Redexis Gas Finance B.V., Amsterdam

Annual report 2022

26 April 2023
This report contains 26 pages

Contents

The Board of Directors report

The Board of Directors of Redexis Gas Finance B.V. (further named 'the Company') hereby presents its Board of Directors report, financial statements and other information for the year ended 31 December 2022.

General information

The Company was incorporated on 10 March 2014. The principal activity of the Company is to issue and manage notes and other financial instruments, and to lend the funds to sister company Redexis, S.A. The Company and Redexis, S.A. (until the change of the articles on 20 May 2021 named Redexis Gas S.A.) are owned by the same shareholders.

Shareholders information

On 21 December 2021, ATP Infrastructure II ApS transferred all shares held in the Company to its sole shareholder Arbejdsmarkedets Tillægspension.

Following this transfer, and as at 31 December 2022, the Company has the following shareholders: Chase Gas Investment Ltd – 33.3% (2021: 33.3%), Arbejdsmarkedets Tillægspension – 33.4% (2021: 33.4%), and Guotong Romeo Holdings Limited – 33.3% (2021: 33.3%).

Financial information

On 21 March 2014 the Company established and launched a 2 billion Euro Medium Term Note ('Programme'), described in a base prospectus of the same date that has been revised, supplemented or amended on 8 April 2015, 21 November 2017, 18 July 2019 and 13 May 2020.

On 8 April 2014, a first tranche of Bonds ('First Tranche') was issued under this programme for an amount of € 650 million at a discount of 0.627% and at a nominal interest rate of 2.75%. On 29 May 2020 the Company received a repayment on its corresponding receivable from Redexis, S.A. of € 156 million and subsequently made a repayment on the First Tranche with an aggregate total nominal value of € 156 million. On 4 January 2021, the Company received a repayment of € 494 million on its receivable (equal to the total outstanding principal) which amount was paid to the holders of the First Tranche as a result of which it became fully repaid.

On 25 April 2015, a second tranche of Bonds ('Second Tranche') was issued under the programme for an amount of € 250 million at a discount of 1.08% and at a nominal interest rate of 1.875%. Interest on the Second Tranche is due on 27 April of each year until the maturity date of 27 April 2027.

On 1 December 2017, a third tranche of Bonds ('Third Tranche') was issued under the programme for an amount of € 250 million and accrued interest of € 2.8 million at a discount of 1.243% and at a nominal interest rate of 1.875%. Interest on the Third Tranche is due on 27 April of each year until the maturity date of 27 April 2027.

On 19 May 2020, the Company issued a €500 million as fourth tranche of Bonds ('Fourth Tranche') under the programme of € 500 million at a discount of 0.9% and at a nominal interest rate of 1.875%. Interest on the Fourth Tranche is due on 28 May of each year until the maturity date of 28 May 2025.

Financial information (Continued)

The proceeds of the Second Tranche, Third Tranche and Fourth Tranche are lent to Redexis, S.A. who provided an unconditional and irrevocable guarantee for the benefit of all Bondholders with respect to the prescribed and punctual repayment of the Bonds (including interest) issued by Redexis Gas Finance B.V.

The mark-up between the rates of borrowing and lending is 0.118% for the first tranche of Bonds, 0.114% for the second and the third tranche and 0.035% for the fourth tranche of Bonds, which is sufficient to cover the operating expenses and to achieve a positive net result.

In 2021, the nominal amount of the loans to shareholders amounting € 2 million was settled to equity through conversion of share premium for the same amount into nominal share capital (increase nominal share value). The subsequent € 2 million reduction of nominal capital (reduction nominal share value) was followed by a distribution to the shareholders for the same amount, made against the repayment of the nominal loan.

The Company has equity of € 4.23 million (2021: € 3.74 million) and realized a profit after tax amounting to € 0.49 million (2021: € 0.31 million).

No dividends were paid during the current year (2021: no dividends). The Board of Directors will propose to the shareholders to appropriate the result of the current year to the retained earnings.

Significant risks and uncertainties

With respect to the activities, the Company faces the following main risks:

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

Credit risk

The Company has three (2021: three) significant loans receivable from Redexis, S.A. (related party) for a total nominal value of € 1,000 million (2021: € 1,000 million). The possibility to repay the loans depends on the operational performance of Redexis, 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.

The last regulatory review of the Spanish gas regulatory framework was published by Spain's National Authority for Markets and Competition (CNMC) in April 2020, in which the gas distribution and transmission remuneration methodology was established for the regulatory period starting in January 2021 and ending December 2026 giving, in the large extent, continuity of the methodologies applied in former regulatory framework. This methodology follows the one published in December 2019 regarding gas transmission remuneration. In our opinion, the gas transmission remuneration methodology, approved in December 2019, and the gas distribution remuneration methodology published by the CNMC in April 2020, will continue to provide Redexis S.A. with a stable operating environment over the six-year regulatory period ending December 2026.

The rating agency S&P assigned a credit rating to Redexis, S.A. The rating assigned as per September 2022, the most recent S&P rating available, is BBB- (2021: BBB- on October 2021). The outlook is stable.

Significant risks and uncertainties (Continued)

Credit risk (Continued)

Other risks that the Group faces that could impact the financial 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.

The Board of Directors 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, the Board of Directors has concluded that the overall credit risk is low.

Liquidity risk

The main liquidity risk that the Company faces is that it does not have sufficient cash to pay the interest and principal on the Bonds when these are due. The Board of Directors therefore closely monitors the liquidity position of the Company in the days prior to the interest due date and maturity date to ensure that it will collect the interest and principal from Redexis, S.A. prior to the interest due date and maturity date.

The interest receipt from the loans and the interest payment dates of the Bonds are contractually aligned, as are the maturity dates. The Board of Directors therefore considers the liquidity risk to be low.

Interest rate risk

The interest rate on the second, third and fourth tranche of Bonds issued on the market was fixed at 1.875%. The interest on the loans to Redexis, S.A. held a mark-up of 0.114% for the second and the third tranche of Bonds and 0.035% for the fourth tranche of Bonds. The Board of Directors considers the interest rate risk as low due to the fixed interest rates and the mark-up on loans receivables versus 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, the 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 € 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, organizations of public interest have to set up an audit committee and have to comply with parts of the Dutch Corporate Governance Code.

Corporate Governance (Continued)

As an alternative for the audit committee a company can appoint another body of the Company to perform the role of the "audit committee" and at least one member of that body must be independent within the meaning of best practice provision III.2.2 of the Dutch Corporate Governance Code (the NCGC).

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 Board of Directors 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' as required under the EC directive referred to before.

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.

As at 31 December 2022, the Committee consists of three (2021: three) members, being Mr. D. Alvares Vega (appointed on 11 July 2022), Mr. E. Honing and Mr. M. Smit (2021: Mr. R. Meijer, Mr. E. Honing and Mr. M. Smit. Mr. R. Meijer resigned on 11 July 2022 as Chairman and member of the Committee).

Mr. D. Alvares Vega is Chairman and is independent of the Company's management, corporate service provider and auditors.

Mr. E. Honing and Mr. M. Smit are employees of the corporate service provider (Vistra Management Services (Netherlands) B.V.). Mr. E. Honing holds a LLM degree from the University of Utrecht and Mr. M. Smit holds a bachelor's degree. On 28 February 2023, Mr. E. Honing resigned from the corporate service provider. Mr. R. Eshuis replaced Mr. E. Honing.

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

The members of the Committee are appointed by the Board of Directors of the Company subject to approval of the General Meeting, in accordance with its Articles of Association and may only exercise powers that are explicitly attributed or delegated to it by the Board of Directors. The Committee reports its findings and recommendations to the Board of Directors and also has a yearly meeting with the external auditors.

The Board of Directors 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 Board of Directors and FASC composition

We highlight that currently the Board of Directors consists of one woman and two men and all FASC members are male. 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 of Directors and FASC members, considered as a group, provide a significant mix of experience, knowledge, abilities and independence that we believe our Board of Directors and FASC to fulfil its responsibilities and properly execute its duties. The Company has a policy to appoint directors based on quality over gender and will continue to ensure the diversity in the Board of Directors and FASC.

Research and development

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

Environmental and personnel-related information

The Company, based on her sole purpose and activities, does not have environmental related affairs and has no relevant other non-financial performance indicators related to Corporate Social Responsibility. In respect of personnel we refer to note 14 of the financial statements.

Information concerning application of code of conduct

The Company voluntarily follows the code of conduct as issued by The Monitoring Commissie Corporate Governance Code. No issues are noted in respect of compliance with the code of conduct followed.

Statement ex Article 5:25c Paragraph 2 sub c1-2 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 Board of Directors report gives a true and fair view of the Company’s position as per 31 December 2022 and developments during the financial year ending 31 December 2022; and
- the Board of Directors report describes the material risks the issuer is facing.

Outlook

The Company has no new financing activities planned for the near future. The Company will continue to explore financing activities with Redexis, S.A. and with regard to the EMTN Programme.

Subsequent events

There are no subsequent events that would require disclosure in the financial statements.

Amsterdam, 26 April 2023

The Board of Directors:

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Polo Borja
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B. Polo

DocuSigned by:
ED62682DCADF48C...
N. Bjelanovic

DocuSigned by:
EFBB314249AD4D9...
M.H,G. Vennekens

Balance sheet as at 31 December 2022

(before profit appropriation)

		31 Dec 2022		**31 Dec 2021**	
		EUR '000	EUR '000	EUR '000	EUR '000
Non-current assets					
Loans to related companies	*2*	993,692		991,480	
			993,692		*991,480*
Current assets					
Trade and other receivables	*3*	12,747		12,729	
Cash and cash equivalents	*4*	2,841		2,438	
			15,588		*15,167*
Total assets			**1,009,280**		**1,006,647**
Equity	*5*				
Share capital		1		1	
Other reserves		3,741		3,431	
Result for the year		489		310	
			4,231		*3,742*
Non-current liabilities	*6*	992,962		990,716	
			992,962		*990,716*
Current liabilities	*7*	12,087		12,189	
			12,087		*12,189*
Total equity and liabilities			**1,009,280**		**1,006,647**

The notes on pages 11 to 24 are an integral part of these financial statements.

Profit and loss account for the year ended 31 December 2022

		2022		2021	
		EUR '000	EUR '000	EUR '000	EUR '000
Financial income	*10*				
Interest income on-loan agreement		21,709		22,197	
Interest income from shareholders		-		79	
			21,709		*22,276*
Financial expenses	*11*				
Interest expenses on Bonds		(20,996)		(21,545)	
			(20,996)		*(21,545)*
Net financial income			**713**		**731**
Administrative and general expenses	*12*		(184)		(330)
Profit before tax			**529**		**401**
Tax on result	*13*		(40)		(91)
Profit after tax			**489**		**310**

The notes on pages 11 to 24 are an integral part of these financial statements.

Cash flow statement for the year ended 31 December 2022

		31 Dec 2022		31 Dec 2021	
		EUR '000	EUR '000	EUR '000	EUR '000
Profit or (loss) after tax			489		310
Adjusted for:					
Amortisation financing fees loans receivable	2	(2,212)		(2,355)	
Amortisation financing fees Bonds	6	2,246		2,387	
Capitalized interest	2	-		(135)	
Current liabilities		(102)		(22)	
Accrued interest, net		(747)		(658)	
Other receivables	3	(236)		372	
			(1,051)		(411)
Cash flow from business operations:			(562)		(101)
Interest received		19,715		30,502	
Interest paid		(18,750)		(28,987)	
			965		1,515
Cash flow from operating activities			403		1,414
Cash flow from investment activities					
Redemption loan receivable inc. early redemption premium		-		494,097	
			-		494,097
Cash flow from financing activities					
Repurchased bonds inc. early redemption premium		-		(494,097)	
			-		(494,097)
Movements in cash and cash equivalents			**403**		**1,414**
Notes to the cash resources					
Cash and cash equivalents at 1 January			2,438		1,024
Movements in cash and cash equivalents			403		1,414
Cash and cash equivalents at 31 December	4		**2,841**		**2,438**

The notes on pages 11 to 24 are an integral part of these financial statements.

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated 28 April 2023

Notes to the 2022 financial statements

1. General

Reporting entity and relationship with parent company

Redexis Gas Finance B.V. (further named: 'the Company') was incorporated on 10 March 2014 and is registered with the Dutch trade register under the file number 60182733. The principal activity of the Company is to issue and manage notes and other financial instruments, and to lend the funds to group companies.

The Company, having its legal address at Herikerbergweg 88, Jupiter Building, 2nd floor, 1101 CM Amsterdam, The Netherlands, is a private limited liability company under Dutch law, with shareholders:

- Arbejdsmarkedets Tillaegspension 33.4%, (2021: 33.4%),
- Chase Gas Investment Ltd. 33.3%, (ultimately owned by Universities Superannuation Scheme Ltd.) (2021: 33.3%),
- Guotong Romeo Holdings Limited 33.3%, (ultimately owned by Guoxin Guotong Fund LLP and CNIC Corporation Limited) (2021: 33.3%).

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

Financial reporting period

These financial statements cover the year 2022, which ended at the balance sheet date of 31 December 2022.

Basis of preparation

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards applicable to large legal entities, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

The accounting policies applied for measurement of assets and liabilities and determination of results are based on the historical cost convention, unless otherwise stated in the further accounting policies.

Going concern

The Board of Directors, in making its assessment, has not identified uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to act as a going concern. As a result, the financial statements have been prepared under the going concern assumption.

1. General (Continued)

Euro Medium Term Note Programme

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

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

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

On 1 December 2017, a third tranche of Bonds was issued under the programme for an amount of € 250 million and accrued interest of € 2.8 million at a discount of 1.243% and at a nominal interest rate of 1.875%. Interest on the Bonds is due on 27 April of each year till the maturity date of 27 April 2027.

On 29 May 2020 the Company received a repayment on its receivable from Redexis, S.A. of € 156 million and subsequently repaid first tranche Bonds with an aggregate total nominal value of € 156 million. Next to this event the Company issued a fourth tranche of Bonds under the programme of € 500 million at a discount of 0.9% and at a nominal interest rate of 1.875%. Interest on the Bonds is due on 28 May of each year till the maturity date of 28 May 2025.

On 4 January 2021, the Company received a repayment on its receivable from Redexis, S.A. of € 494 million and subsequently repaid the remainder of the first tranche Bonds with an aggregate total nominal value of € 494 million.

The proceeds of the Bonds are lent to Redexis, S.A. and Redexis, S.A. has provided an unconditional and irrevocable guarantee for the benefit of all Bondholders with respect to the prescribed and punctual repayment of the Bonds (including interest) issued by Redexis Gas Finance B.V.

The mark-up between the rates of borrowing and lending is 0.118% for the first tranche of Bonds, 0.114% for the second and the third tranche and 0.035% for the fourth tranche of Bonds, which is sufficient to cover the operating expenses and provide for profits.

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 recognised 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.

1. General (Continued)

Accounting policies (Continued)

General (Continued)

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.

Functional and presentation currency

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

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 (embedded) derivative financial instruments.

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.

1. General (Continued)

Financial instruments (Continued)

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’.

1. General (Continued)

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.

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.

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 derived from the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date of the bearer Bonds.

1. General (Continued)

Determination of fair values (Continued)

c) Other assets and liabilities

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

Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

2. Loans to related companies

Movements in financial assets were as follows:

	Redexis, S.A.	**Shareholders**	**Total**
	EUR '000	**EUR '000**	**EUR '000**
Balance as at 31 December 2021:			
Cost price	978,289	-	978,289
Accumulated amortization	12,605	-	12,605
Capitalized interest	-	586	586
Carrying amount	**990,894**	**586**	**991,480**
Changes in carrying amount:			
Accumulated amortization	2,212	-	2,212
Subtotal changes in carrying amount	**2,212**	**-**	**2,212**
Balance as at 31 December 2022:			
Cost price	978,289	-	978,289
Accumulated amortization	14,817	-	14,817
Capitalized interest	-	586	586
Carrying amount	**993,106**	**586**	**993,692**

Loan to Redexis, S.A.

On 8 April 2014 a loan has been issued for a term of seven years and for a nominal amount of € 650 million. The interest is fixed at 2.75% per year (excluding a variable mark-up), payable on 8 April 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 € 2.6 million. The discount and the fees are amortised over 7 years. The effective interest rate is 3.01%. On 29 May 2020 the Company received a repayment on its receivable from Redexis, S.A. of € 156 million. On 4 January 2021, the Company received a repayment on its receivable from Redexis, S.A. of € 494 million and subsequently repaid the remainder of the first tranche Bonds with an aggregate total nominal value of € 494 million.

2. Loans to related companies (Continued)

On 27 April 2015 a loan has been issued for a term of twelve years and for a nominal value amounting to € 250 million. The interest is fixed at 1.875% per year (excluding a variable mark-up), payable on 27 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 financing fees amounted to € 0.5 million. The discount and the fees are amortized over twelve years. The effective interest rate is 2.10%.

On 1 December 2017 a loan has been issued with the maturity date of 27 April 2027 with a nominal value of € 250 million. The interest is fixed at 1.875% per year (excluding a variable mark-up), payable on 27 April of each year till maturity. The principal is due in full at maturity date. The loan was issued at a discount rate of 1.243% and financing fees amounted to € 0.92 million. The discount and the fees are amortized over ten years. The effective interest rate is 2.04%.

On 28 May 2020 a loan has been issued with the maturity date of 28 May 2025 with a nominal value of € 500 million. The interest is fixed at 1.875% per year (excluding a variable mark-up), payable on 29 May of each year till maturity. The principal is due in full at maturity date. The loan was issued at a discount rate of 0.9% and financing fees amounted to € 3.31 million. The discount and the fees are amortized over ten years. The effective interest rate is 2.24%.

In the latest mark-up letter, signed in January 2021, the variable mark-up has been assessed at 0.118% for the first tranche, 0.114% for the second and the third tranche and 0.035% for the fourth tranche.

Loan to shareholders

On 20 April 2014 the Company lent € 2 million to its shareholders for a term of 7 years and a yearly interest of 3.38%. The interest has been capitalized on 20 April of each year. In 2021, the nominal loan amount of € 2 million was settled to equity through conversion of share premium for the same amount into nominal share capital (increase nominal share value). The subsequent € 2 million reduction of nominal capital (reduction nominal share value) was followed by a distribution to the shareholders for the same amount, made against the repayment of the nominal loan.

3. Trade and other receivables

	2022 **EUR '000**	**2021** **EUR '000**
Interest receivable from Redexis, S.A.	12,490	12,708
Other receivables	257	21
	12,747	**12,729**

The above receivables are due within a year. The other receivables consist of income tax receivable for the year 2022 amounting € 96 thousand and 2021 amounting € 161 thousand (2021: consist of VAT receivable amounting €21 thousand).

4. Cash and cash equivalents

	2022 EUR '000	2021 EUR '000
Credit balances on bank accounts	2,841	2,438
	2,841	**2,438**

Cash and cash equivalents are unencumbered.

5. Equity

	Issued capital EUR '000	Other reserves EUR '000	Result for the year EUR '000	Total EUR '000
Balance as at 31 December 2021	**1**	**3,431**	**310**	**3,742**
Changes in financial year 2022:				
Appropriation of prior period result	-	310	(310)	-
Result for the year	-	-	489	489
Balance as at 31 December 2022	**1**	**3,741**	**489**	**4,231**

Issued capital

The Company’s authorised capital, amounting to € 1,000, consists of 1,000 ordinary shares of € 1 each. The share capital is fully issued and paid.

Appropriation results

At the General Meeting of Shareholders, it will be proposed to carry forward the profit of € 489 thousand to the other reserves.

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated 28 April 2023

6. Non-current liabilities

This item relates to the first tranche of Bonds issued to the public on 8 April 2014, the second tranche issued to the public on 27 April 2015, the third tranche issued to the public on 1 December 2017 and the fourth tranche issued to the public on 29 May 2020.

	2022	2021
	EUR '000	EUR '000
Fair value at date of issuance	978,289	978,289
Accumulated amortization	14,673	12,427
Carrying amount	**992,962**	**990,716**

	2022	2021
	EUR '000	EUR '000
Bonds payable in 5 years or less	992,962	494,600
Bonds payable in more than 5 years	-	496,116
	992,962	**990,716**

On 8 April 2014 the Company issued Bonds totalling € 650 million as part of the Euro Medium Term Note Programme ("EMTN Programme"). The Bonds mature on 8 April 2021. The Bonds were issued and placed at a discount of 0.627%. The Bonds carry a fixed interest of 2.75%, payable once a year on 8 April till maturity date. The accrued interest is recognised under current liabilities. The financing costs amounted to € 2.6 million. The discount and the fees are amortised over 7 years. The effective interest rate is 2.91%. On 29 May 2020 the Company repurchased bonds with an aggregate nominal value of € 156 million. On 4 January 2021, the Company received a repayment on its receivable from Redexis, S.A. of € 494 million and subsequently repaid the remainder of the first tranche Bonds with an aggregate total nominal value of € 494 million.

On 27 April 2015 the Company issued Bonds totalling € 250 million as part of the EMTN Programme. The Bonds mature on 27 April 2027. The Bonds were issued and placed at a discount of 1.080%. The Bonds carry a fixed interest of 1.875%, payable once a year on 27 April till maturity date. The accrued interest is recognised under current liabilities. The financing costs amounted to € 0.5 million. The discount and the fees are amortised over 12 years. The effective interest rate is 2.00%.

On 1 December 2017 the Company issued Bonds totalling € 250 million as part of the EMTN Programme. The Bonds mature on 27 April 2027. The Bonds were issued and placed at a discount of 1.243%. The Bonds carry a fixed interest of 1.875%, payable once a year on 27 April till maturity date. The accrued interest is recognised under current liabilities. The financing costs amounted to € 0.92 million. The discount and the fees are amortised over the useful life of the Bonds. The effective interest rate is 1.93%.

6. Non-current liabilities (Continued)

On 28 May 2020 the Company issued Bonds totalling € 500 million as part of the EMTN Programme. The Bonds mature on 28 May 2025. The Bonds were issued and placed at a discount of 0.9%. The Bonds carry a fixed interest of 1.875%, payable once a year on 29 May till maturity date. The accrued interest is recognised under current liabilities. The financing costs amounted to € 3.31 million. The discount and the fees are amortised over the useful life of the Bonds. The effective interest rate is 2.21%.

The Company has lent all proceeds received to Redexis, S.A. Redexis, S.A. has provided an unconditional and irrevocable guarantee for the benefit of 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.

7. Current liabilities

	2022	**2021**
	EUR '000	**EUR '000**
Interest payable accrued on bonds	12,008	12,008
Accounts payable	1	78
Income tax liability	-	53
Other liabilities	78	50
	12,087	**12,189**

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 company faces the following main risks:

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

9. Financial instruments (Continued)

Credit risk

The Company has three (2021: three) significant loans receivable from Redexis, S.A. (related party) for a total nominal value of € 1,000 million (2021: € 1,000 million). The possibility to repay the loans depends on the operational performance of Redexis, 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.

The last regulatory review of the Spanish gas regulatory framework was published by Spain's National Authority for Markets and Competition (CNMC) in April 2020, in which the gas distribution and transmission remuneration methodology was established for the regulatory period starting in January 2021 and ending December 2026 giving, in the large extent, continuity of the methodologies applied in former regulatory framework. This methodology follows the one published in December 2019 regarding gas transmission remuneration. In our opinion, the gas transmission remuneration methodology, approved in December 2019, and the gas distribution remuneration methodology published by the CNMC in April 2020, will continue to provide Redexis S.A. with a stable operating environment over the six-year regulatory period ending December 2026.

The rating agency S&P assigned a credit rating to Redexis, S.A. The rating assigned as per September 2022, the most recent S&P rating available, is BBB- (2021: BBB- on October 2021). The outlook is stable.

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.

The Board of Directors 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, the Board of Directors has concluded that the overall credit risk is low.

Liquidity risk

The main liquidity risk that the Company faces is that it does not have sufficient cash to pay the interest and principal on the Bonds when these are due. The Board of Directors therefore closely monitors the liquidity position of the Company in the days prior to the interest due date and maturity date to ensure that it will collect the interest and principal from Redexis, S.A. prior to the interest due date and maturity date.

The interest receipt from the loans and the interest payment dates of the Bonds are contractually aligned, as are the maturity dates. The Board of Directors therefore considers the liquidity risk to be low.

Interest rate risk

The interest rate on the second, third and fourth tranche of Bonds issued on the market was fixed at 1.875%. The interest on the loans to Redexis, S.A. held a mark-up of 0.114% for the second and the third tranche of Bonds and 0.035% for the fourth tranche of Bonds. The Board of Directors considers the interest rate risk as low due to the fixed interest rates and the mark-up on loans receivables versus payables.

9. Financial instruments (Continued)

Fair values

The fair value of the second and third tranche of the quoted Bonds as at 31 December 2022, derived from the Luxembourg Stock Exchange (based on a nominal value per Bond of € 100,000), amounts to € 89,970 (2021: € 105,748). The fair value of the fourth tranche amounts to € 94,663 (2021: € 105,139). This translates into a fair value amounting to € 923 million (2021: € 1,054 million) for all tranches. The fair value of the loan receivable from Redexis S.A. approximates the same fair value as of the quoted Bonds.

The fair value as quoted above is derived from the price of the Bonds as listed on the Luxembourg Stock Exchange per 31 December 2022. The fair value of the loan receivable from Redexis S.A. approximates the same fair value as of the quoted Bonds.

The fair value of all other financial instruments approximates their nominal value.

10. Financial income

	2022 EUR '000	2021 EUR '000
Interest income on loan to Redexis, S.A.	21,709	22,197
Interest income on loan to shareholders	-	79
	21,709	**22,276**

11. Financial expenses

	2022 EUR '000	2021 EUR '000
Interest expenses on bonds	20,996	21,545
	20,996	**21,545**

12. Administrative and general expenses

	2022 EUR '000	2021 EUR '000
Fee for management and administration	67	75
Audit fee	63	55
Tax advisory fees	1	58
Bank charges	9	41
Other fees	44	101
	184	**330**

13. Tax on result

	2022	2021
	EUR '000	**EUR '000**
Tax liability for current financial year	103	91
Over provision in prior years	(63)	-
	40	**91**

The Company applies a margin on its financing activities. This margin minus the administrative and general expenses is the tax base for corporate income tax.

The first € 395,000 (2021: € 245,000) of profit is taxed at a nominal rate of 15% (2021: 15%) and the remainder is taxed at 25.8% (2021: 25%). The effective tax rate for the year 2022 is 19.4% (2021: 22.7%) which differs from the nominal tax rate due to the effects of amortization of financing fees and discounts. The tax on result for the current year includes adjustments of over provisions from years 2020 and 2021 amounting € 43 thousand and € 20 thousand, respectively.

14. Other notes

The Company had no employees during the current year (2021: no employees). No remuneration has been paid to current or former board members of the Company during the current year (2021: no remuneration), this is not in conformity with the at arm’s length principle. The Company has no Supervisory Board.

15. Transactions with related parties

The principal activity of the Company is to issue and manage notes and other financial instruments, and to lend the proceeds to a related company, Redexis, S.A. All related party transactions took place at an arm’s length basis.

As at 31 December 2022, the Company lent Redexis, S.A. € 1,000 million nominal value (2021: € 1,000 million) and shareholders € 0.59 million (2021: € 0.59 million).

For the year ended 31 December 2022, the Company recognised interest income from Redexis, S.A. of € 22 million (2021: € 22 million) and from the shareholders of € nil (2021: € 79 thousand).

The Company has a service contract with Vistra Management Services (Netherlands) B.V., Amsterdam, Netherlands, for management support. Vistra provides management, domiciliation, accounting and corporate secretarial services. The fixed annual fee is approximately € 79 thousand (2021: € 75 thousand).

16. Auditor’s fees

	2022	2021
	EUR '000	**EUR '000**
Audit services	63	55
	63	**55**

The Deloitte Accountants B.V. audit fee is € 63 thousand (2021: € 55 thousand). This information is disclosed as referred to in section 2:382a (1) and (2) of the Dutch Civil Code.

17. Subsequent events

There are no subsequent events that would require disclosure in the financial statements.

Amsterdam, 26 April 2023

The Board of Directors:

DocuSigned by:
Polo Borja
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B. Polo

DocuSigned by:
ED62682DCADF48C...
N. Bjelanovic

DocuSigned by:
EFBB314249AD4D9...
M.H.G. Vennekens

Deloitte Accountants B.V.
For identification purposes only.
Related to auditor's report
dated 28 April 2023

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.

Independent auditor's report

The independent auditor's report is included in the next pages.