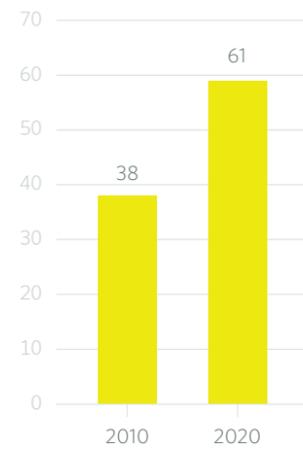


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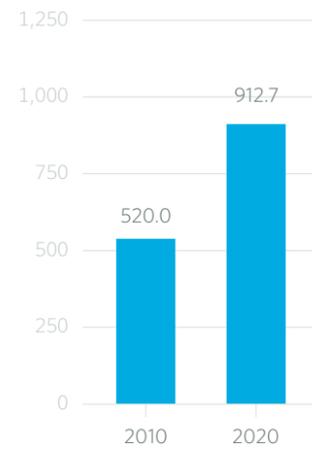
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Key Figures

MUNICIPALITIES
Total No.

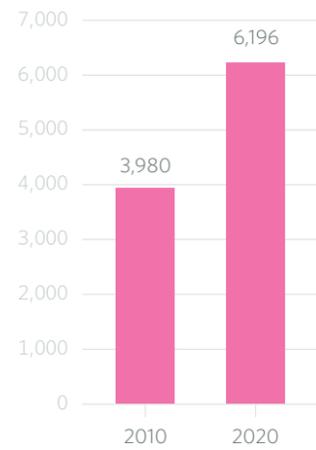


CONSUMERS
Total No.¹ (thousands)



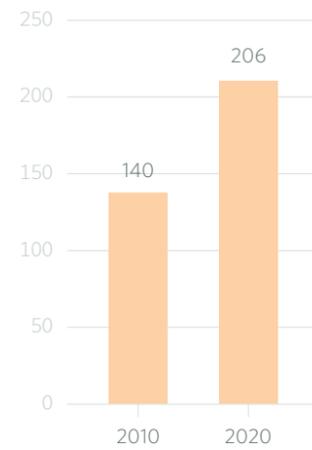
¹ The total figure for 2020 includes natural gas and LPG supply points

LENGTH OF NETWORK
Total² km

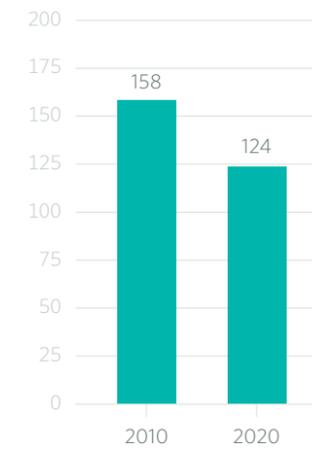


² The total for 2020 includes the 5,848 km of the natural gas network and the 348 km of the LPG networks

RMS
Total No.

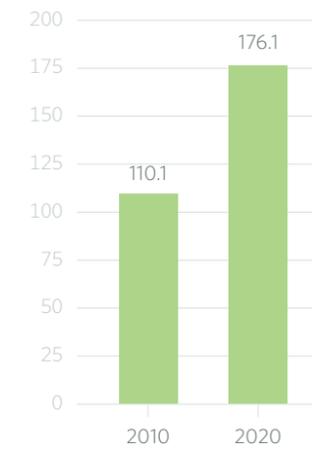


EMPLOYEES
Total No.³

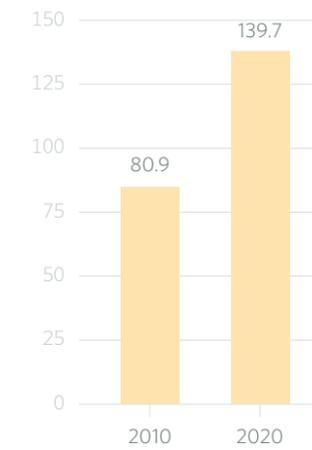


³ Employees in the partial retirement scheme have not been included in the 2020 figure

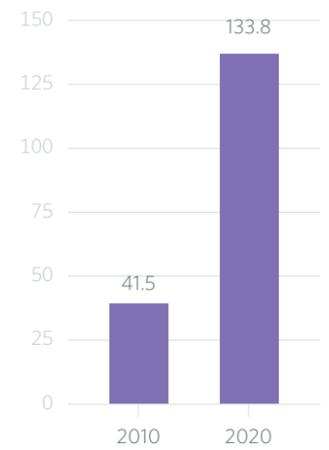
INCOME
Total (€M)



EBITDA
Total (€M)



CASH FLOW
Total (€M)



Letter from the chairman

The year 2020 will go down in history as the year of COVID-19. It was a year marked by all manner of impacts on health, on the economy and on consumer and lifestyle habits in societies across the world.

The year proved to be a severe test of the ability of businesses to face up to new challenges that were not only unforeseen but which quite possibly had never even been imagined, and for which there were no prior emergency plans. It wasn't merely a question of taking steps to prevent the transmission of an initially unknown and now only partly understood disease, but rather it was a matter, above all, of keeping people alive and businesses afloat by using the resources available as flexibly as possible to adapt to complicated circumstances, while at the same time trying, as far as was possible, to maintain a more or less normal life, provide a quality of service and ensure that work could be carried out safely.

It was a year that won't be easy to forget. MRG managed to continue operating through remote work and individual effort, all within a new and different context. And in the midst of all this was the human side to it all, in terms of adapting, of solidarity and of providing help that reached beyond the material conditions of work, and it is something that has been manifest throughout these difficult months.

Restrictions of all kinds on mobility and economic activity remain in place, albeit with a gradual and progressive lessening of restrictions as the spread of the epidemic and the risk to health begin to be brought under control. It is our hope that in 2021 we can turn the page and return to full normality.

The reduction in activity as a result of the measures adopted had a huge impact. GDP dropped by 11% in Spain compared with 2019. Demand for natural gas fell by 9.6%, and other final energy sources suffered similarly sharp falls. Demand for electric power fell by 5.1%, and for oil by 18.5% as a whole, although the sharpest drops in demand occurred in petrol (21% drop) and kerosene (55% drop), as a consequence of restrictions placed on transport, particularly air transport.

The impact on the energy sectors has therefore been extraordinary, and according to the best forecasts demand will not recover until 2022. Full economic recovery will take even longer.

Above all, the main problem we face is the sharp drop in revenue ruled by the regulator over the coming years, around 20%, which presents a major strategic and operational challenge that poses consequences in the short and long term alike.

Despite all the difficulties, in 2020 we achieved most of the targets set. The work to adapt to COVID-19 and ensure jobs were not lost was a success.

Firstly, and the yearly accounts show, we achieved excellent results, despite the limitations imposed by current regulations. Financial targets were met and the quality of service and safety of operation levels were maintained,

due to the company's commitment to continual internal improvement.

In the current climate and due to regulatory pressure, the strategy needs to be revised, with a focus on priority courses of action. Our strategic priorities remain focused on operational improvements, customer service, corporate governance, energy transition and regulation.

In terms of operations, the focus is on operational excellence, customer service and permanent improvement in management practices, as it has been for years. We continue working to attract new customers, and helping to replace the most polluting fuels in small-scale industry and the residential sector, with the replacement and modernisation of heating installations, and in the commercial sector with complete heating and hot water solutions in buildings, while also providing lower costs to consumers, making it more attractive to switch.

We have made advances in improving customer relations, in terms of regular inspections and readings, and in terms of home operations and reducing the number of complaints, which are two of the challenges where we still have work to do. Our customer relations are, and should be, increasingly more digital, faster and more accessible, taking

Despite all the difficulties and the limitations imposed by current regulations, and as a result of the work put in to adapt and to ensure jobs are not lost, in 2020 we achieved most of the targets set

The plan to open new gas refuelling stations for vehicles remains in place within the areas where Madrileña Red de Gas operates, and this will continue over the coming years, with more refuelling stations planned

full advantage of the possibilities provided by technology to simplify and automate all repetitive processes.

Plans to open new gas refuelling stations for vehicles remain ongoing within the areas where Madrileña Red de Gas operates, and will continue over the coming years, with more refuelling stations planned for a market that is clearly growing.

We maintained security levels in network operations and continue to make progress in fraud prevention. We are also continuing to reduce losses, and this year expect to reach levels below that that require payment, as well as notable reductions in LPG losses.

In terms of regulation, a gas losses regulation review is expected, which we have repeatedly stated is inadequate, as it is based on unbalanced technical criteria. We hope that talks with the National Commission on Financial Markets and Competition (CNMC) and with the Government result in a regulation that is suited to the differences that can and do exist between companies in how different networks and customers are structured.

In terms of remuneration for distribution, we appealed against the CNMC decision, due to the lack of coherence of the memorandum and the unjustified negative impact that the first version of it had on our company. The public consultation process was also clearly insufficient and had manifest room for improvement. We also appealed against the ruling on the adjustment made to payments between companies following the memorandum.

Madrileña Red de Gas considers regulatory stability to be essential in ensuring that companies are free to act in both the short and the long term, make investment decisions, create wealth and employment, and make Spain attractive to investors. Sectorial regulation is nothing less than the specific expression of the principle of legal certainty, which is essential for the life of a company and for the continuance of the rule of law.

Finally, a word on energy transition. The National Integrated Energy and Climate Plan (PNIEC) has defined emission reduction targets for 2030, with resulting changes in the primary and final energy matrices. The PNIEC, which was sent to Brussels in 2019, was revised in early 2020, and for the moment it is the energy policy guideline for the next ten years. However, the basic legal framework for transition should be in the coming Energy Transition Law, which is currently making its way through the Congress of Deputies.

The PNIEC pays detailed attention to the electric sector, as it considers electrification as one of the fundamental tools for changes to the energy matrix in Spain. Gas, however, receives less attention, although in recent months there has been growing awareness of the importance of methane gas

in its various forms (natural gas, biogas, biomethane), not just with a view to the next few years, but in the long term, in alignment with views that are spreading across the world. Added to this is the attention being paid to hydrogen as a clean energy vector for the future. MRG encompasses all these elements in its strategic vision, as part of a progressive strategy for companies operating distribution networks to adapt to the role played by different gases as part of a changing energy context. The challenge in the coming years will be to translate this new vision into growth and profitability.

In the long term, gas is unreplaceable in a great many industrial processes, and is a perfectly acceptable alternative for other end users, as there are no other technologies that offer the same costs and performances. Moreover, gas networks make it possible for users to be efficiently provided with renewable gas in the short and medium term, and hydrogen in the long term. This potential distinguishes gas from other fuels, and makes it an indispensable complement to electricity.

It is our hope that as a result of the industry's efforts and talks with public administrations, gas (in its various forms) is afforded the role it deserves in the transition and beyond, guaranteeing the activity of network management in the very long term. The coming Energy Transition Law needs to establish rational and viable objectives for all the affected subsectors, and the regulatory framework must adapt to help ensure those objectives can be achieved. Designing energy transition policy involves dealing with not only technical or purely political questions, but also questions of legal certainty, the certainty of supply and the

There is a growing awareness of the importance of methane gas, along with the attention being paid to hydrogen as a clean energy vector for the future

competitiveness of entire sectors, in terms both of energy sectors and of energy consumers in any of their varieties.

However, alongside policy design, regulation is the other mainstay of legal certainty. We continue to insist that, in this new scenario, regulating industries such as the energy sector needs ongoing and fine adjustment, the success of which depends above all on continuous dialogue with stakeholders.

Finally, I would like to express the company's gratitude to the shareholders, in particular for their support during what has been such a complicated time over the past year, and for their support in developing this strategic vision, which will form the basis of the successes we hope to achieve in the coming years. And in the same measure, our gratitude extends to the people at MRG, in recognition of their hard work and their dedication in 2020, and for placing their trust in the company in this second decade of its existence.



Pedro Mielgo



Company

Despite the exceptional circumstances we all went through in 2020 as a result of the COVID-19 pandemic, MadriLeña Red de Gas continued innovating and working to ensure the company's ongoing improvement in a range of areas and across the organisation, securing the involvement and commitment of all our various business units. Notable MRG initiatives include those relating to the new regulatory framework, the risk management policy, cybersecurity, telecommunications and personal data protection.

1. COMPANY

1.1 BOARD OF DIRECTORS

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

Dennis van Alphen Director

Martijn Verwoest Director

Andrew Scott Wilkie Director

Qingtong Li Director

Dong Dong Director

Simon Davy Director

Romain Bruneau Director

Pierre Benoist d'Anthenay Director

María Martín Secretary (non-Director)

1.2 EXECUTIVE COMMITTEE

Alejandro Lafarga General Director

Rafael Fuentes Legal Director

Inés Zarauz Financial Director

David Ortiz Expansion Director

Glen Lancaster Operations Director

María Vázquez Human Resources Director

Félix Blasco Network Operations Director

1.3 REGULATORY FRAMEWORK

The Spanish gas sector is regulated by Law 34/1998, of October 7, on the Hydrocarbon Sector, reformed by Law 12/2007, of July 2, Royal Decree-Law 13/2012 and Law 8/2015, of 21 May, as well as by Law 18/2014, of 15 October, and by its implementing provisions, particularly Royal Decree 1434/2002, of 27 December, Royal Decree 949/2001, of 3 August, and Royal Decree 984/2015, of 30 October, due to their importance.

The gas and electricity sector is regulated by the Ministry for Ecological Transition and the Demographic Challenge, whereas the National Commission on Financial Markets and Competition (CNMC) is the regulatory authority entrusted with the tasks of maintaining and ensuring effective competition and the transparent functioning of the Spanish energy sector. Until the publication of Law 3/2013, of 4 June, these functions were performed by the National Energy Commission (CNE), which has since been integrated into the CNMC. The Autonomous Communities also have powers to develop and implement regulations within their scope of their particular authority.

In early 2019, Royal Decree-Law 1/2019, of 11 January, was signed into law with urgent measures to adapt the authority of the CNMC to the requirements resulting from Community law related to Directives 2009/72/EC and 2009/73/EC of the European Parliament and the Council of the European Union, dated 13 July 2009, on common standards for the domestic electricity and gas markets. Said decree modified Law 3/2013, of 4 June, on the creation of the CNMC; Law 34/1998, of 7 October, on the hydrocarbon sector; Law 24/2013, of 26 December, on the electricity sector; and Law 18/2014, of 15 October,

approving urgent measures for growth, competitiveness and efficiency. The main modifications in this regard are as follows:

- The regulatory body's independence to approve its regulatory memoranda is guaranteed.
- In relation to the payment for gas and electricity transport and distribution activities and for liquefied natural gas (LNG) plants (except for underground natural gas storage), the CNMC will approve the methodology, the payment parameters, the regulatory basis of assets and the annual payment for the activity. The CNMC also approves the methodology for tariff rates, and their structure and specific values, whereas the Ministry for Ecological Transition and the Demographic Challenge approves the structure of tariffs, their methodology and their values, as well as the methodology and conditions of access and connection to the electricity and natural gas transport and distribution networks, regulation of the operating rules for organised markets, and payment to the electric system operator and the gas system technical manager.

In 2020, the memoranda and resolutions approved by the CNMC include:

- Memorandum 1/2020, of 9 January, establishing the methodology to pay the gas system technical manager.
- Memorandum 2/2020, of 9 November, establishing the natural gas balance regulations.

- Memorandum 4/2020, of 31 March, establishing the methodology to remunerate natural gas distribution.
- Memorandum 6/2020, of 22 July, establishing the methodology to calculate tariff rates for transport, local networks and regasification of natural gas.
- Memorandum 8/2020, of 2 December, establishing reference unit values for investment and for operation and maintenance for the 2021-2026 regulatory period, as well as the minimum requirements for audits of investments and costs in natural gas transport facilities and LNG plants.
- Memorandum of 17 December 202, establishing the amount to pay the gas system technical manager for 2021 and the quota for its financing.
- Memorandum of 17 December 202, establishing the tariff adjustment for the activity of distribution applicable to companies providing distribution in the 2021-2026 regulatory period. In the case of Madrileña Red de Gas, this adjustment amounts to € 24,516,919.
- Proposed resolution of 29 December 2020 from the CNMC, establishing the payment for the “2021 gas year” (from 1 January to 30 September 2021) for companies carrying out regulated activities relating to LNG plants, and to natural gas transport and distribution (RAP/DE/008/20). This proposal, which is in the process of being heard, forecasts a provisional payment for Madrileña Red de Gas of € 104,279,650.35 in 2021.

Information exchange between supplier and distributor (SCTD) and regulation
On 30 December 2019, Spain’s Official State Gazette published the entry into force of the new formats of files for exchanging information between distributors and suppliers, both for electric power and for natural gas, which had been approved by the CNMC on 18 December that year.

The new 2.0 version of formats standardises operations, includes new regulations and introduces operational improvements detected over the three years of experience with version 1.0, such as protecting consumers’ rights with regard to termination and guaranteed supply, real-time consultation of contract information and considerations regarding gas multi-contracts.

These new formats were implemented at MRG in two phases: the first on 6 July 2020, and the second on 4 January 2021. That both phases were successful is down to the flexible working methods used during implementation, consisting of fortnightly sprints, with continuous monitoring of any blockages and risks among all those involved, and a working line was established between business, systems and our technology partners Atos (which maintains the global SCTD communication system) and DxC Technology (which ensures the functionality of our SAP system).

Two fundamental aspects of the project’s success are the battery of integrated regression tests carried out between gas suppliers to guarantee that developments function as they should, and the coordination between all Madrileña Red de Gas business units, due to the cross-functional nature of the project, ensuring the entire company was involved.

Implementation of the new 2.0 formats was a success due to flexible working methods, continuous monitoring of any blockages and risks, and the working line established between business, systems and our technology partners Atos

1.4 PREVENTION OF CRIMINAL OFFENCES

In accordance with Organic Law 1/2015, of 30 March, Madrileña Red de Gas ensures that its management model for the prevention of criminal offences is kept up to date, including its map of criminal risks and its prevention protocol.

MRG has a firm commitment to adopting any new measures to guarantee the prevention of criminal offences. In 2020, the established monitoring system was analysed using the corresponding risk management tools, analysing the degree of compliance and the level of effectiveness. This led to the approval of an action plan to ensure ongoing improvement of the monitoring process.

MRG has always maintained that it is essential for all members of staff to be informed on this matter. To help improve understanding and the management model’s reach with regards to preventing criminal offences, training courses were held on both general and specific topics,

according to the needs detected by the annual monitoring process.

1.5 CYBERSECURITY

In a hyperconnected world, where most activities are managed online using electronic devices, ensuring the security of operations and information is essential for MRG. The notion of conducting business without information systems and the technology that supports them is simply unthinkable in today’s world. These systems and the technology behind them are targeted by cybercriminals, who use a range of techniques to access company networks, hold data for ransom, install malware and compromise company or user assets. Cybercrime threats change and evolve, and every day new risks emerge that attempt to harm a company’s processes, assets and information.

This new reality means that cybersecurity is our greatest challenge. To understand and manage all the risks involved in cyber attacks, we operate with a global, coordinated approach, supported by our corporate strategy.

By studying different factors inherent to the gas sector, along with our strategic objectives and the most stringent requirements of the market, we analysed what the company’s current level of cybersecurity was, and what it needed to be.

With the help of the consultants Deloitte, in the first half of 2020 we assessed the level of cybersecurity in our processes and networks, identifying the risks that currently affect or might in the future affect our business processes, and an ambitious action plan was drawn up for the 2021-2023 period

In the first half of 2020, we drew up an ambitious action plan for 2021-2023 that ensures we are in a leading position with regard to cybersecurity

that ensures we are in a leading position in terms of cybersecurity.

Additionally, by migrating our systems to Amazon Web Services (AWS), we were able to benefit from a network designed to protect data, identities, applications and devices. As a result, we have improved our capacity to adhere to requirements in central compliance and security, such as in matters of data location, protection and confidentiality.

With AWS we were also able to automate security tasks that were previously performed manually, thus reducing human configuration errors and raising the levels of security. These actions carried out on the infrastructure deployed in AWS are focused on:

EBS volume encryption

In order to comply with various security policies, all the EBS volumes attached to virtual EC2 servers needed to be encrypted. This encryption enables MRG to protect information by turning it into illegible code that cannot be easily unencrypted by anyone not authorised to access it. Encryption software is used to encrypt each bit of information in a disk volume, preventing unauthorised access to any stored information.

Antimalware software installation

By installing an antimalware agent, MRG can prevent, detect and remedy any malicious software found on individual computer devices. Cloud-based antimalware software was the option we chose, as with antimalware technology of this kind files can be analysed in the cloud rather than on the server, thus freeing up computing resources and ensuring a speedier response.

In compliance with security policies, the ESET operative installed the ERA Agent antivirus software on all EC2 virtual servers deployed in the Madrileña Red de Gas AWS account. As a result we detected 37 servers that did not have the agent installed, leading to a multiple installation using Ansible playbooks.

Once all the agents had been installed on the different virtual servers, they were all checked to be working, to ensure the project was successful.

Various other initiatives were also carried out in 2020 with the aim of raising awareness among our users, who are the primary way that cyber threats find their way in, and of strengthening the security of our networks and infrastructures. These included:

- Cybersecurity auditing of remote meter reading devices.
- Programme to raise awareness among users.
- Implementing a password manager.
- Configuring and organising an SIEM-SOC.
- Encrypting infrastructure volumes.
- Installing antimalware software in the infrastructure.

- Disk encryption.
- Network segmentation.

Finally, we performed more than two thousand checks on our processes. All peripheral SCADA, HMI, PLC and RTU systems were checked, as were all IT systems, and we conducted ten awareness-raising campaigns and training initiatives among our users, as well as identifying as many as 28 new projects for the 2021-2023 action plan.

1.6 TELECOMMUNICATIONS

Telecommunications and remote working tools have become key elements of the new business world. Although they have a recurring cost, which in the past would have been of little added value, today it is more necessary than ever to ensure they are secure, capable and optimised.

In order to guarantee the availability of remote work tools, while also optimising costs and seeking added value in telecommunications for the business, Madrileña Red de Gas has conducted an audit of all our telecommunications assets, both externally and internally, aimed at reviewing:

- Agreements with telecommunications providers.
- Conditions such as tariffs, continuities and services.
- Average monthly spend on mobile and fixed telephony and connections.
- Number of devices.
- Needs of each business unit for communications and data.

As a result of this audit, we were able to reduce the overall budget by 25% by restructuring all telecommunications services: updating contracts to actual needs, securing better tariffs, removing unnecessary services, extending basic services, such as the data tariff for employees (from 1 GB to 5 GB), and making technological improvements to the data network and the switchboard.

Back in 2010, MRG was the first distributor to implement Gmail as a company email tool. In 2020 we updated the company email and workspace suite with the G Suite Business edition of Google Workspace, adding unlimited space to our Gmail and Google Drive accounts, and increasing communication security. Adjustments were also made to active accounts, which have since been reduced by as much as 30%.

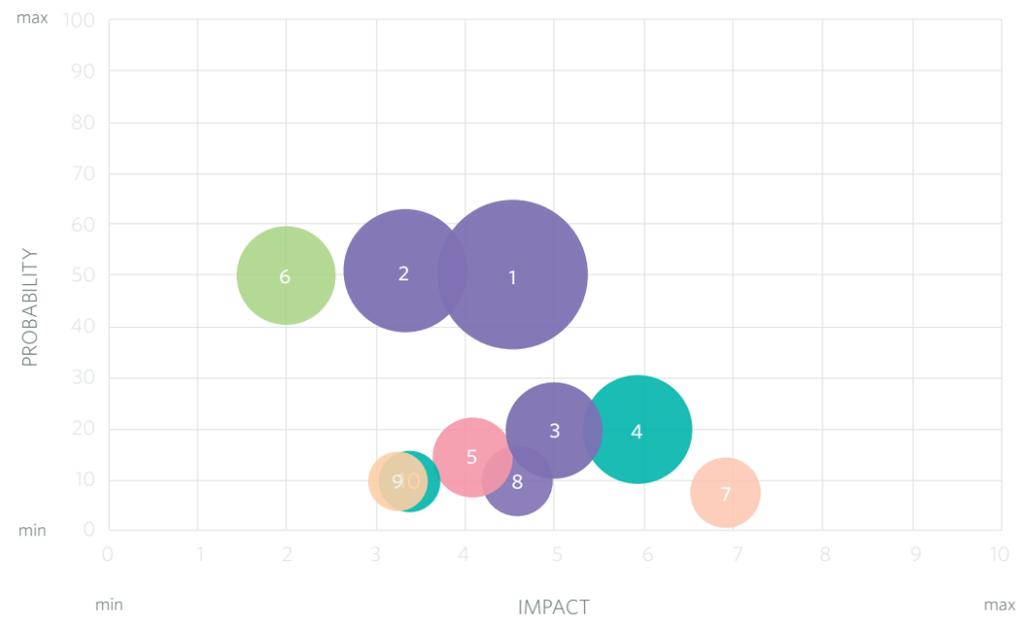
1.7 CORPORATE RISK MANAGEMENT

According to the internal rules of procedure at Madrileña Red de Gas, the Risks and Auditing Committee reports directly to the Board of Directors and operates in accordance with said rules, which define the committee's objectives, functions and composition. This committee is made up of representatives from the Board of Directors, the Executive Committee and the risk management department.

The contents of its agenda are discussed in regular committee meetings, which are held prior to each Board of Directors' meeting. The schedule is agreed on at the beginning of each financial year. Recurring topics include monitoring the map of corporate risks, the most relevant risks and the established or proposed checks and mitigation

MRG RISK MAP

- Regulatory risks (1, 2, 3 y 8)
- Financial risk (4 y 10)
- Cybersecurity (5)
- Gas losses (6)
- Prevention of serious accidents (7)
- Occupational risk prevention (9)



plans, accounts audits, and policy on preventing crime and cybersecurity risks.

Recommendations can then be issued, intended for the risk management department and/or for the Board of Directors. As a result of COVID-19, a map of specific risks was defined, setting out risks of a financial nature, such as the potential impacts on operating margins, liquidity and credit risk, and risks relating to difficulties in conducting operations in the homes of users affected by the pandemic, the availability of resources for the continuity of operations and/or failures in the supply

chain, monitoring the functionality of business continuity plan and checks to monitor the prevention of risks in the workplace.

The company's risk management policy involves progressively conducting cross-cutting analyses of the risks relating to the business and corporate units that are most closely linked to the processes involved. Likewise, risk management forms part of the agenda at the regular meetings of the Executive Committee, and information on how the risks map is evolving is included in the monthly reports sent out to our shareholders.

Risk management is addressed in the regular meetings of the Executive Committee, and information on how the risks map is evolving is included in the monthly reports sent out to our shareholders

Currently, the Madrileña Red de Gas risks map sets out the ten most common risks, which are evaluated by applying a criterion based on:

- The probability of a risk occurring, on a scale of one to ten.
- The combined effect on net present value and reputational impact, both on a scale of one to ten. The effect on net present value considers both the direct economic impact for the next 20 years and any possible sanctions.

The MRG risks map covers emerging risks through regular updates of its content. It also adds new high-level checks to those already in place. A series of action plans have been implemented to help mitigate the consequences of these risks.

The most recent evolutions recorded on the risks map relate to sector-based regulatory changes that come into force in 2021, and the collection of associated risks. These have been properly defined and assessed as more detailed information

on them has emerged about the potential consequences these changes could have if they materialise. A strategy has also been developed to prevent and mitigate any potential impacts of these risks.

1.8 CORPORATE SOCIAL RESPONSIBILITY

For the fifth year in a row, Madrileña Red de Gas took part in the GRESB Infrastructure initiative, providing information on corporate social responsibility as requested. The results provide an overall view of how the company has evolved with respect to previous financial years and our degree of maturity in this regard in comparison with other companies in the sector. Following in-depth analysis of the results, improvements were identified for implementation as part of the company's environmental, social and corporate governance (ESG) model. These improvements will help ensure progress over the course of 2021.

The ESG Report includes specific chapters on environmental, social and corporate governance, drawn up according to the Global Reporting Initiative (GRI) standard. The references have been identified for the content of this standard, making it easier for the information to be located. The report was also checked externally by the testing, inspection and certification company BVQi.

1.9 DATA PROTECTION

The Madrileña Red de Gas data protection model is based on how ISO management systems are structured, so it can take full advantage of existing synergies with other systems in place. Based on the company's information security and

Regarding personal data protection, in 2020 there was a significant focus on managing the rights of data subjects, dealing with incidents and resolving queries

personal data protection policy, the MRG data protection officer has an active role on the Executive Committee, the Risks and Auditing Committee and the Cybersecurity Committee. We also have a management manual that has been developed in accordance with more than ten particular personal data protection procedures, which are regularly revised to ensure their content is always up to date. By implementing the risk and impact assessment model in the different data protection treatments, data protection management is now organised around the identified priorities and opportunities. Improvements continue to be developed to help identify stakeholders in this regard.

This management model also includes interacting with stakeholders by making the personal data protection policy and information on how personal data is processed available on the company's website to ensure stakeholders are kept up to date. We also use the various ways that we communicate with users to inform them that this information is available. The model also covers active management of the data protection officer's mailbox.

The following lines of action are all fully integrated into our management model:

- Actions to coordinate business activities with data processor managers on matters relating to data protection, through meetings, unifying criteria and best practice agreements.
- Monitoring the data protection performance of our chain of suppliers, through the information provided by the Repto-Achilles website on the maturity of their privacy policies, as well as through the auditing reports issued by the Repto-Achilles community.
- Interaction with the Spanish Data Protection Agency (AEPD) with regard to various processes involved in protecting individuals' rights.
- Record of data protection incidents, which are investigated to help introduce improvements to how information is managed.

Finally, the most relevant activities regarding personal data protection in 2020 were chiefly focused on managing the rights of data subjects, managing incidents and resolving queries. Many of these have been in relation to how current legislation is interpreted and to individuals exercising their personal data protection rights.

There has also been an ongoing review of personal data protection clauses in contracts, incorporating our specific contractual clauses where needed with the aim of covering all the particularities of the wide range of services that are contracted.

New developments with regard to previous years include a significant increase in the use of the data protection

officer's mailbox, which went from receiving 300 requests in 2019 to 800 in 2020. Also notable was the notification received from the AEPD of a data protection security breach. When investigated, it became clear that there was a need for improved automated information management mechanisms. Finally, the first sanction proposed by the AEPD on data protection matters is pending a definitive ruling from the courts.

Furthermore, and with the aim of promoting internal data protection culture, the MRG internal regulation library released information on revisions and updates made over the course of the year, ensuring that the documentation it contains is kept up to date.

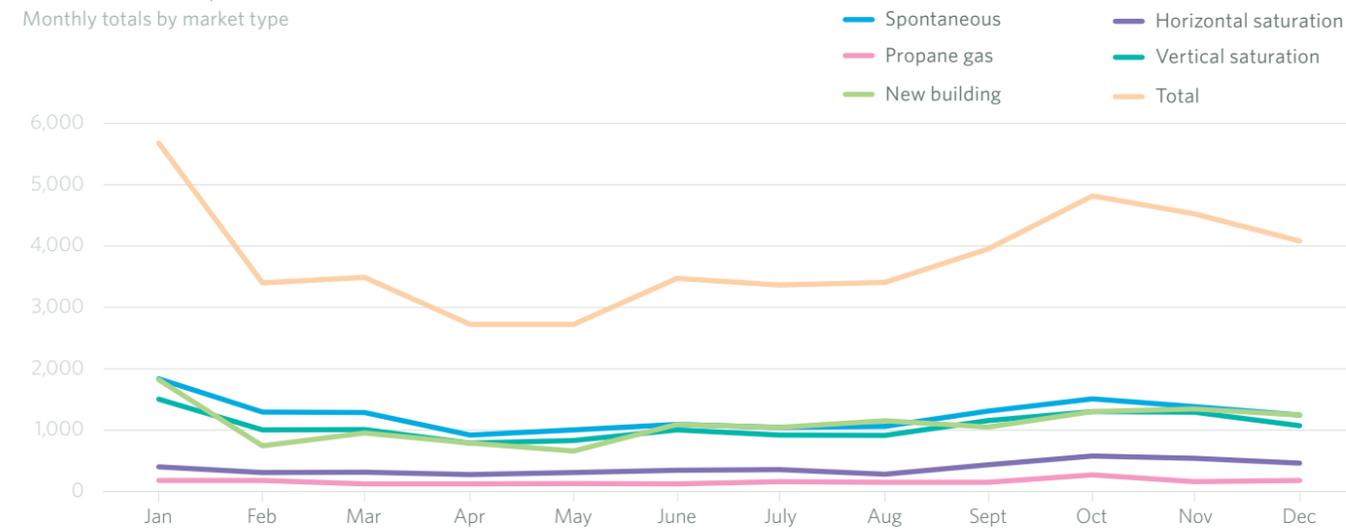


Business

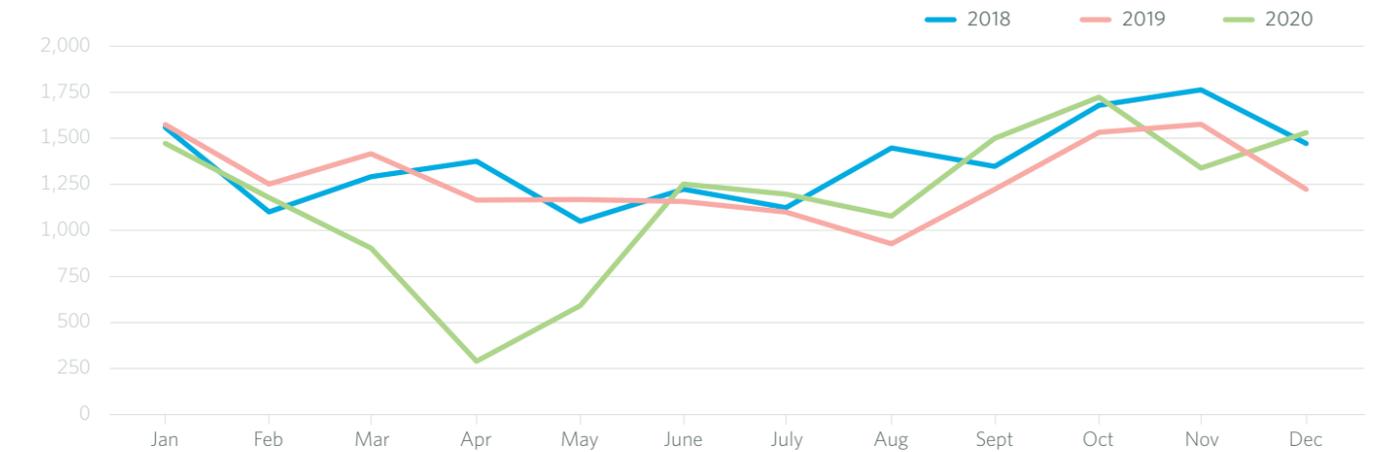
Madrileña Red de Gas achieved optimum results in the high-consumption market, and was able to uphold its commitment to the major developers to deliver the developments in progress in 2020. The company also worked on creating collaborative groups with suppliers and secured more active involvement from all the collaborators who make up the extended MRG business. Digitalisation, automation and self-service customer support were all strengthened and optimised in 2020. New channels were activated, such as support by WhatsApp, the virtual office is now firmly established, and new resources such as robotisation and making use of big data were also developed. In terms of its commitment to the environment in 2020, the year of decarbonisation, the company implemented a range of initiatives, including dismantling more than a hundred LPG plants.

2. BUSINESS

NEW CONTRACTS, 2020
Monthly totals by market type



RESIDENTIAL MARKET REGISTRATIONS, 2020
Monthly total



2.1 RESIDENTIAL MARKET

The 2020 financial year was marked by the social and economic repercussions of COVID-19, and its influence was felt most keenly in the residential property expansion markets, an accurate reflection of societal trends in the Madrid area. Despite the severe lockdown in the first few months of 2020, MRG continued to secure new customer contracts, honouring our commitments while ensuring maximum protection for staff and customers alike, with strict measures and protocols in place.

In the most severe period of the state of alarm in Madrid, various indicators were evaluated to measure the degree to which business would be affected and to ensure we could provide public administrations with regular reports, providing as much information as possible to help with

future solutions. Home quarantines and customers preventing home visits in person led to more than 150 visits being cancelled, mainly in the months of March and April.

Given this difficulty in making home visits, the drop in registrations was worsened by a sharp reduction of new contracts, as in the Madrid region various limitations were placed on the activities of natural gas suppliers. All of these factors had a major impact on the targets set for expanding the residential market, leading to a gap of up to 1,500 supply points fewer than were expected in the first half of the year.

During the second half of the year we focused our efforts on reducing this accumulated shortfall, with the aim of recovering all of the contracts lost. By focusing on sales,

and through our traditional channel of installer companies, Madrileña Red de Gas designed ad hoc campaigns in specific areas of around 20 municipalities and launched attractive price offers for end users with the aim of mobilising more than 7,500 potential supply points.

In addition, and given the limitations on making sales visits to people's homes, posters and flyers were used to advertise. The results of these traditional campaigns were not as satisfying as was hoped for, which led us to implement new sales techniques, which proved to be a highly valuable learning process in terms of innovation and implementing improvements in the future.

Through our sales-based call centre, MRG began a project to reactivate as many supply points as possible in as short

Despite the severe lockdown in the first few months of 2020, MRG continued to secure new customer contracts, honouring our commitments while ensuring maximum protection for staff and customers, with strict measures and protocols in place

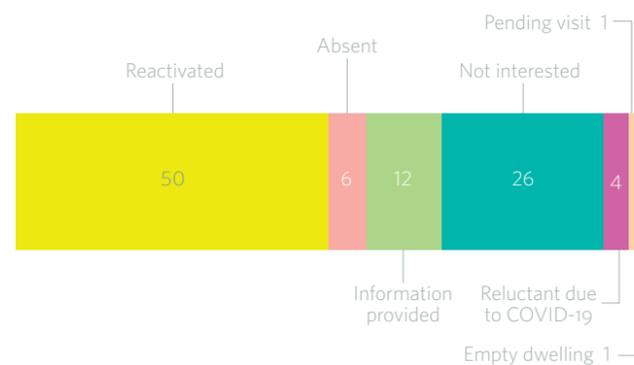
Natural gas consumption increased by more than 210 GWh in the high-consumption market in 2020

a time as possible. The result was the mass activation of more than a thousand new supply points in homes owned by a range of property development groups. We also implemented a campaign to recover lost leads. This collaboration paves the way for future opportunities for expansion, chiefly in new build and rental markets.

With a focus on recovering sales activity in new gas installations, Madrileña Red de Gas piloted a telemarketing project that meant we were able to reach potential customers in a safer, more direct way. This new initiative is helping us understand more about these customers and securing new points of supply.

The constant improvements to customer provision, the use of more optimised sales arguments in calls and collaboration with different businesses have all led to a significant improvement for the company and optimum results. The new collaboration contract signed with Unisono for 2021 is a great example of this.

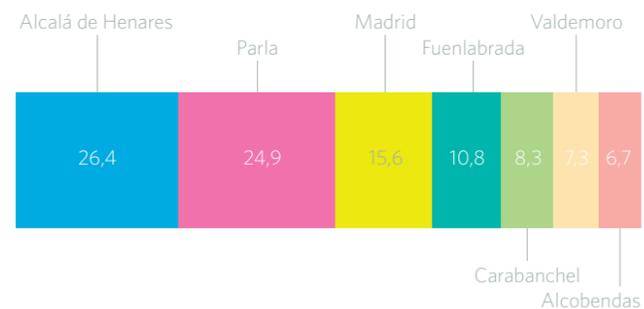
RESULT OF CAMPAIGNS IN INHABITED PROPERTIES
Yearly total by status (%)



LEADS GENERATED COMPARED WITH TELEMARKETING CALLS
Total (%)



DISTRIBUTION OF APPOINTMENTS BY MUNICIPALITY, 2020
Accumulated total (%)



2.2 HIGH CONSUMPTION

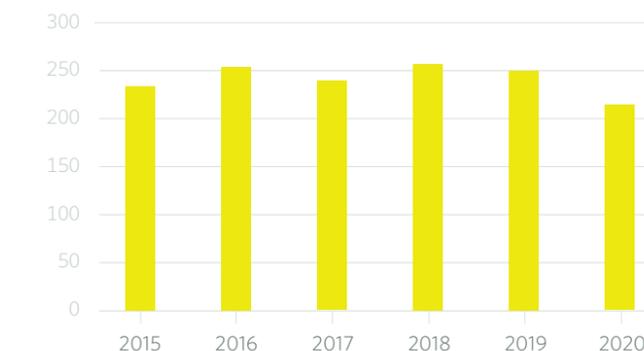
The high-consumption market is hugely important to Madrileña Red de Gas. Having teams specialised by market has led to more effective sales work, as our sales staff can provide support for different customer needs more efficiently depending on their profile.

Despite the hardships that the pandemic has brought to bear on this market, in 2020 natural gas consumption increased by more than 210 GWh, confirming its relevance as an energy source in the high-consumption sector, as cogeneration can produce electric power and usable heat in the same process, which is of particular interest to the industrial sector, as it means increased efficiency and sustainability, and important savings.

MRG obtained good results in the high-consumption market, which every is becoming more open to using natural gas in their installations. Businesses such as the pharmaceutical company Pharmalooop are committed to cogeneration for its own consumption, due to the greater efficiency in power generation and greater savings in primary energy and water consumption, giving the company a competitive edge through lower costs. Another notable example is that of La Santamaría, a leading food manufacturer of artisanal aperitifs that has gone from producing its products in its small premises in Santa María de la Cabeza to opening a factory in Valdemoro, where it has chosen natural gas rather than electricity. This decision has led to notable savings and a higher productive yield.

Institutions such as the Navalcarnero Penitentiary Centre also chose energy efficiency for their facilities, with improved performance following the changeover from gas oil boilers to natural gas boilers supplied by MRG.

EVOLUTION OF HIGH-CONSUMPTION MARKET
Total annual consumption (GWh)



Finally, in a year marked by COVID-19, at MRG we feel that we are part of the solution for all those sectors that have been affected, to whatever degree, and which have suffered or are still suffering the consequences of this health crisis. Since the start of the pandemic we have been working hard to provide support for the most heavily affected sectors. We developed special campaigns aimed at the catering and SME sectors, which we were able to work with to offer favourable payment terms for installing natural gas in their facilities.

In the Madrid region, 2020 was also the year of decarbonisation, the fight against climate change and the year of improved air quality, a commitment that MRG took on board with different public administrations, such as Madrid city council, with financial assistance for residents through the Madrid 360 ordinance on quality and sustainability. In a period of energy transition in which large numbers of residential properties continue to use

Developments with individual gas supply points provided by MRG amounted to 3,990 homes, 24.5% more than originally forecasted

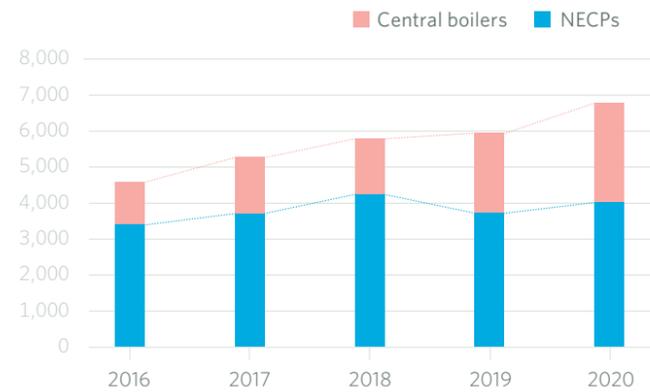
contaminating fuels such as coal and gas oil, natural gas plays a decisive role in reducing emissions and improving air quality. However, the pace of boiler room conversions was not as strong as was hoped for in 2020, as the need to maintain social distancing meant that the members of property owners' associations were forced to postpone their meetings in which decisions of this kind would normally be made.

2.3 NEW CONSTRUCTION

Despite the difficulties caused by COVID-19 in terms of holding free-flowing meetings with major developers, Madrileña Red de Gas used available technology to establish and remain in close contact with them, making it possible to continue collaborating and providing support where needed in order to meet the goal of delivering on developments in progress over the course of 2020.

Despite the uncertainties generated by the pandemic, individual gas supply points were provided by Madrileña Red de Gas in 3,990 homes, 24.5% more than was originally forecast. More than 30 boiler rooms were switched over

NEW EDIFICATION EVOLUTION
Total according to boiler type

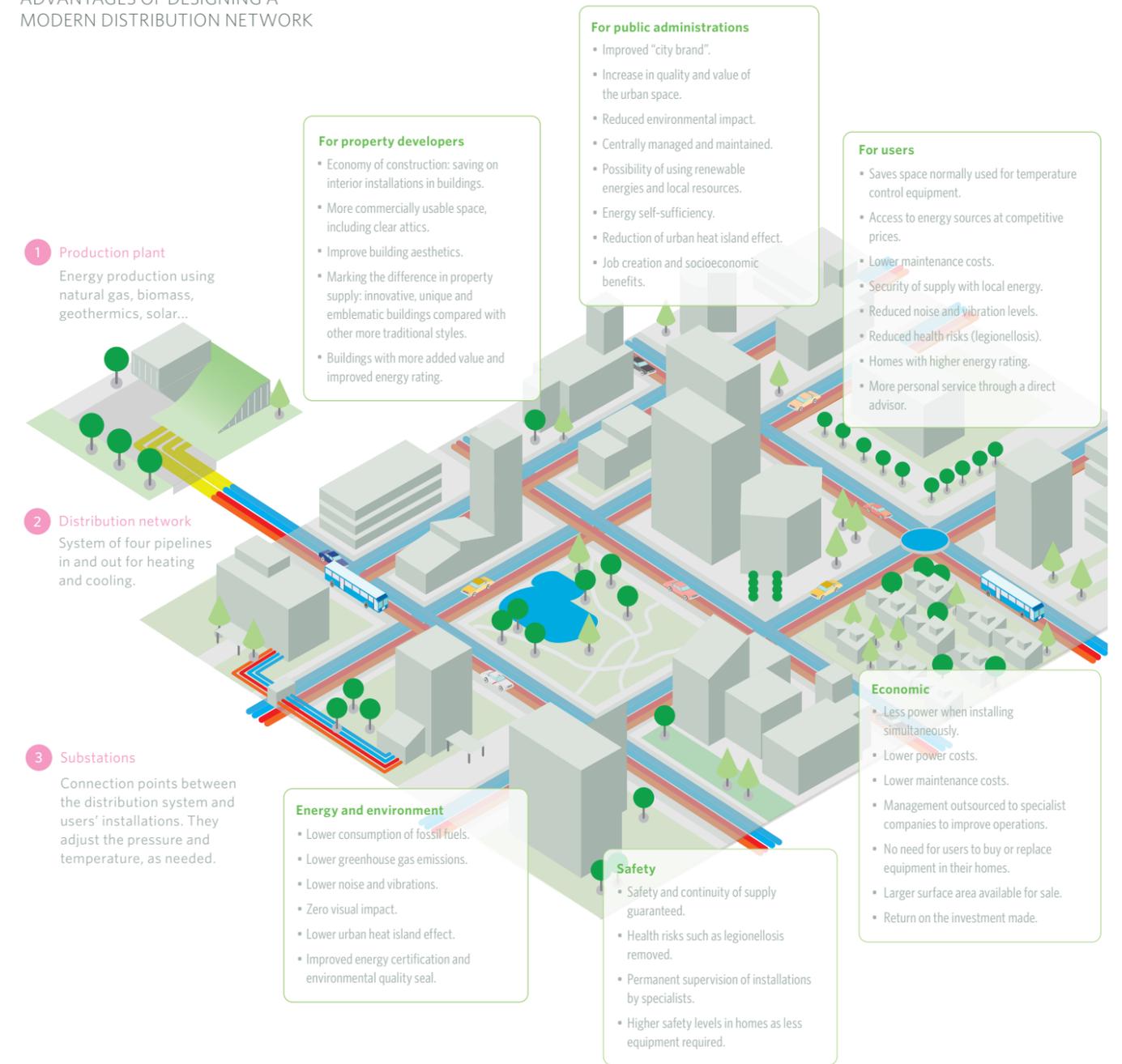


to gas heating and hot water, a total increase of 2,800 homes. Madrileña Red de Gas also signed four collaboration agreements for third-party networks at a length of 2,560 m, to 1,151 potential homes.

We also established a channel of communication by which we are able to provide developers, construction companies and subscribers with updates on technical, administrative and legislative issues, which has proven to be a highly popular initiative.

Finally, MRG is working on the study of an urban network project aimed at new urban planning developments that can provide domestic hot water, heating, cooling and even lighting. This will be developed in the north-west of the Madrid region, in a new sustainable environment within the municipality of Pozuelo de Alarcón.

ADVANTAGES OF DESIGNING A MODERN DISTRIBUTION NETWORK



Madrileña Red de Gas is therefore committed to self-service, a key element to optimising our customers' experience

2.4 LPG MARKET

In line with our commitment to reduce emissions, in 2020 we continued with our plan to convert LPG points to natural gas. Despite the four months of inactivity due to the lockdown, we transformed a total of 27 installations to natural gas, meaning that 700 homes that previously used LPG now pollute far less as a result of converting to natural gas. In performing these conversions, MRG put particular emphasis on the quality of the work carried out, with the aim of ensuring the complete satisfaction of our customers, who now have safer installations and lower emissions as a result of their cleaner and more environmentally responsible consumption.

Regarding new LPG networks, in the municipality of Los Molinos a trade agreement materialised with the company Xucrogas S.L. to transfer 61 new LPG supply points, which includes more than 3,000 metres of network and more than 60 connections. A commercial collaboration agreement was also signed with the company to convert more than 300 new supply points within the MRG distribution area.

In 2020 we also continued to move forward in the digitalisation and automation of new registrations, account holder transfers and disconnecting supply for our 22,710 LPG customers. Before 2020 the entire process was done

manually, which took up more time and had more room for errors that can occur when managing procedures in this way. Digitalisation has meant a 70% reduction in the time spent on management and document validation. A 50% increase in documents needed for each procedure was recorded, along with a 70% reduction in errors associated with manual management and 100% autonomy in generating orders to be carried out in the field.

2.5 ENERTY

As in previous years, developing the company's internal processes by using new digital tools and implementing improvements in existing tools continued in 2020 with the consolidation of Enerty. This tool is the result of the collaboration between AGREMIA (the Association of Installation Companies of Madrid) and Logalty, a company with expertise in digital transactions and certificates. Thanks to this ambitious project, we have eliminated paper certificates, providing transparency and legal certainty to the process of certifying installations. Getting rid of physical documents has led to greater efficiency in our processes, and the individual signing the certificates can now be uniquely and reliably identified. The certificate document has also been standardised, using the official model published in the "Technical regulation for the distribution and use of gas fuels", ensuring full compliance with regulations and a more effective system of evidentiary documentation. It also meant an end to any possible data losses, with instant availability 24 hours a day and 365 days a year in any location. We are also now able to guarantee the longevity of stamped documents, as well as improving customer support by providing a copy of the certificate in real time.

EVOLUTION OF APPLICATIONS RECEIVED THROUGH THE VIRTUAL OFFICE
Monthly totals



Since June 2020, a total of 41 installation companies now benefit from the advantages provide by Enerty, with more than 600 digital certificates issued. Furthermore, Madrileña Red de Gas continues to work towards fully integrating Enerty into our systems and mobility tools, adapting it to work with other documents, such as anomaly correction confirmation certificate in annual regular inspections.

The excellent take-up of Enerty among installation companies provides new opportunities in other areas of expansion, such as electric certificates and certificates for other installation types.

2.6 VIRTUAL OFFICE

All our studies and the experience acquired over the past ten years lead us to confirm that customers want it to easier and quicker to interact with us, with greater autonomy, and to be able to do so where, when and however they wish. MRG is therefore committed to self-service, a key element to optimising our customers' experience.

After years of strengthening our virtual office and the interactive voice response (IVR) service with self-service processes, in 2020 we took a step further in enabling our customers to interact with us quickly and simply, meaning that now we are only a few clicks away.

The process of sending self-service readings went from 65,000 recorded readings in 2019 to 525,000 in 2020, an increase of 800%

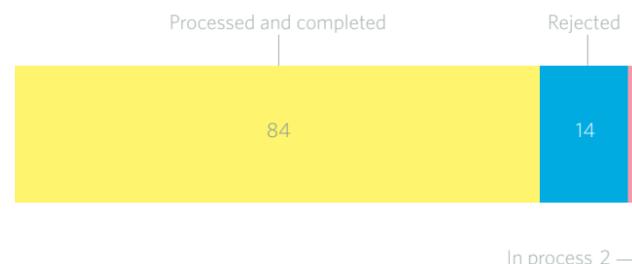
We strongly feel that providing easier customer support makes for a better experience. We have improved and simplified the process of sending meter readings and managing appointments, so they can now be done without having to be registered with the virtual office.

As a result of these improvements, the process of sending self-service readings went from 65,000 recorded readings in 2019 to 525,000 in 2020, an increase of 800%.

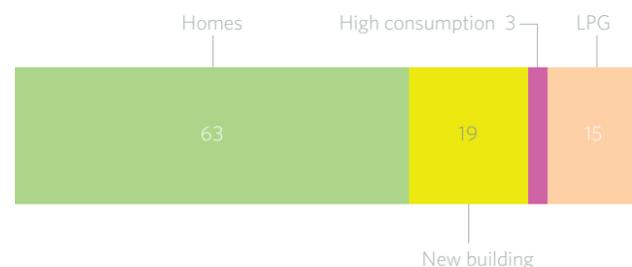
The virtual office has also implemented new registration management processes, through a request reception engine that communicates with the system and can provide an immediate response when the customer makes the request online. For special cases the request is sent to the back office, where it is dealt with by the Madrileña Red de Gas team, who respond to the customer through the platform, providing a locator for the request and sending notifications by email.

Now the responses to these requests are quick, direct and real, as any intermediaries have been eliminated, providing further support to deal with and help our customers with a new registration right from the start. As a result, from receiving 51 supply requests in the first month of

PROCESSING OF NEW REGISTRATIONS IN THE VIRTUAL OFFICE 2020
By status (%)



PROCESSING OF NEW REGISTRATIONS IN THE VIRTUAL OFFICE 2020
By market type (%)



implementation, we now receive more than 750 such requests every month.

Today, 84% of requests have been processed, and 2% are still in process. The remaining 14% are for issues not related to new registrations, which are referred to the virtual office for existing customers.

Of the total volume of new registrations handled through the virtual office, 65% of the requests are in pre-built homes, and 18% are in new-built homes. The high-consumption market (made up mostly of commercial premises) accounts for 3% of these registrations, which because of their particular nature are handled using a personalised approach. The remaining 14% are online processes involving registrations for LPG.

As well as handling requests for new registrations for natural gas, the virtual office also services LPG contracts, account holder changes and disconnections. It is now simple and intuitive for customers to upload the necessary documentation, and once validated the registration or account holder change is completely automatic. As a result, 879 requests have been processed and the costs from the old telephone contract have been reduced, a real milestone in the MRG digitalisation policy.

The virtual office has also been implemented for installation companies, so they can process registrations and have all the documentation and information on commercial campaigns available to them online. The channel will also soon be able to process technical documentation.

Finally, in our work to improve and facilitate access to information to our extended company, we continue

to promote the use of Frappe and the Reins digitised cartography tools in 30 new SMEs.

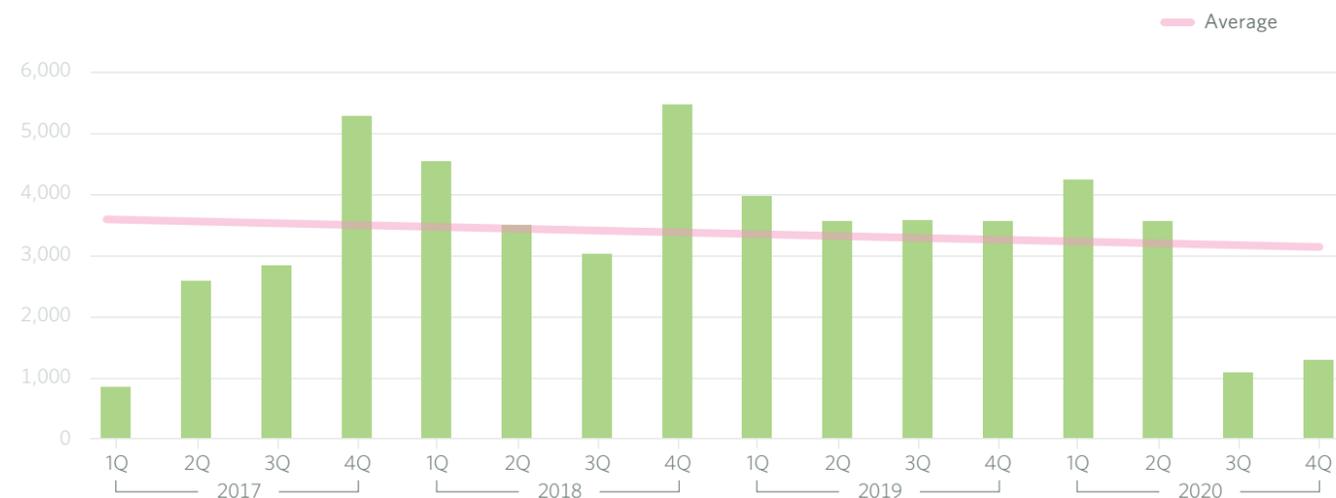
2.7 COLLABORATORS

As a sign of loyalty to our most traditional channel, namely installation companies, in 2020 MRG maintained its public offer and a series of sales campaigns, which has enabled more than 300 installation companies to be signed up to the scheme in order to obtain significant sales contributions in installations carried out within their area of activity.

Eight new companies also joined our network of associated stores, with the aim of securing more active involvement from all the collaborators who make up our extended company. This enabled us to redesign and improve processes to ensure better communication with end customers and have information on their needs that is as accurate as possible.

As well as handling requests for new registrations for natural gas, the virtual office also services LPG contracts, account holder changes and disconnections

COMPLAINTS TO THE CNMC FILED BY SUPPLIERS
Total per quarter



Two-way working groups between MRG and suppliers led to a 33% drop in complaints transferred by suppliers

2.8 SUPPLIERS

MRG works to democratise information about our service to customers, allowing transparent access to suppliers and end customers alike. With this aim, in 2020 we provided suppliers with a catalogue of web services that they can use to provide extra value for their customers.

This collaboration, established through two-way working groups between MRG and the supplier, has been highly successful, leading to a 33% drop in complaints transferred to use from the supplier. These promising results are due to improved first-call resolution (FCR) for customers, the distributor and the supplier, as well as to improved quality of information, services and timeframes, for increased customer satisfaction, as well as to the increase in customer service autonomy from the supplier, which has reduced the

volume of complaints received by the distributor. We have also improved coordination and communication to minimise the impact of occasional incidents.

MRG hopes to continue strengthening these collaboration groups in 2021.

2.9 REGULAR INSPECTIONS

MRG improved its inspection process in 2020 in order to continue to provide our customers with maximum support and apply all appropriate safety measures to protect our staff and our customers over the course of a year marked by COVID-19 and the lockdown restrictions.

A notable example is the safety protocol in place for operations in the field to ensure the safety and peace of mind of our customers, with 171,717 communications sent out providing information on the protocol.

Despite the difficulties resulting from the months of lockdown, MRG carried out its campaign of regular inspections (RIs). In total, 126,620 RIs were carried out, of which 103,505 were part of the standard campaign for 2020, which ended with a 91.66% success rate. The remaining 23,115 RIs were carried out with customers whose inspections were not up to date, and these were all brought up to regulation, a considerable achievement taking into account the fact that they all had to be completed within a shorter period of time due to work being halted during the months of lockdown.

A total of 27,928 appointment changes were also made, equating to 19.72% of the RIs planned in 2020, compared with 15.81% in 2019.

In terms of the commitment made to customers, we were able to honour that commitment in 99.8% of cases. We also improved communication in processes entailing higher levels of difficulty, and simplified communications such as instructions for sending confirmation of anomaly corrections or reminders of the end of the period to send in documentation.

Another notable aspect of inspections in 2020 was the implementation of more personalised processes, with the aim of ensuring greater customer confidence. By sending them a photo and the details of the inspector in advance, customers now know which technician will be carrying out the inspection in their home. A security code is also sent to customers, who should ask the inspector for it upon arrival at their home.

By establishing the “last mile”, a link with information on the work that the technician should carry out before reaching the customer’s home, customers are better able to manage their time, as it allows for the arrival time of our inspectors at their homes to be adjusted as much as is possible.

In 2020 MRG also focused its efforts on improving the self booking process, rising from 11.4% of operations in 2019

Despite the difficulties resulting from the months of lockdown, the 2020 campaign of regular inspections ended with a success rate of 91.66%

The use of big data and the robotisation of certain processes means that all business units can spend more time on tasks that bring greater added value

to 16.6% in 2020. Furthermore, with these improvements we increased FCR in our call centre – at the beginning of the year it was at around 50%, and is now at 80%, and this also notably improved the visibility and autonomy of the agenda by our extended company, as until 2020 they depended exclusively on this being managed by the company.

To achieve this, all the corresponding services needed to be integrated. Daily alarm systems were created to provide notification of overly occupied agendas. Improving visibility for our extended company also provided greater autonomy when modifying scheduling capacity and made it possible to automatically assign work in the field to the technicians' terminals when arriving at a new appointment, thereby optimising the administrative work and making it easier to shorten the time between when an appointment is changed and the chosen date. New key performance indicators (KPIs) were also introduced to view how the scheduling process is evolving, allowing customers to choose how they wish to be notified of the appointment and providing them with the chance to give their opinion by means of a survey on the alternative appointments offered and the possibility of continual improvement (the current score is 7.5/10).

Finally, in 2020 Madrileña Red de Gas launched a licitation to provide the services of regular inspections (RIs), home operations (HOs) and registrations in an integrated way, as a result of which it was possible to move from six different service providers for a single municipality with integrated service to a scenario whereby the activities are all integrated for the same supplier and for the whole of the area where Madrileña Red de Gas operates.

This was made possible by updating the scope of the services provided in RIs, HOs and registrations, once the service level agreements for the different field operations had been standardised. Our customer-driven focus continues, we are improving productivity in the field with time savings, kilometres travelled and improved agility in our customer support, and we continue to promote an integrated vision of field operations, consisting of the three services and with greater collaboration and involvement between the different departments and managerial teams.

2.10 BIG DATA

One of the key projects in 2020 was the creation of a cloud-based data repository (data lake), where Madrileña Red de Gas information originating from different sources can be stored, the aim being to get the most out of the data we hold in the various applications used by the company.

Creating this data lake has given added value to the whole of the data analytics process: from extracting data to be added to the data lake through to using the various dashboards available for operative and managerial reporting.

This information is stored in the data lake as a unique record, following specific key field criteria, which means that, from a single record, relevant information can be obtained from different applications in our ecosystem, as well as compacting and collating information from different sources, making it easier for data to be searched, analysed and used.

This project has enabled MRG to take a qualitative leap in monitoring operations, creating more visual reports and dashboards that contain much more information and historic data, including key performance indicators of each unit, all updated and available for use on a daily basis. This allows the business area of the company to be much more agile in its decision making.

Before this platform was set up, reports were obtained once a month, which would take up around 36 hours of time spent on various resources; now they are obtained on a daily basis and take less than 30 minutes to produce. Information has also been homogenised between all levels and areas, focusing efforts on analytics rather than extraction, and freeing up 0.5% of the human resources working full time who worked solely on extracting information.

The platform was developed on Google Cloud with parameters of scalability and the ability to incorporate new data sources and analytics, so users can build their own reports and easily incorporate new reports depending on business needs.

In 2020 we had 11 critical business processes run on robotic automation, eliminating more than ten thousand hours a year of repetitive tasks

2.11 ROBOTISATION

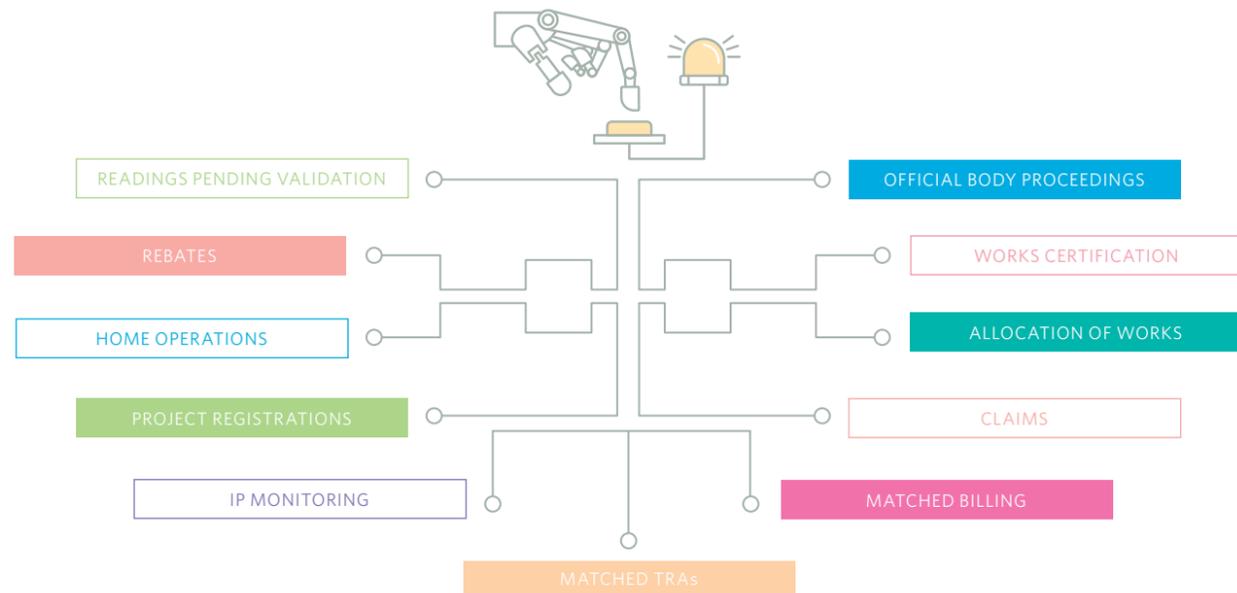
It is some years now since Madrileña Red de Gas started introducing robotised processes into our normal operations, with the implementation of robotic process automation (RPA) assisted by UiPath technology.

After this period of learning, evolution and incorporation of new process in robotic automation, in 2020 we had 11 critical business processes run on robotic automation, eliminating more than ten thousand hours a year of repetitive tasks, enabling all business units to spend more time on tasks that bring greater added value.

Having come to the realisation that coordination between the different systems and hardware is fundamental, we've managed to stabilise all the robots. For every change or modification that is made in an application, or in a process that is affected by a robot, we analyse and determine its impact to anticipate the need for the robot to adapt when necessary.

We have also incorporated the use of assisted RPA to manage cases of fraud from the Directorate General for Industry. The large amount of data and necessary documentation from different sources and systems required

PROCESSES AUTOMATED BY MRG



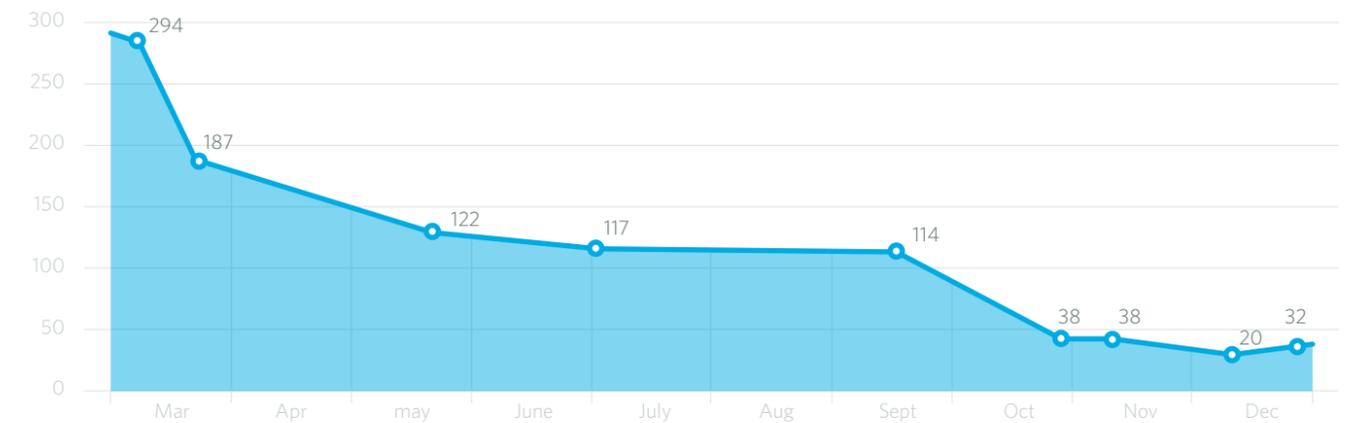
a considerable investment of time. Given that claims of this kind tend to have a similar pattern, MRG chose to automate the response based on two standard case models: one for cases in which the fraud is detected in a joint visit with an authorised inspection organisation or an approved control body, and another for cases in which only Madrileña Red de Gas is involved in detecting the fraud.

The robot locates mail, by type, sent by the specific body in question, records it in the system, together with any attached documents, and decides on the type of response, including the data extracted after accessing the various documents and systems. The success of this robotised automation has set the standard for the Directorate General for Industry in the Community of Madrid, as it has led to a

reduction of 90% of cases pending processing. In addition, the time devoted to dealing with these cases has been reduced by 60%.

It is worth noting that robotisation has been and remains fundamental leverage in the transformation to providing added value for our customers, as it means we can devote all our efforts on improving the customer experience, working on excellence, optimising our processes and improving efficiency. The cultural change that has accompanied robotisation has also allowed multiple process and operations to be automated, such as customer support and managing suppliers.

EVOLUTION OF PROCEEDINGS WITH OFFICIAL BODIES PENDING PROCESSING, 2020
Total no.



The cultural change that has accompanied robotisation has also allowed multiple process and operations to be automated, such as customer support and managing suppliers

2.12 CUSTOMERS

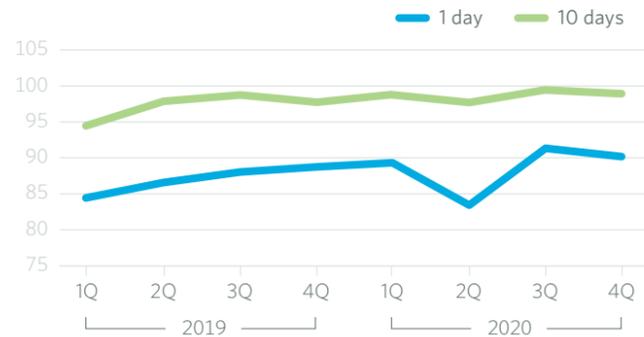
Customer-focused

One of the best markers of MRG's outlook is how we look after our customers. Every step we take is aimed at refining processes, reducing costs and consolidating knowledge within the company.

This knowledge helps us continue to strengthen the relationship with our customers, directing commercial resources to campaigns that are right for that particular moment or applying our efforts to each customer, whether real or potential, as a challenge. The entire Madrileña Red de Gas team is involved in coming up with the right processes to provide personalised experiences for each and every one of our customers.

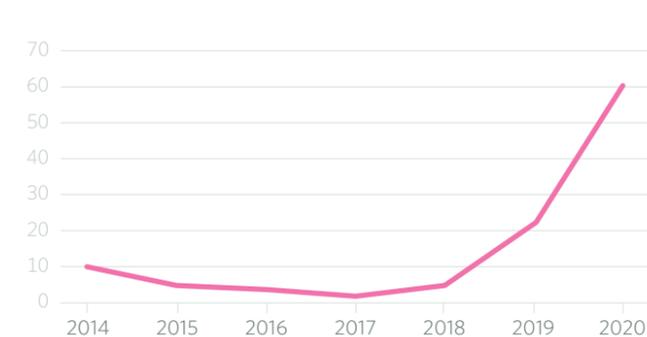
2. BUSINESS

EVOLUTION OF REQUESTS RESOLVED*
Quarterly variation (%)

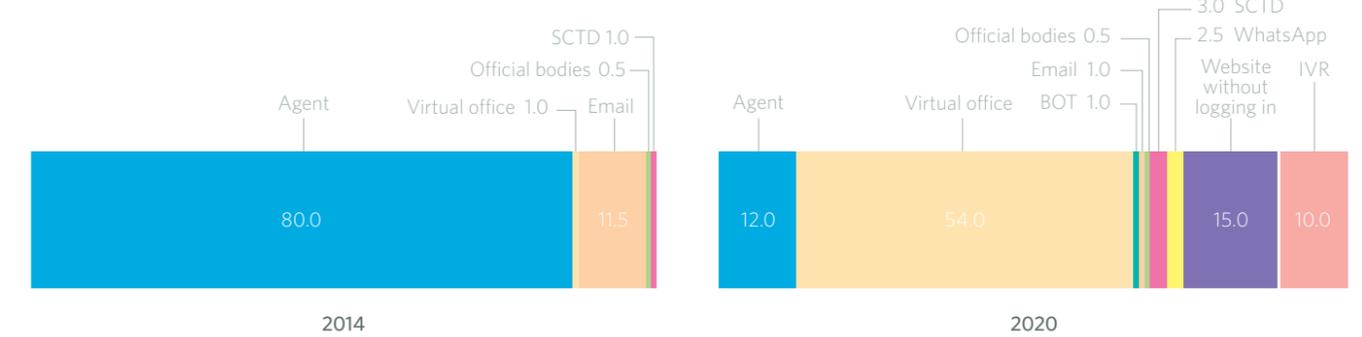


* Includes information requests, requests for action to be taken and complaints.

SELF-SERVICE
Annual variation (%)



EVOLUTION OF CUSTOMER SUPPORT BY CHANNELS
Total annual (%)



Customers can successfully manage 70% of their most common issues or requests for information simply by using WhatsApp

For that reason it is essential to ensure that the contact details of our customers are always up to date. Mobile phone and email contact details increase the degree of effectiveness in how we manage our customers. With such a wide range of initiatives implemented in 2020, such as promoting our virtual office, contact details being validated by our operators in the field and by the call centre, reviewing the information flow for contact details reported by suppliers following requests, data mining of historic interventions and communications to complement data or progressively replacing printed letters for customers for whom we have

phone and/or email details, we are able to communicate with 62% of our customers by email, and we have the mobile number of 75% of customers, making us even more agile in the last mile when out in the field, as well as more efficient and environmentally friendly, having to produce less printed material.

The WhatsApp channel, which was a priority development for the company and which brings digital communication to customer segments that are not usually digitalised, has meant customers can now deal with 70% of their most common issues or requests for information simply by using WhatsApp. Meter readings are also now possible via WhatsApp, which is proving to be very popular, with more than 30,000 chats managed, accounting for 4% of all interactions with the call centre.

Another notable improvement in 2020 was to change service provider: we implemented an internal multi-channel management customer support tool and reorganised telephone support into four specialised levels:

- Level 1: quick support for simple requests.
- Level 2: support service with autonomy for resolving complex requests in the first call.
- Level 3: customer champion – specialists in business processes.
- Level 4: emergencies – a dedicated support service to provide the best response 24/7.

This new way of organising our support enabled us to harness artificial intelligence (AI) tools in the cloud, develop greater autonomy and agility to implement new support services for customers, increase integration between different platforms and increase feedback, and improve how customer support is channelled.

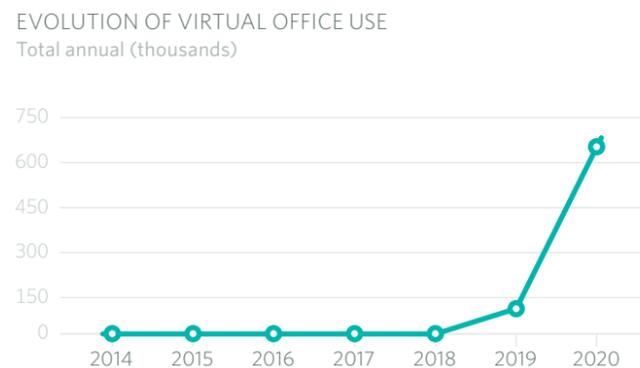
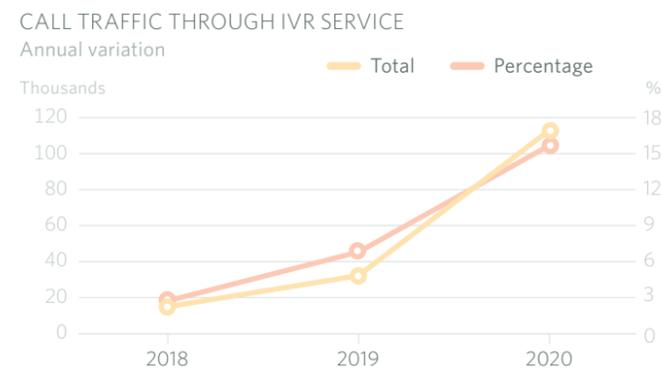
This helped bring about a 17% drop in service cost. The percentage of self-service use in the call centre quadrupled to 16%, customer support via calls through the WhatsApp channel was strengthened and there was greater autonomy in how call traffic is managed.

In 2020 we initiated phase 1 of our cloud-based contact centre, based on the SaaS service by Amazon Connect

Additionally, in 2020 we initiated phase 1 of our cloud-based contact centre, based on the SaaS service by Amazon Connect, which in the future will be implemented with the incorporation of Amazon Lex AI services.

This first phase of the project was a success: it gave us greater control of call traffic in the call centre (we can divert traffic from one call centre to another, depending on needs) and greater autonomy when designing, updating and interacting with the decision trees/recorded messages. This all led to shorter implementation times for improvements, agility in how trees/recorded messages are modified

2. BUSINESS



(previously it depended on the systems provided by the service provider and how they were managed), identifying customers by their phone number and conducting surveys after completed calls. We were also able to optimise our IVR options and obtain monitoring/KPI reports on the service.

Another initiative by Madrileña Red de Gas in 2020 was to optimise one of the company’s premium channels, the virtual office, which provides great added value for our customers, while also leading to major efficiencies in time and resources in our business units. Optimising our virtual office consisted of extending the help section and improving the existing chatbot. WhatsApp was also incorporated along with a direct section for incidents, which are given top priority. All these changes led to a 50% increase in the improvement of information and help provided, 40% greater customer autonomy when managing their regular inspections and a 50% improvement in how complaints are managed.

Continuing with customer support, another notable example of our ongoing progress was having a specialised back office

to provide agile and dynamic resolutions to all requests not resolved by the front office. This was made possible by continual work between business units to identify scenarios of recurring requests to help establish patterns of management and reply, by establishing protocols to correctly categorise requests and by coordinating mass communications. This helps avoid the excessive volume of communications that can have a negative impact on the customer.

This led to optimum results: a 30% improvement in the information provided to customers when closing requests, a 15% increase in the automation of reiterated requests, or those with little added value, and the resolution of requests (information, requests for action and complaints) within ten days.

Looking back, we can conclude that in these first ten years MRG has brought about a continuous transformation and adaptation with regard to customer support and the establishment of new channels for this specific purpose.

In these first ten years MRG had brought about a permanent transformation and adaptation with regard to customer support and the establishment of new channels for this specific purpose

This transformation intensified over the past three years following implementation of the self-service capability and the increase in our communications on the impact of the process on how the customer’s supply points would be managed.

This was all made possible by the digitalisation and by going paper-free, by evolving the website and our virtual office, which now provides 24/7 autonomy for managing the most common requests, by extending our automatic support through call centre IVR, without the need to wait, and finally by ensuring our customers are always kept up to date on development, by providing them with more information through our process-related interactions.

Loyalty

Communicating with customers is a fundamental to Madrileña Red de Gas. Our aim is to anticipate their needs and for them to know who we are, to provide added value for them, because they are the company’s *raison d’être*. With this premise, in 2020 we made a quantitative and qualitative leap in how we communicate with our customers.

SATISFACTION SURVEY (%)

	2014	2016	2018
Customer Support	61.9	71.9	58.4
Regular inspection	84.0	76.4	85.0
Home operations	83.9	82.0	85.0
Readings	77.9	77.6	79.6
Registrations	81.0	81.7	83.2
Emergencies	84.7	83.0	77.0
Global	78.5	78.8	78.9

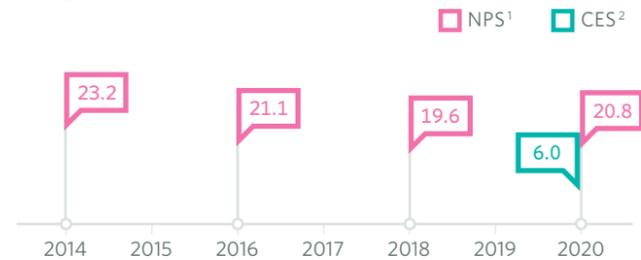
We sent 95% of new customers for supplies and/or account holder changes a welcome email, informing them of who we are and what our responsibilities and duties are.

We also strengthened digital communications on RIs, by text, email and WhatsApp message, anticipating their doubts, organising the visit with them, accompanying them throughout the process, from the weeks leading up to the inspection through to the actual visit and managing any anomalies and their resolution. These digital communications increased by 86%, with the subsequent reduction in emissions of more than 15,500 kg of CO₂ as a result of paper savings. Compliance by our inspectors in RI appointments was 99.8%.

We also provided all our customers with online reports on their consumption, with the ability to compare it with their own records, their neighbours or the area where they live. We included tips to be more efficient, and provided monitoring of incidents, through text and/or email messages on the status and resolution of any incidents.

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CUSTOMER SATISFACTION INDEXES
Score / Year



¹ Net Promoter Score (NPS): calculated every two years.
² Customer Effort Score (CES): measurement first incorporated in 2020.
 As a reference we use the benchmark set by the American Customer Satisfaction Index (ACSI) for the Investor-Owned Energy Utilities sector in 2020, which rates 40 companies in the United States. Source: <https://www.theacsi.org>

SCORE OF DISTRIBUTORS IN GOOGLE
Average score and total no. of scores given

Madrileña Red de Gas 3.8 ★★★★★ (2,573)	Nedgia 1.1 ★☆☆☆☆ (95)
Gas Extremadura 2.6 ★★★★★ (41)	Nortegas 1.1 ★☆☆☆☆ (33)
Redexis 1.7 ★★★★★ (99)	

Ways to improve

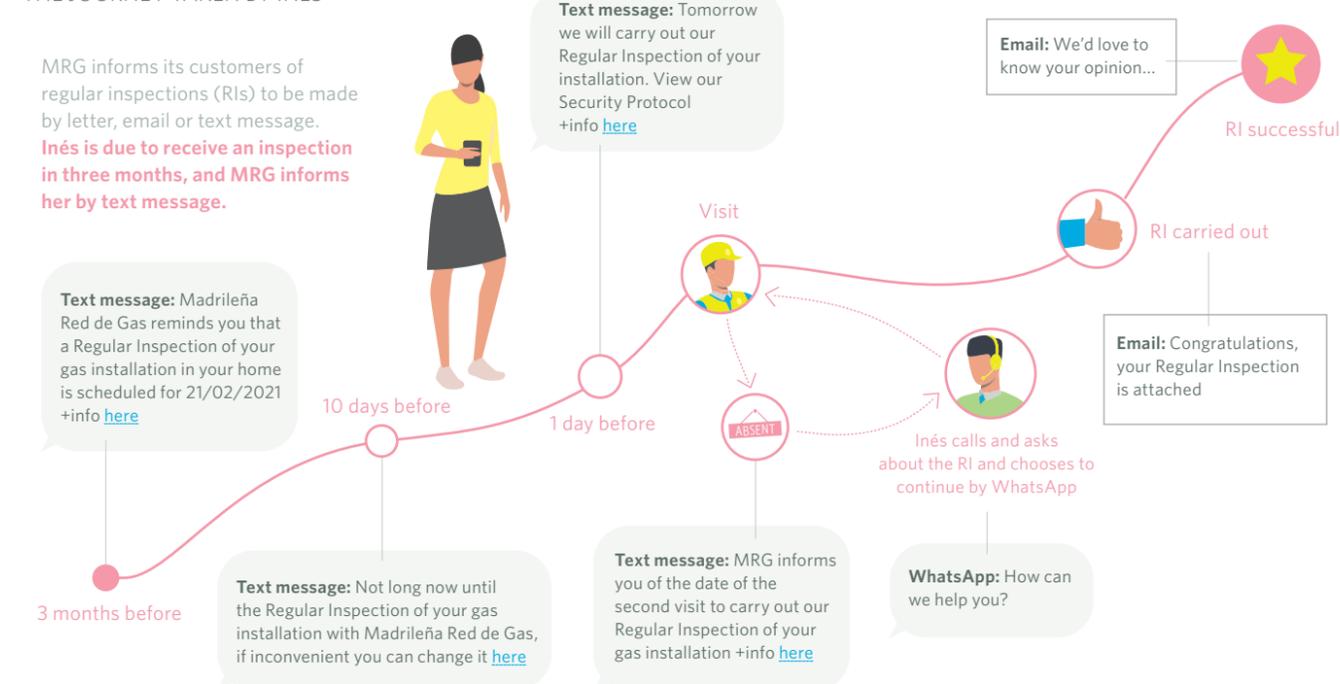
For Madrileña Red de Gas, our customers are everything. We believe that by providing them with a great experience in all their interactions with our company, we're helping to make their day better.

We achieve this by means of a management model that guides us and forms the basis of our process of transformation and continual improvement. The priority objective in this for everyone at Madrileña Red de Gas is complete customer satisfaction. For MRG, correcting faults isn't an option. They need to be anticipated, to prevent them from happening. This means that everyone at Madrileña Red de Gas becomes responsible and contributes, in some way, to building a more solid relationship with our customers, providing them with greater satisfaction and exceeding their expectations.

Before 2020, MRG measured customer satisfaction every two years. In 2020 we made a commitment to discover even more about what we could offer our customers. We implemented new surveys for reviewing new points of contact with customers, such as the virtual office and the optimisation of services such as WhatsApp. We also added "hot points" to our relationship with customers, such as their assessment of the complaints process or providing support in emergency situations. These new metrics are carried out using the CSAT (Customer Satisfaction Score), which provides us with an initial understanding of the overall state of our relationship with customers, including areas with more room for improvement, so as to gather more accurate information on the current situation of Madrileña Red de Gas.

These new inclusions of critical areas have also been applied to other indices, such as the NPS (Net Promoter Score),

THE JOURNEY TAKEN BY INÉS



which although measured previously until 2020 had not been included in responses to customers.

We also added a new KPI metric for our relationship with customers: the CES (Customer Effort Score), as we want our customers not only to be satisfied with us and to recommend us to others; we also want their relationship with Madrileña Red de Gas to be easier, their dealings with us more agile, and for their requests not to involve any extra effort. Extending all these metrics is providing a much deeper understanding of the company and has helped to identify new areas for improvement in the relationship between MRG and our customers.

For Madrileña Red de Gas, our customers are everything. We believe that by providing them with a great experience in all their interactions with our company, we're helping to make their day better

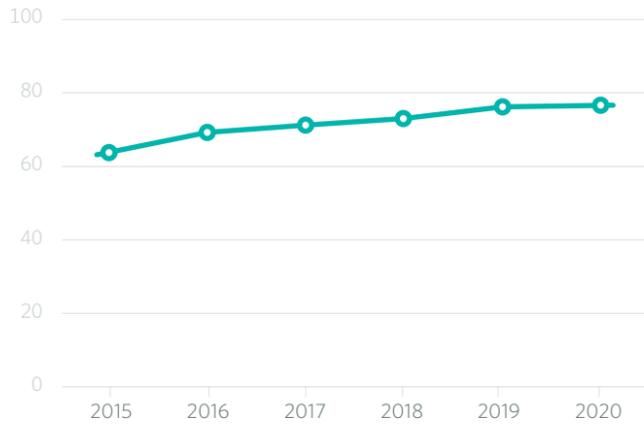
2. BUSINESS

MRG CUSTOMER SUPPORT EVOLUTION

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Level 1 Telephone customer support provided by call centre	Starts with independent call centres for emergencies and general customer support. 				Unified first level: general customer support and emergencies. 						Telephone customer support is diversified into various types of level 1 service: emergencies, general support, specialised support, MRG support, etc.
Level 2 Customer support back office in each business unit by type: billing, readings, regular inspections, home operations			A unified back office team is created for level 2 customer support.					Business units are transferred back to the customer support back office, but supervised / audited by the unit for excellence.	We start monitoring customer journeys (complaints that take longer than 14 days to be resolved) to provide a solution and above all identify the causes and take action to ensure they are not repeated.	A specific customer experience unit is created as a result of a customer-oriented strategy, and managers are established for each business unit that are responsible for the process with the customer.	The business units manage the customer support back office, but are supervised by the unit for excellence and the customer experience unit
Level 3 Digital clients				MRG launches the first virtual office (customers area) with functionality to send readings and RI information. 					MRG releases a second version of the virtual office (customers area) with a completely renovated design, aimed at mobile phone use (responsive) and with added functionality to improve self-service.		The virtual office reaches 230,000 registered customers.
Level 4 Self-service			An automated interactive voice response (IVR) system is created for calls to record meter readings. 			A web page is launched so that installation companies can send us reports on regular inspections carried out. 		An IVR is created for the customer support helpline to inform and refer customers before being connected to the agent group. 	A helpline using WhatsApp is piloted. 	A web page is launched to search for authorised installers to correct anomalies identified in the regular inspection. 	60% self-service support is achieved, in terms of customers resolving their queries / processes autonomously.
Level 5 Technology			An app is created, MOB, intended for mobility management in the field of RIs and home operations (disconnections, cut-offs, reconnections, etc.) and a protocol is established with contractors to perform cut-offs at meters on frontages and interior courtyards, to improve the success rate in mandatory cut-offs.		An app is created, FRAPPE, to manage potential supply points (properties and homes without gas, with availability to connect to the network to activate gas supply).	Regular inspections are deregulated, so they can be performed both the distributor and by any certified company.	A web page is launched so that customers can change the date and time of visits (RI, disconnection, reconnections, etc.), ending that year with 2% of appointments planned by MRG modified by customers.	All MRG infrastructure is migrated to the Amazon Web Services public cloud, enabling a platform to be created for launching projects and services flexibly and with new technologies. Agile methodologies start being used in MRG projects.	A customer support chatbot is launched in the MRG virtual office. 	The contact centre is integrated using Amazon Connect, provided by Amazon Web Services (AWS), taking over control of the IVR and telephone support services, enabling call centre services to be diversified, and services are developed such as Lex, a voice-recognition technology to allow for open-questioned customer support.	WhatsApp is launched as a customer support channel.
Level 6 Mandatory communication		The first MadriLeña Red de Gas corporate website is launched. 			A second version of the MRG corporate website is released. 		We start sending out SurveyMonkey questionnaires to customers following points of contact with customers (readings, RIs, home operations, customer support). 	Green Bee project. 			Third version of a new responsive design aimed at self-service. 

2. BUSINESS

EVOLUTION OF REAL READINGS
Annual variation (%)



Readings and remote readings

In 2020 and despite the state of alarm, MRG gas maintained, and even improved, the ratio of actual readings obtained. We also reduced the number of customers for whom a reading was not taken in the past 12 months.

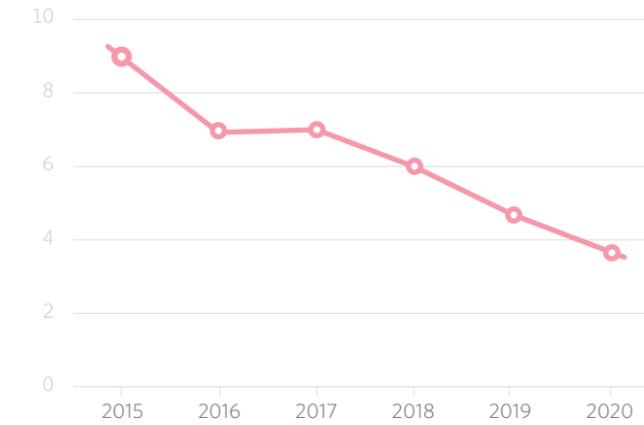
The year 2020 was a turning point for our customers in terms of the digital conversion of the meter-reading process, as it removed the traditional method of readings by means of a sheet of paper at the entrance to the building and strengthened our virtual channels, with more options for customers to provide their reading. A total of 54% of meter readings were provided through the 24/7 self-service channel. These new processes are more hygienic (they do not require users to write on the same sheet of paper), discreet (consumption levels are not revealed to other neighbours), reliable (fewer user errors) and quicker for the customer and for the billing process. They also allow for an immediate response to be given to questions relating to readings and COVID-19.

Since the start of the project to install Smart4K meters, which began in 2016, we have installed more than 3,000 meters, going from 17% to 31% of consumption metered remotely

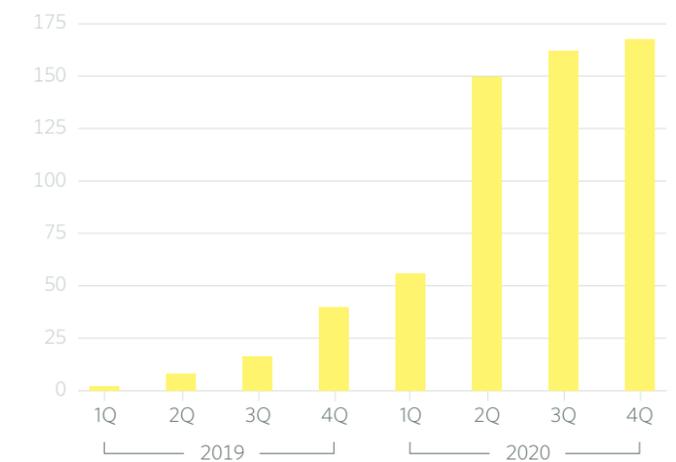
On the other hand and in relation to remote readings, since the start of the project to install Smart4K meters, which began in 2016, we have installed more than 3,000 meters, going from 17% to 31% of consumption metered remotely, reducing the number of incidents and ensuring greater accuracy when billing and in daily and monthly gas distribution.

With the end of this project, Madrileña Red de Gas has gone from a scenario of only 150 mandatory remote readings > 5GWh/year to one that enables thousands of non-mandatory remote readings for lower consumption levels, ensuring the company is well placed for the tariff changes expected in 2021 that will enable remote reading for any customers who request it, above 300 kWh/year.

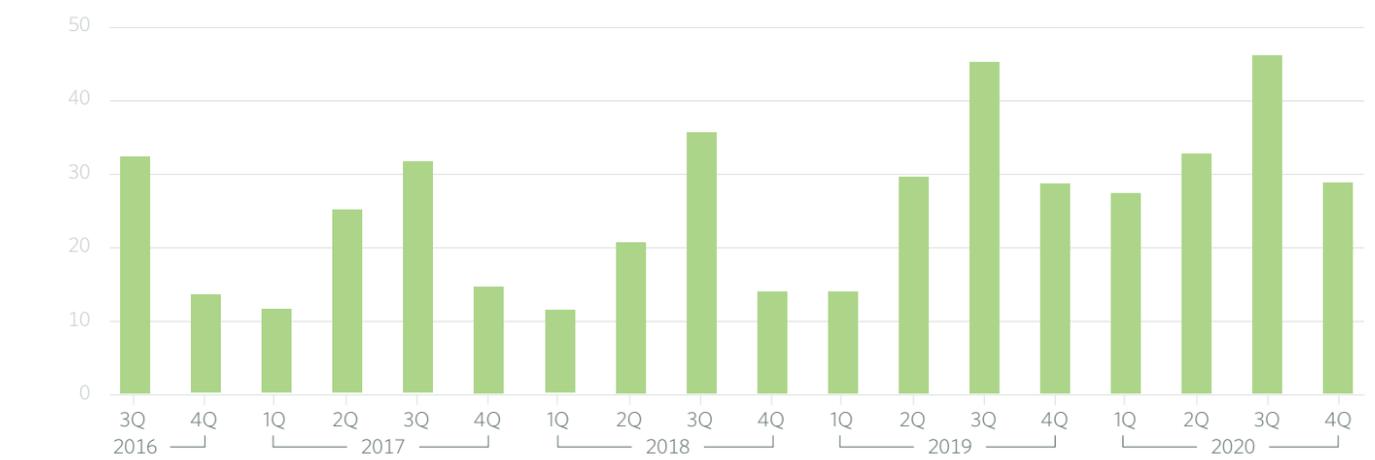
EVOLUTION OF NO. OF CUSTOMERS WITHOUT REAL READING
Annual variation (%)



SELF-SERVICE READINGS PROVIDED
Total no. per quarter (thousands)

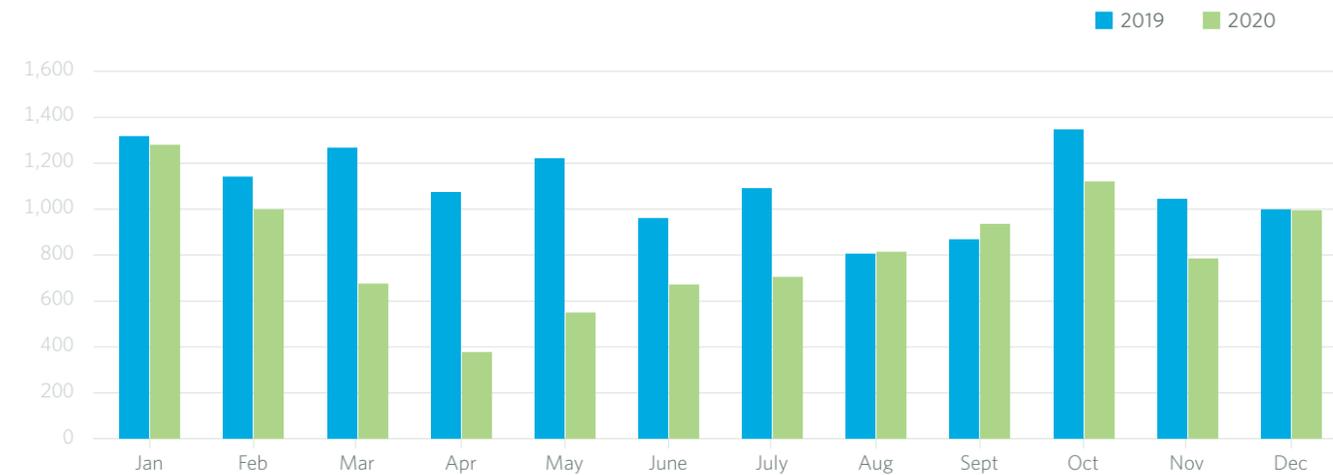


EVOLUTION OF REMOTE METER READING
Per quarter (%)

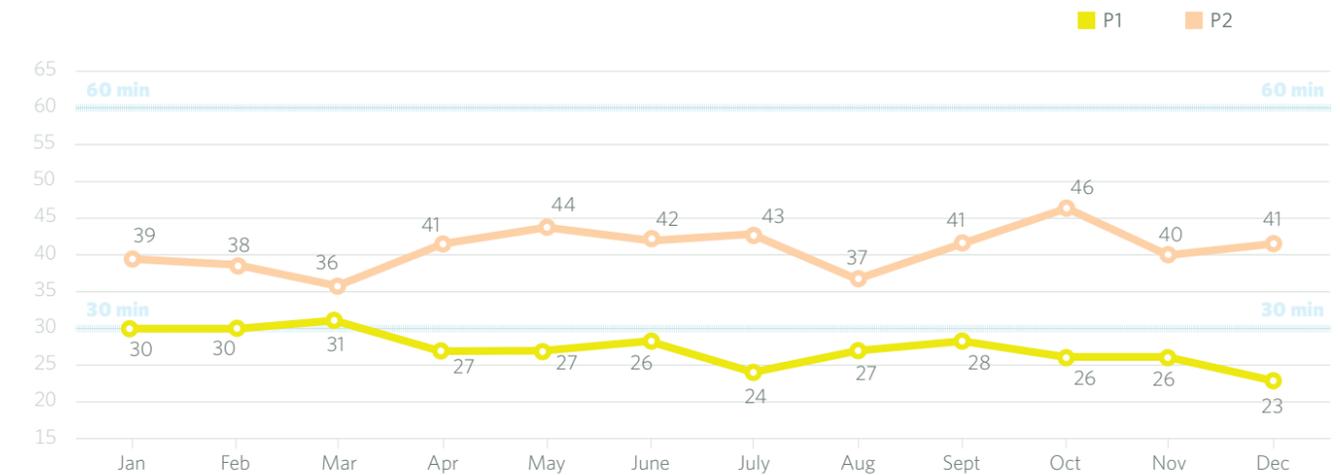


2. BUSINESS

ACTIVITY IN EMERGENCY CUSTOMER SUPPORT
Total no. / month



AVERAGE TIME TO RESOLVE EMERGENCIES
Per month (minutes)



2.13 DISTRIBUTION NETWORK

During the period of home lockdown decreed by the Spanish Government, which included particularly tough restrictions during the months of March and April, Madrileña Red de Gas established a crisis plan that guaranteed the provision of all essential natural gas distribution services, such as emergency home support, repairing network leaks and critical maintenance in the gas distribution system, ensuring safety was maintained in customers' installations, gas networks and auxiliary installations, and guaranteeing supply for every Madrileña Red de Gas customer.

This included some serious challenges, in terms of the health of our staff and our customers, to provide emergency support in a way that was fully safe. This is why MRG implemented all necessary prevention measures for staff

in the field, in terms of personal protective equipment (PPE) and work procedures, and in terms of organisation: staggering arrival and leaving times in the workplace, or working from home if feasible, and continuous communication processes with a range of information on safety measures to prevent possible infection during emergency customer support visits.

Except for the influence of the restrictions imposed by COVID-19 in March, April, May and June, emergency support figures remained as normal, meeting support time targets within the ratios set by our customer quality system.

Once the restrictions were lifted, all pending non-critical activity was recovered, with the intention of continuing with scheduled activity, meeting all quality ratio targets in place in the MRG systems.

Digital transformation

In 2020 Madrileña Red de Gas implemented an ambitious digital transformation project of emergency support and network maintenance processes. This was carried out within the network operations unit, for which the Salesforce application was chosen, due to its cloud availability, scalability and ease of use and implementation.

This is a system of crucial importance to MRG. It needs to guarantee both the company's operational continuity and the service for the customer, both of which are naturally critical aspects for our sector.

A project was devised that would meet the targets set for reducing operation times, increasing service efficacy and improving customer experience. Salesforce has replaced the previous application, which had been in place

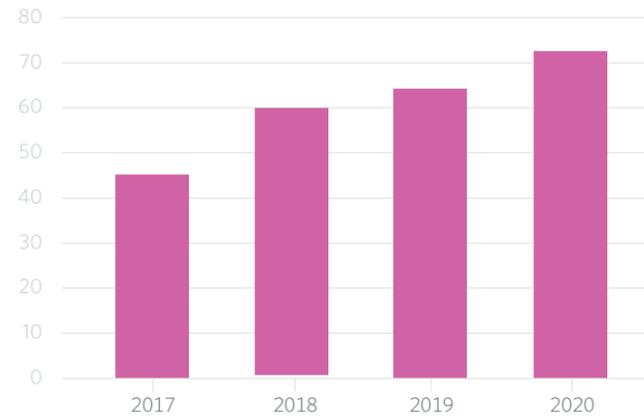
In 2020 Madrileña Red de Gas implemented an ambitious digital transformation project of emergency support and network maintenance processes

for more than ten years and was technologically obsolete, and has digitalised the network maintenance process, which had previously to a large extent been managed manually.

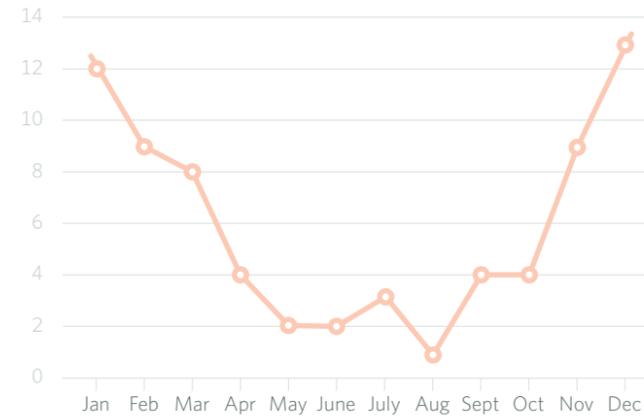
As well as meeting the objectives set, this system can be used from any location and on any device, which means

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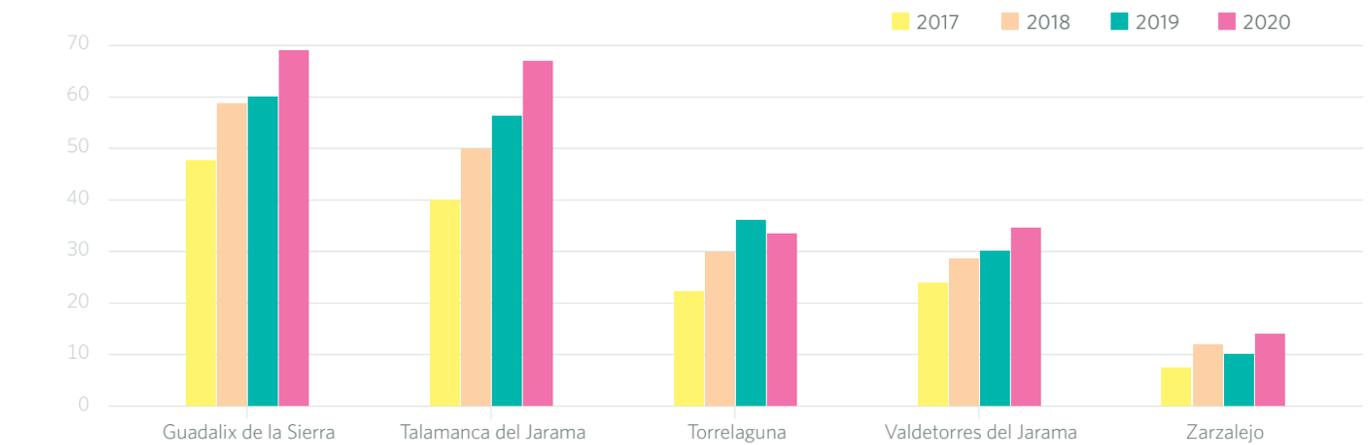
CISTERNS REQUESTED
Total annual no.



GAS TANKS REQUESTED IN 2020
Total monthly no.



UNLOADS PER LNG PLANT
Total annual no.



that agents in the field can now use Salesforce as a mobile solution for managing field operations, printing work reports in situ for the customer or launching service satisfaction surveys, all without the need for any additional activities.

The new platform has also helped automate the communication process between Madrileña Red de Gas and contractors: the entire process has been digitalised and the assignment flow can be done online, optimising routes and leading to an increase in service quality and greater efficiency.

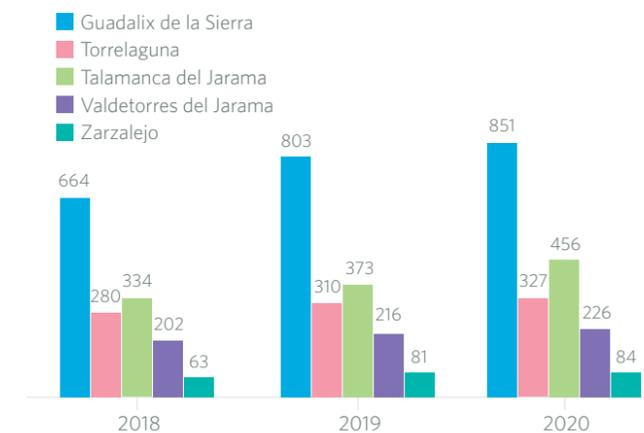
In 2020, MRG dealt with more than 8,800 emergency reports, in an average time of 3.5 hours, compared with 3.8 hours in 2019, an 8% reduction in the average time taken to resolve an emergency. And integration incidents between systems were eliminated 100%.

Distribution control centre

The MRG control centre continues with the process of modernising remote signalling equipment and continues to progressively adapt transmission technology to new existing resources.

With regard to managing transport and filling our satellite LNG plants, 2020 ended with no faults, despite the increase in the number of unloads due to higher demand among customers in areas where LNG is supplied. We went from managing 45 tanks a year to 72, a 60% increase, which was compressed into the months from November to February, when 50% of the requests for these tanks are made. Unload frequency was highest in the gas plants of Guadalix de la Sierra and Talamanca del Jarama, with 60 annual unloads and more than 12 unloads a month in the colder months, i.e. an unload every three days.

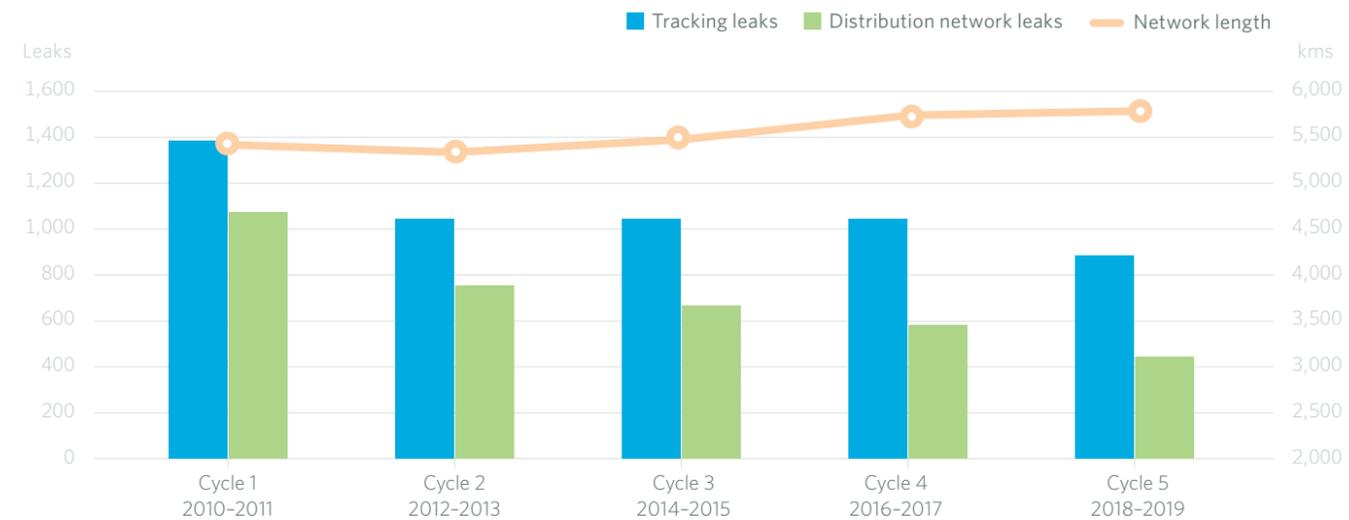
EVOLUTION OF NUMBER OF CUSTOMERS
Total no. per LNG plant



AMOUNT UNLOADED
Kg per year and LNG plant (thousands)



EVOLUTION OF NETWORK LENGTH AND LEAKS



Note: as per the current regulation, each tracking cycle covers a two-year period

MRG maintenance initiatives in installations include dismantling 118 LPG plants, carried out in coordination with the local authorities in the various municipalities involved

Maintenance

Madrileña Red de Gas has categorised the whole of its distribution network to ensure optimum maintenance management, enabling 100% compliance with the preventive maintenance plan established by regulations and the Madrileña Red de Gas internal regulation on the natural gas network; also included are the company's auxiliary installations, five satellite LNG plants and 169 LPG plants. More than 15 thousand maintenance actions were scheduled in 2020.

Additionally, our computerised management systems help ensure that each and every preventive maintenance activity is carried out, as well as centralising corrective maintenance information to ensure correct decision making.

To guarantee enough supply to all our customers, the necessary steps were taken to ensure that all systems in our regulation and metering stations were operating as they should at their various pressures, with regulatory monitoring of the gas network and the biannual leak test carried out along 2,635 km of the network. Likewise, to check operational status more than 7,600 valves were operated and more than 1,300 tasks were completed that involved painting, cleaning and/or clearing out auxiliary installations, LPG plants and LNG plants. More than 3,600 actions were carried out on the equipment that ensures cathodic protection of steel pipelines.

As part of the Madrileña Red de Gas action plans for 2020, the necessary renovations, mesh work and corrective measures were carried out to maintain the safety conditions of the network and guarantee supply in the natural gas and LPG networks, replacing materials such as steel, cast iron and copper with polyethylene pipelines.

In one initiative carried out in coordination with the local authorities in the various municipalities involved, MRG dismantled 118 LPG plants, which consisted of emptying out, burning and rendering inert 69 tanks. More than 70 journeys needed to be made to transfer the emptied gas to other MRG plants, preventing any emissions into the atmosphere. The waste collected in these dismantling processes was transported to the processing plants enabled for this purpose by the Community of Madrid, in compliance with our environmental commitment. All of this was carried out without disturbing the activities of our customers and their neighbours, with all precautions taken and with disinfection protocols performed during and after each job, so that the area was always completely disinfected once the work had been completed. By complying with the action protocols

established by the Ministry of Health and our Occupational Safety and Health department, no cases of infections between workers were recorded.

With regard to a key activity in the company's maintenance processes, with both safety and environmental consequences, throughout the ten years that MRG has been operating the evolution of leaks detected during tracking work has remained constant.



Human capital

COVID-19 has posed a huge challenge for everyone, including our company, which has devoted all necessary resources into ensuring that our workforce was affected as little as possible by the consequences of the pandemic and by working remotely. We reduced staffing costs while also increasing the number of women on the workforce and increasing our investment in training, which exceeded €125,000. In total, our staff have received more than six thousand hours of training as part of around 45 initiatives.

3. HUMAN CAPITAL

3.1 MRG AND COVID-19

Once of the changes brought about by COVID-19 was our working model. And 2020 was no different from any other year in terms of our ongoing commitment to continue growing as a company. However, circumstances dealt us an infinitely greater challenge, slower progress and many more obstacles than expected. Faced with such a major challenge, everyone at MRG showed considerable capacity for resilience, adapting to a highly complex situation and knowing how to direct their efforts and objective to finding successful solutions.

Aware of the situation and with our staff as our priority, at MRG we devoted all necessary resources to ensure that our professionals were affected as little as possible.

Before declaring the state of alarm, all office staff were provided with the materials they would need to work remotely, and clear directives were given for the moment when staff could no longer come to their place of work, which finally occurred on 11 March. All Madrileña Red de Gas office staff had already been working from home for a few days at that point, still providing 24/24 emergency support. We shouldn't forget that we were one of the first companies to take such a step, and because all staff had the right equipment to work from home, the process as it occurred was both natural and a success.

Working remotely was the best way to ensure the health of our employees and avoid the risk of infection, but we were also concerned about any possible psychological and/or physical consequences of the lockdown. To alleviate this, MRG provided a psychological support helpline, a home physiotherapy service and videos on physical exercise and

food. All necessary office furniture was provided, having first been disinfected before being sent out, and staff were also provided with all necessary audiovisual equipment to carry out their work.

Offices were fitted with all appropriate prevention measures for 24/7 staff operating the emergency service, who needed to continue working at the MRG head office, ensuring at all times that visits could be made safely and without risk to workers.

At all times, Madrileña Red de Gas kept all workers regularly informed about the company situation and the measures being taken to ensure the health of our staff and the continuity of the business, including all information published by the various government bodies.

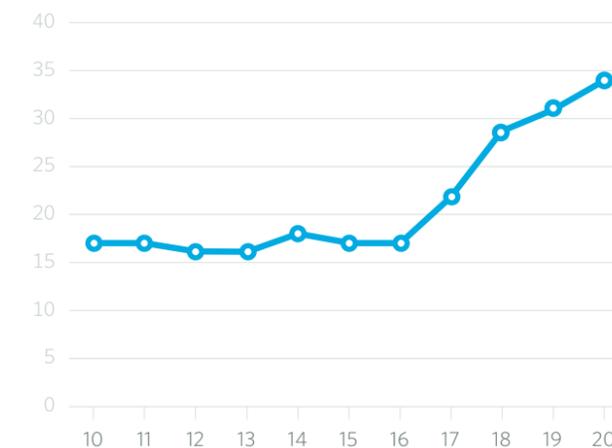
3.2 TEN YEARS OF MANAGING PEOPLE

In these ten years of life, Madrileña Red de Gas has gone from being a company that came about as the result of a division to having resources and a structure that are more efficient, versatile and customer-driven. We are an organisation that knows how to adapt to each new circumstance, shaping a workforce that is more agile, flexible, efficient, youthful and versatile. At the same time, we reduced staff costs, strengthened investment in training and, with new staff members (mostly women), brought in more experience and added further value to the company. In 2020 we achieved the highest proportion of graduates in the workforce, from 21% at the company's origin to 43% today. The number of women on the MRG workforce has also grown, from 17% in 2010 to 34% today.

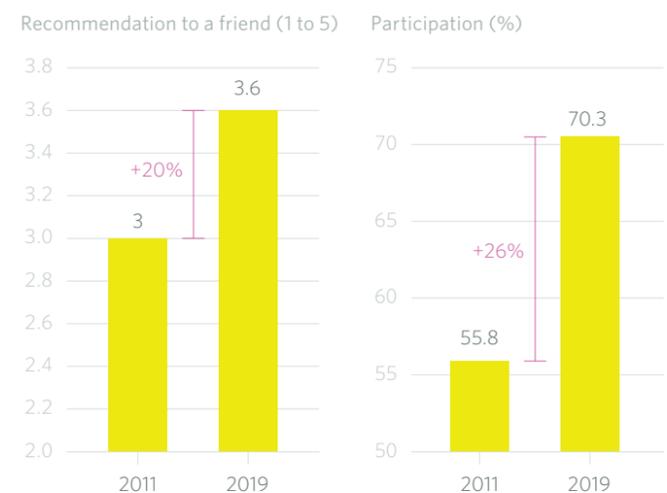
WORKFORCE EVOLUTION, 2010 - 2020



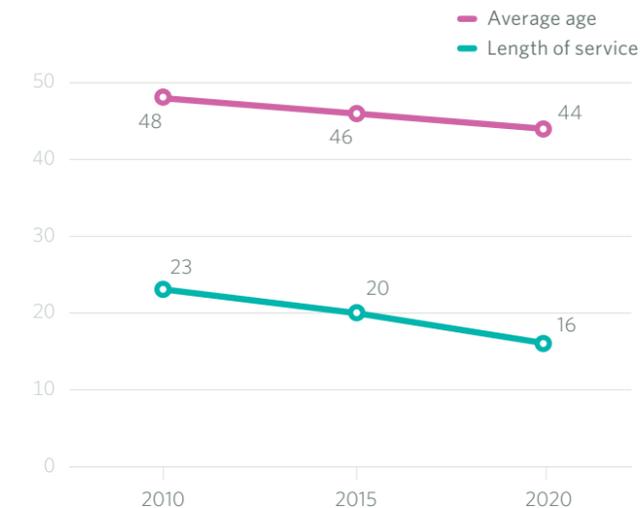
PROPORTION OF WOMEN IN THE WORKFORCE, 2010 - 2020
Proportion of total workforce (%)



ASSESSMENT OF MRG ACCORDING TO ITS EMPLOYEES



EMPLOYEE AVERAGE AGE AND LENGTH OF SERVICE



In 2020 the number of women on the Madrileña Red de Gas workforce grew from 17% in 2010 to 34% today

Madrileña Red de Gas continues to be committed to promoting internally, particularly in management, where 54% of staff members have progressed from within the company; 50% of these promotions are female directors, and 37% of this increase are female heads of department.

Moreover, the overall assessment of the company among employees improved by 21% in comparison with previous satisfaction surveys. Survey participation increased by 26%, and the average score given increased by 27%.

Another initiative implemented in 2020 included creating a processes and budgetary control sub-unit to manage the COVID-19 situation, which led to remote working for almost the entire workforce, responding and adapting to CNMC decisions, a commitment to customer-driven digitalisation, cybersecurity initiatives to combat fraud, setting up the processes analysis team and strengthening the legal service, risk management and IT units.

Madrileña Red de Gas continues to rejuvenate its workforce and we will continue to modernise and have a presence in cutting-edge markets within the energy efficiency sector, such as hydrogen and biomethane.

3.3 TRAINING DURING THE YEAR OF REMOTE WORKING

As with other areas of the company in 2020, training provision had to adapt to the circumstances caused by the pandemic and migrated in its entirety to the virtual domain.

With an investment of roughly €1,000 per employee, and around 48 hours of training per individual, we can be satisfied that in 2020 not only did we not stop receiving training, it became an important tool in the fight against the pandemic. We offered our staff training in COVID-19 prevention, aimed at gaining a better understanding of the virus and its risks, placing particular emphasis on what to do in the event of a possible return to the workplace, and of course everything to do with preventing work-related risks associated with working from home. In total, more than 600 hours of training were given.

Other training challenges in 2020, for which MRG devoted around a thousand hours of training, was the need to prepare managers and collaborators for a new working scenario that had forced people to work from home, without bosses or colleagues, or the right working environment, with the potential difficulties that this could entail. Having cohesive and coordinated teams is essential for any business, but in a context of remote working it becomes essential. That is why we thought it so important to train our collaborators in cooperation and working as a team. Having all teams working remotely also had an impact on management, which has had to adapt to new management models that can guarantee the activity as a whole, appropriately and efficiently. Training was needed that could facilitate best practice and the key elements to managing these teams remotely.

On the other hand, within the context of constant changes, it became essential to have proactive professionals with initiative, who know how to lead on changes so that it is not the changes themselves that are guiding our direction. To that end, we provided our employees with tools to help them in their role as leaders of change, training work groups that focused on projects aimed at putting this leadership into practice.

Obviously, work was also carried out during the year on these new ways for us to communicate: calls, video conferences, webinars, virtual presentations, etc.

All this training was a positive additional part of the ongoing training provided on issues of business, systems and languages. In figures, all the initiatives as a whole amount to almost six thousand hours of training, divided into 44 different training activities.

MRG also made sure to increase its investment in training. In 2020 the company allocated €127,000 to training, increasing the number of training hours given by 50%. Compared with the company's beginnings, when 65% of the workforce received training, today the figure for employee training is 100%.

Over the past ten years training in prevention has always been a priority, and 25% of the annual training programme is devoted to it.

MRG seeks to be at the forefront in new technologies, media and training channels, and we have incorporated a classroom into our offices fitted with all the technological means and conveniences so that our employees can receive most of their training without having to travel elsewhere.

We have continued to make progress and have implemented new teaching methods, such as learning through video games and/or workshops aimed working on skills with different methods, helping to turn learning into a pleasant experience.

A decade of growth and learning
Madrileña Red de Gas turned ten years old in 2020. And despite it being the most unusual year we've been through, this didn't stop us from celebrating. As we were unable to come together in the same place, various gifts were sent out to the entire workforce, and a short commemorative video was made.

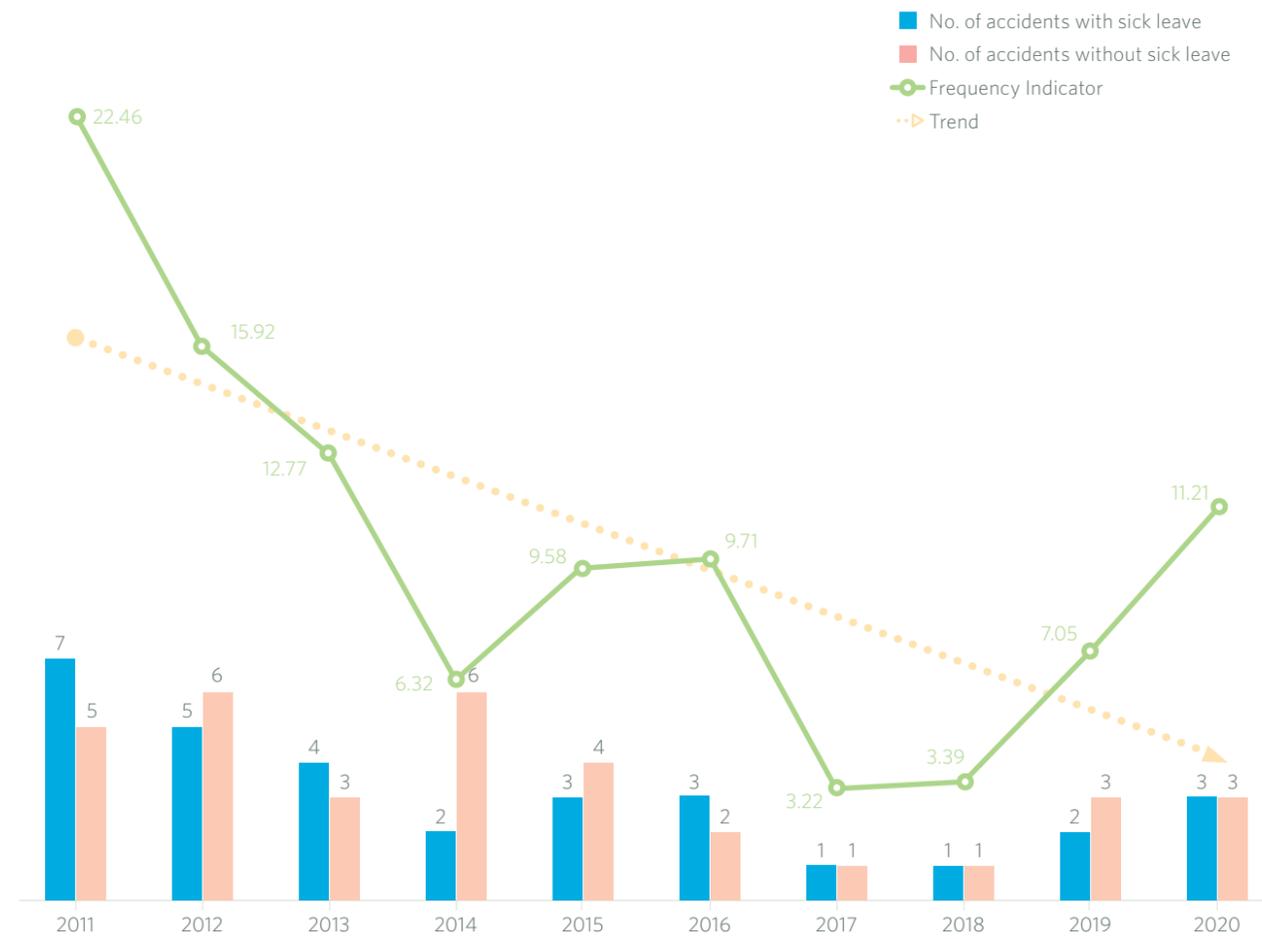
We also wanted to organise a special event to celebrate the past ten years, during which time we have grown as a team and learned how to do better as a natural gas distributor. The event consisted of an online cooking class in which everyone took part, taught by Carlos Maldonado, winner of the third series of Masterchef in Spain, and who in December 2020 was awarded a Michelin star for his restaurant.

3.4 PREVENTION

There's no doubt that 2020 will be remembered as the year of the COVID-19 pandemic. On 13 March the Spanish Government declared a state of alarm to limit the spread of infection, which led to the entire population going into lockdown, with major changes in ways of working. A few days previously, on 9 March, Madrileña Red de Gas made the decision to instruct all its staff to work remotely, with the exception of emergency coordinators and operators working on emergencies and auxiliary installations. This meant we

3. HUMAN CAPITAL

EVOLUTION OF WORKPLACE ACCIDENTS IN MRG



NOTE: The Frequency Indicator is defined as the number of accidents with leave during the working day for every million hours worked.

needed to focus almost all available resources on managing the various issues relating to COVID-19, with particular focus on preventing risks in the workplace.

The contingency and business continuity plan for COVID-19 was defined and put into place. Implementing the plan effectively required an intensive approach to managing the various risk-prevention aspects related to the virus, such as defining criteria that can be applied to processes and activities, standardising and procuring protective equipment and materials, coordinating preventive activities, applying the protocols indicated by the Ministry of Health regarding contagions, and close contacts and interaction with work inspections.

In terms of self-protection and emergencies, actions that were implemented included revising the building's safety plan and the safety plans for three LPG and five LNG plants. Additionally, the second management cycle was initiated for assets affected by the regulations established by Royal Decree 840/2015 Seveso III, which began with revising six interior emergency plans for LPG plants with storage capacity of more than 50 tonnes. Work also continued with new batches for testing explosive atmospheres in LPG storage centres. A new cycle was also implemented of regular visits by ADR advisors to affected installations, as well as operational prevention, environment and quality control visits in a broad range of our significant processes.

In 2020 an increase of accidents in the workplace was recorded compared with previous years. As a consequence of three accidents that entailed a leave of absence for workers, the frequency index rose to 11.21 points.

MRG focused almost all available risk-prevention resources on managing the various issues relating to COVID-19



Gas and society

In 2020, the year of decarbonisation, the global importance of renewable gases was made even clearer in terms of helping to achieve the ecological transition that society and the planet are calling for. MRG is developing different projects aimed at promoting biomethane, green hydrogen and synthetic gas, as well as NGV, the use of which as a transition fuel will notably help improve the economy and the environment.

4.1 RENEWABLE GASES

In 2020, the year of decarbonisation, the global importance of renewable gases was made even clearer in terms of helping to achieve the ecological transition being called for by society and by the planet, under threat from climate change.

Renewable gases (biomethane, renewable hydrogen and synthetic gas) are neutral in terms of CO₂ emissions, which help in combating climate change. These gases form part of the so-called “circular economy”, as they contribute to the efficient management of how organic waste is processed and valued, contributing to a substantial reduction in greenhouse gases. On the other hand, injecting renewable gases into the gas system will make this green energy available to any consumer without the need for huge investments in the network, as well as enabling the production, distribution and consumption of autochthonous gases, which will help boost the local economy.

Madrileña Red de Gas is committed to these renewable gases and implement specific actions such as signing a collaboration agreement with Biovic, the engineering and consultancy company specialising in biogas plants, which we are going to partner with to explore opportunities for projects to inject biomethane into the distribution network. In this regard, we are also working with the main waste management companies to foster synergies between companies with a common aim. We also continue to participate actively in the working groups organised by Sedigas and Gasnam for the development and promotion of renewable gas.

On the other hand, faced with the strategic nature of renewable hydrogen (in October 2020, the Ministry for

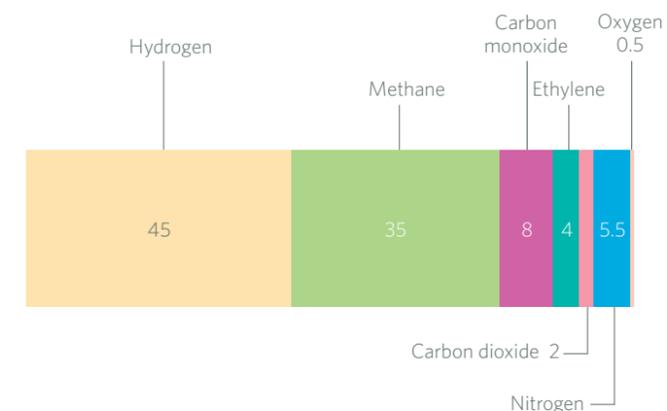
MRG is working on projects to develop green hydrogen, a renewable gas that is key to energy transition, as well as being a real solution in the medium and long term to decarbonise transport and achieve the goals for sustainable mobility in the Community of Madrid

Ecological Transition and the Demographic Challenge published the “Hydrogen Roadmap”, which established 60 measures with ambitious goals to reach zero emissions in 2050), MRG has signed a collaboration agreement with ARIEMA, a leading Spanish company in hydrogen technologies and fuel batteries, to develop green hydrogen projects.

Another example of our support for this renewable gas is our involvement with the Spanish Hydrogen Association, a key organisation for the energy transition, as well as being a real solution in the medium and long term to decarbonise transport and achieve the goals for sustainable mobility in the Community of Madrid.

MRG is working to establish a public-private framework of collaboration with the aim of studying the possibilities of transforming vehicle fleets and helping to develop

COMPOSITION OF “CITY GAS” (%)



In January and February 2020, sales increased by 219%, and the fleet of natural gas vehicles in Spain grew by 5,516 vehicles, of which 57% were registered in Madrid

refuelling infrastructures. Hydrogen has much greater potential than biomethane, so its development is hugely important for sectors where decarbonisation is difficult to achieve.

It is also important to remember that hydrogen was already an important component in so-called “city gas” (45%) that was used for both light and heating in the 19th century. Pipelines were used to transport the gas from the factory to consumers, just as it is today. Both hydrogen and biomethane can be transported using the current gas infrastructure network, guaranteeing supply safety and making the possibility of full decarbonisation a reality.

4.2 NATURAL GAS FOR VEHICLES (NGV)

As with many other sectors, COVID-19 led to a sharp drop in vehicle sales, so sales of natural gas vehicles were, naturally, also affected, with a 30% drop within the total reduction in automotive sales (35.3%, according to ANFAC).

However, it is worth noting that during the first two months of 2020, the sale of NGV-powered vehicles was not affected by the pandemic; in fact, sales rose by 219%. The fleet of vehicles in Spain in 2020 grew by 5,516 vehicles; 57% of them were registered in Madrid. Bus and light truck registrations remained the same as in 2019, giving some idea of the importance of NGV as a professional fuel.

Additionally, two new gas refuelling stations came into operation in the Madrileña Red de Gas distribution network in 2020, and another three refuelling stations are in the process of being built (two public and one private), which will form part of the already extensive gas fuelling stations

EVOLUTION OF NGV CONSUMPTION (GWh/year)



During the months of lockdown there was a 15.2% drop in consumption. Despite this and the generally lower levels of mobility over the whole of the year, over the course of 2020 there was a 6.3% rise in the consumption of NGV.

network in Madrid. The network across Spain continues to grow: 99 gas fuelling stations and 64 LNG stations, according to GASNAM.

In the current context and in the short term, NGV development is hugely important to improving the economy and the environment, as increased growth in NGV will allow activity to recover while also respecting the environment and considerably improving the current situation. Using natural gas as a transition fuel will prove a notable benefit in both aspects.

Emissions affecting the local environment (which generate health problems in major cities, where the effects of pollution are more acute) are close to zero with NGV, with reductions of up to 80% of NO and NO₂, almost no particles are emitted

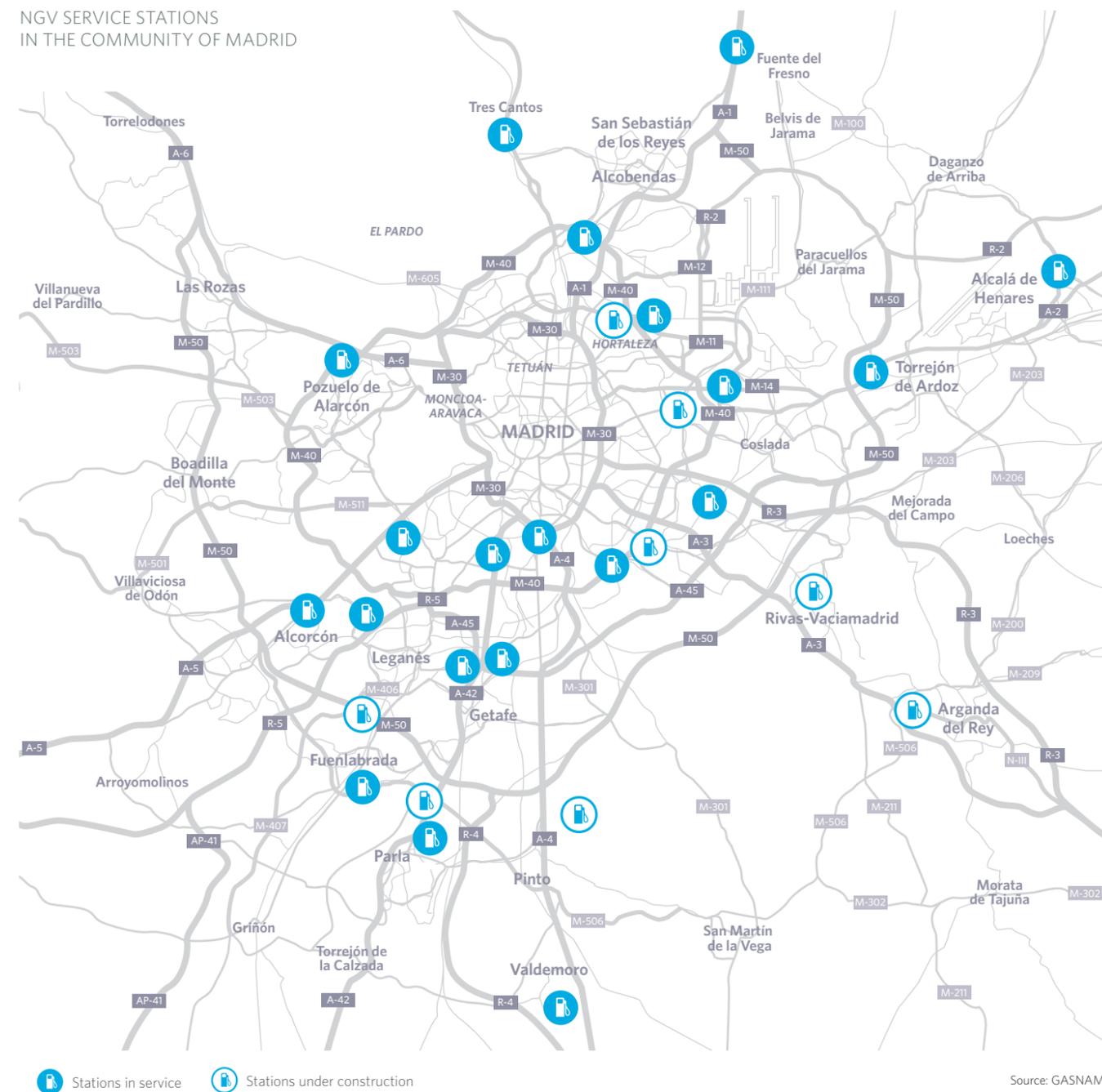
Two new gas refuelling stations came into operation in the Madrileña Red de Gas distribution network in 2020, and another three refuelling stations are in the process of being built

(95% reduction) and no sulphur oxides are emitted. CO₂ emissions are also significantly reduced (by 15% to 25%). This is an exponential reduction based on the use of renewable gases.

Economically, as of today, there is no more competitive solution than NGV, as the purchase cost of the vehicle is similar to that of conventional vehicles, whereas the fuel cost is between 20% and 50% lower, something that at the moment could help save many companies.

And the fact that petrol and diesel vehicles can be easily adapted to NGV use means that environmental needs can be met and money can be saved without having to change the fleet, as existing vehicles can be transformed from conventional fuel, and thus obtain the ECO label.

NGV SERVICE STATIONS IN THE COMMUNITY OF MADRID



Source: GASNAM

Developing mobility with gas opens the door for hydrogen (H₂), which will be the definitive solution for transport in the medium and long term

It should also be taken into account that, in 2023, municipalities with more than 50,000 inhabitants will have to enable low-emission areas, which needs to be given due consideration, as we know that other alternatives do not provide a solution to all transport needs. However, by using natural gas vehicles, companies and individuals may meet the new environmental requirements without any great expense or need for public aid.

Electric mobility is not the only pathway to decarbonisation. Conventional natural gas can be replaced by renewable

gases, such as biomethane, which is obtained from different types of waste. Furthermore, in its production the carbon footprint is improved, capturing methane emissions, which are more damaging than CO₂. Additionally, developing these renewable gases would boost the circular economy and would help to develop sparsely populated areas of Spain, many of which have great potential.

Using biomethane means that the range of CO₂ emissions in mobility is lower even than that of electric vehicles (the manufacture and processing of electric vehicle batteries is not included in their calculation). Furthermore, developing mobility with gas opens the door to hydrogen (H₂), which will be the definitive solution for transport in the medium and long term.

Finally, the gas infrastructure is already prepared for significant NGV growth, has the capacity to absorb the demand and has a sufficiently equipped refuelling network. In short, natural gas as a mobility solution is a reality that is available to users of all kinds, whether professional or private, combines economic and environmental improvements, and there are a great many vehicle models available on the market.

4.3 ENVIRONMENT

With regard to the environment, MRG continued to maintain the environmental performance indicators system, and consolidated its use of the methodology by events to estimate fugitive emissions of methane into the distribution network, the result of which is taken into account when producing the corresponding carbon footprint report. Additionally, notification of reports of contaminated soils in dismantled LPG plants continued at a good pace.

With regard to the integrated management system (IMS) for safety & health, environment and quality, implemented in accordance with the ISO 45001, ISO 14001 and ISO 9001 standards, we continued adding improvements to the digitalisation of personalised IncaWeb processes, as well as consolidating the tool's various other processes. In this regard, one of the notable landmarks of the year was to align the goals of the integrated prevention, environment and quality management system with the internal needs to improve processes and with the demands of the ESG Gresb platform.

The ESG report includes specific chapters that go into further detail on these issues.



Results

In 2020 Madrileña Red de Gas showed strong stability and great resilience over the course of what was an exceptional financial year. The company obtained excellent results, confirming its solid position and reliability to generate income. Revenue was €176 million with EBITDA of €139.7 million, figures that are lower than those recorded in 2019, although the fall in revenue was partially offset by an improvement in costs, as a result of operational efficiencies achieved over recent years.

5. RESULTS

PROFIT AND LOSSES ¹ (€M)	2019	2020
Remuneration	149.6	142.9
Other revenues	36.7	33.2
EBITDA ²	145.9	139.7
EBIT	113.7	106.8
Net profit	65.0	64.4

¹ In accordance with the International Financial Reporting Standards (IFRS).

² Excluding non-recurring expenses.

5.1 RESULTS SUMMARY

Despite the pandemic, which left such a mark on 2020, MRG showed great stability and financial resilience, obtaining excellent results that confirm its solid position and reliability to generate income.

Company revenue was €176 million, a 5% drop compared with 2019, and EBITDA of 139.7 million, a drop of 4% in relation to 2019. This fall in revenue and EBITDA is due mainly to a €6 million drop in remuneration and a drop in other revenue of €4 million compared with 2019.

Remuneration for distribution is the main source of revenue for MRG. It is calculated each year using a parametric formula and varies depending on the growth in supply points and demand conveyed through the network. A total of 99% of customers connected to the company's network are residential. This means that MRG has remained stable in the face of economic cycles, as the temperatures in the colder months are what have the greatest impact on the final figure of the remuneration received. In 2020 temperatures in the Madrid region were higher than in 2019, and this is the main factor behind the drop in revenue from remuneration.

The company's customer base continues to grow. At the close of 2020, Madrileña Red de Gas distributed gas to 912,670 supply points, of which 890,027 were for natural gas and 22,643 for LPG

The drop in other forms of income is due to the activity involved in carrying out regular inspections, which must be carried out every five years at every supply point in the company's network, and these supply points are not spread out evenly between the five years. In 2020, a lower number of inspections needed to be carried out than in 2019, and this was the main factor behind the drop in other forms of income.

However, the fall in revenue was partially offset by an improvement in costs, as a result of operational efficiencies achieved over recent years.

The company's growth strategy continues to be profitable and sustainable expansion in our territory and in adjacent territories. The company's customer base continues to grow. At the close of 2020, Madrileña Red de Gas distributed gas to 912,670 supply points, of which 890,027 were for natural gas and 22,643 for LPG.

The main activity of MRG is the distribution of natural gas, which is a regulated activity. The regulatory periods for this activity are in six-year cycles, and 2020 was the last year in the period that began in 2014, a period of great stability. A new period begins in 2021, in which the regulatory framework has already been defined. Over the course of 2020 the methodology was published to calculate the remuneration. This methodology has the same approach as previously, but includes a gradual offset of revenue over the period. The offset finally published for MRG means an average cut of 10% in the regulatory period now under way, a similar figure to that applied to the main companies in the sector.

The consortium of company shareholders has not changed during the year. For them, Madrileña Red de Gas represents a long-term value creation project where they share the

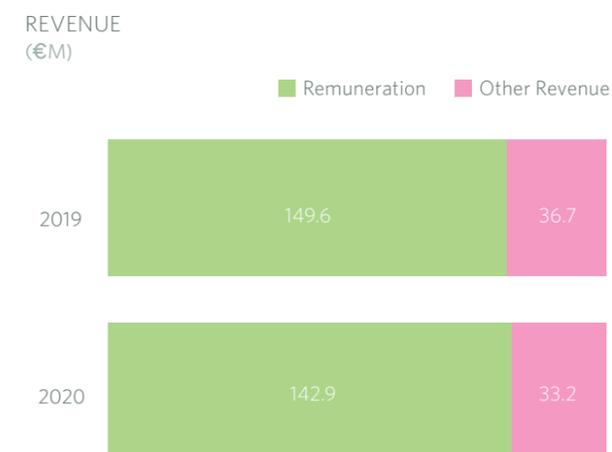
same strategic vision and a commitment to long-term financial strength.

Indeed, financial strength is one of the company's mainstays, and MRG strives to maintain strong levels of solvency and liquidity consistent with the degree of investment to which the company is committed, balancing the cash flow-to-debt ratio.

5.2 OPERATIONAL RESULTS

In 2020, our EBITDA was €139.7 million, 4% lower than in 2019. Revenue fell by 5%, the main cause of which was the drop in EBITDA, which also showed lower costs due to operational efficiencies.

5. RESULTS



5.3 REVENUE

Total revenue in 2020 was €176 million, a 5% drop compared with 2019, due mainly to a lower demand for gas due to higher temperatures and a seasonal effect due to the lower number of inspections made compared with previous years.

A total of 98% of the company's revenue stems from regulated activities. A total of 81% of this is revenue from distribution, legally recognised in the resolution of 18 December 2019 issued by the CNMC on the payment of companies conducting regulated activities relating to liquid natural gas plants, transport and distribution for the 2020 financial year, and the adjustments that have been made and estimated based on the evolving demand for gas. The remaining 19% refers to other services related to the distribution of natural gas, such as rental of meters, regular inspections, other consumer services and the sale and distribution of LPG.

5.4 FINANCIAL POSITION AND BALANCE

Financial strength is one of the strategic mainstays of the Madrileña Red de Gas. The company has strong levels of solvency and liquidity consistent with an investment grade rating. The financial structure is efficient and long-term. In 2020, gross debt amounted to €950 million with an average maturity period, at the close of 2020, of six years, approximately, and an average cost of 2.7%.

The company also has a contingent line of credit, which was reduced to €75 million during the first quarter of 2020, with the aim of achieving efficiencies in the financial infrastructure, adjusting the sum of said credit to the real needs of the company 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 in the regulated Luxembourg market under the EMTN Programme. This debt is classed as investment grade (BBB-) by Fitch Ratings, S&P Global Ratings and DBRS.

Financial strength is one of the strategic mainstays of the Madrileña Red de Gas. The company has strong levels of solvency and liquidity consistent with an investment grade rating

BALANCE SHEET ¹ (€M)	2019	2020
Gas distribution licences & other intangibles	751.0	751.0
Net tangible fixed assets	354.9	339.2
Total network fixed assets	1,105.8	1,090.2
Goodwill	57.4	57.4
Deferred tax assets	21.5	17.9
Other non-current assets	55.7	212.1
Current assets	42.3	47.7
Cash	103.4	46.6
Total assets	1,386.2	1,471.9
Equity	298.1	362.5
Long term debt	943.8	945.2
Deferred income tax liabilities	60.1	70.0
Other non-current liabilities	37.5	38.6
Current liabilities	46.7	55.6
Total liabilities & shareholders equity	1,386.2	1,471.9

¹ In accordance with the International Financial Reporting Standards (IFRS).

5. RESULTS

FREE CASH FLOW ¹ (€M)	2019	2020
EBITDA	145.9	139.7
Income tax paid	(6.9)	(7.1)
Working capital ²	(10.5)	15.5
Capex	(13.5)	(14.3)
Free cash flow	114.9	133.8

¹ In accordance with the International Financial Reporting Standards (IFRS).

² Excluding one-off operations (incoming payment of the Castor project in 2019, plus the payment made for losses in previous years).

5.5 OPERATIONS CASH FLOW

Cash flow was €133.8 million, 16% up from 2019. The main difference is due to greater investment in working capital in 2019 due to the end-of-year position of settlements with the system.

The cash flow calculation does not include non-recurring operational items, such as the settlement with Naturgy for the losses corresponding to the years when the network was not sectorised, and the cash revenue from the enforcement of the judgement on the Castor underground storage during the 2019 financial year, as well as outgoing cash flow for the same amount and concept in 2020 to the banks that own the deficits from previous years.



5.6 INVESTMENTS

In 2020, investment amounted to €14.3 million, an increase of 6% compared with 2019. These investments can be divided into the following groups:

Expansion

MRG invested a total of €8.7 million in expanding its network, in alignment with the amount invested in 2019 and with its strategy of viable and sustainable expansion.

Other projects

Investment was also made in a range of other projects, such as maintenance, AI tools, digitalisation, automating processes and developing information systems that are aimed at reaching our targets of cost efficiency and improvements in the quality of our customer service.

In 2020, investment amounted to €14.3 million, an increase of 6% compared with 2019

Published by
Madrileña Red de Gas

Edited by
Nuria Martínez Deaño

English translation
Lema Traductores

Design
Francisco Dorado

Production
Global Media Comunicaciones

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