Audit Report on Financial Statements
issued by an Independent Auditor

ENAGÁS FINANCIACIONES, S.A.U.
Financial Statements and Management Report
for the year ended
December 31, 2021

Building a better working world

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# AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 18)

To the Sole Shareholder of Enagás Financiaciones, S.A.U.:

## Report on the financial statements

### Opinion

We have audited the financial statements of Enagás Financiaciones, S.A. (the Company), which comprise the balance sheet as at December 31, 2021, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

### Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

### *Recording of financing activities*

| | |
|---|---|
| **Description** | ENAGAS FINANCIONES, S.A.U. is primarily engaged in issuing debt instruments and obtaining financing for the purpose of granting loans and other credit facilities to Enagás Group companies. Therefore, most of the liabilities on its balance sheet correspond to debentures and other marketable securities, which relate primarily to the aforementioned debt issues. In addition, assets on the balance sheet are mainly comprised of loans granted to various Enagás Group companies. These transactions are significant in view of their amount and the complexity of recognizing them for accounting purposes.<br><br>The description of these financial liabilities and the criteria applied in recording them are provided in notes 4.1.2 and 9 to the accompanying financial statements. The description of financial assets and the criteria applied in recording them are provided in notes 4.1.a and 5 to the accompanying financial statements.<br><br>As explained above, the Company issues debt instruments and grants loans to Group companies as its main business activity. Given the complexity of the related transactions and the significance of the amounts recorded on the balance sheet, we determined the recording of financial assets and liabilities to be a key audit matter. |
| **Our response** | Our audit procedures included the following:<br><br>▶ Understanding the Company's processes for issuing financial debt, as well as for granting loans to Enagás Group companies and evaluating the design and implementation of relevant controls.<br><br>▶ Reviewing debt instrument issues to verify that they have been correctly amortized, interest has been properly calculated and paid, and that they have been correctly classified as long or short term.<br><br>▶ Analyzing and reviewing loan agreements between group companies to verify that loans and credit facilities have been correctly amortized, interest has been properly calculated and paid, and that they have been correctly classified as long or short-term.<br><br>▶ Testing interest income from loans and financial expenses from bond issues, verifying their reasonableness against contractual documents.<br><br>▶ Reviewing the disclosures included the notes to the accompany financial statements in conformity with the applicable financial reporting framework. |

## Other information: management report

Other information refers exclusively to the 2021 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. Our responsibility for the management report, in conformity with prevailing audit regulations in Spain, entails assessing and reporting on the consistency of the information included in the management report with the financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information contained in the management report is consistent with that provided in the 2021 financial statements and its content and presentation are in conformity with applicable regulations.

**Responsibilities of the directors and the audit committee for the financial statements**

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

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

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

## Report on other legal and regulatory requirements

### European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Enagás Financiaciones, S.A.U. for the 2021 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of Enagás Financiaciones S.A.U. are responsible for submitting the annual financial report for the 2021 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

Our responsibility consists of examining the digital file prepared by the directors of the Company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the financial statements included in the aforementioned digital file correspond in their entirety to those of the financial statements that we have audited, and whether the financial statements and the aforementioned file have been formatted, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

**Additional report to the audit committee**

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on April 21, 2022.

**Term of engagement**

The sole shareholder's meeting held on April 20, 2019 appointed us as auditors for 3 years, commencing on December 31, 2019. Previously, we were appointed by the Sole Shareholder for a period of three years and we have been carrying out the audit of the financial statements without interruption since the year ended on December 31, 2016.

ERNST & YOUNG, S.L.
(Registered in the Official Register of
Auditors under No. S0530)

José Agustín Rico Horcajo
(Registered in the Official Register of
Auditors under No. 21920)

April 21, 2022

# ENAGÁS FINANCIACIONES, S.A.U.

# Annual Accounts at December 31, 2021

Translation of annual accounts originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain. In the event of a discrepancy, the Spanish-language version prevails.

# ENAGÁS FINANCIACIONES, S.A.U.

## BALANCE SHEET AT DECEMBER 31, 2021

(Thousands of euros)

| ASSETS | Notes to the Annual Accounts | Year 2021 | Year 2020 | EQUITY AND LIABILITIES | Notes to the Annual Accounts | Year 2021 | Year 2020 |
|---|---|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | **3,170,839** | **4,032,715** | **EQUITY** | Note 8 | **11,420** | **11,404** |
| | | | | ***SHAREHOLDERS' EQUITY*** | | **11,420** | **11,404** |
| **Long-term investments in group companies and associates** | Note 5.1 | **3,166,919** | **4,029,562** | **Capital** | | **890** | **890** |
| Loans to companies | | 3,166,919 | 4,029,562 | Subscribed capital | | 890 | 890 |
| | | | | **Issue premium** | | **7,270** | **7,270** |
| **Long-term financial investments** | Note 5.1 | **3,837** | **3,090** | **Reserves** | | **178** | **178** |
| Equity instruments | | 3,837 | 3,090 | Legal and statutory | | 178 | 178 |
| | | | | Other reserves | | - | - |
| **Deferred tax assets** | Note 12.8 | **83** | **63** | **Other contributions from partners** | | **110** | **90** |
| | | | | **Negative results from previous years** | | | **-** |
| | | | | **Profit** /(loss) for the year | Note 3 | **10,420** | **10,013** |
| | | | | **ADJUSTMENTS FOR CHANGES IN VALUE** | | **-** | **-** |
| | | | | Hedging transactions | | | - |
| | | | | **Interim dividend** | | **(7,448)** | **(7,037)** |
| **CURRENT ASSETS** | | **924,320** | **215,654** | **NON-CURRENT LIABILITIES** | | **3,175,994** | **4,028,586** |
| | | | | **Long-term provisions** | | **22** | **37** |
| **Trade and other receivables** | Note 6 | **38** | **111** | Obligations for long-term employee benefits | | 22 | 37 |
| Customers, group companies and associates | | 22 | 75 | **Long-term debts** | Note 9 | **3,175,972** | **4,028,549** |
| Other receivables | | 16 | 22 | Debentures and other marketable securities | | 2,719,458 | 3,460,408 |
| Other loans from the Public Administrations | Note 12.2 | - | 14 | Debts with credit institutions | | 456,514 | 568,141 |
| **Short-term investments in group companies and associates** | Note 5.1 | **912,114** | **203,189** | | | | |
| Loans to companies | | 912,114 | 203,189 | **CURRENT LIABILITIES** | | **907,745** | **208,379** |
| | | | | **Short**-term debts | Note 9 | **907,461** | **181,242** |
| **Short-term accruals** | | **9** | **13** | Debentures and other marketable securities | | 781,782 | 41,672 |
| | | | | Debts with credit institutions | | 112,099 | 122,128 |
| **Cash and cash equivalents** | Note 7 | **12,159** | **12,342** | Derivatives | Note 10 | - | - |
| Treasury | | 12,159 | 12,342 | Other financial liabilities | Note 5.1 | 13,580 | 17,442 |
| | | | | **Short-term borrowings from group companies and associates** | | **7** | **26,118** |
| | | | | **Trade and other payables** | Note 11 | **277** | **1,019** |
| | | | | Suppliers | | 14 | 799 |
| | | | | Suppliers, group companies and associates | | 116 | 118 |
| | | | | Other payables | | 33 | 32 |
| | | | | Staff (wages pending payment) | | 98 | 62 |
| | | | | Other debts with the Public Administrations | Note 12.2 | 16 | 8 |
| **TOTAL ASSETS** | | **4,095,159** | **4,248,369** | **TOTAL EQUITY AND LIABILITIES** | | **4,095,159** | **4,248,369** |

The accompanying Notes 1 to 18 constitute an integral part of the Balance Sheet at December 31, 2021.

## ENAGÁS FINANCIACIONES, S.A.U.

**INCOME STATEMENT AT DECEMBER 31, 2021**
(Thousands of euros)

| | Notes to the Annual Accounts | Year 2021 | Year 2020 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | **72,926** | **72,383** |
| **Revenue** | Note 13.1 | **74,711** | **74,171** |
| Rendering of services | | 74,711 | 74,171 |
| **Personnel expenses** | | **(468)** | **(478)** |
| Wages, salaries and similar | | (370) | (374) |
| Social contributions | | (98) | (104) |
| **Other operating expenses** | | **(1,317)** | **(1,310)** |
| External services | | (1,314) | (1,307) |
| Taxes | | (3) | (3) |
| **OPERATING PROFIT** | | **72,926** | **72,383** |
| **Financial expenses** | | **(59,033)** | **(59,021)** |
| - For borrowings from group companies and associates | | (92) | (197) |
| - For borrowings from third parties | | (58,941) | (58,824) |
| **Exchange differences** | | **10** | **(6)** |
| **FINANCIAL RESULT** | Note 13.2 | **(59,023)** | **(59,027)** |
| **PROFIT /(LOSS) BEFORE TAX** | | **13,903** | **13,356** |
| Income tax | Note 12.6 | (3,483) | (3,343) |
| **PROFIT /(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS** | | **10,420** | **10,013** |
| **PROFIT /(LOSS) FOR THE YEAR** | | **10,420** | **10,013** |

The accompanying Notes 1 to 18 constitute an integral part of the Income Statement at December 31, 2021.

## ENAGÁS FINANCIACIONES, S.A.U.

**STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2021**
**A) STATEMENT OF RECOGNISED INCOME AND EXPENSES**
(Thousands of euros)

| | Year 2021 | Year 2020 |
|---|---|---|
| | | |
| **RESULTS OF THE INCOME STATEMENT** | **10,420** | **10,013** |
| **Income and expenses recognised directly in equity** | | |
| - From cash flow hedges | - | - |
| - Tax effect | - | - |
| **TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (II)** | **-** | **-** |
| **Amounts transferred to the income statement** | | |
| - From cash flow hedges | - | - |
| - Tax effect | - | - |
| **TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT (III)** | **-** | **-** |
| | | |
| **TOTAL RECOGNISED INCOME AND EXPENSES** | **10,420** | **10,013** |

The accompanying Notes 1 to 18 constitute an integral part of the Statement of Recognised Income and Expenses at December 31, 2021.

## ENAGÁS FINANCIACIONES, S.A.U.

**STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2021**
**B) STATEMENT OF TOTAL CHANGES IN EQUITY**
(Thousands of euros)

| | Capital | Issue Premium | Legal reserve | Other reserves | Results from previous years | Other contributions from partners | Profit /(loss) for the year | Interim dividend | Adjustments for changes in value | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE ADJUSTED AT THE BEGINNING OF 2020** | **890** | **7,270** | **178** | **12,137** | **-** | **68** | **15,189** | **-** | **(71)** | **35,661** |
| Total recognised income and expenses | | | | | | | **10,013** | | **71** | **10,084** |
| Transactions with shareholders | | | | **(12,137)** | | **22** | **(15,189)** | **(7,037)** | | **(34,341)** |
| - Distribution of dividends | | | | (12,137) | | | (15,189) | (7,037) | | (34,363) |
| - Other transactions | | | | | | 22 | | | | 22 |
| Other changes in equity | | | | | | | | | | - |
| **BALANCE AT DECEMBER 31, 2020** | **890** | **7,270** | **178** | **-** | **-** | **90** | **10,013** | **(7,037)** | **-** | **11,404** |
| **BALANCE AT BEGINNING OF 2021** | **890** | **7,270** | **178** | **-** | **-** | **90** | **10,013** | **(7,037)** | **-** | **11,404** |
| Total recognised income and expenses | | | | | | | **10,420** | | | **10,420** |
| Transactions with shareholders | | | | **-** | | **20** | **(2,976)** | **(7,448)** | | **(10,404)** |
| - Distribution of dividends | | | | | | | (2,976) | (7,448) | | (10,424) |
| - Other transactions | | | | | | 20 | | | | 20 |
| Other changes in equity | | | | | | | **(7,037)** | **7,037** | | - |
| **BALANCE AT DECEMBER 31, 2021** | **890** | **7,270** | **178** | **-** | **-** | **110** | **10,420** | **(7,448)** | **-** | **11,420** |

The accompanying Notes 1 to 18 constitute an integral part of the Statement of Total Changes in Equity at December 31, 2021.

## ENAGÁS FINANCIACIONES, S.A.U.

### CASH FLOW STATEMENT AT DECEMBER 31, 2021
(Thousands of euros)

| | Notes to the Annual Accounts | Year 2021 | Year 2020 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES (I)** | | **6,147** | **21,302** |
| **Profit /(loss) for the year before taxes** | | **13,903** | **13,356** |
| **Adjustments to profit:** | | **(15,410)** | **(14,877)** |
| - Variation of provisions | | 5 | 44 |
| - Financial expenses | Note 13.2 | 59,033 | 59,021 |
| - Financial income | Note 13.1 and 14.1 | (71,426) | (71,237) |
| - Exchange differences | | (10) | 6 |
| - Other income and expenses | Note 5.1 | (3,012) | (2,711) |
| **Changes in working capital** | | **(26,127)** | **(11,799)** |
| - Trade and other receivables | | 72 | (6) |
| - Trade and other payables | | (742) | 826 |
| - Other current liabilities | | (25,457) | (12,619) |
| | | - | |
| **Other cash flows from operating activities** | | **33,781** | **34,622** |
| - Interest paid | | (49,898) | (49,356) |
| - Interest received | | 64,930 | 66,558 |
| - Income tax paid (received) | Note 13.1 | 18,749 | 17,420 |
| | | - | |
| **CASH FLOWS FROM INVESTING ACTIVITIES (II)** | | **162,627** | **(385,020)** |
| | | - | |
| **Payments for investments** | | **(159,612)** | **(537,945)** |
| - Group companies and associates | Note 5.1 | (159,612) | (537,945) |
| **Proceeds from** divestments | | **322,239** | **152,925** |
| - Group companies and associates | Note 5.1 | 322,239 | 152,925 |
| | | - | |
| **CASH FLOWS FROM FINANCING ACTIVITIES (III)** | | **(168,957)** | **365,948** |
| | | - | |
| **Proceeds from and payments on financial liabilities** | Note 9 | **(158,533)** | **400,311** |
| - Issue of borrowings from credit entities | | - | 199,980 |
| - Issue of debentures and other marketable securities | | 2,000,000 | 2,696,050 |
| - Debt issue with group companies and associates | | - | 26,023 |
| - Repayment and amortisation of borrowings from credit entities | | (121,742) | (321,742) |
| - Return and amortisation of debentures and other marketable securities | | (2,010,000) | (2,200,000) |
| - Repayment and amortisation of borrowings from group companies and associates | | (26,791) | - |
| | | - | |
| **Dividends paid and remuneration on other equity instruments** | | **(10,424)** | **(34,363)** |
| - Final dividend (previous year) | | (2,976) | (15,189) |
| - New dividends | | (7,448) | (19,174) |
| | | - | |
| **NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I + II + III)** | | **(183)** | **2,230** |
| | | - | |
| Cash and cash equivalents at beginning of the year | | 12,342 | 10,112 |
| Cash and cash equivalents at year-end | | 12,159 | 12,342 |

The accompanying Notes 1 to 18 constitute an integral part of the Cash Flow Statement at December 31, 2021.

# 1.- General Information

## *1.1 Company activity*

Enagás Financiaciones S.A.U. was incorporated on April 16, 2012 in Spain in accordance with the Corporate Enterprises Act, its corporate purpose being:

i. The issuance of debt instruments, the obtaining of financing by any means admitted by law, and in accordance with the usual practices and uses of commerce as well as the granting of loans and credits to the companies that make up the Enagás Group at any time and/or any companies in which any of the Enagás Group companies holds an interest. For the above purposes, a company of the Enagás Group shall be understood to be any company, whatever its legal form, in which the requirements of Article 42 of the Commercial Code are met.

ii. The management and administration of securities representing the equity of entities resident and non-resident in Spain, the provision of services of all types to entities in which it holds shares and the issuance of financial resources resulting from the activities constituting the corporate purpose, all of which are performed by means of the corresponding organisation of material and personal means.

iii. The acquisition, subscription, ownership, use, management and disposal of shares in the capital of other companies, both resident and non-resident in Spain, and of transferable securities, fixed or variable income.

Its registered address is located at Paseo de los Olmos, 19, 28005 Madrid.

The Company forms part of the Enagás Group, the Parent of which is Enagás, S.A., with registered address at Paseo de los Olmos 19, 28005 Madrid. Enagás, S.A. draws up the Group’s consolidated financial statements. The Annual Accounts of Enagás, S.A. and its Consolidated Group at December 31, 2021 were prepared by its Directors at the Board of Directors meeting held on February 14, 2022. The 2020 Annual Accounts of Enagás S.A. and its Tax Consolidation Group were approved at the Enagás, S.A. General Shareholders’ Meeting held on May 27, 2021 and duly filed at the Madrid Mercantile Registry.

The Annual Accounts of Enagás Financiaciones, S.A.U. for 2021 were likewise prepared by the Directors on March 31, 2022.

In this regard, since the Company forms part of the Enagás Group, whose parent company, Enagás, S.A., presents Consolidated Annual Accounts, it is exempt from the obligation of preparing Consolidated Annual Accounts in accordance with Royal Decree 1159/2010, of September 17, establishing the standards for the preparation of Consolidated Annual Accounts.

# 2.- Basis of presentation of the Annual Accounts

## *2.1 Regulatory financial reporting framework applicable to the Company*

These Annual Accounts have been prepared by the Directors in accordance with the financial information regulatory framework applicable to the Company, which is established in:

i) Commercial Code and remaining mercantile law.

ii) National Chart of Accounts approved by Royal Decree 1514/2007 of November 16, 2007, which was amended in 2016 by Royal Decree 602/2016 of December 2, 2016, as well as Royal Decree 1/2021 of January 12, 2021 approving the Spanish National Chart of Accounts adapting it to the international accounting standards adopted by the European Union as regards to accounting for financial instruments and revenue recognition.
The effects of the application of this last Royal Decree 1/2021 are shown below, and are applicable for fiscal years beginning on or after January 1, 2021.

iii) Compulsory regulations approved by the Accounting and Audit Institute, in development of the Spanish National Chart of Accounts and its complementary standards.

iv) The remaining Spanish accounting regulations that apply.

These Annual Accounts have been prepared by the Directors of the Company and will be submitted for approval by the Sole Shareholder. It is expected that they will be approved without modification. The 2020 Annual Accounts were approved by the Sole Shareholder on June 30, 2021.

Furthermore, following the recommendations of supervisory bodies in relation to the economic situation arising due to the Covid-19 pandemic and the preparation of the financial information for 2021, this situation has not led to any change in the accounting policies of Enagás Financiaciones with respect to those applied in previous years.

In order to comply with these recommendations, Note 2.8 below summarises the main aspects of this situation considered by the Company in relation to the financial statements of December 31, 2021.

These Annual Accounts are presented in thousands of euros (unless expressly stated otherwise) as this is the functional currency of the main economic area in which Enagás Financiaciones, S.A.U. operates.

***Application of the amendment to the General Chart of Accounts made by Royal Decree 1/2021 of January 12, 2021***

On January 30, 2021, Royal Decree 1/2021 of January 12 was published in the Official State Journal (BOE), amending the National Chart of Accounts in several aspects. The main changes relate to revenue recognition rules and financial instruments.

The main objective of this amendment is to incorporate into national accounting regulations the changes necessary to adapt the 14th standard “revenue from sales and services rendered” and the 9th recording and valuation standard “financial instruments” to the European international regulations contained in IFRS 15 and IFRS 9, respectively.

***a) Recognition of income***

The amendment establishes as the main novelty the adoption of the five-step model already existing in European international standard IFRS 15 for revenue recognition, consisting of the following:

1) Contract identification
2) Identification of compliance obligations
3) Determination of the transaction price
4) Distribution of the price among the different obligations
5) Revenue recognition over time or at a point in time.

This new revenue recognition scheme is based on the concept of control, as opposed to the previous approach that focused on analysis of risks and benefits. Accordingly, the transfer of control indicators and the requirements that must be met for an entity to be able to record its income in accordance with the fulfilment of obligations over time are detailed.

The new revenue model is applicable to all contracts with customers, except those within the scope of other applicable standards, such as interest and dividend revenue recognition.

As regards the measurement of income, the valuation of the variable components should be taken into account by making use of the best estimate of the variable consideration to be received and that a significant reversal of that amount is not highly likely.

Certain aspects of this amendment have been dealt with in greater depth in the ICAC *(Institute of Accounting and Accounts Auditing)* Resolution of February 13, 2021.

The Royal Decree determines that these amendments must be applied retrospectively, although certain practical solutions are included, such as applying the new criteria only to contracts that are not completed by January 1, 2021, or deciding to continue applying the old criteria to contracts that are not completed on the date of first application.

The Company has adopted this standard using the modified retrospective method as of January 1, 2021 and has elected to apply the standard to all unfinished contracts existing at January 1, 2021.

The cumulative effect of the initial application is recognised at the date of initial application as an adjustment to Reserves. Therefore, the comparative information has not been updated and continues to be presented in accordance with the previous standard for valuation and recording of ordinary revenue.

With regard to the specific risks relating to revenue for the Company, an analysis was performed to determine the impacts which may arise from implementation of said Standard and the following was identified:

- With regard to interest income presented as revenue, since it is a holding company, there is no change resulting from application of this new regulation, as it continues with the same previous criterion maintained in relation to financial assets and the accrual of this income.

- Finally, with respect to other contracts for services rendered to group companies, the Company has performed an analysis of potential impacts for each of the contracts by applying the five-step model described above, without having detected any type of adjustment derived from its implementation.

- The Company does not have any significant incremental costs in obtaining contracts with customers that have to be registered as an increase in the value of the asset, and thus amortised over the life of the contracts with customers in the Income Statement.

Based on the foregoing, as of January 1, 2021, there has been no effect from the new regulations that should be recorded in Reserves for the first time, as well as in the Income Statement or the Balance Sheet.

Furthermore, the measurement criteria for application of this regulation are detailed in Note 4.4 “Income and expenses”

***b) Financial instruments***

As of January 1, 2021, the new classification and valuation criteria for financial instruments provided for in Royal Decree 1/2021, which are included in Note 5, are applicable to and represent a modification with respect to those applied in previous years.

The main novelty of the amendment consists of the application of new measurement categories for financial assets. Accordingly, the previous five categories of financial assets (loans and receivables, held-to-maturity investments, financial assets held for trading, other financial assets at fair value through profit or loss and investments in group, multi-group and associated companies) are replaced by the four new categories:

- Amortised cost
- Fair Value with changes in the income statement
- Fair value with changes in equity
- Cost

The category is determined for each financial asset based on the composition of cash flows associated with the asset and the expected business model.

With regard to financial liabilities, there were previously three categories (debits and payables, financial liabilities held for trading and other financial liabilities at fair value through profit or loss). These are replaced by two new categories:

- Amortised cost.
- Fair value with changes in income statement.

Classification and valuation of financial instruments:

The classification depends on the business model of the entity and the existence or not of certain contractually agreed upon cash flows.

- If the objective of the business model is to maintain a financial asset for the purpose of collecting contractual cash flows, which are exclusively principal payments plus interest on that principal, the financial asset will be valued at amortised cost.

- If the business model's objective is both to obtain contractually agreed upon cash flows and income from their sale, the financial assets will be measured at fair value through profit and loss (equity). Investments in equity instruments (shares and units in collective investment schemes) may also be included in this category if this treatment is chosen at the start.

In contrast, at the initial recognition of a financial asset, an entity may opt to measure it at fair value through profit or loss if this allows the entity to eliminate or reduce an accounting asymmetry.

All other financial assets are measured at fair value, recording the profits and losses resulting from the subsequent valuation in the Income Statement.

Following the rules set out in paragraph 6 of the second transitional provision, the Company has decided to apply the new criteria prospectively, considering for the purpose of classifying financial assets the facts and circumstances existing at January 1, 2021, the date of initial application.

The following table shows a reconciliation as of January 1, 2021 for each class of financial assets and liabilities between the initial measurement category with the corresponding carrying amount determined in accordance with the previous standards and the new valuation category with its carrying amount determined in accordance with the new criteria:

Financial assets:

| **Type of instrument** | **Classification at 31.12.2020** | **Classification at 01.01.2021** | **Amount under previous regulations** | **Amount under Royal Decree 1/2021 regulations** |
|---|---|---|---:|---:|
| Short- and long-term credits to group and multigroup companies (Note 5.1) | Loans and receivables | Amortised cost | 4,232,751 | 4,232,751 |
| Equity instruments (Note 5.1) (*) | Equity instruments | Amortised cost | 3,090 | 3,090 |
| Trade and other receivables (Note 6) | Loans and receivables | Amortised cost | 111 | 111 |

*This category includes as amortised cost the equity instruments in Economic Interest Groupings described in Note 5.1 where the Company holds the investment in order to receive cash flows as principal and interest payments on the principal amount.

Financial liabilities:

| Type of instrument | Classification at 31.12.2020 | Classification at 01.01.2021 | Amount under previous regulations | Amount under Royal Decree 1/2021 regulations |
|---|---|---|---|---|
| Debentures and other marketable securities (Note 9) | Debits and payables. | Amortised cost | 3,502,080 | 3,502,080 |
| Debts with credit institutions (Note 9) | Debits and payables. | Amortised cost | 690,269 | 690,269 |
| Debts with group companies and associates | Debits and payables. | Amortised cost | 26,118 | 26,118 |
| Other financial liabilities | Debits and payables. | Amortised cost | 17,479 | 17,479 |
| Trade and other payables (Note 11) | Debits and payables. | Amortised cost | 1,019 | 1,019 |

The measurement criteria for application of this regulation are detailed in:

- Note 4.1 “Financial instruments”

## *2.2 True and fair view*

The accompanying Annual Accounts, which were obtained from the Company’s accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and criteria set out therein and, accordingly, provide a true and fair view of the Company’s equity, financial position, results of operations, the statement of changes in equity and cash flows during the year.

## *2.3 Non-compulsory accounting principles applied*

No non-compulsory accounting principles have been applied. Also, the Directors authorised these Annual Accounts for issue in due consideration of all compulsory accounting principles and standards with a significant effect on the Annual Accounts.

## *2.4 Critical issues regarding measurement and estimation of uncertainty*

The results and determination of equity disclosed in the Annual Accounts are sensitive to the accounting principles and policies, measurement bases and estimates used by the Company’s Directors.

These estimates relate basically to the following:

- The measurement of assets to determine any impairment losses (see Note 4.1.1).
- The market value of certain financial instruments (see Note 4.1.3).
- The calculation of income tax (see Note 4.3).

Although these estimates were made on the basis of the best information available at December 31, 2021 regarding the facts analysed, it is possible that future events may require these to be modified (upwards or downwards) in the years ahead. This would be carried out prospectively.

During the twelve-month period ended December 31, 2021, there were no significant changes to the estimates made at 2020 year-end, and thus future periods are also not expected to be affected.

### *2.5 Comparison of information*

The information included in these Notes relating to 2020 is presented solely and exclusively for purposes of comparison with the information relating to 2021.

### *2.6 Grouping of items*

Certain items on the Balance Sheet, the Income Statement, the Statement of Changes in Equity and Cash Flow Statement are grouped together to make them easier to understand, although when individual data is significant, specific information has been included in the respective Notes to these annual accounts.

### *2.7 Going concern*

The annual accounts have been prepared on a going concern basis.

### *2.8 Covid-19*

Following the recommendations of supervisory bodies in relation to the economic situation arising due to the Covid-19 pandemic, this situation has not led to any change in the accounting policies of Enagás Financiaciones, S.A.U. with respect to those applied in previous years.

During the overall adverse economic situation caused by the Covid-19 pandemic, both Enagás S.A. and its affiliates, including Enagás Financiaciones, S.A.U. have implemented in 2020 contingency plans to operate normally and ensure the continuity of their regular activity. Thus, the going concern principle has continued to be fully applied in 2021, as in 2020, as explained in Note 2.7.

Enagás Financiaciones, S.A.U.'s liquidity risk management strategy has not been affected by the general economic situation caused by Covid-19. Similarly, the credit or exchange rate risk policies (Note 5.2) have not changed from those applied in previous years.

Since this general economic situation is deemed an adverse circumstance likely to be considered as an indication of impairment, and also considering the evolution of discount rates in 2021, Enagás Financiaciones, S.A.U. has assessed the recoverability of financial assets (Note 5) and has not found any impairment of financial assets to be recognised.

Finally, there were no significant extraordinary expenses relating to this situation or provisions or contingent liabilities included in the Company's financial statements at December 31, 2021.

Based on the Company's analysis, no additional impacts to those indicated above caused by the Covid-19 situation have become evident that should be recorded in the financial statements at December 31, 2021.

## 3.- Allocation of profit

The proposed allocation of profit for 2021 as drawn up by the Company's Directors to be submitted for approval by the Sole Shareholder is as follows:

| | **2021** |
|---|---|
| To dividends | 10,420 |
| **Total** | **10,420** |

On November 30, 2021, the Sole Shareholder agreed to distribute an interim dividend charged against 2021 profit amounting to 7,448 thousands of euros (see Note 8.6), paid in full at December 31, 2021.

# 4.-Accounting policies and measurement bases

The main accounting policies and measurement bases used by the Company in preparing its Annual Accounts for 2021, in accordance with the Spanish National Chart of Accounts, were as follows:

## *4.1 Financial instruments*

*4.1.1 Financial assets*

*Classification and measurement*

On initial recognition, the Company classifies all financial assets as financial assets at amortised cost:

*a) Financial assets at amortised cost*

The Company classifies a financial asset into this category if the following conditions are met:

- The Company maintains the investment under a management model whose objective is to receive the cash flows arising from the execution of the contract.

- The contractual features of the financial asset give rise to cash flows at specified times that consist solely of the collection of principal and interest on the outstanding principal.

Generally, loans and advances to customers and other debtors are included in this category.

Financial assets classified in this category are initially measured at fair value, which, until proven otherwise, is assumed to be the transaction price, which is the fair value of the consideration given plus capitalised transaction costs.

Nevertheless, trade receivables maturing in no more than one year and not bearing a contractual interest rate, as well as advances and loans to employees, dividends receivable and disbursements on equity instruments, the amount of which is expected to be received in the short-term, may be measured at their face value when the effect of not discounting the cash flows is not significant.

The amortised cost method is used for subsequent measurement. Accrued interest is recognised in the income statement (financial income) using the effective interest rate method.

Receivables with a maturity of less than one year, which are initially measured at face value as described above, continue to be measured at nominal value unless they are impaired.

If the contractual cash flows of a financial asset measured at amortised cost change due to financial difficulties of the issuer, the Company generally assesses whether an impairment loss should be recognised.

The Company has equity instruments (Note 5.1) where it holds the investment in order to receive cash flows from the execution of a contract, through tax loss carryforwards, and the contractual conditions of the financial asset give rise, on specified dates, to cash flows, consisting of principal and interest payments on the outstanding principal amount.

*Derecognition of balance of financial assets*

The Company derecognises a financial asset from the balance sheet when:

- The contractual rights to the cash flows from the asset expire. A financial asset is derecognised when it expires and the Company has received the related amount.

- The contractual rights to the cash flows from the financial asset have been transferred. In this case, the financial asset is derecognised when the risks and rewards of ownership have been substantially transferred.

*Impairment losses on financial assets*

At least at year-end, the Company analyses whether there is objective evidence that the value of a financial asset is impaired as a result of one or more events that occurred after its initial recognition and that cause a reduction or delay in the estimated future cash flows, which may be caused by the debtor’s insolvency.

If such evidence exists, the impairment loss is calculated as the difference between the carrying amount and the present value of future cash flows, including, if applicable, those from the enforcement of collateral and personal guarantees, estimated to be generated, discounted at the effective interest rate calculated at the time of initial recognition. For financial assets at variable interest rates, the effective interest rate applicable at the closing date of the annual accounts is used in accordance with the contractual conditions.

Impairment losses, as well as their reversal when the amount of such loss decreases due to a subsequent event, are recognised as an expense or income, respectively, in the income statement. The reversal of the impairment is limited to the carrying amount of the asset that would have been recognised at the date of reversal if no impairment had been recorded.

As a substitute for the present value of future cash flows, the Company uses the market value of the instrument, provided that it is sufficiently reliable to be considered representative of the value that could be recovered by the Company.

<u>*4.1.2 Financial liabilities*</u>

a) *Financial liabilities at amortised cost*

The Company classifies a financial liability in this category if the following conditions are met:

- The contractual features of the financial liability give rise to cash flows at specified times that consist solely of the payment of principal and interest on the outstanding principal.

Financial liabilities classified in this category are initially measured at fair value, which, until proven otherwise, is assumed to be the transaction price, which is the fair value of the consideration received plus transaction costs.

The amortised cost method is used for subsequent measurement. Accrued interest is recognised in the income statement (financial expenses) using the effective interest rate method.

*Derecognition of financial liabilities*

The Company derecognises a previously recognised financial liability when any of the following circumstances arise:

- The obligation has been extinguished because payment has been made to the creditor to cancel the debt, or because the debtor is legally released from any responsibility for the liability.

- The Company’s own financial liabilities are acquired, even when it is the intention to reposition them in the future.

- There is an exchange of debt instruments between a lender and a borrower, provided that they have substantially different terms, and the new financial liability that arises is recognised; similarly, a substantial modification of the current terms of a financial liability is recorded, as indicated for debt restructuring.

The accounting for the derecognition of a financial liability is as follows: the difference between the carrying amount of the financial liability (or part thereof that has been derecognised) and the compensation paid, including attributable transaction costs, and which also includes any asset transferred other than cash or liability assumed, is recognised in the income statement for the year in which it occurs.

*4.1.3 Derivatives and hedging transactions*

The Company uses derivative financial instruments to hedge its exposure to future business, operating and cash flow risks.

In order for these derivative financial instruments to be classified as hedges they are initially designated as such, and the relationship between the hedging instrument and the hedged items is documented, together with the risk management objective and the hedge strategy for the various hedged transactions. In addition, the Company verifies initially and then periodically throughout the life of the hedge (and at least at the end of each reporting period) that the hedging relationship is effective, i.e., that it is prospectively foreseeable that the changes in fair value or in the cash flows from the hedged item (attributable to hedged risk) are almost entirely offset by those of hedging instrument and that, retrospectively, the gains or losses on the hedge have fluctuated within a range of 80% to 125% of the gains or losses on the hedged item.

All derivative financial instruments are measured, both initially and subsequently, at fair value. Differences in fair value are recognised in the Income Statement, unless there is a specific treatment required under hedge accounting.

The Company uses cash flow hedges so that changes in the fair value of the derivatives are recorded, in the part in which these hedges are effective and net of their tax effect, under “Net Equity - Adjustments for changes in value - Hedging operations”. The accumulated gain or loss under this heading is transferred to the income statement in the same period in which the item being hedged affects the result when settled. The results corresponding to the ineffective part of the hedges are recorded directly in the income statement as financial income.

Hedge accounting is discontinued when the hedging instrument expires, or when it is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. Any cumulative gain or loss relating to the hedging instrument recognised under equity at that time remains in equity until the forecast hedged transaction takes place. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

The use of derivative financial instruments is governed by the Company’s risk management policies, and the principles regarding their use are disclosed in Note 5.2.
As of December 31, 2021 and 2020, the Company does not have any hedging instruments.

*4.1.4 Cash and cash equivalents*

Liquid financial assets, deposits and liquid financial investments that may be transformed into a determinable amount of cash within less than three months, and whose risk of changes in value is immaterial, are considered cash equivalents.

## *4.2 Foreign currency transactions*

The Company’s functional currency is the euro. Consequently, transactions in currencies other than the euro are considered to be foreign currency transactions and are recognised by applying the prevailing exchange rates at the dates of the operations.

At year-end, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates prevailing at the Balance Sheet date. Any gains or losses arising are taken directly to the Income Statement for the year in which they arise.

## *4.3 Income tax*

As of January 1, 2013, Enagás Financiaciones, S.A.U. forms part of the Tax Consolidated Group 493/12, the Parent of which is Enagás, S.A., and files consolidated tax returns in accordance with Chapter VI, Title VII of the Spanish Corporate Income Tax Law 27/2014, of November 27.

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

Current tax is the amount paid by the Company in settlement of income tax during a particular year. Tax credits and other tax benefits applied to the taxable profit, excluding withholdings, prepayments and tax loss carryforwards effectively offset during the year, are deducted from the current tax.
Deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include the temporary differences measured as the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax value, as well as carry-forward tax losses pending payment and credits for tax deductions not applied fiscally. These amounts are measured by applying the tax rate to the corresponding temporary differences or tax credits at which they are expected to be recovered or settled.
Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of those arising from initial recognition of goodwill or from other assets and liabilities in a transaction that does not affect taxable profit or accounting profit and is not a business combination.

Deferred tax assets are only recognised to the extent that it is considered likely that the Company will have sufficient taxable profit in the future against which the deferred tax assets can be offset.

Deferred tax assets and liabilities arising from items directly charged or credited to equity accounts are also recognised with a charge or credit, respectively, to equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Deferred tax assets not recognised on the balance sheet are also reassessed at the end of each reporting period and are recognised where it has become highly probable that they will be recovered through future taxable profits.

## *4.4 Income and expenses*

### *4.4.1 Revenue*

This measurement note includes the new criteria introduced by the amendment to the Spanish National Chart of Accounts made by Royal Decree 1/2021 of January 12, 2021, as indicated in Note 2.1.

The company follows a process for recording revenues from contracts with customers, which consists of the following steps:

1) Identify the contract with the customer, understood as an agreement between two or more parties that creates enforceable rights and obligations for them.

2) Identify the obligation or obligations to be fulfilled in the contract, representative of the commitments to transfer goods or provide services to a customer.

3) Determine the transaction price, or contract consideration to which the company expects to be entitled to in exchange for the transfer of goods or provision of services committed to the customer.

4) Assign the transaction price to the obligations to be fulfilled, which must be based on the individual sales prices of each different good or service committed to in the contract, or, if applicable, following an estimate of the sales price when the same is not independently observable.

5) Recognise revenue from ordinary activities when the company fulfils a committed obligation through the transfer of a good or the rendering of a service; fulfilment that takes place when the customer obtains control of that good or service, so that the amount of revenue recognised will be the amount assigned to the contractual obligation fulfilled.

*Recognition*

The Company recognises revenue from a contract when control over the committed goods or services is transferred to the customer.

For each identified performance obligation, the company determines at contract inception whether the obligation incurred will be settled over time or at a point in time.

Revenue from obligations that will be settled over time is recognised by reference to the stage of completion, or progress towards completion, of the contractual obligations, provided the company has reliable information to measure the stage of completion.

In the case of contractual obligations that are fulfilled at a certain point in time, the revenue derived from their execution are recognised at that date.

*Fulfilment of the obligation over time*

The company transfers control of an asset over time when one of the following criteria is met:

a) The customer simultaneously receives and consumes the benefits provided by the company's activity as the entity develops it.

b) The company produces or improves an asset that the customer controls as the activity develops.

c) The company develops a customer-specific asset with no alternative use and the company has an enforceable right to payment for the activity that has been completed to date.

*Indicators of compliance with the obligation at a given point in time*

To identify the specific moment when the customer obtains control of the asset, the company considers the following indicators:

a) The customer assumes the significant risks and rewards of ownership of the asset.
b) The company transfers physical possession of the asset.
c) The customer receives the asset in accordance with the contractual specifications.
d) The company has a collection right for transferring the asset.
e) The customer has ownership of the asset.

*Valuation*

Revenue from the sale of goods and the rendering of services is measured at the monetary amount or, where applicable, the fair value of the consideration received or expected to be received. The consideration is the agreed price for the assets to be transferred to the customer, less: the amount of any discounts, rebates or similar items that the company may grant; and interest included in the nominal amount of the receivables.

Based on the accrual principle, revenues are recorded with the transfer of control and expenses are recorded when they occur, regardless of the date of collection or payment.

The Company applies the practical expedient for short-term advances received from customers. That is, the consideration is not adjusted for the effects of a significant financial component if the period between the transfer of the promised good or service and payment is one year or less.

In application of the criterion stated by the Institute of Accounting and Auditing of Accounts, through BOICAC No. 79, income obtained by the Company from its financial activity is included as an integral part of the net amount of Company turnover, provided that said activity is considered to be ordinary activity, as well as the income from the provision of financial services to Enagás Group companies (see Note 13.1).

Interest income is accrued based on a temporary financial criterion, based on the outstanding principal and the applicable effective rate, which is the rate of the estimated future cash flows over the expected life of the asset that is equal to its carrying amount.

*4.4.2 Expenses*

Expenses are recognised in the income statement when there is a decrease in the future economic benefit related to a reduction in an asset or an increase in a liability that can be measured reliably. This means that an expense is recognised simultaneously with the recognition of the increase in the liability or the reduction of the asset.

An expense is recognised immediately when a payment does not generate future economic benefits or when the prerequisites for capitalisation as an asset are not met.

*Contract balances*

a) Contract assets

*Unconditional right to receive the consideration*

When the Company has an unconditional right to the consideration, irrespective of the transfer of control of the assets, a receivable is recognised under “Trade and other receivables” in current or non-current assets, depending on its maturity based on the normal operating cycle.

*Entitlement to consideration for transfer of control*

When control of a contractual asset is transferred without an unconditional right to revenue, the Company recognises a right to consideration for the transfer of control. This entitlement to consideration for the transfer of control is derecognised when an unconditional right to receive the consideration arises. However, it is tested for impairment at the year-end in the same way as unconditional rights.

These balances, like unconditional rights, are reported under trade receivables. They are classified as current or non-current depending on their maturity.

b) Contract liabilities

If the customer pays the consideration, or has an unconditional right to receive it, before the good or service is transferred to the customer, the Company recognises a contract liability when payment has been made or is due.

According to their maturity, these contract liabilities are presented in customer advances under trade and other payables or long-term accruals.

## *4.5 Provisions and contingencies*

While drawing up the Company’s Annual Accounts, the Directors made a distinction between the following:

a) Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to cause an outflow of resources, but which are uncertain as to their amount and/or timing.

b) Contingent liabilities: possible obligations that arise from past events, the future emergence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events even if all are beyond the control of the Company.

The Annual Accounts include all provisions for which it is considered likely than not that the corresponding obligation will have to be settled. Contingent liabilities are not recognised in the Annual Accounts, but are disclosed in the Notes to the Annual Accounts, unless they are considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences and any adjustments arising from the restatement of these provisions are recognised as finance costs as they are accrued.
The compensation to be received from a third party when an obligation is settled is recognised as an asset, provided it is certain that reimbursement will be received, unless there is a legal relationship whereby a portion of risk has been externalised as a result of which the Company is not liable, in which case, reimbursement will be taken into consideration in estimating the amount of any provisions.

The policy followed with respect to the recognition of provisions for risks and expenses is to recognise the estimated amount required to settle probable or certain liabilities arising from litigation underway, pending indemnities or obligations, sureties and similar guarantees. They are recognised upon emergence of the liability or obligation determining the indemnity or payment.

At the end of the 2021 financial year, there were no events that could be considered as a provision or contingent liabilities in the Company.

## *4.6 Environmental assets and liabilities*

Environmental assets are considered to be those used by the Company on an ongoing basis, the main aim of which is to minimise environmental impact and to protect and improve the environment, including the reduction or elimination of future pollution.

The costs incurred in the acquisition of systems, equipment and facilities, whose purpose is the elimination, limitation or control of the possible impacts of the normal development of gas activity on the environment are considered investments in fixed assets.

The remaining expenses related to the environment, other than those incurred for the acquisition of fixed assets, are considered expenses for the financial year, and are recognised in the Income Statement.

With regard to possible environmental contingencies, the Company considers that these are sufficiently covered by the civil liability insurance policies that it has taken out.

## *4.7 Related party transactions*

The Company carries out all its transactions with related parties at market value. Transfer prices are adequately supported and consequently the Company's Directors consider that no significant risks exist in this respect from which significant liabilities could arise in the future.

## *4.8 Current and non-current classification*

Assets classified as current assets are all those related to the Company's normal operating cycle, generally one year, and other assets expected to mature, or to be sold or realised in the short-term from the end of the reporting period, financial assets held for trading, with the exception of financial derivatives whose settlement term exceeds one year, and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Current liabilities are those associated with the normal operating cycle, financial liabilities held for trading, with the exception of those financial derivatives whose settlement period exceeds one year and, in general, all obligations that mature or expire in the short-term. All other liabilities are classified as non-current.

## *4.9 Share-based payments*

The Company classifies its share-based settlement plan for executive directors and senior management according to the manner of settling the transaction:

a) In shares in the parent company of the Enagás Group which passes the cost on to the Company: personnel expense is determined based on the fair value of the shares to be delivered at the grant date, taking into account the degree to which the objectives relating to said plan have been fulfilled. This expense is recognised over the stipulated period during which employee services are rendered in Note 14.2.1 with a credit to "Other contributions from partners" in the accompanying Balance Sheet.

b) In cash: personnel expenses are determined based on the fair value of the liability at the date recognition requirements are met. This expense is recognised over the stipulated period during which employee services are rendered in Note 14.2.1 with a credit to "Long-term provisions" in the accompanying Balance Sheet. The liability is subsequently measured at fair value at each balance sheet date, up to and including the settlement date, with changes in fair value recognised in the Income Statement.

### *4.10 Pension commitments*

Enagás Financiaciones, S.A.U. makes contributions, in accordance with the approved pension plan adapted to the provisions of the Spanish Pension Plans and Funds Act, to a defined contribution plan called "Enagás Fondo de Pensiones", whose fund manager is Gestión de Previsión y Pensiones, S.A. and its custodian Banco Bilbao Vizcaya Argentaria, S.A., and which covers the Company's obligations with respect to serving employees. It recognises certain consolidated rights for past services and undertakes to make monthly contributions averaging 4.01% (3.95% in 2020) of eligible salary. It is a mixed plan covering retirement benefits, disability and death. At December 31, 2021, a total of 2 persons had joined the plan (2 persons at December 31, 2020) (see Note 14.2).

Contributions in each year under this item are recorded in the "Personnel Expenses" chapter of the Income Statement, on the accruals basis. At 2021 year-end there were no amounts pending payment with respect to this item. At the end of the financial year, unpaid accrued contributions are recorded in the Personnel line under the "Trade creditors and other accounts payable" liabilities item on the Balance Sheet.

The Group has outsourced its pension commitments with respect to its senior managers through a mixed group insurance policy for pension commitments, including benefits in the event of survival, death, and employment disability.

## *5.- Financial investments*

### *5.1 Financial investments (short and long-term)*

***Long-term financial investments***

The breakdown of "Long-term financial investments" at year-end 2021 and 2020 is as follows:

| Class / Categories | Long-term financial instruments | | | | | |
|---|---|---|---|---|---|---|
| | Equity instruments | | Loans, derivatives and other | | **Total** | |
| | 2021 | 2020 | 2021 | 2020 | **2021** | **2020** |
| **Financial assets at amortised cost** | 3,837 | 3,090 | 3,182,047 | 4,051,270 | **3,185,884** | **4,054,360** |
| **Valuation adjustments** | - | - | (15,128) | (21,708) | **(15,128)** | **(21,708)** |
| **Total** | **3,837** | **3,090** | **3,166,919** | **4,029,562** | **3,170,756** | **4,032,652** |

*Loans and receivables*

The items included in this item are related to loans granted by Enagás Financiaciones S.A.U., net of commissions, to certain companies belonging to the Enagás Group.

In this way, and based on the above, at December 31, 2021, the following credits are recorded:

- Credit granted to the company Enagás, S.A. amounting to 2,538,052 thousands of euros (3,250,232 thousands of euros at December 31, 2020).
- Credit granted to Enagás Transporte, S.A.U. amounting to 373,352 thousands of euros (519,854 thousands of euros at December 31, 2020).
- Credit granted to Enagás Internacional, S.L.U. amounting to 248,318 thousands of euros (259,476 thousands of euros at December 31, 2020).
- Credit granted to Scale Gas Solutions, S.L. amounting to 7,197 thousands of euros.

These loans are subject to market interest rates.

*Equity instruments*

The “Equity instruments” item in the “Financial assets measured at amortised cost” category includes the investment in 11 Economic Interest Groupings (hereinafter “A.I.E.”) at December 31, 2021 and 2020, whose activity is leasing assets directed by another entity not related to the Company, which retains both the majority of the benefits and the risks of the activity, with the Company taking only tax incentives regulated by Spanish legislation. The Company attributes the carry-forward tax losses generated by these A.I.E.s against shares and takes account of the debt registered with the Tax Authorities, recognising the corresponding financial income (see Note 13.1).

On September 17, 2021, the Company acquired 40% of the share capital of two new A.I.E.s: Mar de Zamudio, A.I.E., Mar de Beizama, A.I.E. and Mar de Beasain, A.I.E., in the amount of 1,200 euros and 45% of the share capital of Puerto de Miravet, A.I.E., in the amount of 450 euros.

On June 29, 2020, the Company acquired 40% of the share capital of two new A.I.E.s: Mar de Grado, A.I.E. y A.I.E: Mar de Berrobi, A.I.E., for a total amount of 800 euros.

On July 31, 2020, the Company acquired 45% of the share capital of a new A.I.E.: Puerto de Gandesa, A.I.E., for an amount of 450 euros.

The detail of the shares of each of the A.I.E. discussed above, at December 31, 2021 and 2020 is as follows.

**Fiscal year 2021**

| Company | Disbursements in the year | Pending disbursements | BIN applied (see Note 12.6) | Equity instruments | Short-term financial liabilities (see Note 9) | Other income (see Note 13.1 and 14.1) |
|---|---|---|---|---|---|---|
| Puerto de Alcanar, A.I.E. | - | - | 3,538 | - | - | 447 |
| Mar de Basauri, A.I.E. | 3,344 | - | 1,099 | 664 | - | 130 |
| Mar de Forcareri, A.I.E. | 4,948 | - | 1,745 | 670 | - | 204 |
| Puerto de Fondarella, A.I.E. | 17,163 | - | 5,765 | 2,473 | - | 686 |
| Mar de Berrobi, A.I.E. | - | 4,774 | 1,860 | - | 2,144 | 454 |
| Puerto de Gandesa, A.I.E. | - | 6,051 | 2,166 | - | 3,281 | 257 |
| Mar de Grado, A.I.E. | - | 5,288 | 1,995 | - | 3,113 | 242 |
| Mar de Zamudio, A.I.E. | 0.40 | 3,842 | 1,049 | - | 944 | 113 |
| Puerto de Miravet, A.I.E. | 0.45 | 6,033 | 944 | - | 862 | 76 |
| Mar de Beizama, A.I.E. | 0.40 | 4,780 | 1,426 | - | 1,290 | 150 |
| Mar de Beasain, A.I.E. | 0.40 | 5,761 | 2,174 | - | 1,946 | 253 |
| **Total** | **25,457** | **36,529** | **23,761** | **3,837** | **13,580** | **3,012** |

**Fiscal year 2020**

| Company | Disbursements in the year | Pending disbursements | BIN applied (see Note 12.6) | Equity instruments | Short-term financial liabilities (see Note 9) | Other income (see Note 13.1 and 14.1) |
|---|---|---|---|---|---|---|
| Mar de Botos, A.I.E. | - | - | 783 | - | - | 48 |
| Puerto de Tamariu, A.I.E. | - | - | 1,595 | - | - | 96 |
| Mar de Fofe, A.I.E. | - | - | 557 | - | - | 124 |
| Puerto de Aiguafreda, A.I.E. | - | - | 2,173 | - | - | 123 |
| Puerto de Alcanar, A.I.E. | 12,618 | - | 5,589 | 3,090 | - | 767 |
| Mar de Basauri, A.I.E. | - | 3,344 | 1,245 | - | 1,711 | 130 |
| Mar de Forcarei, A.I.E. | - | 4,948 | 1,893 | - | 2,707 | 209 |
| Puerto de Fondarella, A.I.E. | - | 17,163 | 6,275 | - | 9,609 | 695 |
| Mar de Berrobi, A.I.E. | 0.40 | 4,774 | 925 | - | 711 | 228 |
| Puerto de Gandesa, A.I.E. | 0.45 | 6,051 | 1,481 | - | 1,374 | 129 |
| Mar de Grado, A.I.E. | 0.40 | 5,288 | 1,472 | - | 1,330 | 162 |
| **Total** | **12,619** | **41,568** | **23,988** | **3,090** | **17,442** | **2,711** |

***Short-term financial investments***

The breakdown of “Short-term financial investments” at year-end 2021 and 2020 is as follows:

| Categories \ Class | Short-term financial instruments | | | |
|---|---|---|---|---|
| | Loans, derivatives and other | | **Total** | |
| | 2021 | 2020 | **2021** | **2020** |
| **Financial assets at amortised cost** | 885,523 | 176,515 | 885,523 | 176,515 |
| **Interest and commissions pending collection** | 26,591 | 26,674 | 26,591 | 26,674 |
| **Total** | **912,114** | **203,189** | **912,114** | **203,189** |

The heading “Short-term loans and receivables” in the accompanying Balance Sheet at December 31, 2021 consists mainly of the following items:

- Credit with companies amounting to 885,523 thousands of euros (176,515 thousands of euros at December 31, 2020), corresponding to:
    - Credit to the Tax Group for the account receivable for Corporate Income Tax in the amount of 20,261 thousands of euros (18,750 thousands of euros at December 31, 2020).
    - Other loans and credits with group companies amounting to 865,262 thousands of euros (157,765 thousands of euros in 2020), corresponding in its entirety at December 31, 2021 to the parent company Enagás S.A.
- Interest and commissions accrued on loans pending collection and receivables from group companies amounting to 26,591 thousands of euros (26,674 thousands of euros at December 31, 2020).

The gross average rate for 2021 and 2020 corresponding to the loans granted to the Group companies was 1.7% and 1.8%, respectively.

The breakdown by maturity of the loans, net of interest and commissions, recorded at year-end 2021 and 2020 is as follows:

**2021**

| | 2022 | 2023 | 2024 | 2025 | 2026 and later years | Total |
|---|---|---|---|---|---|---|
| Loans and receivables | 885,523 | 1,625,752 | 106,939 | 783,839 | 665,517 | **4,067,570** |
| Total | **885,523** | **1,625,752** | **106,939** | **783,839** | **665,517** | **4,067,570** |

**2020**

| | 2021 | 2022 | 2023 | 2024 | 2025 and later years | Total |
|---|---|---|---|---|---|---|
| Loans and receivables | 176,515 | 865,262 | 1,625,752 | 106,217 | 1,454,039 | **4,227,785** |
| Total | **176,515** | **865,262** | **1,625,752** | **106,217** | **1,454,039** | **4,227,785** |

## *5.2 Information on the type and level of risk associated with financial instruments and capital*

### *5.2.1. Qualitative information*

The Company Enagás Financiaciones S.A.U. is exposed to certain risks which it manages with a risk control and management model, established at Enagás Group level, which is directed towards guaranteeing achievement of the Company's objectives in a predictable manner with a medium-low risk profile. This model allows it to adapt to the complexity of its business activity in a globalised competitive environment, in a complex economic context, where the materialisation of a risk is more rapid and with an evident contagion effect.

The model is based on the following aspects:

- The consideration of some standard types of risk to which the Company is exposed.
- Separation and independence of risk control and management functions articulated in three lines of "defence".
- The existence of governing bodies responsible for matters relating to risk exposure.
- Establishing a risk appetite framework which defines the risk levels considered acceptable and that are in line with business objectives and the market environment in which the activities are carried out.
- The transparency of information supplied to third parties, to guarantee its reliability and accuracy.

The integral analysis of all risks allows the appropriate control and management thereof, an understanding of the relationships between them and facilitates their joint assessment. The Enagás Group has established a regulatory framework through the "Risk Control and Management Policy" and the "General Regulations for Risk Control and Management", which define the basic principles governing risk function and identifies the responsibilities of different departments of the company.

The risk control and management function is articulated around three lines of defence, each presenting different responsibilities:

- First line of defence: made up from the organisational units which assume the risks in the ordinary course of their activities. The organisational units are responsible for identifying and measuring their respective risk exposure.
- Second line of defence: the Sustainability and Risk Department, in charge mainly of ensuring that the risk control and management system works correctly, defining the regulatory framework and approach, and performing periodic monitoring and overall control of the company's risks.
- Third line of defence: constituted by the Internal Audit Department, responsible for supervising the efficiency of the risk controls established.

The governing bodies responsible for risk control and management are the following:

- Board of Directors: responsible for approving the risk control and management policy. Other responsibilities with respect to risks are delegated in the Audit and Compliance Committee.

- Audit and Compliance Committee: whose main functions are to supervise the efficiency of the risk control and management systems and evaluate the risks to the company (identification, measurement and establishment of measures for their management).

- Risks Committee: whose main functions are to establish the overall strategy for risks, establish the limits of global risk for the company, review the level of exposure to risk and the corrective actions should there be any non-compliance.

The main credit and counterparty risks of a financial and tax nature to which the Company is exposed are as follows:

<u>Credit and counterparty risks</u>

Generally, the Company maintains its cash and equivalent liquid assets in financial institutions with a high credit rating. The transactions, which are mainly credit transactions, are carried out almost entirely with Group entities. There is no significant third party credit risk.

<u>Interest rate risk</u>

Interest rate fluctuations affect the fair value of those assets and liabilities that accrue interest at fixed rates, and the future cash flows from assets and liabilities that accrue interest at floating rates.

The objective of interest rate risk management is to create a balanced debt structure that minimises finance costs over a multi-year period while also reducing volatility in the income statement.

<u>Liquidity risk</u>

In order to ensure liquidity and be able to meet all the payment commitments deriving from its activity, the Company has the cash and equivalents shown in its balance sheet, as well as the financial support of its shareholders with whom it maintains its main debtor and creditor positions.

<u>Tax risk</u>

The Company is exposed to possible modifications in tax regulatory frameworks and uncertainty relating to different possible interpretations of prevailing tax legislation, potentially leading to negative effects on results. The Enagás Group has a Board-approved tax strategy, which includes the policies governing compliance with tax obligations, attempting to avoid risks and tax inefficiencies.

<u>Other risks</u>

Given the dynamic nature of the business and its risks, and despite having a risk control and management system that responds to the best international recommendations and practices, it is not possible to guarantee that some risk is not identified in the risk inventory of the Company.

*<u>5.2.2. Capital management</u>*

The Enagás Group carries out capital management at corporate level and its objectives are to ensure financial stability and obtain sufficient financing for investments, optimising the cost of capital in order to maximise the value created for the shareholder while maintaining its commitment to solvency.

The Enagás Group uses its leverage ratio as an indicator for monitoring its financial situation and capital management. The ratio is defined as the result of dividing consolidated net financial debt by net consolidated assets (understood as the sum of net financial debt and consolidated own funds).

The financial leverage of the Enagás Group at December 31, 2021 and 2020 was as follows (consolidated figures in thousands of euros):

| | 2021 | 2020 |
|---|---|---|
| Debts with credit institutions | 1,777,900 | 1,338,246 |
| Debentures and other marketable securities | 3,481,812 | 3,473,931 |
| Loans from the General Secretariat of Industry, General Secretariat of Energy and Oman Oil | 1,745 | 2,859 |
| Financial debt from leases (IFRS 16) | 459,550 | 336,442 |
| **Gross financial debt** | **5,721,007** | **5,151,478** |
| Cash and cash equivalents | (1,444,151) | (863,655) |
| **Net financial debt** | **4,276,856** | **4,287,823** |
| Shareholders' equity | 3,158,421 | 3,192,745 |
| **Financial leverage** | **57.5%** | **57.3%** |

## 6.- Trade and other receivables

At December 31, 2021 and 2020, the balance of 38 thousands of euros and 111 thousands of euros, respectively, corresponds mainly to customers of group companies and associates, various debtors as well as debit accounts with the respective tax authorities for the VAT settlement.

## 7.- Cash and cash equivalents

The detail of this heading at December 31, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Treasury | 12,159 | 12,342 |
| **Total** | **12,159** | **12,342** |

Generally, the banked cash accrues interest at rates similar to daily market rates.

## 8.- Equity and Shareholders' equity

### *8.1 Share capital and Issue premium*

At year-end 2021 and 2020, the Company's share capital was 890 thousands of euros, represented by 8,900 shares with a nominal value of 100 euros each, all of the same class and series, and fully subscribed and paid up by the Sole Shareholder, Enagás, S.A.

### *8.2 Legal reserve*

Pursuant to Article 274 of the Spanish Corporate Enterprises Act, 10% of the profits for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The reserve cannot be distributed and, if used to offset losses, should no other reserves be available for this purpose, must be replenished with future profits.

At year-end 2021 the legal reserve was fully allocated.

### *8.3 Treasury shares*

At year-end 2021, the Company held no treasury shares.

### *8.4 Other contributions from partners*

This heading includes balances related to the Long-Term Incentive Plan (ILP) payable in shares (see Note 14.2.1), as well as those contributions made by Enagás, S.A. to its subsidiaries with beneficiaries in accordance with Consultation 7 published in BOICAC No.75/2008.

### *8.5 Adjustments for changes in value*

***Hedging transactions***

At December 31, 2021, the Company has no cash flow derivatives recorded on its Balance Sheet due to their maturity in March 2020.

### *8.6 Dividends*

On November 30, 2021, the Sole Shareholder approved the distribution of a dividend on account of the result for the 2021 financial year in the amount of 7,448 thousands of euros, which was fully paid up at December 31, 2021 (see Note 3).

## 9.- Debts (short and long-term)

The breakdown of "Long-term debts" and "Short-term debts" at December 31, 2021 and 2020 is as follows:

| | **Thousands of euros** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Class** / **Categories** | **Long-term debts** | | | | | | | |
| | Debts with credit institutions | | Debentures and other marketable securities | | Other financial liabilities | | **Total** | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | **2021** | **2020** |
| **Liabilities at amortised cost** | 457,045 | 568,787 | 2,750,000 | 3,500,000 | - | - | **3,207,045** | **4,068,787** |
| **Valuation adjustments and other** | (531) | (647) | (30,542) | (39,592) | - | - | **(31,073)** | **(40,239)** |
| **Total** | 456,514 | 568,140 | 2,719,458 | 3,460,408 | - | - | **3,175,972** | **4,028,548** |

| **Class** / **Categories** | **Short-term debts** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Debts with credit institutions | | Debentures and other marketable securities | | Other financial liabilities | | **Total** | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | **2021** | **2020** |
| **Liabilities at amortised cost** | 111,742 | 121,742 | 750,000 | 10,000 | 13,580 | 17,442 | **875,322** | **149,184** |
| **Settlement expenses** | -59 | (80) | 538 | 22 | | - | **479** | **(58)** |
| **Interest pending payment** | 416 | 466 | 31,244 | 31,650 | | - | **31,660** | **32,116** |
| **Total** | 112,099 | 122,128 | 781,782 | 41,672 | 13,580 | 17,442 | **907,461** | **181,242** |

Within the above categories, there are mainly the following financial instruments, as well as their associated fees:

*Debts with credit institutions*

- On February 9, 2018, the Company signed a contract for the assignment of the contractual position of the existing credit agreements between Enagás S.A. (assignor entity and former borrower entity) and the Instituto de Crédito Oficial "ICO" (lending entity). After signing this contract, the Company acquired the obligation to pay a total amount of 395,000 thousands of euros to the credit institution (90,000 thousands of euros classified to short-term).

  During financial year 2021, short-term reclassifications of ICO credits were made amounting to 60,000 thousands of euros (70,000 thousands of euros in 2020).

- On November 7, 2018, the Company signed a contract for the assignment of the contractual position of the existing credit agreements between Enagás S.A. (assignor entity and former borrower entity) and the European Investment Bank or "EIB" (lending entity). After signing this contract, the Company acquires the obligation to pay a total amount of 661,515 thousands of euros to the credit institution (61,742 thousands of euros classified to short-term).

  During financial year 2021, short-term reclassifications of EIB credits were made amounting to 51,742 thousands of euros (51,742 thousands of euros in 2020).

- Amortisation of debt with credit institutions amounting to 121,742 thousands of euros (321,742 thousands of euros in 2020).

- Reclassifications of debt with credit institutions amounting to 111,742 thousands of euros (321,742 thousands of euros in 2020).

- Finally, it includes interest on debts with credit institutions in the amount of 416 thousands of euros (465 thousands of euros in 2020), which will be subject to payment in the following year (arising as a result of the loan assignments discussed above).

*Debentures and other marketable securities*

- On March 27, 2014 Enagás Financiaciones, S.A.U. issued 8-year bonds for an amount of 750,000 thousands of euros with an annual coupon of 2.50%, guaranteed by Enagás, S.A. The disbursement date was April 11, 2014.

- On January 23, 2015, Enagás Financiaciones, S.A.U. carried out a 10-year bond issue amounting to 600,000 thousands of euros with an annual coupon of 1.25%, guaranteed by Enagás, S.A., whose funds were disbursed on February 6, 2015.

  Part of this bond, 259,200 thousands of euros, was used to partially pay 282,300 thousands of euros of a previous bond issue amounting to 750,000 thousands of euros with a coupon of 4.25%, maturing on October 5, 2017, and the amount not subject to such exchange being fully paid as of December 31, 2017.

- On March 10, 2015, Enagás Financiaciones S.A.U. carried out an issue of 8-year bonds for 400,000 thousands of euros with an annual coupon of 1.00%, guaranteed by Enagás, S.A. The bonds were exchanged in their entirety for bonds issued previously for the same amount at a variable rate and maturing in 2016. The funds for this issue were disbursed on March 25, 2015.

- On April 26, 2016, Enagás Financiaciones, S.A.U. carried out a 12-year bond issue amounting to 750,000 thousands of euros with an annual coupon of 1.375%, guaranteed by Enagás, S.A., the funds for which were disbursed on May 5, 2016.

- On October 19, 2016, Enagás Financiaciones, S.A.U. carried out a 10-year bond issue amounting to 500,000 thousands of euros with an annual coupon of 0.75%, guaranteed by Enagás, S.A., the funds for which were disbursed on October 27, 2016.

- On October 27, 2020, Enagás Financiaciones S.A.U. issued a bond for the amount of 500 million euros. The inflow of funds was dated November 5, 2020, the coupon was 0.375% and its maturity will be November 5, 2032.

- On May 28, 2021, the company renewed the Euro Medium Term Note (EMTN) programme for the amount of 4,000,000 thousands of euros, registered in the Luxembourg Stock Exchange in 2012, with Enagás, S.A. as guarantor.

- Finally, short-term maturities include interest on fixed-rate bonds for an amount of 31,244 thousands of euros, which will be paid in the following year (31,650 thousands of euros at 2020 year-end).

*Other financial liabilities*

- Financial liabilities held by the Company at December 31, 2021 as a result of the holdings in the various A.I.E.'s, amounting to 13,580 thousands of euros (17,442 thousands of euros in 2020) (see Note 5.1). Said debt will be compensated through the imputation of the carry-forward tax losses that these A.I.E.'s are generating.

The average rate of gross debt contracted by the Company in euros at the end of financial year 2021 was 1.6% (1.6% in financial year 2020), there being no debt in foreign currency.

In relation to debentures and other short-term marketable securities, at December 31, 2021, Enagás Financiaciones, S.A.U. recognised 750,000 thousands of euros corresponding to the bond issued in 2014 with a coupon of 2.5% and maturing on April 8, 2022.

In addition, although at December 31, 2021 Enagás Financiaciones S.A.U. had no balance for this item, under this heading, the Company records the Euro Commercial Paper (ECP) programme for a maximum amount of 1,000,000 thousands of euros, registered on the Irish Stock Exchange in 2017 and renewed on May 28, 2021. Banco Santander, S.A. is the arranger (coordinator of the operation) of the programme, an entity that together with 9 other banks, acts as a designated dealer (broker). During financial year 2021, issues and returns were made that amounted to 2,000,000 thousands of euros (2,200,000 thousands of euros in 2022).

The breakdown by maturity of the face value of these debts, excluding the debt corresponding to the A.I.E.'s and the derivatives, is shown in the following table:

**2021**

| | 2022 | 2023 | 2024 | 2025 | 2026 and later years | Total |
|---|---|---|---|---|---|---|
| **Debentures and other marketable securities** | 750,000 | 400,000 | - | 600,000 | 1,750,000 | **3,500,000** |
| **Debts with credit institutions** | 111,742 | 76,742 | 51,742 | 51,742 | 276,819 | **568,787** |
| **Total** | **861,742** | **476,742** | **51,742** | **651,742** | **2,026,818** | **4,068,787** |

**2020**

| | 2021 | 2022 | 2023 | 2024 | 2025 and later years | Total |
|---|---|---|---|---|---|---|
| **Debentures and other marketable securities** | 10,000 | 750,000 | 400,000 | - | 2,350,000 | **3,510,000** |
| **Debts with credit institutions** | 121,742 | 111,742 | 76,742 | 51,742 | 328,560 | **690,530** |
| **Total** | **131,742** | **861,742** | **476,742** | **51,742** | **2,678,560** | **4,190,530** |

## 10.- Derivative financial instruments

At December 31, 2021 and 2020, the Company does not have any interest rate swaps (IRS), as these matured in March 2020.

During 2020 (until the maturity date of derivatives), the Company met the requirements set out in Note 4.1.3 regarding the measurement bases for financial instruments to qualify as hedges. Specifically, they were formally designated as such, verifying that the hedge was effective for all of the Company's instruments.

During financial year 2021, no new hedging transactions were contracted.

## 11.- Trade and other payables

The detail of "Trade and other payables" at year-end 2021 and 2020 is as follows (in thousands of euros):

| | **2021** | **2020** |
|---|---|---|
| Suppliers | 14 | 799 |
| Suppliers, group companies and associates | 116 | 118 |
| Other payables | 33 | 32 |
| Personnel | 98 | 62 |
| Tax Authorities, creditor (see Note 12.2) | 16 | 8 |
| **Total** | **277** | **1,019** |

The balance of "Suppliers" relates to advisory and audit services pending payment amounting to 14 thousands of euros (799 thousands of euros at December 31, 2020).

The balance of 116 thousands of euros recognised under "Suppliers, group companies and associates" relates mainly to corporate services initially assumed by the Parent, Enagás, S.A., which, due to their nature, are re-invoiced (118 thousands of euros at December 31, 2020).

### *11.1 Information on average payment period. Additional provision three. "Disclosure requirement" set out in Law 15/2010, of July 5.*

Below follows the information required by Additional provision three of Law 15/2010, of July 5, (amended by Final provision two of Law 31/2014, of December 3), prepared in accordance with the ICAC Resolution of January 29, 2016 regarding information to be included in the Notes to the Annual Accounts in relation to the average payment period to suppliers in commercial transactions.

The detail of the information required by the Additional provision three of Law 15/2010 of July 5, is as follows:

| | **2021** | **2020** |
|---|---|---|
| | **Days** | **Days** |
| Average payment period to suppliers | 22 | 29 |
| Ratio of paid operations | 23 | 29 |
| Ratio of operations pending payment | 8 | - |

| | **2021** | **2020** |
|---|---|---|
| | **Amount (in thousands of euros)** | **Amount (in thousands of euros)** |
| Total payments made | 2,095 | 1,555 |

| | | |
|---|---|---|
| Total pending payments | 74 | - |

In accordance with the ICAC Resolution, the calculation of the average payment period to suppliers takes into consideration the commercial transactions corresponding to the delivery of goods or rendering of services accrued since the date of the entry into force of Law 31/2014, of December 3.

For the exclusive purposes of providing the information set forth in this resolution, payable to suppliers are considered to be trade payables owed to suppliers of goods or services included in “Suppliers” under current liabilities in the balance sheet.

“Average payment period to suppliers” is understood to be the time that passes between the delivery of the goods or rendering of the service by the supplier and the material payment for the transaction.

The maximum payment term applicable to the Company in 2021 under Law 3/2004, of December 29, establishing measures to combat late payments in commercial transactions, is 60 days. In order to obtain the foregoing information, payment obligations that have been the object of withholdings as a result of embargoes, enforcement orders, administrative compensation proceedings, or other similar acts handed down by legal or administrative bodies were excluded.

## 12.- Public Administrations and Tax situation

### *12.1 Tax framework applicable*

As a result of the entry into force of the new Corporate Income Tax Law (Law 27/2014, of November 27) on January 1, 2015, the corporate income tax rate for financial year 2021 was lowered to 25%.

### *12.2 Current balances with the Public Administrations*

The breakdown of current balances with the Public Administrations is as follows:

Debit balances:

| | **2021** | **2020** |
|---|---|---|
| Accounts payable by the Tax Authorities for VAT | - | 14 |
| **Total debit balances** | - | **14** |

Credit balances:

| | **2021** | **2020** |
|---|---|---|
| Accounts payable to the Tax Authorities for withholdings | 16 | 8 |
| **Total credit balances (see Note 11)** | **16** | **8** |

Enagás Financiaciones, S.A.U. mainly engages in operations of a financial nature, operations that are declared subject to and exempt from Value Added Tax pursuant to Article 20.1.18 of the Law on Value Added Tax. Accordingly, it will not be able to deduct the VAT quotas borne and it will therefore be a higher cost for the Company (which can be deducted via the Corporate Income Tax expense).

### *12.3 Income tax*

The Company has filed consolidated tax returns since January 1, 2013 with several Group companies (see Note 4.3), which means that the results of the tax group and the tax credits and tax relief are calculated on an aggregate basis.

Corporate Income Tax is calculated on the basis of the Group's accounting profit/loss determined by application of generally accepted accounting principles, which does not necessarily coincide with the Group's taxable profit/tax loss.

### *12.4 Reconciliation of accounting profit and taxable income*

The reconciliation between the accounting profit and the Corporate Income Tax base is as follows:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Income Statement | | | Income Statement | | |
| | Increases | Decreases | **Total** | Increases | Decreases | **Total** |
| **Accounting profit before tax** | 13,903 | | **13,903** | 13,356 | - | **13,356** |
| Charging of A.I.E. tax bases | | (95,022) | **(95,022)** | - | (88,422) | **(88,422)** |
| Provisions for personnel remuneration | 87 | (7) | **80** | 80 | (13) | **67** |
| **Taxable income** | 13,976 | (95,029) | **(81,039)** | 13,436 | (88,435) | **(74,999)** |

During 2021 and 2020, adjustments were made to the Tax Base charging the carry-forward tax losses of the A.I.E.'s in which the Company has an interest (see Note 5.1), amounting to 95,022 thousands of euros in financial year 2021 and 88,422 thousands of euros in financial year 2020.

### *12.5 Tax recognised in equity*

During 2021, there are no taxes recognized directly in equity.

### *12.6 Reconciliation between Accounting result and corporate income tax expense*

The reconciliation between the Company's accounting result and its Corporate Income Tax expense is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Accounting profit before tax** | **13,903** | **13,356** |
| Rate at 25% | 3,476 | 3,339 |
| **Charging of carry-forward tax losses** | **(23,755)** | **(22,105)** |
| **Adjustments to income tax rate:** | **23,763** | **22,109** |
| Negative adjustments in taxation without benefits | 2 | - |
| Positive adjustments in taxation without benefits (Note 5.1) | 23,761 | 22,109 |
| **Total expense / (income) for tax recognised in the Income Statement** | **3,483** | **3,343** |

Additionally, we must indicate that no tax expenses directly attributable to equity have been generated.

### *12.7 Breakdown of corporate income tax expense*

The breakdown of Corporate Income Tax expense is as follows:

| | 2021 | 2020 |
|---|---|---|
| **Current tax:** | | |
| For continuing operations | (20,260) | (18,749) |
| For discontinued operations | | |
| **Deferred tax:** | | |
| For continuing operations | (20) | (17) |
| For discontinued operations | | |
| **Adjustments to income tax rate:** | | |
| For continuing operations | 23,763 | 22,109 |
| For discontinued operations | | |
| **Total expense / (income) for tax** | **3,483** | **3,343** |

### *12.8 Deferred tax assets registered*

The breakdown of this heading at year-end 2021 and 2020 was as follows:

| | 2021 | 2020 |
|---|---|---|
| Carry-forward tax losses | 10 | 10 |
| Provision for remuneration | 73 | 53 |
| **Total deferred tax assets** | **83** | **63** |

These deferred tax assets were recognised in the Balance Sheet since the Company's Directors consider that, based on the best estimates of future results, it is likely that these assets will be recovered.

The Company does not hold any deferred tax assets that are not recognised in the accompanying Balance Sheet.

### *12.9 Years open to tax verification and inspections*

In conformity with current legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed.

As stated in Note 4.3, the Company was a member of Tax Consolidation Group 0493/12.

At 2021 year-end, Enagás Financiaciones, S.A.U. has the years 2018 to 2021 open for tax inspection for the taxes applicable to the company, except for Corporate Income Tax, which is pending review for the years 2017 to 2021.

The Company's Directors consider that all taxes mentioned have been duly paid so that the resulting potential tax liabilities, if any, would not have a material impact on the accompanying Annual Accounts.

## 13.- Income and expenses

### *13.1 Revenue*

The revenue in 2021 and 2020 amounts to 74,711 thousands of euros and 74,171 thousands of euros, respectively. These revenues correspond mainly to the interest generated during financial years 2021 and 2020 for the loan granted to Enagás, S.A., Enagás Transporte, S.A.U., Enagás Internacional, S.L.U. and Enagás GTS, S.A.U., for an amount of 71,426 thousands of euros and 71,237 thousands of euros, respectively, as well as the provision of financing management services to Group companies amounting to 273 thousands of euros and 223 thousands of euros, respectively.

| Activities | 2021 | 2020 |
|---|---|---|
| **Rendering of services** | **273** | **223** |
| Services to group companies and other related parties (see Note 14.1) | 273 | 223 |
| **Income from long-term loans to group companies and associates (see Note 14.1)** | **71,426** | **71,237** |
| **Other income (see Notes 5.1 and 14.1)** | **3,012** | **2,711** |
| **Revenue** | **74,711** | **74,171** |

Likewise, during financial years 2021 and 2020, the "Other income" heading includes the income from the investments in the A.I.E.'s, amounting to 3,012 thousands of euros and 2,711 thousands of euros respectively (see Notes 5.1 and 14.1). This corresponds to the difference between the contributions made and the profit obtained from the charging of its carry-forward tax losses in the determination of the account payable of the Corporate Income Tax (see Note 12.4).

### *13.2 Income and financial expenses*

The breakdown of the financial result for 2021 and 2020 is as follows:

| **Thousands of euros** | **2021** | **2020** |
|---|---|---|
| Financial and similar expenses | (22) | (117) |
| Loan interest | (59,010) | (58,904) |
| **Financial expenses** | **(59,032)** | **(59,021)** |
| **Exchange differences** | **10** | **(6)** |
| **Net financial gain (loss)** | **(59,023)** | **(59,027)** |

Financial expenses mainly relate to the interest and commissions associated with the financing received through bond issues (see Note 9).

It should be noted that expenses for interest on loans were calculated by using the effective interest rate method.

## 14.- Related parties transactions and balances

### *14.1 Related party transactions*

In addition to subsidiaries, associates, and multigroup, the Company's "related parties" are considered to be its "key management personnel" (members of the Board of Directors and senior management, along with their close relatives), and the entities over which key management personnel may exercise significant influence or control as established by Order EHA/3050/2004, of September 15, and Circular 1/2008 of January 30 of the CNMV.

The following presents the transactions during financial years 2021 and 2020 with parties related to Enagás Financiaciones, S.A.U. It distinguishes between the Sole Shareholder, members of the Board of Directors and Company Senior Managers and other related parties. The terms of transactions with related parties are equivalent to those made on an arm's length basis and the corresponding remuneration in kind has been recorded.

The table below includes the transactions carried out by the Company with related parties in 2021 and 2020:

| Revenue | Parent Company (Enagás S.A.) | | Other related parties | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Income:** | | | | | | |
| Loan income (see Note 13.1) | 59,114 | 60,248 | 12,312 | 10,989 | 71,426 | 71,237 |
| Provision of services (see Note 13.1) | | - | 273 | 223 | 273 | 223 |
| Other income (see Notes 5.1 and 13.1) | | - | 3,012 | 2,711 | 3,012 | 2,711 |
| **Total income** | **59,114** | **60,248** | **15,597** | **13,923** | **74,711** | **74,171** |

It should be noted that "Other related parties" includes, among others, the commissions and interest accrued by Enagás Financiaciones, S.A.U. based on the financing granted to other Enagás Group companies in which the Company does not have a direct interest (see Notes 5 and 13.1), as well as the income from the investments in the A.I.E.s. (see Note 5.1).

These loans granted amounted to 4,079,033 thousands of euros at December 31, 2021 (4,232,751 thousands of euros at December 31, 2020) and are recorded as investments in group companies and long and short-term associates (see Note 5), including the credit with Enagás, S.A. for belonging to the Tax Group in the amount of 20,261 thousands of euros (18,750 thousands of euros at December 31, 2019).

The heading "Trade debtors and other accounts receivable" includes an amount of 22 thousands of euros corresponding to group company customers at December 31, 2021 (75 thousands of euros at December 31, 2020).

## *14.2 Remuneration for the Board of Directors and Senior Management*

The Company did not pay any of its Directors any remuneration for Board membership during the 2021 financial year, nor does it have loans or obligations in respect of pensions or insurance payments for its members. One of the above-mentioned directors is also part of the Company's Senior Management, a position for which he is paid.

The remuneration received during financial year 2021 by the Senior Management of Enagás Financiaciones, S.A.U., (consisting of two people, one belonging to the Board of Directors) and classified by item, was as follows:

| | Salaries | Other items | Pension plans | Insurance premiums | Savings insurance |
|---|---|---|---|---|---|
| **Senior Management** | 279 | 17 | 7 | 1 | 39 |
| **Total** | 279 | 17 | 7 | 1 | 39 |

Senior Management members are beneficiaries of the Long-Term Incentive Plan (ILP), which is detailed below.

### *14.2.1 Share-based payments*

In addition, on March 29, 2019, the Enagás, S.A. General Shareholders Meeting approved the second cycle of the Long-Term Incentive Plan aimed at executive directors and senior management of the Company and its Group. The objective of the Plan is to (i) encourage the sustainable achievement of the objectives of the Enagás Group''s Strategic Plan, (ii) give the opportunity to share the creation of value with participants, (iii) foster a sense of belonging to the Company, (iv) be competitive, and (v) align with the requirements of institutional investors, proxy advisors, and Best Corporate Governance practices and, especially, those resulting from the recommendations of the CNMV's new Good Governance Code.

The plan consists of an extraordinary mixed multi-year incentive which will permit the beneficiaries to receive, after a certain period of time, a bonus payable in (i) Enagás, S.A. shares and (ii) cash; provided that certain strategic objectives of the Enagás Group are met.

With respect to the portion payable in shares, a maximum of 501,946 shares are deliverable, all of which will come from the parent company, Enagás S.A.'s treasury shares. Furthermore, the beneficiaries of the plan are not guaranteed any minimum value for the assigned shares. The cash part of the Plan is limited to an estimated payment of approximately 3.5 million euros should all the objectives be fully met.

This Plan is aimed at persons who, due to their level of responsibility or their position in the Enagás Group, contribute decisively to achieving the Company's objectives. The Plan initially designated 48 beneficiaries, notwithstanding the possibility that due to new recruitments or due to mobility or professional level changes may include new beneficiaries during the measurement period.

The objectives set for the evaluation of the achievement of the Plan consist of:

- Accumulated results corresponding to the Funds for Operations ("FFO") of the Enagás Group. This metric shows the financial soundness and net profit growth, which are the cornerstones of the Enagás Group Strategic Plan. This takes into account both the EBITDA of the regulated business and the dividends received from the subsidiaries that are not controlled by Enagás. It is a benchmark indicator for investors. Fulfilling this objective will satisfy the Company's forecasts for the distribution of Group, investment and debt amortisation dividends. It accounts for 25% of the total objectives.

- Accumulated cash flows received from affiliates ("Dividend"). This shows the focus on international growth and a realistic and profitable investment plan as the cornerstones of the Strategic Plan. It measures the profitability of the international business compared with the annual remuneration objective which measures the year's international investment volume. It accounts for 35% of the total objectives.

- Total shareholder return ("TSR"). Ensures appropriate, competitive shareholder remuneration. It takes into account share performance and the dividend policy. This objective comprises two components, each with a relative importance of 15% of the total objectives:

    - The absolute TSR is measured as the acquisition of a target share price at the end of 2021. The target price has been established by investing estimated share dividends and is based on profitability and market parameters.

    - Relative TSR: relative TSR shall be understood as the difference (expressed as a percentage) between the final value of an investment in ordinary shares and the initial value of that investment, bearing in mind that the calculation of said final value will consider dividends or other similar items (i.e. script dividends) received by the shareholder for said investment during the corresponding period. This metric shall be calculated against the Comparison Group formed by fifteen companies.

- Compliance with the Sustainability Plan. It reflects the company's commitment to creating long-term value responsibly in the social and environmental context. Its weight in the total of the objectives will be 10%, and it will consist of three indicators:

    - Average reduction in $CO_2$ emissions in the 2019–2021 period vs. 2018;

    - Increase in the percentage of women on the Board of Directors, in the management team and in the staff; and

    - Investment associated with the increased presence of renewable gases in the energy mix.

The Regulations also establish a period of time required for the consolidation of the remuneration, which has been considered a condition of service and, therefore, taken into account together with the period for measuring the objectives

(January 1, 2019 to December 31, 2021) when estimating the fair value of the equity instruments granted. In this regard, the aforementioned service condition is based on the obligation for the beneficiaries to continue providing their services to the Company until the first payment date (set at four months from the end of the target measurement period to receive 50% of the incentive), and an additional period of one year from that last date to receive the remaining 50%).

As established in BOICAC No. 75/2008, consultation No. 7, given that the share-based portion of the plan is assumed by the parent company Enagás, S.A., this operation is a contribution from the partner. Therefore, in accordance with the provisions of the above-mentioned consultation of the Conceptual Accounting Framework, this amount has been recorded in the “Other contributions from partners” item of the net assets of the Company’s Balance Sheet at December 31, 2021 in the amount of 20 thousands of euros, with its counterpart being the “Personnel Expenses” item in the accompanying Income Statement.

For the valuation of this programme, the parent company Enagás, S.A. used the Monte-Carlo model, widely used in financial practice for the valuation of options, in order to include the effect of market conditions in the valuation of the equity instruments granted. The fair value of the equity instruments at the granting date is adjusted to include the market conditions relating to this plan. Likewise, the Company takes into account the fact that the dividends accrued during the plan period are not paid to the beneficiaries as they do not become shareholders of the Company until the plan has effectively been settled. The breakdown of the shares and the fair value at the granting date of the ILP of the Enagás Group are as follows:

| | **2019–2021** |
|---|---|
| Total shares at the concession date[(1)] | 501,946 |
| Fair value of the equity instruments at the granting date (EUR) | 25.94 |
| Dividend yield | 4.77% |
| Expected volatility | 16.86% |
| Discount rate | 0.62% |

(1) This number of shares reflects the maximum number of shares to be delivered under the plan, and includes both the possibility of achieving the maximum degree of fulfilment of objectives established in the Plan (125%) as well as the possibility that new hiring, staff mobility within the Group, or changes in professional levels, lead to the inclusion of new beneficiaries during the measurement period.

Likewise, and for the cash incentive part, the Company has recorded the rendering of services corresponding to this incentive as a personnel expense in the Income Statement at December 31, 2021 in the amount of 22 thousands of euros with payment to the Personnel line under “Provisions for long-term benefits to personnel” of the non-current liabilities of the accompanying Balance Sheet, since its settlement is estimated at longer than one year. As in the case of the share-settled plan, the Company accrues the estimated fair value of the cash-settled amount over the term of the plan, taking into account the aforementioned service conditions.

At December 31, 2021, the estimate is made assuming that all the objectives relating to the plan have been 82.2% achieved.

## *14.3 Information relating to situations of Directors’ conflict of interest*

In compliance with Article 229 and subsequent of the Spanish Corporate Enterprises Act (as amended by sole article 17 of Law 31/2014, of December 3, which amends the Spanish Corporate Enterprises Act for the improvement of corporate governance), it is disclosed in these Notes to the annual accounts that, as of this date, none of the Company’s Joint Directors have reported that they or any parties related to them were involved, in 2021, in a conflict of interest, in particular, in any of the cases set forth in said article.

## 15.- Environmental information

Given the Company's activities, no environmental measures were taken in 2021 or 2020 and there were no possible contingencies, indemnity payments or other environmental risks that the Company could have incurred in this connection.

Likewise, the Company did not receive any grants or income in 2020 or 2019 as a result of its activities relating to the environment.

## 16.- Other information

### *16.1 Personnel*

The average number of employees in 2021 and 2020, by professional category, was as follows:

| Categories | 2021 | 2020 |
|---|---|---|
| Management | 1 | 1 |
| Technicians | 2 | 2 |
| **Total** | **3** | **3** |

In addition, the distribution of the professional categories by gender at December 31, 2021 and 2020 was as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **Categories** | Men | Women | Men | Women |
| Management | 1 | - | 1 | - |
| Technicians | 2 | - | 1 | 1 |
| **Total** | **3** | **-** | **2** | **1** |

At December 31, 2021 and 2020 the Company did not have employees with a degree of disability equal to or greater than 33%.

"Management" includes senior management of Enagás Financiaciones S.A.U.

### *16.2 Auditors' fees*

Fees for audit and other services performed in 2021 and 2020 by the Company's auditor, Ernst & Young, S.L., or by a firm in the same group or related to the auditor, were as follows (in thousands of euros):

| Categories | 2021 | 2020 |
|---|---|---|
| | Services rendered by the auditor of accounts and related companies | Services rendered by the auditor of accounts and related companies |
| Audit services (1) | 25 | 24 |
| Other assurance services (2) | 45 | 127 |
| **Total audit and related services** | **70** | **151** |

**(1) Audit Services**: this heading includes services rendered for the performance of audits of the Company's Annual Accounts.

**(2) Other verification services related to auditing:** this amount corresponds in its entirety to the verification work performed on the issuance of comfort letters corresponding to renewal of the EMTN programme.

## 17.- Subsequent events

On February 24, 2022, an armed conflict began in Ukraine, which continues at the date of preparation of these financial statements. Also, on March 29, 2022, Royal Decree-Law 6/2022 was published, adopting urgent measures within the framework of the National Plan of response to the economic and social consequences of the war in Ukraine. As a result of this conflict, significant instability, uncertainty and volatility are being generated in world markets, as well as higher inflation and other negative effects on the world economy, especially in the energy sector. Up until the date of the financial statements, there have been no negative impacts on the business or financial situation of the Company as a result of this situation, although the Directors and Management of the Company continue to monitor the evolution of the situation on an ongoing basis.

No other significant events occurred subsequent to December 31, 2021 and until the preparation of these Annual Accounts which may materially affect the contents.

## 18.- Explanation added for translation to English

The Financial Statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2.1). Certain accounting practices applied by the Company that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules. In the event of a discrepancy, the Spanish-language version prevails.

## MANAGEMENT REPORT OF ENAGÁS FINANCIACIONES, S.A.U.

### I.-Performance of Enagás Financiaciones, S.A.U. in 2021

Revenue is 74,711 thousands of euros.

The result of the financial year was a profit of 10,420 thousands of euros.

The share capital is represented by 8,900 shares with a face value of 100 euros each, all of the same class and series, fully subscribed and paid by the Sole Shareholder, Enagás, S.A.

### II.-Main business risks

The company Enagás Financiaciones, S.A.U. is exposed to the materialisation of various risks intrinsic to the sector, markets in which it operates and the activities it performs, which could prevent it from achieving its objectives and executing its strategies successfully.

The Enagás Group, to which the company Enagás Financiaciones, S.A.U. belongs, has established a risk control and management model aimed at ensuring the achievement of the objectives of the company in a predictable manner and with a medium-low profile for all of its risks. This model allows it to adapt to the complexity of its business activity in a globalised competitive environment, in a complex economic context, where the materialisation of a risk is more rapid and with an evident contagion effect.

The model is based on the following aspects:

- The consideration of some standard types of risk to which the Company is exposed.
- Separation and independence of risk control and management functions articulated by the Company in three lines of “defence”.
- Governing bodies with responsibilities regarding supervision of the Company’s risk level.
- Establishing a risk appetite framework which defines the risk levels considered acceptable and that are in line with established business objectives and the market environment in which the company’s activities are carried out.
- The transparency of information supplied to third parties, to guarantee its reliability and accuracy.

The integral analysis of all risks allows the appropriate control and management thereof, an understanding of the relationships between them and facilitates their joint assessment. This is accomplished by taking into account, inter alia, the differences of each type of risk in terms of its nature, handling capacity and risk measurement tools.

The main risks associated with the activities carried out by Enagás Financiaciones, S.A.U. are controlled and managed through this model and include the following:

1. Credit and Counterparty Risks

Credit risk relates to the possible losses arising from the non-payment of monetary or quantifiable obligations of a counterparty to which the Company has granted net credit which is pending settlement or collection. As the transactions, which are mainly credit transactions, are carried out almost entirely with Group entities, there is no significant third party credit risk.

Enagás Financiaciones, S.A.U. is also exposed to the risk of possible defaults of its counterparties in the investment of cash surpluses. To mitigate this risk, these operations are carried out in a diversified way over highly solvent entities.

2. Financial and Fiscal Risks

The Company is subject to the risks deriving from the volatility of interest rates, as well as movements in other financial variables that could affect the Company’s liquidity.

Interest rate fluctuations affect the fair value of assets and liabilities that accrue interest at fixed rates, and the future cash flows from assets and liabilities that accrue interest at floating rates. The objective of interest rate risk management is to achieve a balanced debt structure that minimises the cost of debt over a multi-year horizon with low volatility in the income statement.

In order to ensure liquidity and be able to meet all the payment commitments deriving from its activity, the Company has the cash and equivalents shown in its balance sheet, as well as the financial support of its shareholders with whom it maintains its main debtor and creditor positions.

With respect to tax risk, the Company is exposed to possible modifications in tax regulatory frameworks and uncertainty relating to different possible interpretations of prevailing tax legislation, potentially leading to negative effects on results. The Enagás Group has a Board-approved tax strategy, which includes the policies governing compliance with tax obligations, attempting to avoid risks and tax inefficiencies.

The financial risk management policy is described in Note 5.2 of the Annual Accounts.

3. Other risks

The company is also exposed to cross-cutting risks that do not correspond to a single risk category but may be correlated with several of them, namely risks related to the three pillars of sustainability: environmental, social and governance (abbreviated as ESG). Regarding climate change risk, further details are included in the Group's management report, chapter 'Climate Action and Energy Efficiency').

Given the dynamic nature of the business and its risks, and despite having a risk control and management system that responds to the best international recommendations and practices, it is not possible to guarantee that some risk is not identified in the inventory of the Company.

## IV.-Outlook

It is expected that in 2022, by granting loans and credits to Enagás Group companies, a positive result will be achieved in the financial year.

## V.-Research and development activities

In view of the Company's activities, no research and development activities were carried out by the Company.

## VI.-Transactions with treasury shares

The Company did not carry out any transactions involving treasury shares in 2021.

## VII.-Average payment period to suppliers

The Company's average payment period during 2021 was 22 days.

## VIII.-Subsequent events

On February 24, 2022, an armed conflict began in Ukraine, which continues at the date of preparation of these financial statements. Also, on March 29, 2022, Royal Decree-Law 6/2022 was published, adopting urgent measures within the framework of the National Plan of response to the economic and social consequences of the war in Ukraine. As a result of this conflict, significant instability, uncertainty and volatility are being generated in world markets, as well as higher inflation and other negative effects on the world economy, especially in the energy sector. Up until the date of the financial statements, there have been no negative impacts on the business or financial situation of the Company as a result of this situation, although the Directors and Management of the Company continue to monitor the evolution of the situation on an ongoing basis.

No other significant events occurred subsequent to December 31, 2021 and until the preparation of these Annual Accounts which may materially affect the contents.

On March 31, 2022, the Joint Directors of Enagás Financiaciones, S.L.U., in compliance with the requirements established in Articles 253 of the Corporate Enterprises Act, Article 37 of the Commercial Code and other applicable provisions, prepared the Annual Accounts and Directors' Report for the year ended December 31, 2021, which consist of the documents attached hereto, bearing the signature of the Joint Directors of the Company.

DECLARATION OF RESPONSIBILITY: For the purposes of Article 8.1.b) of Spanish Royal Decree 1362/2007, of October 19, the undersigned directors state that, to the best of their knowledge, the Annual Accounts prepared in accordance with applicable accounting principles, provide a true and fair view of the equity, financial position and results of the Company and that the Management Report includes a fair analysis of the performance and results of the businesses and the situation of the Company, together with the description of the main risks and uncertainties faced.

The Directors of the Company will now sign the aforementioned documents.

(Signed the original in Spanish)
Mr Borja García-Alarcón Altamirano
Joint Director

(Signed the original in Spanish)
Mr Luis Ros Arnal
Joint Director