rendered inert, voided and, where necessary, renewed.

In collaboration with different companies, public bodies and customers, we responded to requests to set the gas network back to a recessed location due to new developments in different municipalities in the Community of Madrid, such as hospitals, roads, new buildings, etc. Nearly 1 km of setbacks were carried out on the gas network.

Special leak detection measures were also carried out in older networks, in line with the company's policy of minimising methane emissions into the atmosphere.

Additionally, a total of 70 network models from all over the Community of Madrid were prepared, configured with winter consumption levels.

A total of 120 self-protection and emergency plans were also drawn up of the network and georeferenced connections belonging to each municipality/district, in A4 and A0 sizes. These maps are used to identify the network by pressure ranges (BP, MPA, MPB and APA) and gas type (NG/LPG), as well as showing all connections in the municipality/district.

This information will be used as part of the processes to improve the auto-protection and emergency management model.

Verification and measurement

At Madrileña Red de Gas we strive to adapt our industrial meter verification methods to the new ICT/155/2020 regulations, which are concerned with the metrological control of certain measuring instruments.

Madrileña Red de Gas has 7,462 meters and converters installed, of which 871 units were verified in 2023 in accordance with the new regulations.

We are also installing a new remote measurement system, with LaRaWAN communication, to be installed in high consumption supply points (less than 5GW/year).

Integration tests are also being carried out on the telemetering platform of converters with integrated telemetering from the supplier PLUM. If they work properly, the existing fleet of converters will be gradually replaced.

In terms of cartography, mapping was updated for the municipalities of Guadarrama, Galapagar, Hoyo de Manzanares and Las Rozas. Updates are also being carried out in Alcalá de Henares, Boadilla del Monte and Valdemoro. The municipalities of Collado Mediano and Casarrubuelos were also added to the mapping.

In Madrileña Red de Gas we have 156,351 network element connections, and there are another 166,174 connections associated with service elements (service connections).

In this regard, in 2023 a total of 649 works were transferred by GPCC and captured, with a total of 36,251 m and 1,695 connections.

Over the course of the year, work was carried out to implement the quality control tool, which accounts for continuity errors of elements in GDO.

The company continues to work on the project to improve SAP's link with GDO for network connections. A line of work is being followed that associates SAP customers and GDO connections using spatial analysis.

In this way, addresses are matched between SAP and GDO, which allows us to obtain customer information on the GDO connections.

In 2023, analysis and matching were carried out in ten municipalities.

Control centre

Following the communications modernisation plan, Madrileña Red de Gas eliminated all the old Datalogger devices it had installed, replacing them with modern RTU remotes with continuous communication, which has improved the system's operability.

All RTC lines have been deleted. Remote ones communicate via 3G or 4G modem, or via ADSL.

Surveillance camera communication has also been improved. The installed cards current communicate via 4G, and are located in a private VPN, optimising communication and imaging speed.

All planned ERM communication systems preventive measures were successfully implemented in 2023, as well as mobility for preventive and corrective measures for remote management orders.

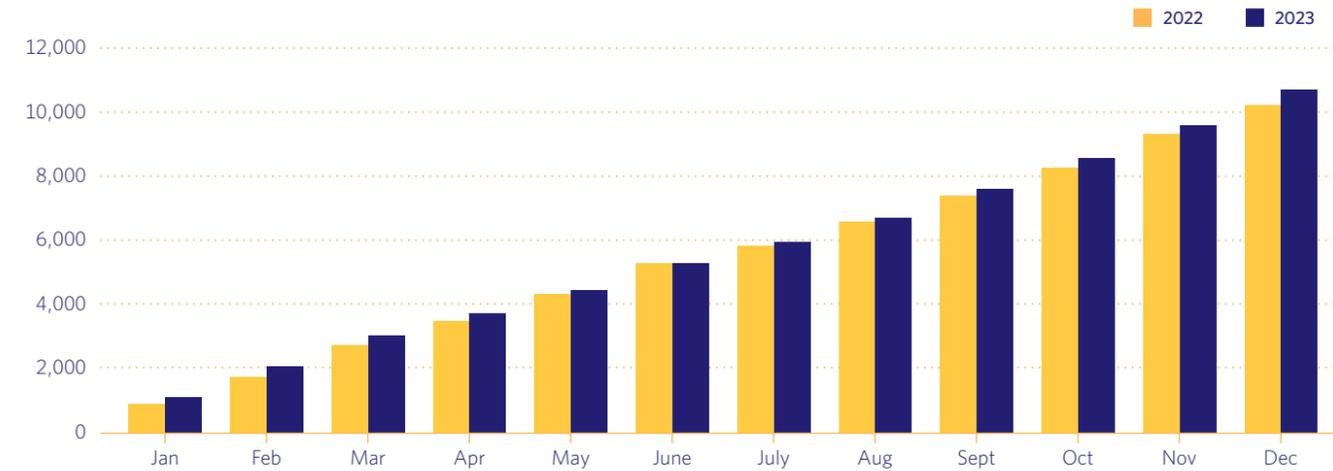
The ERM physical balance page has also been improved to provide a better overview of the balances in the ERM consumption areas.

Madrileña Red de Gas has 7,462 meters and converters installed, of which 871 units were verified in 2023 in accordance with the new regulations

2. BUSINESS

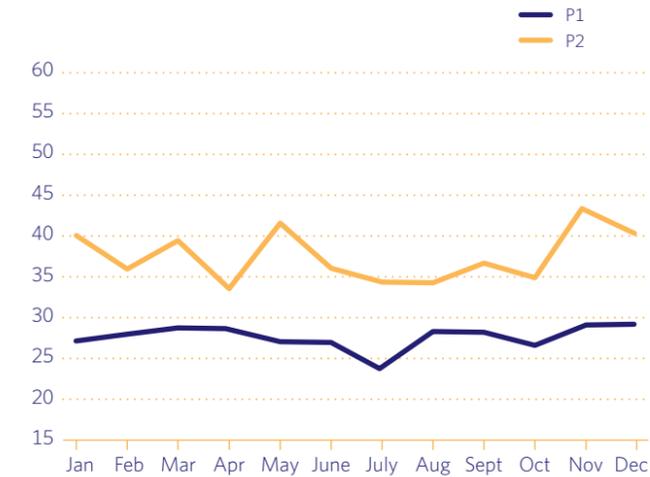
Emergency calls

(Total number per month)



Call response time by priority

(Minutes)



Emergencies

Through the 24-hour/365-day emergency service, 58,337 calls to the call centre were handled in 2023. A total of 10,712 emergency alerts were produced and dealt with, 4.5% more than in 2022.

Of these alerts, 1,249 were of priority 1, and were dealt with in an average of 27 minutes, with a compliance of 99.1% in less than one hour, which means that we amply met our 30-minute quality target, with 96% of cases resolved in less than one hour. The 4,410 priority 2 alerts were carried out with an average response time of 37 minutes.

In 2023 a total of 120 breakage reports of our distribution network by third-party companies were dealt with. For safety and environmental reasons, these incidents are resolved immediately.

The average response time is 39 minutes, thus minimising the potential risk situation in the emergency environment. The emission of leaked gas was limited to 1.12 GW/h, and costs were recovered in virtually all cases.

In addition, a total of 9232 preventive works were carried out by the company’s own emergency service, commissioned to optimise available resources: rectifying leaks from monitoring, mapping anomalies, valve inspections, meter inspections and surveillance of third-party works, among others.

In dealing with emergency alerts, 72 cases of fraud or manipulation were detected.

As in every year, Madrileña Red de Gas ensured all the material and tools necessary to carry out emergency activities were maintained in perfect condition, were fully calibrated and thoroughly checked.

In dealing with emergency alerts, 72 cases of fraud or manipulation were detected

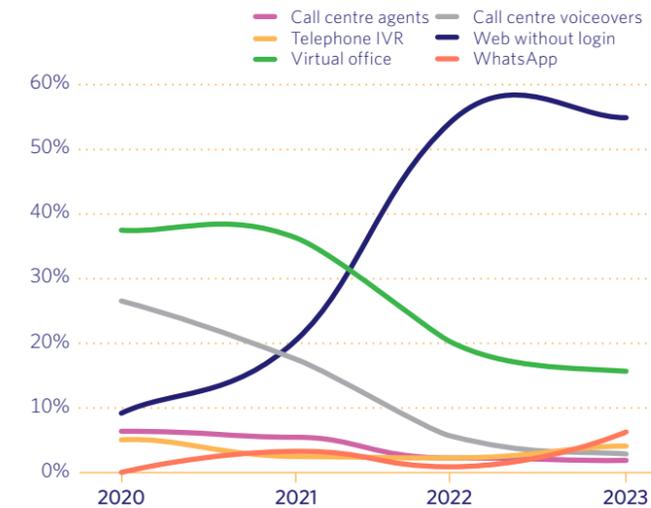


Throughout 2023, Madrileña Red de Gas continued to improve its customer service process, despite the setbacks suffered in recent years, such as the COVID pandemic and the war in Ukraine, both of which had a significant impact on the gas sector.

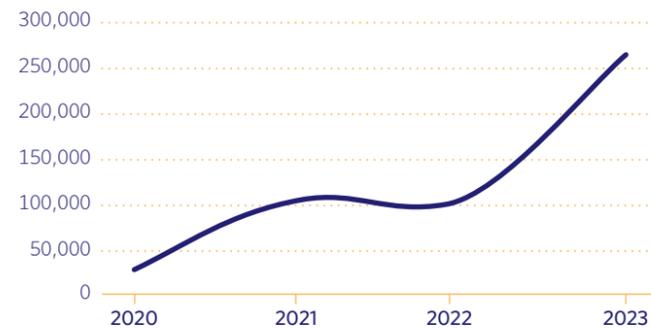
Proof of this continuous improvement lies in the increase in the overall satisfaction level of our customers, due in no small part to the high level of service in all channels and operations of the company, and especially to the changes carried out in the scheduled inspection service and the improvements in communication through our WhatsApp channel.

3. CUSTOMERS

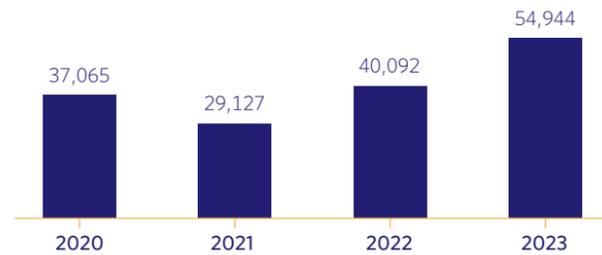
Evolution of the main uses of Madrileña Red de Gas channels (%)



Number of WhatsApp conversations held



Evolution of the number of applications received



3.1 Customer support

The clearest proof of good management at Madrileña Red de Gas in terms of customer service can be found in the strengthening of a more efficient process. The most significant achievements include the fall in the number of customers without a real reading in a year, from 3.25% of our distributed customers to 2.26%. In turn, customer complaints related to readings have fallen and the company's wastage balance has been reduced.

Madrileña Red de Gas strives to provide a better service in gas distribution to its users, and the end customer continues to value these actions positively.

This combination of good results is largely due to the continuous improvement and change of management tools.

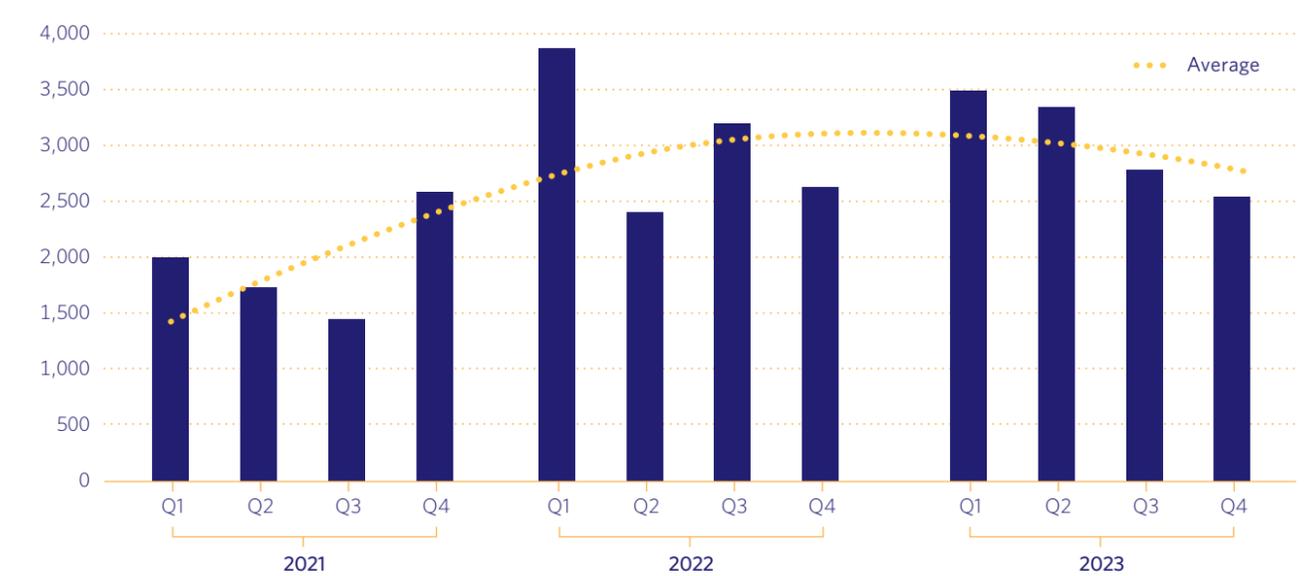
Significantly, there was an increase in the use of the WhatsApp channel by the company's customers.

In 2023 Madrileña Red de Gas managed a total of 54,944 applications, the highest number in recent years.

The goal for Madrileña Red de Gas is to keep the customer informed, both of its own processes and of readings or scheduled inspections, and in terms of the requests received from supply companies.

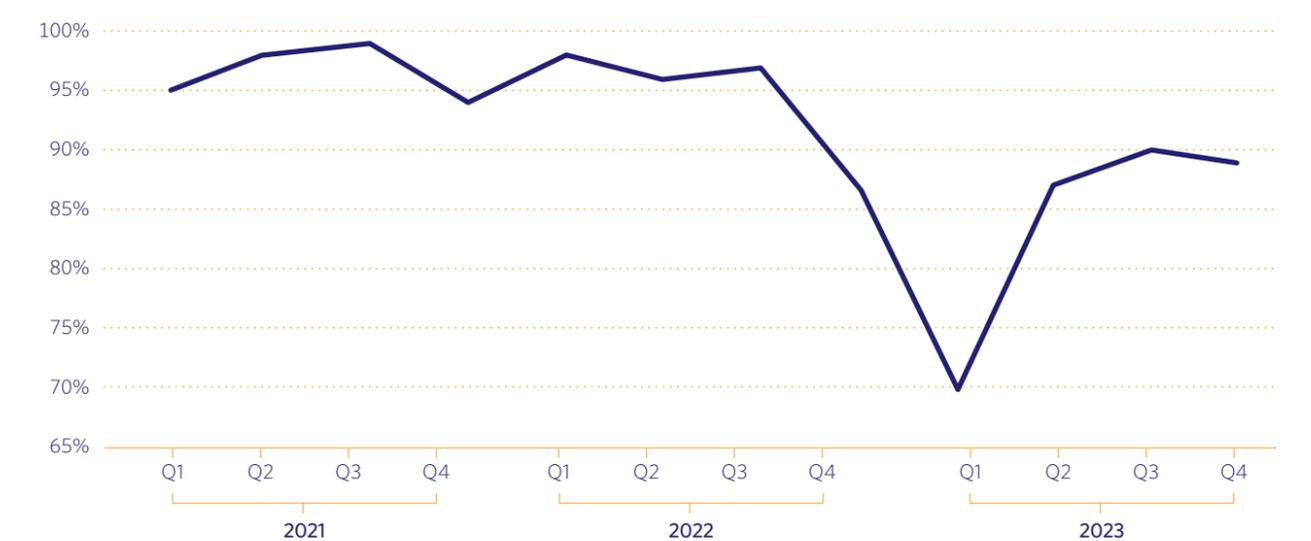
Madrileña Red de Gas strives to provide a better service in gas distribution to its users, and the end customer continues to value these actions positively

Complaints to the CNMC filed by suppliers* (Total per quarter)



* Route 3: Supplier - Madrileña Red de Gas

Evolution of requests resolved** (Quarterly variation)



** Includes information requests, requests for action to be taken and complaints resolved within the first 24 hours.

3. CUSTOMERS

Administrative disconnections

The latest revision of the regulations, carried out in 2017 by the National Commission on Financial Markets and Competition (CNMC), generated an abnormal situation that we call administrative disconnection, allowing customers to terminate their gas contract with their supplier, even when it had not been possible to remove the meter. This is an unsafe situation that may potentially lead to future fraud.

In this regard, we have undertaken constant monitoring together with our partner companies. The reasons that prevented the termination from taking place have been assessed on a case-by-case basis, making it possible to identify the best course of action for each supply point.

Technological developments have also been used to achieve this objective. From August 2023, an improvement was implemented to automate the sending of a WhatsApp message to all customers when the supply point enters administrative deregistration status.

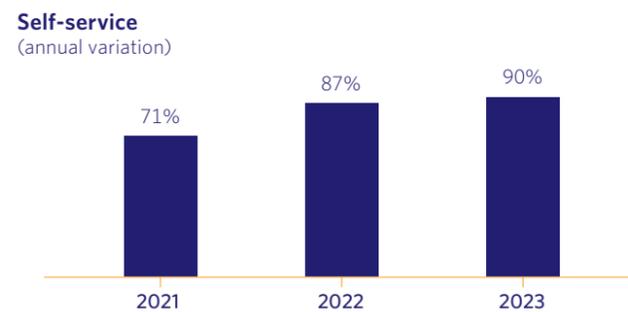
Another of the measures implemented has been to employ the help of the technical resources (vertical operations) of both partner companies and thus gain access to meters that are difficult to access.

Finally, we continue to send our customers a physical letter informing them of their situation.

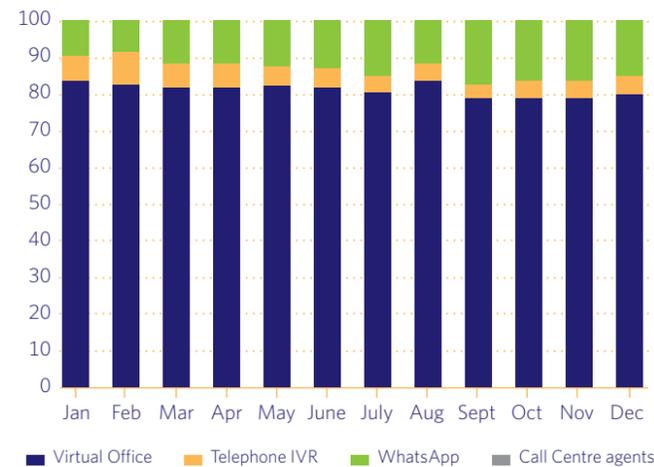
The actions undertaken in 2023 have led to a 50% reduction in the volume of disconnections: from a figure of 3,500 disconnections, there are now 1,713 supply points in this situation.

Looking ahead, we will continue to work along the same lines to further reduce the number of irregular supply points.

The actions undertaken in 2023 have led to a 50% reduction in the volume of disconnections: from a figure of 3,500 disconnections, there are now 1,713 supply points in this situation



Evolution of the percentage of readings per channel in 2023
(%)



3.2 Digital communication

Madrileña Red de Gas never ceases to remind its customers of the need to take a real reading at least once a year and of the convenience of billing real readings whenever possible. To this end, it offers a variety of communication options. These include:

- Virtual Office: which connects the client with Madrileña Red de Gas in the reading area.
- Emails: which inform the client of when their reading period begins.
- WhatsApp: which allows the end client to manage readings and reminds them of their obligation to allow access or send a photo reading.

Through these and other digital channels, Madrileña Red de Gas helps enable customers to provide the company with their meter readings, which has substantially reduced the number of readings recorded through the call centre.

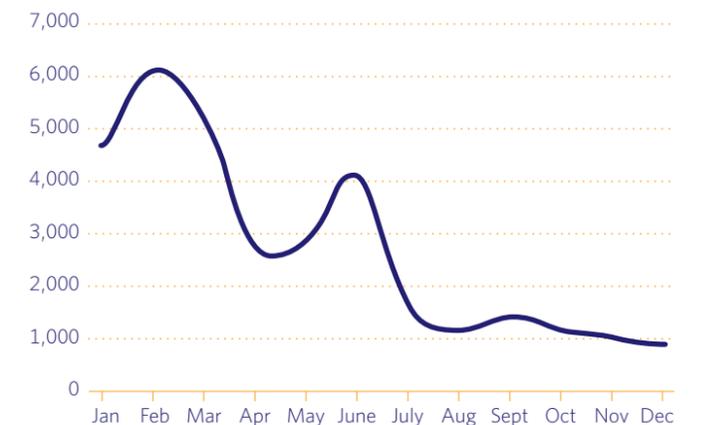
Customers who provided their readings chose the following channels: Virtual Office (80.16%), WhatsApp (up from 9.38% to 15.51%), IVR (automated voice service) (3.94%) and calls to call centre agents (0.24%).

As the figures show, the Virtual Office is the preferred channel for customers to provide readings, with WhatsApp rising in popularity for this purpose.

Additionally, in the context of a gas environment with pricing risk and with customers paying greater attention to their natural gas consumption and bills, Madrileña Red de Gas succeeded in reducing the number of complaints made by customers through different channels.

The combined efforts of the Madrileña Red de Gas team to alleviate the doubts of end customers in the different processes produced great results in terms of meter readings.

Evolution of the number of complaints in the reading process
(Monthly total)



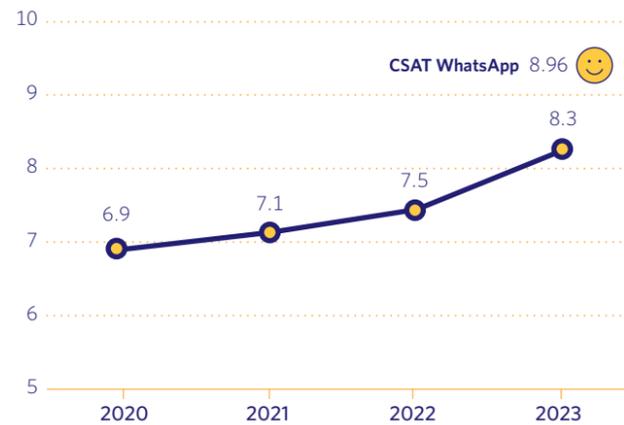
The benefits of a deregulated system, which allows for customers to react to prices by switching supplier, mean that distributors need the ability to administratively manage the large number of estimated readings during the process, among other issues. By improving how these readings are treated, as they are subsequently corrected with real readings or readings provided by the customer, the complaints ratio inevitably falls.

A small but very efficient change in the switching process has led to a reduction in complaints, thanks to more accurate management: a wait time of 48 hours is now in place before the switch is activated, giving customers the opportunity to provide their reading and avoid any potential disagreements.

Likewise, by providing more information on the chronology of readings and on the result of the reading that will be billed by the retailer, the number of queries received has been reduced, without forgetting the homogenisation and optimisation of the responses to these complaints. This has been successful in reducing repeat incidents.

3. CUSTOMERS

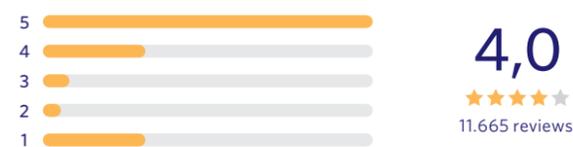
CSAT evolution



Evolution of the average GMB rating



MRG rating on Google



3.3 Loyalty

After five years undertaking initiatives aimed at improving the customer experience, and despite the situations experienced in recent years such as the pandemic and the war in Ukraine, and their huge impact on the energy sector, Madrileña Red de Gas continues to grow in terms of its customer service provision.

The company has achieved an average customer satisfaction score of almost 9 through its WhatsApp channel, and an 8.3 overall for the company as a whole, as a result of the high level of service across all channels and operations. This rating is due in particular to the boost provided by the regular inspection service and the WhatsApp channel.

In addition, Madrileña Red de Gas continues to be unbeatable in Google My Business (GMB), with more than 11,000 reviews and an average rating of 4 out of 5. It should be noted that this good performance coincides with an unprecedented escalation in the volume of contacts from our customers, especially for billing and reading issues, due to the high gas prices in the winter of 2023.

Because of the high level of self-service, the best practices implemented in its processes and operations, with the focus on customer experience, and the quality of all its customer service channels, Madrileña Red de Gas holds the best Google My Business (GMB) rating in the sector.

Finally, in its continuous search for improvement and excellence in service quality, in 2023 Madrileña Red de Gas worked hard in all business areas to minimise repeated contacts by a customer for the same reason. The cause of queries, concerns and complaints is always sought in order to avoid them as far as possible, providing more information and transparency or a solution at the first contact, without the need for the customer to contact the customer service channels again for the same reason.

3.4 Operations at the customer

Once again in 2023, Madrileña Red de Gas focused on reducing the wastage balance. Reducing emissions (18%) plays a key role in this. The lower the consumption, the lower the percentage of wastage balance in a company with a majority of domestic customers.

In this environment, and despite the expense involved, MRG does not cease to monitor consumers with anomalous consumption and/or more than 12 months without a real reading, helping to optimise visits to the end customer.

Initiatives that have led to numerous meter changes in the event of fraud or faults include field visits to detect fraud, scheduled inspections with meter reading of customers with no real reading, managing meter anomalies reported by readers and installing remote metering for customers who are not obliged to do so by law.

Madrileña Red de Gas's initiative to install remote metering for a considerable group of non-obligated customers allows for greater control of consumption and, therefore, a direct effect in terms of the balance of wastage.

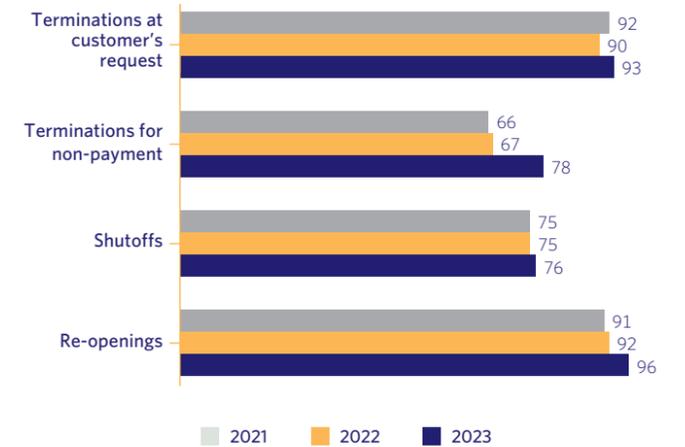
In turn, it allows them to opt for the capacity-based billing method (Art.26 point 4 of CNMC Circular 6/2020, of 22 July, which establishes the methodology for calculating natural gas transmission, local networks and regasification tolls). The possibility of requesting this billing method brings different advantages to the customer, such as:

- Times of consumption are recorded and can be adjusted.
- An economic benefit, due to the tolls applied by the billing method.

This has required a great deal of effort, but it has proven to be a significant achievement to evaluate and replace the remote metering technology of these non-obligated customers in order to achieve greater efficiency.

Standard operations

(%)



Home operations

For Madrileña Red de Gas, 2023 was one of the best years in its history in terms of household operations, with figures of 96% in re-openings and 93% in terminations at the request of customers.

These successes are the result of extensive data collection in the field, which has led to an increase in the percentage of appointments made and exhaustive weekly monitoring of partner companies.

After a one-off deviation in defaults during the month of May 2023, this indicator was brought back on track, and the year ended with 0.8%.

Other noteworthy results in the area of home-based operations include:

3. CUSTOMERS

- Complaints processing: 98% of complaints processed within one day have remained.
- The quality control rate during 2023 has been 99%, with no alarming cases.
- In the maintenance of IRC (common receiving facilities) there has not been a single delay in commissioning beyond 48 hours.
- Customer satisfaction has risen from 6.4 in 2022 to 6.9 in 2023.

Scheduled inspection

Throughout 2023, Madrileña Red de Gas maintained the achievements made in 2022 in terms of scheduled inspections, meeting its targets and optimising processes to improve this trend.

Since the start of the campaign, the volume of inspections carried out has exceeded the target set. The year ended with a 98% success rate (160,028 inspections performed).

On the other hand, in 2023 Madrileña Red de Gas decided to include the litrage in installations pending meter revision in the scheduled inspection process, in order to detect and rectify anomalous meter situations. An 85% success rate was achieved in the litrages; 1.06% of incidents were detected and all have been corrected.

Another key to the good results achieves remains the permanent communication with our customers through the different channels provided. These communications have been subject to continuous change, and we have

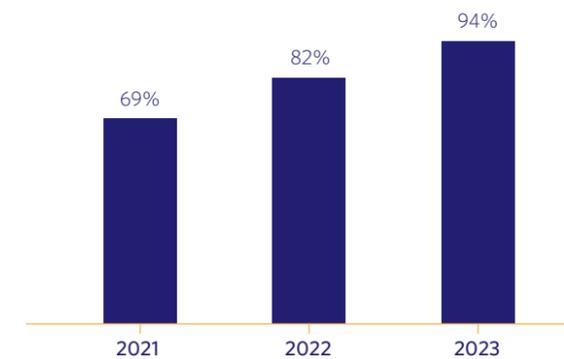
adapted to customer demands as observed in the complaints received, reviews and surveys.

We are also continuously improving the information provided to customers who have defects in the scheduled inspection. We explain how to rectify them, sending reminders of deadlines for them to send us the proof of correction of anomalies (JCA). This has increased the number of JCAs received before issuing the cut-off notice to 94%.

As a result, in 2023 Madrileña Red de Gas achieved excellent results in terms of scheduled inspection.

Since the start of the campaign, the volume of inspections carried out has exceeded the target set. The year ended with a 98% success rate (160,028 inspections performed)

Documents supporting correction of anomalies (JCAs) received on time (%)



Madrileña Red de Gas achieved excellent results in 2023 in terms of scheduled inspections





In 2023, Madrileña Red de Gas strengthened the supervision of its Equality Plan 2022-2026, and the actions it envisaged have been implemented.

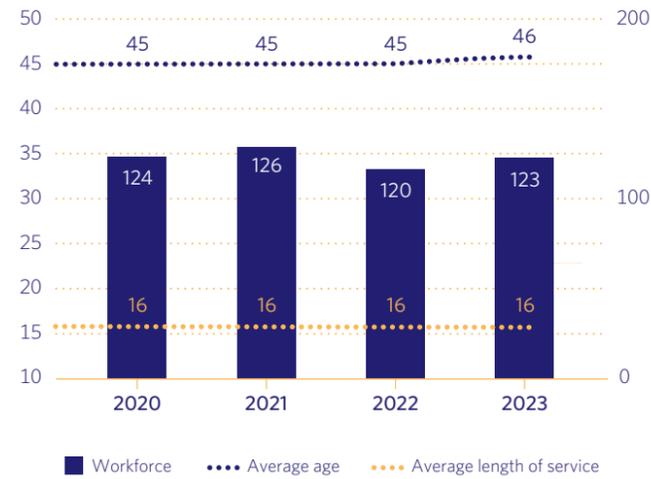
For yet another year, excellent results were achieved when measuring the Madrileña Red de Gas work climate, in terms of both participation and employee satisfaction. At the same time, it has promoted measures to enhance the rest time of its team and digital disconnection.

The company has also devised various initiatives and workspaces to guarantee good talent management and ensure the growth of its professionals as a whole.

With regard to health and safety, Madrileña Red de Gas implemented a large number of actions relating to industrial safety management and the prevention of occupational hazards, all of which forms part of the management system's framework.

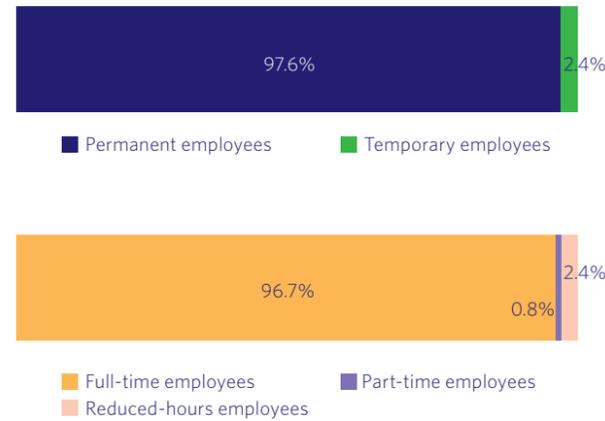
4. HUMAN CAPITAL

Evolution of workforce, length of service and average age

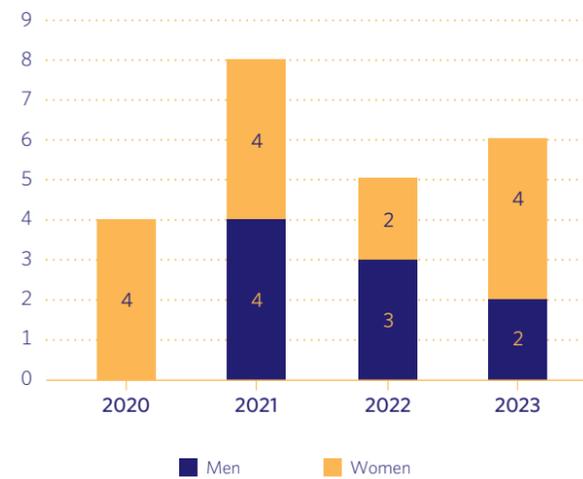


Note: partially retired employees not included.

Types of staff contract and working hours



Development in new hires



4.1 Evolution of our workforce

The 2023 financial year closed with a workforce of 123 employees, of whom 45 are women and 78 men, which means that Madrileña Red de Gas has doubled the proportion of women, from 18% at the beginning of 2023 to the current figure of 37%.

In 2023 the average length of service of employees fell from 22 to 16 years since 2011, with the age of employees in the period 2011-2023 remaining at 46 years.

Madrileña Red de Gas promotes the hiring of its professionals through stable contracts. As a result, 97.6% of its workforce has a permanent contract (75 men and 45 women).

In terms of working hours, 96.7% of employees have a full-time contract; only 0.8% have a part-time contract, and 2.4% have requested a reduced working day. The latter two groups are both made up of all women.

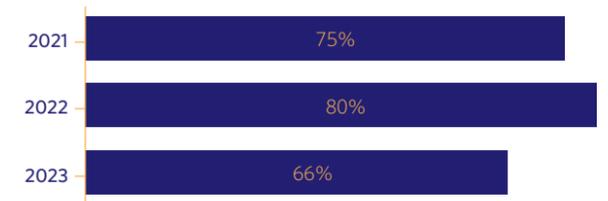
The recruitment rate for 2023 was 4.9% (four women and two men). As shown below, three of these six new recruits came from grants.

4.2 Selection and incorporation

The selection and incorporation processes for new profiles needed for the company's activity, which is constantly adapting to market changes, has been a challenge for Madrileña Red de Gas, and the company has been sure to opt for versatile, agile and flexible profiles that take the circumstances of the sector into account.

This change is evident in the company's employee profile, which has become efficient and versatile, with learning abilities and interest in facing new challenges and

New appointees with a university degree



Aware of the importance of incorporating new talent into Madrileña Red de Gas, the company has been promoting internships for young people with different profiles for years, through agreements with different universities in the Madrid region

responsibilities. In recent years, between 60% and 80% of new recruits have been university graduates.

Aware of the importance of incorporating new talent into Madrileña Red de Gas, the company has been promoting internships for young people with different profiles for years, through agreements with different universities in the Madrid region.

Since the start of its operations, 22% of interns have ended up being hired by MRG. In 2023, six young people started their internships at the company, and three of them were hired.

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In 2023 we broke the record for the number of hours of training offered to staff members. A total of 6,997 training hours were allocated, bringing the ratio of training hours to 54.7 per employee, compared with 35.25 in the previous year

4.3 Talent management

In order to face the constant challenge of adapting to market changes, Madrileña Red de Gas uses its Annual Training Plan as a key factor in how it manages its talent. The plan is able to respond to all the training needs that arise as the company evolves and its professionals grow.

In these changing and complex times, it is increasingly important to strengthen and develop the skills and competences needed to tackle the challenges and issues that we will face on a regular basis as effectively as possible.

For Madrileña Red de Gas, it is of vital importance to develop initiatives and create work spaces that will guarantee the growth of all its professionals.

For this reason, a new development project was launched in 2023, called "I want to get to know you better", an initiative that involved taking part in a process of self-knowledge that was able to highlight the strengths and opportunities for improvement of the participants' professional profile so they could formulate initiatives and courses of action with which to continue growing as professionals within their individual development plan.

The initiatives and reflections presented at last year's round table discussion, "Road to the future", were also consolidated. Consequently, Madrileña Red de Gas is firmly committed to providing training in hydrogen and fuel cells, with a total of 2,400 hours having been dedicated to this training initiative.

Another of the company's initiatives, EVOLUCIONA, which strengthens the relationship between departments, was carried out on two occasions in 2023, presented by the Expansion and Network Operations Directorate.

In other specialities, training was also provided in the following areas:

- Training on the Protocol for the prevention of sexual and gender-based harassment.
- Training actions in cybersecurity (the attractive capsule format has been maintained).
- Training in occupational risk prevention and languages (part of the company's ongoing initiatives).

In 2023 we broke the record for the number of hours of training offered to staff members. A total of 6,997 training hours were allocated, bringing the ratio of training hours to 56.89 per employee, compared with 35.25 in the previous year.

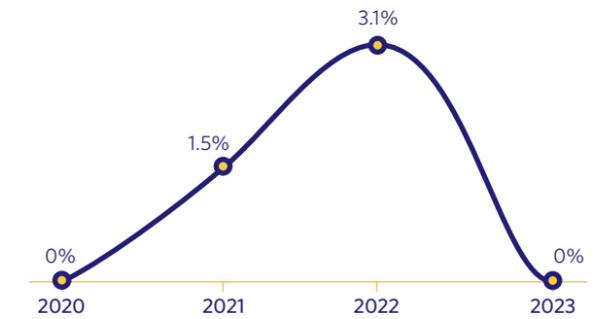
Finally, a milestone in the intellectual capital database, known as the "Knowledge Stock". Madrileña Red de Gas has published the tool MOOGLE, developed in Power BI, which assesses employee knowledge and identifies individuals with specific knowledge. By using the Knowledge Stock database, which relates the knowledge identified in each activity and job, we have been able to link each job description with its particular training needs.

Professional development of the Madrileña Red de Gas team

The turnover ratio is an optimal measure of good selection and promotion policies. The fact that Madrileña Red de Gas had a voluntary turnover ratio and an undesired turnover ratio of 0% in 2023 shows the high level of employee satisfaction, as reflected in the work climate survey, which scored 83%.

In addition, the internal promotion ratio helps us to measure the quality of the development processes, with 60% of senior positions having been filled through internal promotions in the last few years.

Voluntary rotation (%)



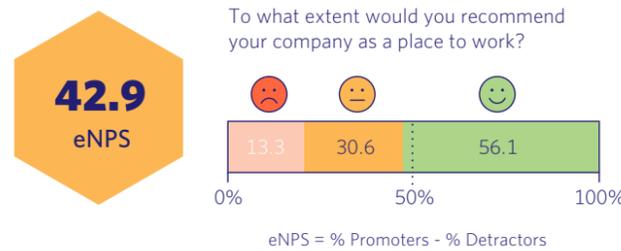
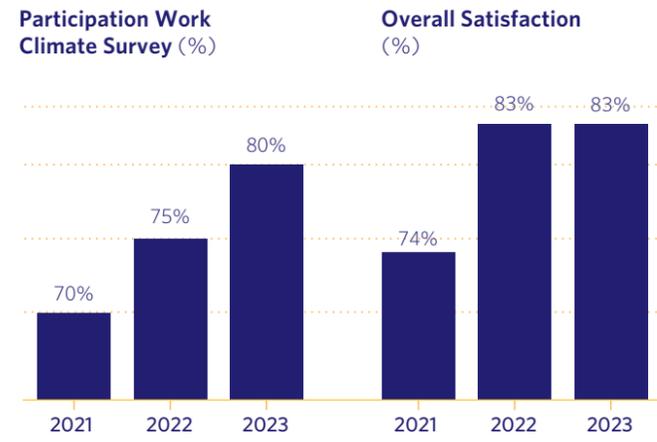
Annual team days

This was a year in which Madrileña Red de Gas more than ever wanted to strengthen relations between departments, offering all staff members two different team days throughout the year.

Activities were carried out in groups made up of staff members from different areas. The activities were aimed at encouraging teamwork, demonstrating that combining the tasks of each team together works better than approaching tasks separately.

These events, together with the original event held at Christmas, was highly valued by staff members, as reflected in the open questions included in the work climate survey.

4. HUMAN CAPITAL



Detractors: those who would recommend their company on a scale of 0 to 6 points.
 Passive: those who would recommend their company on a 7 to 8 point rating.
 Promoters: those who would recommend their company with a score of 9 and/or 10 points.

Participation in the work climate survey was at a record high in 2023, with 80% participation. The overall satisfaction level was 83%, the highest level next to 2022

4.4 Work climate

The Work Climate Survey 2023 was designed to gather information on team wellbeing and engagement with the company. This time it was carried out with an expert technical and independent perspective, making it possible to review how things have evolved and what progress could be made during the year.

Participation in the work climate survey was at a record high in 2023, with 80% participation. The overall satisfaction level was 83%, the highest level next to 2022.

To ensure talent retention, Madrileña Red de Gas remains committed to a hybrid work model, where the greatest weight is given to remote working, something that is highly valued according to the climate survey. In this way, interdepartmental communication and relations remain high, which is essential to ensure great team spirit.

On the question of how highly would you recommend your company as a place to work (eNPS ratio), Madrileña Red De Gas was given an “almost excellent” score (42.9).

By requesting more detailed information from employees, while ensuring anonymity and confidentiality, it was possible to detect the impact of people management processes, biased by demographic profile (area, gender, age group and seniority).

Generally speaking, “my job” (understanding my role), “identifying with MRG”, “customer” (customer service vocation), “remote working” and “manager” (attention and availability) scored the most highly.

This study has made it possible to detect strengths and areas for improvement, obtain information about the company’s reality and needs, and learn about the workforce’s own experiences.

Thanks to the high level of participation, the results of the survey will be used to prepare action plans to further

improve the working environment. Among other courses of action, the training offer will be reviewed and adjusted to meet our organisational needs. The organisational model will also be more transversal, collaborative and digital in terms of data.

Digital disconnection

In compliance with the provisions of article 88 of the General Data Protection Regulation and article 18 of Law 10/2021, and following negotiation with its social partners, Madrileña Red de Gas has agreed on and implemented its policy on digital disconnection, which establishes the necessary measures so that all company staff can exercise their right to switch off, as a guarantee of respect for their time of rest and their personal and family privacy. The heads of department have received relevant information and taken part in a training session on this subject.

4.5 Equality and diversity

Diversity and equal opportunities are values that allow Madrileña Red de Gas to advance as an inclusive company and attract the best talent. The company is working towards continuous improvement in equality, diversity and work-life balance through the Equality Plan it signed in 2022.

Follow-up of equality plan goals and actions

In 2023, monitoring of the Equality Plan was strengthened by establishing the Equality Plan Monitoring Committee. The Protocol for the Prevention of Workplace, Sexual and Gender-Based Harassment was also approved, for which, as seen, training was provided to all staff.

Some examples of the measures included in the Madrileña Red de Gas Equality Plan

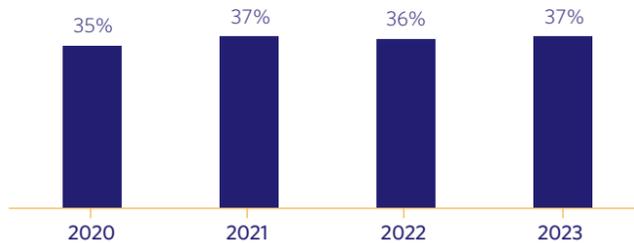
- Measures promoting communication**
 These include publishing vacancies, awareness-raising or sensitisation campaigns, reminders of rights and paid leave.
- Measures promoting transparency**
 Sharing information with the workforce, such as promotion ratios, selection, training, paid leave.
- Measures that promote gender equality**
 Through internal promotions, selection and training, offering equal opportunities.
- Training actions**
 On the prevention of sexual and gender-based harassment, equal treatment and equal opportunities.
- Creation of a guide on gender violence and a guide on inclusive language**
 On the latter point, the company has adapted the name of each job position, using inclusive language.

A total of 35 action measures with the social partners in the Equality Plan were also implemented in 2023.

While we are aware of the need to continue working on equality, we must not forget the historically male composition of the sector in which Madrileña Red de Gas operates. The company’s efforts in this area are reflected in the evolution of its workforce, as well as in internal promotions and in the firm commitment to talent management as a key to success.

4. HUMAN CAPITAL

Evolution of women in the workforce (%)



Percentage of workforce from another country



Diversity

As we have seen, at the close of 2023, the Madrileña Red de Gas workforce is made up of 37% women and 63% men. Of the six new hires made this year, four were women and two were men. By age, three were under 30, two were between 30 and 50 and one was over 50.

Within the issue of diversity, Madrileña Red de Gas continues its commitment to hiring people from under-represented groups. Thus, in recent years, without exception, Madrileña Red de Gas has included people over 50 years of age in its workforce, specifically one person out of the total number of new hires.

At the other extreme, aware of the importance of incorporating new talent into the company, in recent years we have hired at least one young intern. In this regard, as mentioned, in 2023 six young people completed their internships at Madrileña Red de Gas, and three have been hired.

Another figure that confirms the diversity within our workforce is that 3.25% come from another country. In management, 9.1% come from another country; in the rest of the categories, 2% of the people employed do not have Spanish nationality.

4.6 Occupational health and safety

Madrileña Red de Gas continues to align itself with the level of business excellence linked to upholding its Management System certification according to the ISO 45001:2018 standard. In this regard, the most noteworthy aspects are as follows:

- The objectives of the Health and Safety Management System have been aligned with the demands of the GRESB ESG platform.
- A strong commitment has been made to prevention training, in order to guarantee the necessary training

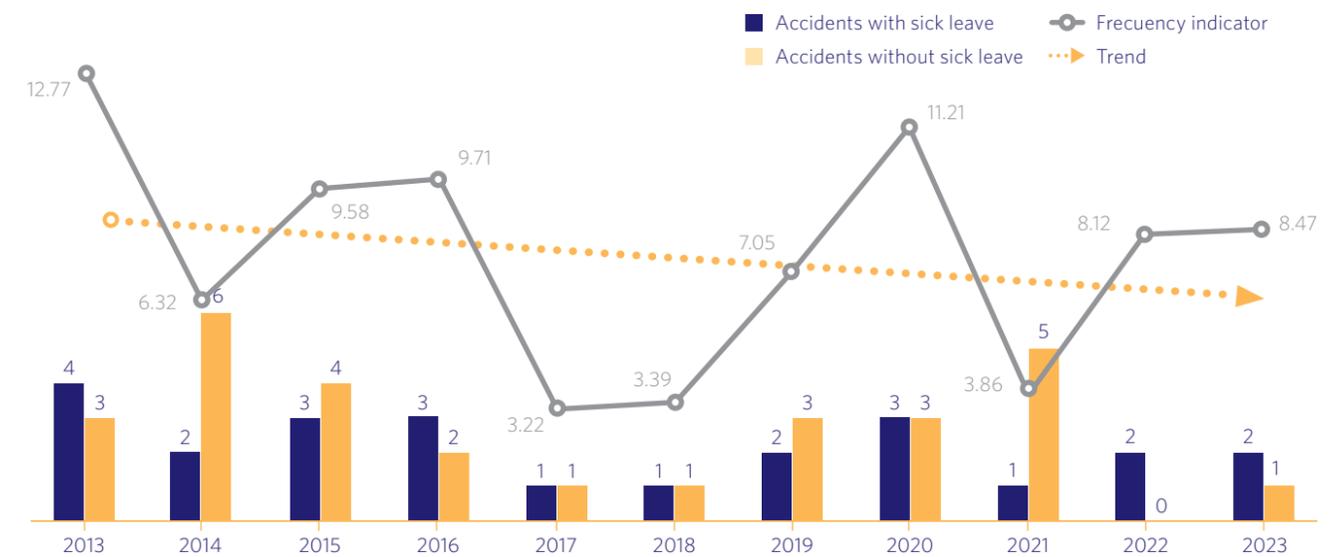
for company staff. This training is aimed at the different groups in the company, and continues with the documentary archives created in 2022 being updated.

- A number of prevention criteria have been created to help monitor compliance with regulations, such as the internal protocol for maternity protection and the protocol for outdoor work with an orange or red weather warning for high temperatures.
- Work has continued on preparing the Emergency Plans for the municipal distribution network, and most of them have been completed.

- The commitment to prevention remains as strong as ever, with all staff members provided information on the mutual insurance company, including information relating to occupational risk during pregnancy.
- The use of the IT tool to ensure the control of documentation relating to contractors and subcontractors remains in place and is encouraged.

With regard to the accident rate, in 2023 there were two accidents that resulted in sick leave and one accident without sick leave that occurred while en route for work. Seventy-five percent of accidents involved a vehicle.

Evolution of the number of accidents not *in itinere* at Madrileña Red de Gas during the last years



Frequency rate: number of accidents with sick leave not *in itinere* per million hours worked.
Severity rate: number of sick leave days for accidents not involving sick leave *in itinere* per 1000 hours worked.



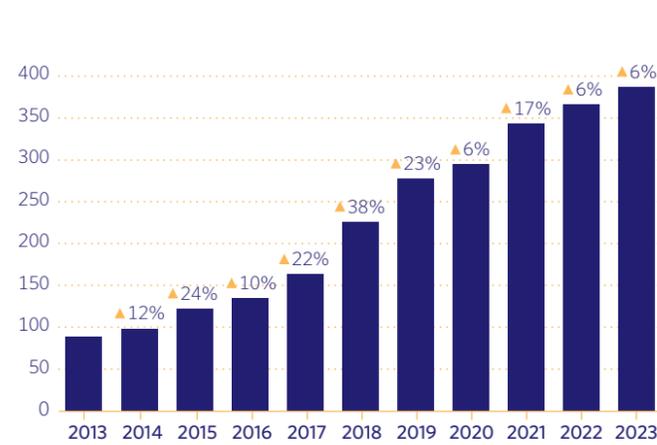
Madrileña Red de Gas continues to invest in and advance the possibility of using its existing gas infrastructure to decarbonise the gas sector. This is an important step towards achieving the country's carbon emission reduction targets; the company is aware that the combination of biomethane and renewable hydrogen can provide effective and sustainable solutions for the transition to cleaner and more environmentally friendly energy.

In this regard, during 2023, Madrileña Red de Gas participated in and developed a range of green projects, such as the installation of a 100% hydrogen boiler at its facilities and the Inspira Madrid and Pryconsa projects.

In relation to the company's commitment to the fight against climate change and to reducing emissions, the most important milestones in 2023 were the adherence to the OGMP 2.0 initiative: the Oil & Gas Methane Partnership 2.0 of the United Nations Environment Programme (UNEP) for the reduction of methane emissions and the reduction of the carbon footprint by more than 51%.

4. GAS AND SOCIETY

Evolution of NGV consumption (GW/h)



NGVs provide access to the low-emission zones that municipalities with more than 50,000 inhabitants will be obliged to activate in the coming years, and guarantee the necessary autonomy

Madrid is the Autonomous Community with the largest NGV fleet, due largely due to the existing network of gas stations, which facilitates the use of this fully functional, accessible and economical alternative fuel

5.1 NGV (natural gas vehicle)

The price of natural gas stabilised over the course of 2023, making it the most competitive fuel in the mobility sector. There are only a few passenger car models on the market, but due to their economy and low emissions, NGVs have established themselves as the fuel of choice for transport professionals, a sector in which there is a wider choice of vehicles, and conversion to NGVs is also possible.

NGVs provide access to the low-emission zones that municipalities with more than 50,000 inhabitants will be obliged to activate in the coming years, and guarantee the necessary autonomy.

It should also be noted that refuelling time is the same as for conventionally fuelled vehicles. The fleet of natural gas vehicles now exceeds 35,000; the biggest increase has been in truck registrations, more specifically those of compressed natural gas (CNG), which grown by 51% in 2023 compared with the previous year.

It is known and proven that NGVs are currently one of the most economical transport alternatives, without increasing the cost of vehicle purchase.

NGV consumption in Madrileña Red de Gas continued to grow over the course of 2023, reaching 365 GW/h. The cumulative increase over the past five years is around 58%.

Currently, there are 20 NGV stations connected to the Madrileña Red de Gas networks, of which 11 are public access stations. They are located in the capital and in the most populated municipalities in the south of Madrid, where the most important industrial estates in the region are concentrated. This ECO-labelled fuel can be refuelled there.

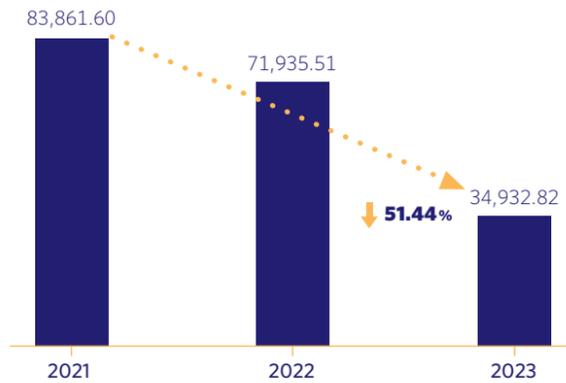
Madrid is the Autonomous Community with the largest NGV fleet, due largely due to the existing network of gas stations, which facilitates the use of this fully functional, accessible and economical alternative fuel.

NGV service stations in the Community of Madrid



4. GAS AND SOCIETY

Absolute value of the carbon footprint (tCO₂e)



As a result, Madrileña Red de Gas succeeded in reducing its total carbon footprint by more than 51% compared with the previous year, making a significant contribution to the achievement of the “Fit for 55” targets for 2030 and to “Net Zero” for 2050

To conclude, and by way of emphasising the benefits of the use of natural gas in mobility, the system of guarantees of origin for biomethane has been in operation since the second quarter of 2023. This allows any consumer to choose green gas from renewable sources. It is therefore entirely feasible, and in fact is already happening, for NGVs to run on biomethane, reducing their emissions to zero. Although not ratified by the system of guarantees of origin, it became a reality in 2021.

In 2023, 16.05 GW/h of biomethane was consumed in road transport. There are 12 biomethane plants operating on the Iberian Peninsula and almost a hundred plants under construction and in the pipeline, which have injected 24.4 GW/h of biomethane into natural gas infrastructures.

5.2 Environment

Throughout the year, the main focus of environmental performance was on maintaining the processes that underpin the integrated environmental management system, which has enabled Madrileña Red de Gas to maintain its certification in accordance with the ISO 14001:2015 standard.

Once again, the carbon footprint associated with the company’s activities was calculated and verified according to the ISO 14064 standard, including direct greenhouse gas (GHG) emissions (scope 1), indirect GHG emissions from the generation of electricity purchased and consumed (scope 2), and indirect emissions occurring in the value chain (scope 3).

As a result, Madrileña Red de Gas succeeded in reducing its total carbon footprint by more than 51% compared with the previous year, making a significant contribution to the achievement of the “Fit for 55” targets for 2030 and to “Net Zero” for 2050.

As in previous years, how compliance with the requirements of environmental legislation is identified

In its fight against climate change, Madrileña Red de Gas is applying specific measures to reduce greenhouse gas emissions and help to achieve the Sustainable Development Goals (SDGs)

and assessed was managed using a specific application, and the notification of contaminated soil reports from decommissioned LPG plants continued at a good pace.

Madrileña de Gas also continues to reinforce its commitment to the circular economy, guaranteeing the correct management of waste within the framework of its integrated environmental management system, and applying techniques and alternatives that prevent and reduce the generation of waste at source, as well as the recovery (reuse or recycling) of this waste.

OGMP 2.0 adherence

One of the key environmental milestones in 2023 was the company’s adherence to the OGMP 2.0 initiative: the Oil & Gas Methane Partnership 2.0 of the United Nations Environment Programme (UNEP).

Specifically, this initiative will create a new global standard for measuring methane emissions, in order to facilitate how they are monitored and establish plans to reduce them, guaranteeing transparency. The project, which is part of the EU strategy to reduce methane emissions, will apply to the entire value chain of the oil and gas industry, including production, transport and processing.

OGMP 2.0 will also serve as a framework for the European Commission to develop a legislative proposal on the

mandatory measurement, reporting and verification of all methane emissions from the energy sector.

In its fight against climate change, Madrileña Red de Gas is applying specific measures to reduce greenhouse gas emissions and help to achieve the Sustainable Development Goals (SDGs).

To date, 127 companies with assets on five continents, representing 37% of global oil and gas production, have joined the alliance. OGMP 2.0 is the reference standard from which the accuracy and transparency of methane emissions reporting in the oil and gas sector will be improved.

In this regard, Madrileña Red de Gas has an ambitious Action Plan that envisages the development of ten goals that will allow us to make progress and define the path to follow in terms of reducing methane emissions from our activities.

5.3 Inspira Madrid

Carried out in consortium with FRV and Grupo Ruiz, the Inspira Madrid project continued to be defined and make progress during 2023. Its objective is to participate in the hydrogen value chain, with the aim of decarbonising urban public mobility fleets in the Community of Madrid.

The first phase consists of constructing an electrolyser (in the northwest of Madrid), as well as five hydroline stations, located in different parts of the region. During the second phase, ten more hydroline stations are planned, which will be open to the public and offer a clean and sustainable fuel supply for vehicles with hydrogen technology.

The commitment of the three companies that include Inspira Madrid was strengthened in 2023 with the creation of the company Special Purpose Vehicle (SPV) Inspira Madrid Hidrógeno Verde S.L., in which each partner has a 33.33% share.

The CEF programme is a key EU funding instrument for the development of the European Green Pact and an important enabler of the EU's decarbonisation objectives between 2030 and 2050

CEF Transport European Programme

In 2023 Inspira Madrid was presented to the European aid programme Connecting Europe Facility (CEF) Transport.

The CEF programme is a key EU funding instrument for the development of the European Green Pact and an important enabler of the EU's decarbonisation objectives between 2030 and 2050.

CEF Transport supports the development of high-performance, sustainable and efficiently interconnected trans-European networks in the fields of transport, energy and digital services. Investments in this programme complete the missing links in Europe's energy, transport and digital backbone.

It also benefits the citizens of Member States by making travel easier and more sustainable, strengthening Europe's energy security while allowing greater use of renewable energies and facilitating cross-border interaction between public administrations, businesses and citizens.

In addition to grants, the CEF offers financial support to individual projects through innovative instruments such as guarantees and bonds. These create a significant multiplier effect in their use of the EU budget and act as a catalyst to attract more funding from the private sector and other public sector actors.

CEF Transport is the financing instrument for the development of European transport infrastructure policy. It was created with the aim of supporting investment in the construction of new transport infrastructure in Europe and to rehabilitate and modernise existing infrastructure.

The goals of the Trans-European Transport Network Policy (TEN-T) envisage:

- By 2030: completion of the core network, structured around nine multimodal corridors.
- By 2050: completion of the comprehensive network, providing accessibility to all European regions.

The CEF initiative focuses on cross-border projects and projects aimed at removing bottlenecks or bridging missing links in various sections of the core network and the overall (feeder) network. It also deals with horizontal priorities such as traffic management systems.

The programme also supports innovation in the transport system in order to improve infrastructure use, reduce the environmental impact of transport, improve energy efficiency and increase safety. To this end, it has been endowed with a budget of €25.81 billion.

Hydrogen auctions

In turn, the project has been submitted to the first auction under the European Hydrogen Bank, with initial funding of €800 million from emissions trading.

This auction is aimed at supporting renewable hydrogen production in Europe by offering fixed premiums per kilogram of hydrogen produced to close the gap between the cost of production and the current market price.

The selected producers will receive subsidies and will be able to earn additional income from the sale of hydrogen on the market for up to 10 years. Any

accumulation with other State aid is prohibited in order to ensure a level playing field between projects. In addition, an "auctions as a service" mechanism is introduced to finance additional projects.

A second round of auctions is planned for 2024, through which the European Hydrogen Bank plans to encourage renewable hydrogen production and imports, unlock private investment and address initial investment challenges in the EU and beyond.

5.4 Pryconsa project

Madrileña Red de Gas continues to make progress in the production and supply of green hydrogen for homes. In 2023, in collaboration with the company ARUP, the conceptual study of the hydrogen storage solution was conducted for a 100-home development in the municipality of Valdemoro. The technical constraints and the limitations of the available space have reduced the feasibility of this solution, so it has been decided to study the on-site production of hydrogen, channelling it from the outdoor plot to the development's central boiler.

It becomes clear that producing hydrogen on a small, local scale would not be competitive, and would increase the cost for the end user. However, an optimal alternative exists that will be developed through the use of "Ready for H₂" boilers, which are starting to become available on the market, fully capable of both using existing natural gas infrastructures and running on hydrogen in the future with minimal adaptations, enabling hydrogen to reach all current consumption points. As part of this initiative, the central boiler will be a Bosch model that can work with hydrogen, natural gas and biomethane, making it the first installation in Madrid capable of working with any of these renewable fuels.

The Cavendish study concluded that renewable gases will be competitive in all consumption segments from 2030, and will play a key role in the energy transition in the transport and power generation sector, strengthening their position as the best option from 2040 onwards

Construction of the housing development is scheduled to begin in early 2024. The engineering project is currently being finalised.

For more information: madrilena.es/ponemos-en-marcha-el-primer-proyecto-con-produccion-y-suministro-de-hidrogeno-verde-para-viviendas/.

5.5 Cavendish and Heat Pump Studies (ADL)

In 2023, Asociación Española del Gas (Spanish Gas Association) in collaboration with the other distributors, was working on different studies on the viability of hydrogen and biomethane in the gas network and its comparison with electric heat pumps.

Cavendish study

The first of these studies is Cavendish, carried out with the consultancy firm BIP, analysing the competitiveness and viability of renewable gases.

The Cavendish study concluded that renewable gases will be competitive in all consumption segments from 2030, and will play a key role in the energy

4. GAS AND SOCIETY

transition in the transport and power generation sector, strengthening their position as the best option from 2040 onwards.

It is clear that most infrastructures could run on up to 20% hydrogen without major adaptation efforts, whereas a pure hydrogen scenario will require higher investment. In terms of material compatibility, the study carried out, using a probabilistic model, indicates that more than 97% of the grid would be suitable for hydrogen operation.

Considering these costs, the CavendisH2 scenario proposes an alternative to the high electrification scenario: the annual investment required would be 22% lower, mainly due to a lower marginal cost of grid reinforcement and retrofitting of residential equipment. The scenario with a higher penetration of renewable gases would imply less effort in terms of costs.

For more information: madrilena.es/ya-podriamos-estar-usando-un-20-de-hidrogeno-renovable-la-red-de-gas-espanola-funcionaria-con-una-inversion-minima-para-su-adequacion/.

Heat pump study

Conducted together with Arthur D. Little, this study focuses on heat pumps and the competitiveness of natural gas boilers that use this system. The main conclusions drawn are as follows:

1. Condensing boilers fuelled by renewable gases are a solution that makes it possible to achieve the net zero targets for the building industry in Spain for 2030 and 2050.
2. It is not the type of equipment, boiler or heat pump that makes a technological solution “green”, but rather the fuel it uses. Boilers are both efficient and affordable, and their renewable nature depends on the fuel they use.
3. Given the type of building and considering the population’s average purchasing power, achieving net zero by heat pump will not be possible in Spain. The investment required to implement heat pump systems can exceed 90% of the average annual income of Madrid households.
4. Replacing atmospheric boilers with condensing boilers, combined with developing the potential of renewable gases in Spain, is now the most economically efficient alternative for achieving net zero in Spanish households, and the one most likely to succeed.

For more information:

- madrilena.es/bomba-de-calor-limitaciones-de-espacio-en-las-viviendas/#respond.
- madrilena.es/el-desafio-de-la-eficiencia-energetica-tener-18-000-euros-no-es-la-solucion/.

5.6 Biomethane

Throughout 2023, Madrileña Red de Gas received several formal requests to connect biomethane plants to its distribution network. One formal application has already been made and two are in the pipeline.

- Project East Madrid: this is the most advanced project in biogas production. Injection of biomethane into the grid is planned for December 2025.
- Two projects in the south of Madrid: these are in the processing phase, pending the official application for connection to the distribution network. Biomethane injections are planned for 2026.

RESULTS



The 2023 financial year was characterised by a fall in gas demand, due mainly to higher temperatures. In this context, Madrileña Red de Gas continues to demonstrate significant capacity for financial adaptation. The year ended with a total of 908,810 supply points, of which 904,606 were for natural gas and 4,204 for LPG.

Madrileña Red de Gas has invested €9.5 million in extending its distribution network, providing households, industry and businesses with access to a highly efficient fuel through a continuous and reliable supply.

This is the third year of the regulatory period (2021-2026) in which gas years are set, which differ from the calendar year.

6. RESULTS

Profit and losses (€M)

	2022	2023
Remuneration	133.1	119.7
Other revenues	34.3	25.8
EBITDA ¹	130.4	114.3
EBIT	97.2	84.4
Net profit	90.1	56.1

¹ Excluding non-recurring expenses.

6.1 Summary of results

Madrileña Red de Gas has implemented numerous initiatives and projects that have led to excellent growth results, both in terms of investment in infrastructures, with the construction of new networks, and in the acquisition of new supply points.

However, as reported by the gas system operator (ENAGAS), total natural gas consumption in 2023 reached 325.4 TWh, 10.7% less than in 2022, due to lower electricity consumption.

This means a slight decrease in the company's financial results, due to the decrease in revenues caused by the reduction in consumption, caused by the increase in temperatures, the high price of gas and the penetration of new energy technologies.

The company obtained revenues of €145.5 million, 13% lower than the previous year, mainly due to lower gas demand as a result of higher temperatures and regulatory cutbacks.

The main activity of Madrileña Red de Gas — the distribution of natural gas — is a regulated activity, with

regulatory periods spanning six years. The 2023 financial year was the third year of the regulatory period 2021-2026, in which the gas year closed on 30 September.

Remuneration of the distribution activity is the company's main source of revenue, calculated annually on the basis of a parametric formula, and which varies according to the growth in supply points and the demand for gas transported through the network.

According to the quarterly reports published by the National Commission on Financial Markets and Competition (CNMC) for 2023, Madrileña Red de Gas has become the gas distributor with the most active supply points in the Community of Madrid.

At the close of 2023, Madrileña Red de Gas distributed gas to 908,000 supply points, of which 885,000 are for natural gas. The company's growth strategy continues to focus on profitable and sustainable expansion in its operating territory.

Other pillars underpinning its growth strategy are the company's efforts to address the risks and opportunities presented by the necessary energy transition. In the case of Madrileña Red de Gas, it is linked to the distribution capacity of renewable gases, such as hydrogen and biogas, as well as new energy solutions such as aerothermal and geothermal energy.

The future extension of the network and the company's ability to maintain a share of active supply points are linked to the development of its investment and technical capabilities in this line of innovation and development.

6.2 Operating results

EBITDA for 2023 amounted €114.3 million, 12.3% lower than the previous year. Revenues fell by 13%, which is the main cause of the drop in EBITDA.

6.3 Revenue

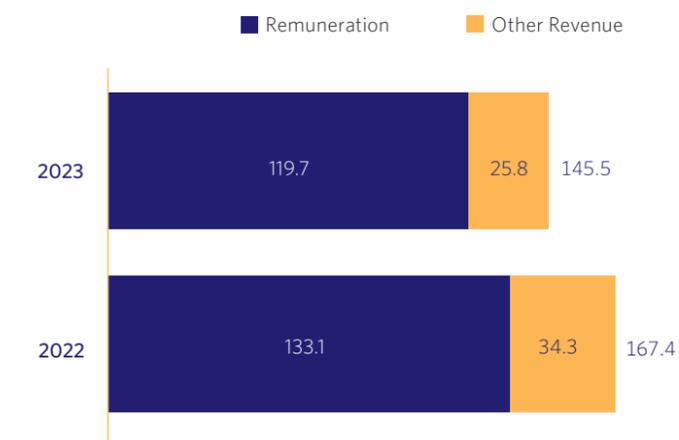
The company obtained revenues of €145.5 million, of which €142.3 million came from the natural gas business, while the remaining €3.2 million originated from the LPG business.

Within the natural gas business, 84% was contributed by the regulated remuneration for the distribution activity, made up of the figure set by the CNMC Resolution of 19 May 2022 and 30 May 2023, and the best estimate of the remuneration made by the company's senior management.

The remaining 16% refers to other services related to the natural gas distribution activity, such as the rental of meters, scheduled inspections and other services offered to consumers.

According to the quarterly reports published by the National Commission on Financial Markets and Competition (CNMC) for 2023, Madrileña Red de Gas has become the gas distributor with the most active supply points in the Community of Madrid

Revenue (€M)



6.4 Financial position and balance sheet

Financial strength is an essential pillar of the MRG strategy. The company has strong levels of solvency and liquidity that are consistent with an investment grade rating. The financial structure is efficient for the long term.

For the 2023 financial year, the gross debt amounts to €226.8 million, and this debt matures in 2027.

The company also has a contingent credit line, amounting to €75 million, renewed in February 2024 until February 2027 and aligned with the company's real needs for the coming years.

Dividend flexibility is another feature that gives the company a better financial position.

The debt of the group is issued by MRG Finance, B.V. in the regulated Luxembourg market under the EMTN Programme.

This debt is classed as investment grade (BBB-) by the S&P rating agency, and classed as BBB (low) by DBRS.

Balance sheet (€M)

	2022	2023
Gas distribution licences & other intangibles	751.0	751.0
Net tangible fixed assets	294.9	279.1
Total network fixed assets	1,045.9	1,030.1
Goodwill	57.4	57.4
Deferred tax assets	12.4	7.8
Other non-current assets	7.8	2.8
Current assets	35.5	47.1
Cash	16.2	58.3
Total assets	1,175.2	1,203.5
Equity	752.8	789.2
Long term debt	1.8	1.8
Deferred income tax liabilities	92.0	100.7
Other non-current liabilities	260.2	258.2
Current liabilities	68.4	53.6
Total liabilities & shareholders equity	1,175.2	1,203.5

6. RESULTS

Free cash flow (€M)

	2022	2023
EBITDA	130.4	114.4
Income tax paid	- 5.2	- 3.7
Working capital	- 11.5	- 11.1
Capex	-17.6	-13.3
Free cash flow	96.1	86.3

6.5 Cash flow from operations

Operating cash flow was €86.3 million, compared with €96.1 million in the previous year. The reduction in EBITDA, largely attributable to lower demand and variations in gas system balances in 2023 compared with 2022, helps explain this variation.

As of 31 December 2023, the system deficit position was higher than the system deficit position for the same period in 2022, reducing the cash flow by €8 million compared with the previous year.

6.6 Investments

Over the course of 2023, investments totalled €13.3 million, compared with €17.6 million in 2022. The company maintains the same level of investment in its own networks and in other projects. Conversions of LPG supply points to natural gas were lower than in the previous year, in line with the remaining volume of LPG supply points to be converted. Investment in third party networks was also lower. Regarding their purpose, these can be classified into the following groups:

Expansion

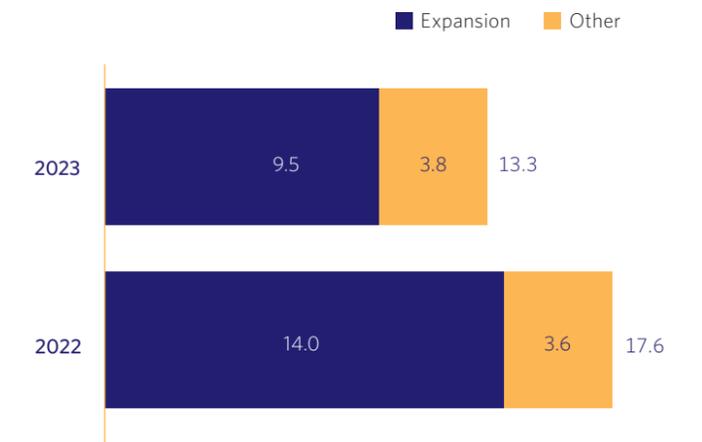
Madrileña Red de Gas invested a total of €9.5 million, of which €6.5 million were allocated to the expansion of the natural gas distribution network, and €3 million were allocated to the plan to transform LPG to natural gas.

Other projects

Investments remain at a level comparable to the previous year, and are geared towards network maintenance, fraud prevention, digitalisation and the development of information systems.

This is done in order to achieve cost efficiency and improve the quality of customer service.

Investments (€M)



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