Independent auditor's report

To: the General Meeting of Shareholders and the Financial Accounting Supervision Committee of Redexis Gas Finance B.V.

Report on the audit of the annual financial statements 2015

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Redexis Gas Finance B.V. as at 31 December, 2015 and of its result for 2015 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2015 of Redexis Gas Finance B.V., based in Amsterdam.

The financial statements comprise:

1. the statement of financial position as at 31 December 2015;
2. the income statement, the statements of comprehensive income and cash flows for the year 2015; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Redexis Gas Finance B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Audit approach

Summary

Unqualified audit opinion

Materiality
- Overall materiality of EUR 211.000
- 8,0% of equity

Key Audit Matters
- Recoverability assessment in respect to the loan receivable from Redexis Gas S.A.

KPMG

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 211,000 (2014: 180,000). The materiality is determined with reference to equity (8.0% in 2015 and 2014). We consider equity as the most appropriate benchmark given the activities of Redexis Gas Finance B.V. ("the Company") as a financing activity. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Financial Accounting Supervision Committee of Redexis Gas Finance B.V. that misstatements in excess of EUR 10,500 (5%), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our 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. We have communicated the key audit matter to the Financial Accounting Supervision Committee. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter was addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Recoverability assessment in respect to the loan receivable from Redexis Gas, S.A.

Description

The Company's exposure, in terms of credit risk, to Redexis Gas S.A. (related party) may have a significant effect on the Company's financial statements. The outstanding balance (long term receivable and short term receivable) represents 98.7% of the balance sheet total.

In the event of Redexis Gas S.A. insolvency, the Company has no material assets other than the loans to and receivable from Redexis Gas S.A. and this related party is the guarantor of the bonds issued by the Company. Furthermore, the Company's ability to meet its financial obligations depends on the cash flow generated from interest income from, and repayments of, the loans to and receivable from Redexis GAS SA.

As such, the risk of a financial loss of the Company is significant, when Redexis Gas S.A. fails to meet its contractual obligations towards the Company. Therefore, we considered the recoverability assessment in respect to the loans to and receivable from Redexis Gas S.A. as a key audit matter.

Our response

We have performed the following substantive audit procedures with respect to the credit risk of the loans to and receivable from Redexis Gas S.A.:

- Inquired with the Management Board of the Company about their assessment of the recoverability, based upon their knowledge of the recent developments in the financial position and cash flows of Redexis Gas S.A., and about their evaluation with respect to the recoverability of the loans to and receivable from at Redexis Gas S.A.
- Inspected and analysed the audited financial statements (for the year 2015) of Redexis Gas S.A. for potential issues regarding the recoverability assessment and reviewed the working papers of the auditor of Redexis Gas S.A. to obtain information about the creditworthiness and financial stability of Redexis Gas S.A. in order to be able to assess the recoverability of the loans and receivables;
- Evaluated the long-term credit ratings and outlook of Redexis Gas S.A. from Fitch and Moody's.

In addition, we evaluated the adequacy of the Company's disclosure presented in Note 9 of the financial statements.

Our observation

We found that the assumptions used regarding the valuation of the loan and receivables from Redexis Gas S.A. resulted in a balanced outcome and the risk adequately disclosed in Note 9 of the financial statements, in accordance with the company's accounting policies as set out on pages 12 to 15.

KPMG

Responsibilities of Management Board and Financial Accounting Supervision Committee for the financial statements
The Management Board is responsible for the preparation and fair presentation of the financial statements and for the preparation of the Management Board Report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Management Board Report is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Management of is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Financial Accounting Supervision Committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of financial statements
Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport

Report on other legal and regulatory requirements

Report on the Management Board Report and the other information
Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Management Board and other information):

- We have no deficiencies to report as a result of our examination whether the Management Board Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Management Board Report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the Management Board as auditor of Redexis Gas Finance B.V. since the year 2014 (year of incorporation) and have operated as statutory auditor since then. On 30 January 2015 we were re-appointed by the Board of Management for the year 2015.

Amstelveen, 28 April 2016

KPMG Accountants N.V.

L.M.A. van Opzeeland RA

Redexis Gas Finance B.V., Amsterdam

Financial statements for the year ended 31 December 2015

KPMG

KPMG Audit
Document to which our report dated

28 APR 2016

also refers.
Initials for identification purposes
KPMG Accountants N.V.

Contents

KPMG

KPMG Audit
Document to which our report dated

28 APR 2016

also refers.
Initials for identification purposes
KPMG Accountants N.V.

The Management Board report

Management of the company hereby presents its financial statements for the year ending December 31, 2015.

General information

Redexis Gas Finance B.V. 'the Company' was incorporated on March 10, 2014. The principal activity of the Company is to issue and manage notes and other financial instruments, and to lend the funds to affiliated companies.

The Company is owned by two Cooperatives which are owned by the GS (Goldman Sachs) Infrastructure funds and one partnership held by two investors. The bond proceeds have been on-lend to Redexis Gas S.A., a sister company, under the same conditions as the Bond plus a mark-up of 0.076% until April 27, 2015 and 0.081% afterwards.

Financial information

In the beginning of April 2014 the Company launched an Euro Medium Term Note Programme (EMTN) of 2 billion Euro.

On April 8, 2014, a first tranche of bonds were issued under this programme for an amount of 650 million Euro at a discount of 0.627% and at a nominal interest rate of 2.75%. Interest is due on this bond on April 8 of each year till the maturity date of April 8, 2021.

On April 25, 2015, a second tranche of bonds were issued under the programme for an amount of 250 million Euro at a discount of 1.08% and at a nominal interest rate of 1.875%. Interest is due on this bond on April 27 of each year till the maturity date of April 27, 2027.

The mark-up between the rates of borrowing and lending was 0.076% until April 27, 2015. The new tranche included a new mark-up increase to 0.081% for all bonds, which is sufficient to cover the operating expenses and provide for profits.

The proceeds of the bonds was lent to the Group Company Redexis GAS S.A. and Redexis GAS S.A. provided an unconditional and irrevocable guarantee for the benefit on all bondholders with respect to the prescribed and punctual repayment of the bond (including interest) issued by Redexis Gas Finance B.V.

The comparative financial period of the Company was from March 10, 2014 till December 31, 2014. The Company has equity of EUR 2,529,776 (2014: EUR 2,247,527) and realized a profit after tax of EUR 345,249 (2014: EUR 246,527). The board will propose to the shareholders to add this profit to the other reserves and not to declare a dividend.

The Company has no employees.

Significant risks and uncertainties

With respect to the activities the companies faces the following main risks:

- Credit risk;
- Liquidity risk; and
- Interest rate risk.

Credit risk

The Company has two significant loan receivables from Redexis GAS, S.A. (related party) of a total nominal value of EUR 900 million. Repayment of the loans depends on the operational performance of Redexis GAS, S.A. and its subsidiaries ("The Group"). The Group´s main activity is distribution and transmission of natural gas, which is a regulated activity in Spain. Operating results could be materially affected by changes in laws, regulations or regulatory policies that apply to its business. In October 2014, a new remuneration scheme was established by the Spanish Government, which approved measures to encourage growth, competitiveness and efficiency in the natural gas sector. The new remuneration scheme is viewed as long-term and as being more stable, predictable and sustainable. The rating agencies, Moody´s (Baa3 on January 29, 2016) and Fitch (BBB- on April 14, 2015) assigned a credit rating to Redexis GAS, S.A.

Other risks that the Group faces that could impact the operational performance are the risks of not obtaining regulatory approvals to make new investments in the gas network or not being able to complete investment projects, the development of gas demand and environmental and health and safety risks.

Management has made, in close cooperation with the Management of the Group, an assessment of the above risks and the expected cash flows of the Group during the period of the loan. Based on this and the above mentioned credit rating for the Group. Management has concluded that the overall credit risk is low.

Liquidity risk

The main liquidity risk that the Company has is that it does not have sufficient cash to pay the interest on the bonds when the interest is due. Management closely monitors the liquidity position of the Company in the days prior to the interest due date and will ensure that it will collect the interest from Redexis GAS S.A. prior to the interest due date.

The interest receivable dates and interest payments dates of the Bonds are contractually aligned, as are the maturity dates. Management therefore considers the liquidity risk to be low.

Interest rate risk

The interest rate on the first tranche of bonds issued on the market is fixed at 2.75% and for the second tranche at 1.875%. The interest on the loan to Redexis Gas S.A. holds a mark-up that is amended as per April 27, 2015 towards 0.081%. Management considers the interest rate risk as low due to the fixed interest rates and the mark-up on loans receivables and payables.

Disclosure and publication requirements

The Company has elected Luxembourg as its home member state in respect of its EMTN Programme. As a result, the Company must provide the regulated part of the Luxembourg authority that monitors the financial industry ("Commission de surveillance du secteur financier (the CSSF)) with certain information on an ongoing basis.

Furthermore, the Company has chosen Luxembourg as its home Member State for the Transparency Directive purposes and therefore has to comply with disclosure, storage and filing obligations with respect to Regulated information.

As the notes issued have a denomination per unit of EUR 100,000, the Company can use the Wholesale Exemption and doesn't have to provide annual financial reports with the CSSF.

Corporate Governance

Based on EU law the Company is considered to be an organization of public interest as it issued financial instruments that are quoted on the Luxembourg Stock Exchange.

Based on article 2 of the EC directive 2006/43/EC Implementation Decree of 26 July 2008 (the Decree) concerning audit of annual accounts, organization of public interest have to set up an audit committee and have to comply with parts of the Dutch Corporate Governance Code.

As an alternative, Company can appoint another body of the Company to perform the role of the "audit committee".

Compliance with the Dutch Corporate Governance Code

As per article 2 of the Decree the Company has to comply with articles III 5.4 subs a, b, c, f, article III 5.7 and principles V.2 and V.4 of the Dutch Corporate Governance Code.

Article III 5.4 describes the duties of the "audit committee". Article III 5.7 determines that at least one of the members should be a financial expert as described in article III 3.2. The principles V2 and V4 concern the relation between the Committee and the external auditor.

Financial Accounting Supervision Committee

The Management Board of the Company created a Financial Accounting Supervision Committee (the "committee" or "FASC") and set up the Terms of reference of this committee. The FASC is the Company's equivalent of the 'audit committee' requirement. The appointment of the FASC has been approved in the General Meeting of Shareholders of April 2015.

In these terms of reference, rules have been laid down with respect to the composition, meetings and the duties and powers of the FASC, all in accordance with article 2 of the Decree.

The committee consists of three members and these members are Mr. R. Meijer, Mr. E. Honing and Mrs. N. Bjelanovic. Mr. R. Meijer is chairman and is independent of the Company's management, corporate service provider and auditors. Mr. Meijer is a certified accountant-in-business and is considered to be a financial expert. Mr E. Honing and Mrs. N. Bjelanovic are employees of the corporate service provider. Mr. E. Honing holds a LLM degree from the University of Amsterdam and Mrs. N. Bjelanovic graduated a bachelor accountancy from the Amsterdam school of Economics.

KPMG Audit
Document to which our report dated
28 APR 2016
also refers.
Initials for identification purposes
KPMG Accountants N.V.

Mrs. N. Bjelanovic resigned as a member of the committee on February 17, 2016 and Mrs. A. Robakidze also graduated as bachelor has been appointed as new member of the committee on the same date.

The main tasks of the Committee are the monitoring of the process of the financial reporting, the internal control system and the monitoring of the audit of the Financial Statements.

The members of the Committee are appointed by the Management Board and may only exercise powers that are explicitly attributed or delegated to it by the Management Board. The Committee reports its findings and recommendations to the Management Board.

Management is of the view that the composition of the committee is and that the performance of the tasks has been in accordance with the legal requirements set in the EU directive, local law and the applicable parts of the Dutch Corporate Governance Code.

Internal control

The Company has implemented a system of internal control that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations. This internal control ensures that risk is properly measured and managed.

The Management Board composition

Taking into account the legislation that entered into force in the Netherlands on 1 January 2013 concerning the composition of companies' Management, we highlight that currently all board members are men and one out of three FASC members is female. Nonetheless, the Company believes that the composition of its Board and FASC has a broad diversity of experience, expertise and background, and that the backgrounds and qualifications of the board members, considered as a group, provide a significant mix of experience, knowledge, abilities and independence that we believe our Management Board and FASC to fulfil its responsibilities and properly execute its duties.

Research and development

The Company does not invest in research and development, as the sole purpose is to arrange finance for related entities.

Statement ex Article 5:25c Paragraph 2 sub e Financial Markets Supervision Act ('Wet op het Financieel Toezicht')

To our knowledge,

- the financial statements give a true and fair view of assets, liabilities, financial position and result of the Company;
- the Management Board report gives a true and fair view of the Company's position as per December 31, 2015 and developments during the financial year ending December 31, 2015; and
- the Management Board report describes the material risks the issuer is facing.

KPMG

KPMG Audit
Document to which our report dated
28 APR 2016
also refers.
Initials for identification purposes
KPMG Accountants N.V.

Outlook

The Company has no new financing activities planned for the near future. The Company will continue with exploring financing activities with Redexis Gas S.A.

Amsterdam, April 28, 2016

The Management Board:

M.H.G. Vennekens:

D. Folgado:

G.N. Meijssen:

KPMG Audit
Document to which our report dated

28 APR 2016

also refers.
Initials for identification purposes
KPMG Accountants N.V.

Balance sheet as at 31 December 2015

(before profit appropriation)

	Note	Dec 31, 2015		Dec 31, 2014	
		EUR	EUR	EUR	EUR
Fixed assets					
Loans to related companies	2	893,885,819		645,963,097	
			893,885,819		*645,963,097*
Current assets					
Trade and other receivables	3	16,830,187		13,484,832	
Cash and cash equivalents	4	220,577		38,598	
			17,050,764		*13,523,430*
Total assets			**910,936,583**		**659,486,527**
Equity	5				
Share capital		1,000		1,000	
Share premium		2,000,000		2,000,000	
Retained earnings		246,527		0	
Result for the year		345,249		246,527	
			2,592,776		*2,247,527*
Long-term liabilities	6		*891,818,633*		*643,964,574*
Current liabilities	7		*16,525,174*		*13,274,426*
Total equity and liabilities			**910,936,583**		**659,486,527**

The notes on pages 11 to 21 are an integral part of these annual financial statements.

KPMG
KPMG Audit
Document to which our report dated
28 APR 2016
also refers.
Initials for identification purposes
KPMG Accountants N.V.

Refer to note 1, paragraph 'Basis of preparation' on page 11

Profit and loss account for the year ending December 31, 2015

		1-1-2015 to 31-12-2015 EUR	10-3-2014 to 31-12-2014 EUR
Financial income			
Interest income on on- loan agreement	*10*	22,765,345	14,074,393
Interest income from shareholders	*10*	70,835	47,783
Interest and similar income	*10*	0	154
		22,836,180	*14,122,330*
Financial expenses			
Interest expenses on bonds	*11*	-22,113,990	-13,714,506
		-22,113,990	*-13,714,506*
Net financial income		**722,190**	**407,824**
Administrative and general expenses	*12*	-275,191	-91,963
Profit or (loss) before tax		**446,999**	**315,861**
Tax on result	*13*	-101,750	-69,334
Profit or (loss) after tax		**345,249**	**246,527**

The notes on pages 11 to 21 are an integral part of these annual financial statements.

KPMG

KPMG Audit
Document to which our report dated

28 APR 2016

also refers.
Initials for identification purposes
KPMG Accountants N.V.

Refer to note 1, paragraph 'Basis of preparation' on page 11

Cash flow statement for the year ending December 31, 2015

		2015	2014
		EUR	EUR
Profit or (loss) before tax		*446,999*	*315,861*
Adjusted for:			
Amortisation financing fees received	*2*	-1,051,742	-637,344
Amortisation financing fees paid	*6*	1,054,059	638,821
Capitalized interest	*2*	-70,980	0
Tax expenses	*13*	-101,750	-69,334
Changes in:			
Accrued interest receivable		-21,713,458	-13,484,832
Interest received		18,369,000	0
Other receivables		-898	0
Changes in trade and other receivables	*3*	-3,345,356	-13,484,832
Accrued interest payable		21,059,931	13,075,685
Interest paid		-17,875,000	0
Other liabilities		65,818	198,741
Changes in current liabilities	*7*	3,250,749	13,274,426
Cash flow from operating activities		*181,979*	*37,958*
Borrowing to related companies	*2*	-246,800,000	-643,924,500
Borrowing to shareholders	*2*	0	-2,000,000
Cash flow from investing activities		*-246,800,000*	*-645,924,500*
Equity contributions	*5*	0	2,001,000
Issuance of bond	*6*	246,800,000	643,924,500
Cash flow from financing activities		*246,800,000*	*645,925,500*
Cash and cash equivalents at January 1		**38,598**	**0**
Movement in cash and cash equivalents		181,979	38,598
Cash and cash equivalents at December 31		**220,577**	**38,598**

KPMG

KPMG Audit
Document to which our report dated

28 APR 2016

also refers.
Initials for identification purposes
KPMG Accountants N.V.

The notes on pages 11 to 21 are an integral part of these annual financial statements.

Statement of comprehensive income for the year ending December 31, 2015

	1-1-2015 to 31-12-2015 EUR	10-3-2014 to 31-12-2014 EUR
Profit or (loss) after tax	345,249	246,527
Realised gain charged directly to shareholders	0	0
Total recognised in shareholder's equity of the company	345,249	246,527
Total comprehensive profit or (loss)	**345,249**	**246,527**

The notes on pages 11 to 21 are an integral part of these annual financial statements.

KPMG

KPMG Audit
Document to which our report dated

28 APR 2016

also refers.
Initials for identification purposes
KPMG Accountants N.V.

Notes to the 2015 financial statements

1. General

Relationship with parent company and principal activities

Redexis Gas Finance B.V. 'the Company' was incorporated on March 10, 2014. The principal activity of the Company is to issue and manage notes and other financial instruments, and to lend the funds to affiliated companies.

The Company, having its legal address at Teleportboulevard 140, 1043 EJ Amsterdam, is a private limited liability company under Dutch law, with 58.5% of its shares held by Zaragoza International Cooperative U.A. while the remaining 41.5% is held by Augusta Global Cooperative U.A. The two Cooperatives are owned by the GS (Goldman Sachs) Infrastructure funds and one partnership held by two investors.

The Company is a financing company; the group is primarily involved in providing financing to group companies by issuing bonds to the public on the Luxembourg Stock Exchange.

Basis of preparation

The financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code.

The applied accounting policies are based on the historical cost convention.

These financial statements cover the year 2015, which ended at the balance sheet date of December 31, 2015.

The comparative figures are for the period 10 March 2014 till 31 December 2015.

Going concern

These financial statements have been prepared on the basis of the going concern assumption.

Euro Medium Term Note Programme

In the beginning of April 2014 the Company launched a Euro Medium Term Note Programme (EMTN) of 2 billion Euro.

On April 8, 2014, a first tranche of bonds were issued under this programme for an amount of 650 million Euro at a discount of 0.627% and at a nominal interest rate of 2.75%. Interest is due on this bond on April 8 of each year till the maturity date of April 8, 2021.

On April 25, 2015, a second tranche of bonds were issued under the programme for an amount of 250 million Euro at a discount of 1.08% and at a nominal interest rate of 1.875%. Interest is due on this bond on April 27 of each year till the maturity date of April 27, 2027.

The mark-up between the rates of borrowing and lending was 0.076% until April 27, 2015. The new tranche included a new mark-up increase to 0.081% for all bonds, which is sufficient to cover the operating expenses and provide for profits.

KPMG
KPMG Audit
Document to which our report dated
28 APR 2016
also refers.
Initials for identification purposes
KPMG Accountants N.V.

The Company has elected Luxembourg as its home member state for the issuance of the notes. The notes are therefore listed on the Luxembourg Stock Exchange.

The proceeds of the bonds were lent to the Group Company Redexis GAS S.A. and Redexis GAS S.A. has provided an unconditional and irrevocable guarantee for the benefit on all bondholders with respect to the prescribed and punctual repayment of the bond (including interest) issued by Redexis Gas Finance B.V.

Accounting policies

General

The accounting policies applied for measuring assets and liabilities and profit determination are based on the historical cost convention, unless otherwise stated in the further principles.

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

Revenues and expenses are allocated to the period to which they relate. Revenues are recognized when the company has transferred the significant risks and rewards of ownership of the goods to the buyer.

The financial statements are presented in euros, the company's functional currency. All financial information in euros has been rounded to the nearest thousand.

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

The following accounting policies are in the opinion of management the most critical for the purpose of presenting the financial position.

Financial instruments

Financial instruments include loans granted other receivables, cash items, loans and other financing commitments, trade payables and other amounts payable.

A financial asset or liability is recognised when the contractual rights or obligations in respect of that instrument arise. A financial instrument is no longer recognised when the benefits and risks are transferred or the contract matured.

Financial instruments are initially stated at fair value, including discount or premium and directly attributable transaction costs.

After initial recognition, financial instruments are valued in the manner described below.

The Company has no derivative financial instruments embedded in contracts.

Loans to group companies

Loans to group companies are carried at amortised cost on the basis of the effective interest method, less impairment losses.

Long-term liabilities

Long-term liabilities are stated after their initial recognition at amortised cost on the basis of the effective interest rate method.

Impairment of financial assets

At each balance sheet date the Company assesses whether there is objective evidence that financial assets are impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of comprehensive income.

Financial fixed assets

Loans to related parties are included at amortised cost using the effective interest method, less impairment losses.

Receivables

The accounting policies applied for the valuation of trade and other receivables and securities are described under the heading 'Financial instruments'.

Shareholders' equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense.

Long-term liabilities

The valuation of long-term liabilities is explained under the heading 'Financial instruments'.

Current liabilities

The valuation of current liabilities is explained under the heading 'Financial instruments'.

Financial income and expenses

Financial income and expenses consists of interest income and expense and amortisation of the financing costs. Interest income and expenses are recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest charges, allowance is made for transaction costs on loans received. Financing costs are amortised over the duration of the loan- and interest rate cap contracts.

Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

If the carrying values of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences.

A provision for deferred tax liabilities is recognised for taxable temporary differences.

For deductible temporary differences, unused loss carry forwards and unused tax credits, a deferred tax asset is recognised, but only in so far as it is probable that taxable profits will be available in the future for offset or compensation.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are stated at nominal value.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated into euros using the weighted average exchange rates at the dates of the transactions.

Cash flows from financial derivatives that are stated as fair value hedges or cash flow hedges are attributed to the same category as the cash flows from the hedged balance sheet items. Cash flows from financial derivatives to which hedge accounting is no longer applied are categorised in accordance with the nature of the instrument as from the date on which the hedge accounting is ended.

Determination of fair values

The fair value of a financial instrument is the price for which an asset can be transferred or a liability can be settled between knowledgeable and well willing parties at arm's length.

A number of the accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Bearer bonds

The fair value of the listed bearer bonds, which is determined for disclosure purposes, is determined by reference to their quoted bid price at the reporting date. If no quoted bid price at the reporting date is available, the fair value is based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(b) Note

The fair value of the note, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

c) Other assets and liabilities

For other assets and liabilities carrying value is assumed to reflect the fair value.

KPMG

KPMG Audit
Document to which our report dated

28 APR 2016

also refers.
Initials for identification purposes
KPMG Accountants N.V.

2 Loans to related companies

Movements in financial fixed assets were as follows:

	Redexis GAS S.A.	**Shareholders**	**Total**
	EUR	**EUR**	**EUR**
Balance as 31 December 2014:			
• Cost price	643,325,753	2,000,000	645,325,753
• Accumulated amortization	637,344	0	637,344
Carrying amount	**643,963,097**	**2,000,000**	**645,963,097**
Changes in carrying amount:			
• Loans issued	246,800,000	0	246,800,000
• Amortization financing fees	1,051,742	0	1,051,742
• Capitalized interest	0	70,980	70,980
Subtotal changes in carrying amount	*891,814,839*	*2,070,980*	*893,885,819*
Balance as at 31 December 2015:			
• Cost price	890,125,753	2,000,000	892,125,753
• Accumulated amortization	1,689,086	0	1,689,086
• Capitalized interest	0	70,980	70,980
Carrying amount	**891,814,839**	**2,070,980**	**893,885,819**

Loan to Redexis Gas S.A.

Redexis GAS S.A. was issued a loan on April 8, 2014 for a term of seven years and for a nominal amount of Euro 650,000,000. The interest is fixed at 2.75% per year (excluding a variable mark-up), payable on April 8 of each year till maturity. The principal is due in full at maturity date. The loan was issued at a discount rate of 0.627% and financing fees amounted to 2,598,747 Euro. The discount and the fees are amortised over 7 years. The effective interest rate is 2.99%.

April 27, 2015 a new loan has been issued for a term of twelve years and for a nominal amount of Euro 250,000,000. The interest is fixed at 1.875% per year (excluding a variable mark-up), payable on April of each year till maturity. The principal is due in full at maturity date. The loan was issued at a discount rate of 1.080% and finance fees amounted to 500,000 Euro. The discount and the fees are amortized over twelve years. The effective interest rate is 2.08%.

The mark-up has increased through an amended mark-up letter dated April 27, 2015 towards 0.081% (2014: 0.076%).

Loan to shareholders

On April 20, 2014 the Company lent 2,000,000 Euro to its shareholders for a term of 7 year and a yearly interest of 3.38%. The loan will be repaid in full on April 20, 2021. The interest is due in cash or can be capitalized on April 20 of each year, during 2015 an amount of 70,980 Euro has been capitalized on the principal of the loan.

3 Trade and other receivables

	2015 EUR	2014 EUR
Interest receivable from Redexis Gas S.A.	16,781,652	13,437,049
Interest receivable from shareholders	47,638	47,783
Other receivable	898	0
	16,830,188	**13,484,832**

The above receivables are due within a year.

4 Cash and cash equivalents

	2015 EUR	2014 EUR
Credit balances on bank accounts	220,577	38,598
	220,577	**38,598**

Cash and cash equivalents are unencumbered.

5 Equity

	Issued capital EUR	Share premium reserve EUR	Retained earnings EUR	Unappro-priated profit EUR	Total EUR
Balance as at December 31, 2014	**1,000**	**2,000,000**	**0**	**246,527**	**2,247,527**
Changes in financial year 2015:					
• Appropriation of prior period result	0	0	246,527	-246,527	0
• Result for the year	0	0	0	345,249	345,249
Balance as at 31 December 2015	**1,000**	**2,000,000**	**246,527**	**345,249**	**2,592,776**

Issued capital

The company's authorised capital, amounting to EUR 1,000, consists of 100,000 ordinary shares of EUR 0.01 each. Therefore the share capital is fully issued and paid.

KPMG Audit
Document to which our report dated
28 APR 2016
also refers.
Initials for identification purposes
KPMG Accountants N.V.

Share premium reserve

The share premium concerns a contribution from the shareholders holders to comply with the minimum equity requirement set in article 8c of the Dutch Corporate Income Tax Act.

Unappropriated profit

At the General Meeting, it will be proposed to approve and the profit of EUR 345,249 to the other reserves.

6 Long-term liabilities

This item relates to the first tranche of bonds issued to the public on April 8, 2014 and second tranche issued to the public on April 27, 2015:

	EUR
Fair value at date of issuance	890,125,753
Amortisation discount at financing fees	1,690,563
Long-term portion as at 31 December 2015	**891,816,316**

On April 8, 2014 the Company issued bonds totalling EUR 650,000,000 as part of the Euro Medium Term Note Programme ("EMTN Programme"). The bonds mature on April 8, 2021. The bonds were issued and placed at a discount of 0.627%. The bonds carry an interest of 2.75%, payable once a year on April 8 till maturity date. The accrued interest is recognised under current liabilities. The financing cost amounted to 2,598,747 Euro. The discount and the fees are amortised over 7 years. The effective interest rate is 2.91%.

On April 27, 2015 the Company issued bonds totalling Euros 250,000,000 as part of the EMTN Programme. The bonds mature on April 27, 2027. The bonds were issued and placed at a discount of 1.080%. The bonds carry an interest of 1.875%, payable once a year on April 27 till maturity date. The accrued interest is recognised under current liabilities. The financing cost amounted to 500,000 Euro. The discount and the fees are amortised over 7 years. The effective interest rate is 2.00%.

The Company has lent all proceeds received to the Redexis Gas S.A. Redexis Gas S.A. has provided an unconditional and irrevocable guarantee for the benefit on all bondholders with respect to the prescribed and punctual repayment of the bonds (including interest) issued by Redexis Gas Finance B.V. The bonds are listed at the Luxembourg Stock Exchange.

KPMG
KPMG Audit
Document to which our report dated

28 APR 2016

also refers.
Initials for identification purposes
KPMG Accountants N.V.

7 Current liabilities

	2015 EUR	2014 EUR
Interest payable accrued on bonds	16,260,616	13,075,685
Income tax liability	171,085	69,335
Other liabilities	38,947	38,754
Accruals and deferred income	54,527	90,652
	16,525,175	**13,274,426**

All current liabilities are due within one year.

8 Commitments and contingencies not included in the balance sheet

The Company has no commitments and contingencies apart from the ones included on the balance sheet.

9 Financial instruments

General

During the normal course of business, the Company uses various financial instruments that expose it to credit and liquidity risks. To control these risks, the company has instituted a policy including a code of conduct and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the financial performance of the Company.

With respect to the activities the companies faces the following main risks:

- Credit risk;
- Liquidity risk; and
- Interest rate risk.

Credit risk

The Company has two significant loan receivables from Redexis GAS S.A. (related party) of a total nominal value of EUR 900 million. Repayment of the loans depends on the operational performance of Redexis GAS S.A. and its subsidiaries ("The Group"). The Group carries out the activities of distribution and transmission of natural gas, which are regulated activities in Spain. Operating results could be materially affected by changes in laws, regulations or regulatory policies that apply to its business. In October 2014, a new remuneration scheme was established by the Spanish Government, which approved measures to encourage growth, competitiveness and efficiency in the natural gas sector. The new remuneration scheme is viewed as long-term and as being more stable, predictable and sustainable.

KPMG Audit
Document to which our report dated
28 APR 2016
also refers.
Initials for identification purposes
KPMG Accountants N.V.

Other risks that the Group faces that could impact the operational performance are the risks of not obtaining regulatory approvals to make new investments in the gas network or not being able to complete investment projects, the development of gas demand and environmental and health and safety risks.

In addition to the loan receivable from Redexis Gas SA, on April 20, 2014 the Company lent 2,000,000 Euro to its shareholders for a term of 7 year and a yearly interest of 3.38%. The loan will be repaid in full on April 20, 2021. This is a receivable from the shareholders and not considered to be a significant amount for the Company and the shareholders.

Management has made, in close cooperation with the Management of the Group, an assessment of the above risks and the expected cash flows of the Group during the period of the loans. Based on this and the above mentioned credit rating of the Group, management has concluded that the overall credit risk is low.

Liquidity risk

The main liquidity risk that the Company has, is that it does not have sufficient cash to pay the interest on the bonds when the interest is due. Management closely monitors the liquidity position of the Company in the days prior to the interest due date and will ensure that it will collect the interest from Redexis GAS S.A. prior to the interest due date.

The interest receivable dates and interest payments dates of the Bonds are contractually aligned, as are the maturity dates. Management therefore considers the liquidity risk to be low.

Interest rate risk

The interest rate on the first tranche of bonds issued on the market is fixed at 2.75% and for the second tranche at 1.875%. The interest on the loan to Redexis Gas S.A. holds a mark-up that is amended as per April 27, 2015 towards 0.081%. Management considers the interest rate risk as low due to the fixed interest rates and the mark-up on loans receivables and payables.

Fair values

The fair value of the first tranche of the quoted bond issued derived from the Luxembourg stock exchange amounts to EUR 105.794 (2014: 108.300) and for the second tranche EUR 87.186, translating into a value for the first tranche of EUR 687.66 million (2014: EUR 703.95 million) and second tranche of EUR 217.97 million. The fair value of the loan to the group company will not differ materially from the fair value of the bonds.

The fair value derived from the price of the bonds as listed on the Luxembourg stock exchange per December 31, 2015. The fair value of all other financial instruments approximates their nominal value.

KPMG

KPMG Audit
Document to which our report dated

28 APR 2016

also refers.
Initials for identification purposes
KPMG Accountants N.V.

10 Interest Income and similar income

	2015 EUR	(Recent year) EUR
Interest loan to Redexis GAS S.A.	22,765,345	14,074,393
Interest loan to shareholders	70,835	47,783
Interest and similar income	0	154
	22,836,180	**14,122,330**

11 Interest expense and similar expenses

	2015 EUR	2014 EUR
Interest expenses on bonds	22,113,990	13,714,506
	22,113,990	**13,714,506**

12 Other operating expenses

	2015 EUR	2014 EUR
Fee for management and administration	60,500	50,417
Audit fee	102,363	35,000
Tax advisory fees	17,313	3,146
Other fees	95,015	3,400
	275,191	**91,963**

The audit fee is the fee due to KPMG Netherlands for the audit 2015. No other services have been provided to the Company by KPMG Netherlands or firms related to KPMG Netherlands.

KPMG
KPMG Audit
Document to which our report dated
28 APR 2016
also refers.
Initials for identification purposes
KPMG Accountants N.V.

13 Tax on result

	2015 EUR	2014 EUR
Tax liability for current financial year	101,750	69,334

The company applies a margin on its financing activities of 0.081% (2014: 0.076%). This margin minus the general and administrative expenses is the tax base for corporate income tax.

The effective tax rate is equal to the nominal tax rate taking into account that over the first 200,000 Euro of profit the Company only has to pay 20% tax and 25% over the remainder.

14 Transactions with related parties

The main activity of Redexis Gas Finance B.V. is to issue bonds. The proceeds are lend on to the related company (Redexis Gas S.A.). All related party transactions took place at an arm's length basis.

As at December 31, 2015, the Company lent Redexis Gas S.A. EUR 900 million nominal value (2014: EUR 650 million) and shareholders EUR 2,070,980 (2014: EUR 2,000,000).

For the year ending December 31, 2015, the Company recognized interest income from Redexis Gas S.A. EUR 22,765,345 (2014: EUR 14,074,393) and from the shareholders EUR 70,835 (2014: EUR 47,483).

For the management support the Company has a service contract with Orangefield, Amsterdam, Netherlands. Orangefield provides management, domiciliation, accounting and corporate secretarial services. The fee per annum is EUR 50,000.

15 Auditor's fees

	2015 EUR	2014 EUR
Audit services	56,080	35,000
Audit related services	46,283	0
	102,363	**35,000**

KPMG Accountants N.V. audit fee is EUR 35,000 VAT exclusive (2014: EUR 35,000), the 2014 additional audit expenses are included in the 2015 audit services. This information is disclosed as referred to in section 2:392a (1) and (2) of the Dutch Civl Code.

The audit related fees are an additional engagement on the prospective for the second tranche bond in the EMTN programme.

KPMG
KPMG Audit
Document to which our report dated

28 APR 2016

also refers.
Initials for identification purposes
KPMG Accountants N.V.

Amsterdam, April 28, 2016

The Management Board:

M.H.G. Vennekens:

D. Folgado:

G.N. Meijssen:

KPMG

KPMG Audit
Document to which our report dated

28 APR 2016

also refers.
Initials for identification purposes
KPMG Accountants N.V.

Other information

Provisions in the Articles of Association governing the appropriation of profit

Under article 18 of the company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit in so far as (1) the company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and (2) the shareholders' equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test). If not, management of the company shall not approve the distribution.

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2015 result after taxation: an amount of EUR 345,249 to be added to the other reserves. The result after tax for 2015 is included under unappropriated profit in shareholders' equity.

Subsequent events

No relevant events occurred after balance sheet dated December 31, 2015.

Independent auditor's report

The Auditor's report is included in the next pages.

KPMG
KPMG Audit
Document to which our report dated
28 APR 2016
also refers.
Initials for identification purposes
KPMG Accountants N.V.