2016 Full Year Results

27 February 2017

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1. Redexis Gas at a glance

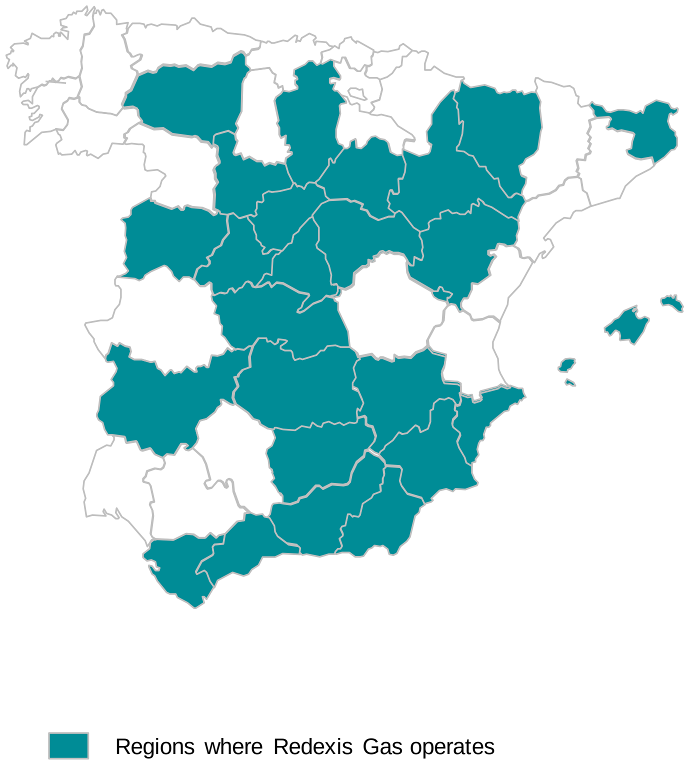
Redexis Gas, S.A. ("Redexis Gas" or "the Company" or "the Group") is a leading company in gas distribution and transmission and in piped liquefied petroleum gas ("LPG") distribution and supply, which provides residential and industrial customers in Spain with access to natural gas and piped LPG. The Company is present in a country with a low penetration rate compared to European peers.

The Company operates under a stable, supportive and transparent regulatory framework, which provides long-term visibility, while incentivising growth and operational outperformance. Almost all of the Company's revenues are regulated.

The Group's strategy is to continue expanding its network for the purpose of creating additional value in the regions where it operates. Redexis Gas provides its services to over 630,000 connection points throughout Spain and manages a gas distribution and transmission network spanning more than 9,400 km.

The Company has licenses to operate in 565 municipalities across 26 provinces in Aragon, the Balearic Islands, Andalusia, Castile and Leon, Castile-La Mancha, Valencia, Madrid, Murcia, Catalonia and Extremadura.

Redexis Gas is owned by Goldman Sachs Infrastructure Partners and co-investors.



1.1. Key events for the year

- **Strong growth in distribution**

In 2016, Redexis Gas added more than 22.6 thousand connection points from its continued organic growth, representing a 23.1% increase in net organic additions compared to the previous year.

In the last twelve months, Redexis Gas has grown organically (ex-acquisitions) four times faster than the Spanish gas sector in terms of number of points of supply (4.2% versus 1.2%), representing 25% of the total net additions for the sector.

Additionally, 75 thousand connection points were acquired from Repsol, of which 9.5 thousand connection points were integrated in 2015 and the remaining in 2016.

On 29 December 2016, Redexis Gas entered into an agreement with Cepsa to acquired c.4,7 thousand piped Liquefied Petroleum Gas (LPG) connection points value at €7.5 million. These connection points are expected to be integrated in 2017.

Redexis Gas has continued expanding its network to new municipalities in the regions where it operates. In this sense, the distribution networks have been extended in 2016 to reach 9 new municipalities in Arcos de la Frontera, Vera and Villacarrillo in Andalusia; Alcudia and Andratx in the Balearic Islands; Calzada de Calatrava and Villanueva de los Infantes in Castile-La Mancha; and La Adrada and Carbonero el Mayor in Castile and Leon.

In addition, Redexis Gas has signed several agreements to extend the promotion of the natural gas for vehicles and transportation, has entered into new ungasified industrial areas and has participated in several forums and conventions.

- **Transmission pipeline commissioning**

In April 2016, Redexis Gas obtained the commissioning certificate for the 51-kilometre phase II transmission pipeline "Cas Tresorer-Manacor-Felanitx". It followed the commissioning of phase I (8 kilometres) in November 2015. Its completion provides access to natural gas to more than 140,000 inhabitants in the Balearic Islands.

In November 2016, the Company obtained the authorization for the execution of the “Yeles-Seseña” pipeline, located in Castile-La Mancha, with 9 kilometres length.

Additionally, in December 2016, the Company obtained the commissioning certificate of a new pipeline located in Andalusia, “Villanueva del Arzobispo-Castellar", covering a distance of 17 kilometres.

On 8 February 2017, Redexis Gas obtained the execution project for the 11 kilometre transmission pipeline "Villacarrillo-Villanueva del Arzobispo" in Andalusia.

- **S&P's issues BBB rating with stable outlook**

On 9 November 2016, Standard & Poor's (S&P) assigned a 'BBB' long-term corporate credit rating to Redexis Gas S.A. At the same time, it assigned its 'BBB' issue rating to Redexis Gas Finance B.V.'s outstanding medium term notes; both of them with a stable outlook.

The credit rating is an acknowledgement of Redexis Gas' strategic plan of continued organic growth and sound dividend profile as well as of the financial capacity to support it and further evidences the commitment to maintaining a solid investment grade profile.

- **Redexis Gas requested Moody's credit ratings withdrawal**

Further to a recent review of its solicited credit ratings, Redexis Gas has requested Moody's Investors Service to withdraw its solicited credit ratings and its debt obligations. The senior unsecured notes issued by Redexis Gas Finance B.V. remain rated BBB by Fitch and S&P, with stable outlook.

- **€160 million loan with the European Investment Bank (EIB)**

In December 2015, Redexis Gas signed a 20-year, €160 million facility with the EIB, which it drew in full in July 2016. The facility has a fixed interest rate of 1.294% and will be payable in 17 equal instalments from July 2020 until July 2036.

The purpose of the facility is to fund certain specific organic investments in transmission and distribution until 2018 in order to increase penetration of natural gas in Spain.

The transaction demonstrates EIB's confidence in the Company and provides Redexis Gas with further financing at attractive terms. (Please see note 3.3.1)

- **Redexis Gas has been included by the European Central Bank within the list of eligible companies in Spain under the CSPP program**

Redexis Gas is one of the companies eligible under the Corporate Sector Purchase Programme ("CSPP") announced by the European Central Bank.

On 18 July 2016, the Bank of Spain published that Redexis Gas was among nine Spanish companies with bonds purchased under the CSPP. The bonds purchased represented a portion of the bonds maturing in 2021 issued by Redexis Gas Finance BV.

- **Redexis Gas was awarded the "Mejores Prácticas Empresariales 2016 Award" by KPMG and El Confidencial**

In December 2016, KPMG and El Confidencial, a digital newspaper, awarded Redexis Gas the "Mejores Prácticas Empresariales 2016 Award" for its digital transformation.

The award recognises Redexis Gas' effort and development of innovative projects, highlighting the professionalism and lead in technology.

- **Redexis Gas celebrates its 3rd Annual Convention**

In November 2016, Redexis Gas organised its 3rd Annual Convention at the Reina Sofía Museum in Madrid which brought together close to 250 partners from all over Spain.

The convention presented the support plan for the development and growth of the sales channel, based on the long-term commitment of partners to new information technology tools and network expansion actions.

- **Redexis Gas participates in the 3rd Meeting of Control Centres**

In November 2016, Redexis Gas participated in the 3rd Meeting of Control Centres organised by Enagás in Madrid. This meeting brought together the main distribution companies in the gas sector in Spain.

The meeting strengthened the partnership between the control centres of the transmission and distribution network operators of natural gas.

- **Redexis Gas, new sponsor on the "IV Century anniversary of the death of Miguel de Cervantes"**

Contributing to sustainable development of society and actively participating in the social life of municipalities and communities where Redexis Gas operates is one of the Company's key objectives. In this context, Redexis Gas has become sponsor of the tribute programme for the 400 anniversary of the Death of Miguel de Cervantes, one of the most famous writers of all time, known as the author of the novel Don Quixote.

The agreement was signed with the Fundación Impulsa of Castile-La Mancha, an entity dependent on the Regional Government of Castile-La Mancha. The activities organised include over 60 different events and will last until March 2017.

- **Redexis Gas, sponsor of the "Smart Destination Congress of Energy&Tourism"**

In September 2016, the "Smart Destination Congress of Energy&Tourism" was inaugurated in Palma de Mallorca (Balearic Islands), an event oriented to display and communicate the influence of the energy and sustainability on a tourist destination.

- **The III ESIC Corporate Run, sponsored by Redexis Gas, gathers more than 3,500 runners**

On 18 December 2016, the III ESIC Corporate Run was held in Zaragoza, an innovative initiative, sponsored by Redexis Gas, in which c.300 enterprises and institutions achieved the objective of strengthening the links they share in the business and sports world, promoting values such as sacrifice, fair play and, most of all, teamwork.

- **Gas System evolution**

In February 2017, the CNMC published the 12th interim report on the settlement of revenues and costs for the system for the year 2016, showing gas demand and economic figures for the year to date. The main data points were:

- The energy distributed was 300.5TWh, an increase of 1.8% versus the 12th interim report of 2015. The main components were:
  - Group 1 (Power generation plants): 110.4TWh, representing an increase of 1.3% versus the same period of 2016.
  - Groups 2 and 3 (Industrial and Residential): 173.8TWh, representing an increase of 2.0% versus the same period of 2016.
- The number of consumers reached 7,707,445, an increase of 86,208 in the year.

Additionally, according to the information published by Enagás in February 2017, the Spanish gas demand in 2016 reached 321.4 TWh, up 2.1% year-on-year.

2. Key operating highlights

Operating highlights	Unit	2015	2016	%change
NG (P<4b)	#	522,066	544,348	4.3%
LPG[1]	#	15,691	85,862	447.2%
NG (P>4b)	#	235	253	7.7%
Distribution Connection Points (CPs)	**#**	**537,992**	**630,463**	**17.2%**
Provinces served	**#**	**26**	**26**	**-**
Municipalities served	**#**	**243**	**484**	**99.2%**
Network length	Km	**8,338**	**9,411**	**12.9%**
Distribution network length	Km	6,784	7,789	14.8%
Transmission network length	Km	1,554	1,622	4.4%
Energy distributed[2]	**GWh**	**10,651**	**10,912**	**2.5%**

Note 1: In 2016, LPG points include 4,696 points acquired from CEPSA at the end of 2016.
Note 2: Does not include P>60 which reached 15.114GWh that it is not remunerated.

As of 31 December 2016, the Company distributed natural gas and LPG in 484 municipalities (note that distribution of natural gas and LPG may co-exist in the same municipality), operated 7,789 kilometres of distribution network and 1,622 kilometres of transmission network and operated more than 544,500 connection points of natural gas and c.86,000 LPG points in Spain.

In 2015, the Group acquired c.72 thousand of LPG points from Repsol, of which 9.5 thousand were integrated in the fourth quarter of 2015 and the remaining during 2016. Additionally, in May 2016, Redexis Gas acquired an additional package of c.3.4 thousand LPG points and networks from Repsol, which have now been integrated into its portfolio.

In addition, at the end of 2016, the Group entered into an agreement with Cepsa to acquired c.4.7 thousand, which are expected to be integrated in 2017.

In 2016, 92.5 thousand connection points were added into its portfolio, representing an increase of 17.2% in the year. 65.2 thousand correspond to the acquisition of LPG assets from Repsol, c.4.7 thousand from the acquisition of LPG assets to Cepsa and c.22.6 thousand to organic growth, representing an increase of 23,1% in net organic additions versus the same period in 2015.

Redexis Gas has strong growth prospects given its optimal presence in autonomous communities with gas penetration rates below the Spanish average. The Company aims to pursue organic growth by expanding its network in existing and new municipalities by increasing both technical penetration and commercial saturation. In 2016, Redexis Gas has expanded its networks to 9 new municipalities in the regions where it operates.

In 2016, the Company added 68 kilometres of new transmission pipelines:

- On 27 April 2016, Redexis Gas obtained the commissioning certificate for the 51 kilometres transmission pipeline "Cas Tresorer-Manacor-Felanitx", phase II. This completes the pipeline after phase I of the project, including 8 kilometres, which was commissioned in November 2015. This transmission pipeline located in the Balearic Islands, was authorised in July 2015, and will provide access to natural gas to more than 140 thousand inhabitants in new municipalities.
- On 6 December 2016, the Company obtained the commissioning certificate of the “Villanueva del Arzobispo-Castellar" gas pipeline, located in Andalusia, covering a distance of 17 kilometres.

With the completion of these two gas pipelines, the transmission network length of Redexis Gas reached 1,622 kilometres.

3. Analysis of Financial Results

3.1. Notes to the Consolidated Income Statement

Consolidated Income Statement

P&L account	2016	2015	%change
Data in € million			
Distribution - regulated	98.0	92.3	6.3%
Other regulated distribution income	25.2	21.5	17.1%
Transmission - regulated	61.5	58.6	4.9%
LPG regulated business	12.9	2.8	370.5%
Other Operating Income	3.9	3.2	19.8%
Self-constructed non-current assets	10.2	9.4	8.1%
Total Revenues and other income	**211.7**	**187.8**	**12.7%**
Supplies	(8.1)	(3.7)	120.5%
Personnel expenses	(22.7)	(22.1)	2.7%
Other Operating expenses	(23.8)	(26.0)	(8.7%)
EBITDA	**157.1**	**136.0**	**15.6%**
EBITDA margin (%)	*74.2%*	*72.4%*	*1.8pp*
Depreciation and amortisation	(69.8)	(57.8)	20.8%
Impairment losses_gains on non-current assets	(0.9)	-	
Other non-recurring operating expenses	(3.6)	(5.0)	(28.0%)
EBIT	**82.8**	**73.1**	**13.3%**
Finance income	0.3	0.2	98.6%
Finance costs	(28.9)	(25.0)	15.5%
Net financial result	**(28.5)**	**(24.8)**	**15.0%**
EBT	**54.3**	**48.3**	**na**
Income tax	(5.6)	(13.9)	(59.9%)
Net result for the period	**48.7**	**34.4**	**41.6%**
Result for the period attributable to owners of the Parent	48.7	34.4	41.6%
Result for the period attributable to non-controlling interests	(0.0)	(0.0)	3.6%

Note 1: The revenues and costs from Redexis Gas Murcia have been included in the consolidated Income Statement´s Group from February 2015 and the revenues and costs from the additional distribution assets from June 2015. Regarding the LPG acquisitions, more than 9 thousand connection points were added in the fourth quarter of 2015 and an additional 65 thousand in 2016.

3.1.1.Revenues and other income

Redexis Gas is diversified across regulated sectors, the majority of its revenues coming from natural gas distribution and transmission activities. Other regulated distribution income includes activation and service line rights, meter rents, IRC rents, inspections, and other services such as connection and reconnection services.

The Company operates under a stable, supportive and transparent regulatory framework, which provides long-term visibility, while incentivising growth and operational outperformance.

The most important revenue source consists of regulated remuneration received from the gas system for transmission and distribution activities, acknowledged by the national regulatory authorities (Ministry of Energy, Tourism and the Digital Agenda and the National Commission for Markets and Competition), allowing the Group to recover investments made, obtain a reasonable return and promote efficient management.

The following table illustrates Redexis Gas' revenue split and the variation between the periods indicated:

Revenue Split	2016	2015	% change
Data in € million			
Distribution - regulated	98.0	92.3	6.3%
Other regulated distribution income	25.2	21.5	17.1%
Transmission - regulated	61.5	58.6	4.9%
LPG regulated business	12.9	2.8	n.a.
Other operating income	3.9	3.2	19.8%
Self-constructed non-current assets	10.2	9.4	8.1%
Total Revenues and other income	**211.7**	**187.8**	**12.7%**

For the year 2016, Redexis Gas recorded revenues of €211.7 million, representing an increase of 12.7% versus the same period of 2015, mainly due to the increase in the number of distribution connection points (as a result of organic growth and the acquisition of Redexis Gas Murcia and additional natural gas distribution assets and the LPG points from Repsol) and in transmission kilometres.

Distribution revenues increased 6.3%, reaching €98.0 million, mainly due to the increase in connection points versus the previous year in existing and new municipalities and the acquisition of Redexis Gas Murcia and the additional distribution assets from Naturgas in 2015.

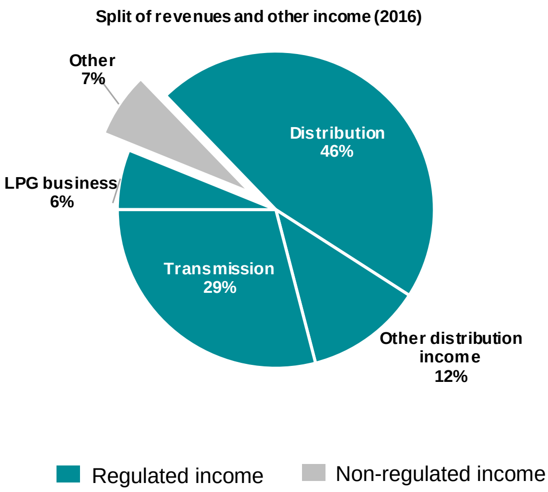
The revenues from Redexis Gas Murcia have been included in the consolidated income statement of the Group since February 2015 and the revenues from the additional distribution assets since June 2015.

Other regulated distribution income increased 17.1% reaching €25.2 million primarily as a result of the acquisition of Redexis Gas Murcia and other natural gas distribution assets, the increased number of gross activations, and the Company's focus on increasing these revenues per connection point.

Transmission revenues increased 4.9% reaching €61.5 million, due to the completion of three transmission pipelines, one of them in 2015, "Son Reus-Inca-Alcudia" in the Balearic Islands and the others in 2016, "Cas Tresorer-Manacor-Felanitx" in the Balearic Islands and "Villanueva del Arzobispo-

Castellar") in Andalusia. Additionally, in 2015, the "Moratalla-Mula" pipeline was incorporated into the transmission network due to the acquisition of Redexis Gas Murcia.

The LPG points recently acquired from Repsol and Cepsa represent an additional lever of growth, offering a unique opportunity to enhance the Company's competitive position and generate additional regulated revenues. LPG revenues reached €12.9 million, a significant increase versus the previous year. 9.5 thousand of LPG points were added in the fourth quarter of 2015 and an additional 65.2 thousand in 2016. The c.4.7 thousand LPG connection points from Cepsa are expected to be integrated in 2017.



3.1.2. Operating expenses ("Opex")

The following table sets forth Redexis Gas Opex and the percentage change from period to period for each of the periods indicated:

Opex	2016	2015	%change
Data in €million unless otherwise stated			
Revenue and other income	**211.7**	**187.8**	**12.7%**
Supplies	(8.1)	(3.7)	120.5%
Personnel expenses	(22.7)	(22.1)	2.7%
Other operating expenses	(23.8)	(26.0)	(8.7%)
Opex	**(54.6)**	**(51.8)**	**5.3%**

The addition of LPG points and networks acquired from Repsol is the main reason for the increase in the Supplies caption in correlation with the evolution of revenues from the LPG business.

The slight increase in Personnel expenses is due to the growth in the average number of employees and the full consolidation of Redexis Gas Murcia and the assets acquired from Naturgas.

The lower amount in Other operating expenses is the consequence of the strict cost control, the development and deployment of technological standards to optimise the design and construction of facilities, the continued focus on operational efficiencies to optimise operation and maintenance activities and the crystallisation of synergies as the acquired assets become fully integrated.

In summary, Opex as percentage of revenues dropped by 1.8 percentage points, down to 25.8% from 27.6% a year ago.

3.1.3.EBITDA

EBITDA for the year 2016 amounted to €157.1 million, representing a 15.6% increase as compared to the same period of 2015, and reaching a 74.2% margin, due to the growth in the regulated revenues, the economies of scale, the continued cost reduction efforts and the operational initiatives.

The revenues and costs from Redexis Gas Murcia have been included in the Group's consolidated income statements since February 2015 and the revenues and costs from the additional distribution assets from Naturgas since June 2015.

3.1.4.Net financial result

Net financial result includes the financial expenses from our debt instruments and reached €28.5 million for the twelve months' period ended on 31 December 2016, an increase of 15.0% compared to the same period in 2015 due to the additional draw downs on our facilities, which have resulted in an increase in the Group's net debt (Please see note 3.3.1).

Redexis Gas' average cost of debt stood at 2.4% for the year 2016 and the average life of debt, after the drawdown of the facility from the European Investment Bank, stands at c.7 years.

3.1.5.Income tax expenses

Income tax reached €5.6 million for the twelve months period ended 31 December 2016. This represents a 59.9% reduction versus the same period of 2015 because of the lower Corporate Tax expense due to the favourable resolution of a consultation made to the General Directorate of Taxes.

Additionally, the Corporate Income Tax rate has been reduced to 25% from 28% for the year 2015 as part of the Corporate Income Tax reform passed at the end of 2014.

3.1.6.Net result for the period

The net result for 2016 amounted to €48.7 million, representing a 41.6% increase versus the same period of 2015 driven by the growth in revenues and operating performance of the Company.

3.2. Notes to the Consolidated Cash Flow

Consolidated Cash Flow

Cash Flow	2016	2015	%change
Data in € million			
Earnings before tax (EBT)	**54.3**	**48.3**	**na**
Adjustment for:			
Depreciation and amortisation	69.8	57.8	20.8%
Impairment losses on non-current assets	0.9	-	na
Change in provisions	(1.5)	(1.0)	52.4%
Government grants taken to income	(1.5)	(0.7)	107.9%
Financial income	(0.3)	(0.2)	98.6%
Financial expenses	28.9	25.0	15.5%
Other adjustments	-	1.9	na
Cash flow from operating activities (pre-working capital)	**150.5**	**131.2**	**14.8%**
Net change in working capital	**(20.3)**	**4.7**	**na**
Cash flow from operations	**130.2**	**135.9**	**(4.2%)**
Interest and commissions paid	(25.9)	(21.3)	21.8%
Interest received	0.3	0.2	78.1%
Income tax paid	(3.3)	(11.5)	(71.0%)
Net cash from operating activities	**101.3**	**103.3**	**(2.0%)**
Payments for acquisition of subsidiaries (Redexis Gas Murcia)	-	(189.5)	na
Payments for purchases of distribution and LPG assets in service	(124.5)	(72.1)	72.7%
Current payments for acquisition of property, plant and equipment	(101.8)	(93.7)	8.7%
Investing Cash Flow	**(226.3)**	**(355.3)**	**(36.3%)**
Acquisition of financial assets	(16.2)	0.8	na
Proceeds of loans - banks (BEI)	160.0	-	na
Proceeds / (Repayment) of loans - banks (Capex Facility)	30.0	(75.0)	(140.0%)
Proceeds from the issue of Notes	-	247.3	na
Dividend paid	(70.3)	(40.0)	75.8%
Shareholders' contribution	-	100.0	na
Net cash from financing activities	**103.5**	**233.1**	**(55.6%)**
Net increase / decrease in cash and cash equivalents	**(21.6)**	**(18.8)**	**14.7%**
Cash and cash equivalents BOP	60.6	79.4	(23.7%)
Cash and cash equivalents EOP	39.0	60.6	(35.6%)

3.2.1. Net cash from operating activities

Cash flow from operating activities amounted to €150.5 million, a 14.8% increase compared to the same period of 2015, mainly due to the growth in the cash generated by regulated activities.

The impact of the net change in working capital was negative, due to the increase in inventories and in account receivables. In nature, these impacts only materialise when the new connection points and networks are acquired and not on a recurring basis. Additionally, there is also an impact from the system deficit for the year 2016 and final settlement on the year 2015.

Interest paid increased 21.4% versus the same period of 2015, reaching €25.6 million as a consequence of the draw down of additional debt under our existing facilities. This increase in gross debt was partially offset by the lower average cost of debt as a consequence of the first interest payment on the bond issued in 2015 which occurred in April 2016 despite the lower average cost of debt. (Please see note 3.3.1)

Income Tax payments amounted to €3.3 million, representing a decrease of 71.0% versus the same period of 2015 as a consequence of the amortisation of the tax goodwill, the lower tax rate and the use of tax credits from previous years. The limitation to offset income tax payments with deferred tax assets has been raised from 25% of the taxable income for the year 2015 to 60% for the payments on account in the year 2016. Redexis Gas has deferred tax assets outstanding in the balance sheet to be used over the next several years.

As a result, the net cash from operating activities reached €101.3 million for the twelve months' period ended on 31 December 2016.

3.2.2. Investing cash flow

3.2.2.1. Capital expenditure ("Capex")

The total Capex of Redexis Gas reached €221.1 million for the year 2016. Out of this amount, €126.7 million were used to acquire the LPG networks and connection points from Repsol, the remaining €94.4 million related to investments made in the distribution and transmission networks for the addition of new connection points, the further deployment of our networks, the commissioning of natural gas in 9 new municipalities, the completion of the "Cas Tresorer-Manacor-Felanitx" (Balearic Islands) and "Villanueva del Arzobispo-Castellar" (Andalusia) transmission pipelines (which added 68 kilometres to our transmission network), the continued deployment of our systems including, among others, the implementation of the CRM, the maintenance application (SAP PM), the project management application (SAP PS) and the integration of the LPG points acquired from Repsol.

Capex breakdown	2016	215	%change
Data in €million unless otherwise stated			
Distribution	83.5	72.0	15.9%
Transmission	5.5	47.0	(88.4%)
Intangible assets	5.5	6.0	(8.2%)
Acquisition of Redexis Gas Murcia and additional assets	-	240.6	na
Other acquisitions (LPG networks)	126.7	21.0	na
Total Capex	**221.1**	**386.6**	**na**

3.2.2.2. Acquisition of LPG connection points and networks

Redexis Gas successfully integrated c.75 thousand piped Liquefied Petroleum Gas ("LPG") connection points that were acquired from Repsol in 2015 and 2016.

In May 2016, Redexis Gas acquired an additional package of c.3.4 thousand LPG connection points and networks from Repsol. The acquisition valued at €6 million also includes a medium-term LPG supply agreement for the acquired connection points. Substantially all these points have been integrated into the Redexis Gas portfolio in the fourth quarter of 2016.

3.2.3. Net cash from financing activities

Net cash from financing activities decreased 55.6% compared to 2015, reaching €103.5 million for the year 2016.

The €16 million of acquisition of financial assets reflects the additional deficit recognition in the final settlement from the CNMC which increased the 2014 sector deficit from €538.8 million to €1,025 million.

€190 million were drawn down from the revolving Capex Facility in the first half of 2016. Most of this amount was repaid and became available again as the European Bank Facility was drawn (€160 million).

A dividend of €70 million was paid in May 2016.

For a discussion on our debt please see note 3.3.1

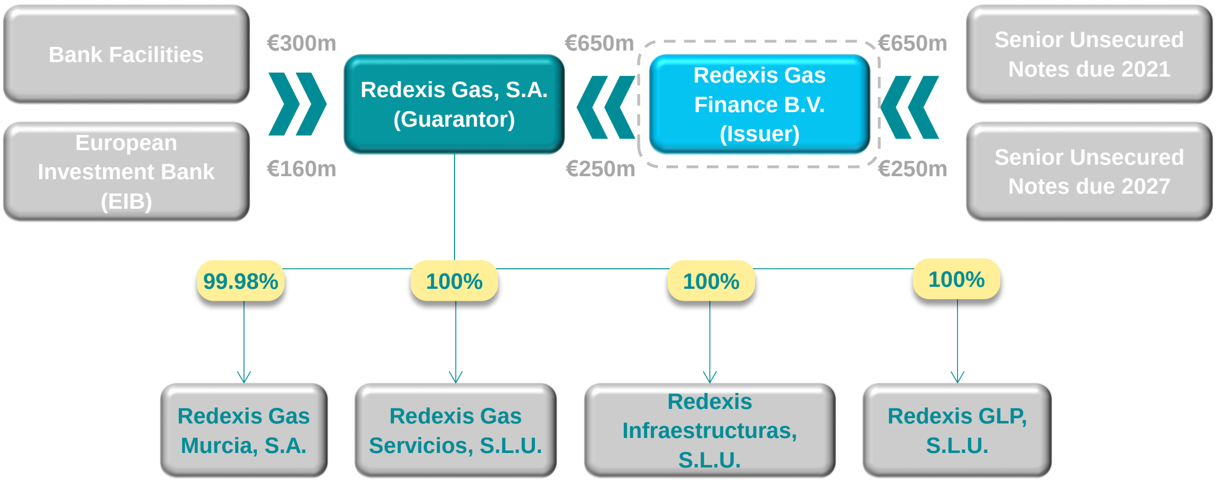
3.3. Notes to the Consolidated Balance Sheet

Consolidated Balance Sheet

Balance Sheet	Notes	2016	2015
Data in € million			
ASSETS			
Property, plant and equipment		**1,145.2**	**983.4**
Goodwill		**219.2**	**219.2**
Other intangible assets		**556.4**	**555.5**
Licenses		546.2	542.9
Others		10.2	12.6
Deferred tax assets		**57.8**	**64.8**
Deficit of the system		**11.5**	**23.4**
Non-current financial assets		**7.3**	**7.1**
TOTAL NON-CURRENT ASSETS		**1,997.3**	**1,853.4**
Inventories		**4.8**	**1.3**
Trade and other receivables		**58.3**	**44.5**
Other current financial assets		**45.0**	**2.3**
Other current assets		**4.6**	**5.8**
Cash and cash equivalents		**39.0**	**60.6**
TOTAL CURRENT ASSETS		**151.7**	**114.5**
TOTAL ASSETS		**2,149.0**	**1,967.9**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent		**795.3**	**817.4**
Share capital		100.0	100.0
Share premium		105.4	105.4
Other reserves		541.2	577.6
Other comprehensive income - P&L		48.7	34.4
Non-controlling interest		**0.0**	0.0
TOTAL EQUITY		**795.4**	**817.4**
Deferred income (Grants)		**18.8**	**6.4**
Long term liabilities (Notes)	3.3.1	**888.3**	**886.4**
Loans and borrowings - Banks	3.3.1	**189.8**	**-**
Other financial liabilities		**4.7**	**4.5**
Deferred tax liabilities		**120.0**	**127.4**
Provisions for employee benefits		**3.4**	**2.9**
Other provisions		**0.6**	**2.6**
TOTAL NON-CURRENT LIABILITIES		**1,225.7**	**1,030.4**
Short term liabilities (Accrued interests)		**16.5**	**16.2**
Loans and borrowings- Banks	3.3.1	**1.3**	**0.3**
Fixed asset suppliers		**66.0**	**71.7**
Trade and other payables		**38.2**	**27.8**
Current income tax liabilities		**3.4**	**1.1**
Provisions for employee benefits		**0.1**	**0.8**
Other current liabilities		**2.4**	**2.2**
TOTAL CURRENT LIABILITIES		**128.0**	**120.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,149.0**	**1,967.9**

3.3.1. Debt structure

Corporate structure of Redexis Gas Group



Redexis Gas has a flexible and long term investment grade capital structure tailored to support its value creation strategy. The current debt structure allows the Company to draw its existing revolving capex facility immediately and access the capital markets promptly in order to fund capex requirements and acquisitions.

The Company has demonstrated its ability to access the capital markets through issuances of investment grade notes of €650 million and €250 million, maturing in 2021 and 2027, respectively.

The Company has a €250 million revolving capex facility, with €30 million drawn as of 31 December 2016. In addition, the Company has a €50 million fully undrawn revolving credit facility. Both facilities mature in 2019 and are backed by a group of reliable national and international banks.

On 22 December 2015, the Company signed a €160 million facility with the EIB maturing in 2036, to foster future growth and development of natural gas networks in Spain. This loan demonstrates the EIB's confidence in the Company and provides Redexis Gas with additional long-term financing on attractive terms. This facility was drawn in full in July 2016, and will be payable in 17 equal annual instalments between July 2020 and July 2036.

Redexis Gas is rated by S&P and Fitch. The ratings assigned are the following:

Agency	Corporate	Senior Unsecured Bonds	Outlook	Last report date
S&P	BBB	BBB	Stable	09-Nov-16
Fitch	BBB-	BBB	Stable	30-Dec-16

The table below illustrates the debt structure of the Group:

Tranche		Type	Issuance date	Principal (€m)	Drawn @ 31/12/2016 (€m)	Maturity	Coupon
EIB	Loan facility	Fixed / Variable	December 2015	160	160	2036	
Capital market financing	Notes	Fixed	April 2015	250	250	2027	1.875%
		Fixed	April 2014	650	650	2021	2.75%
Bank financing	Revolving Credit Facility	Floating	March 2014	50		2019	
	Revolving Capex Facility	Floating	March 2014	250	30	2019	
Total				**1,360**	**1,090**		
Cash and cash equivalents					**39**		
2014 Deficit					**44**		
Net debt (Incluiding 2014 deficit)					**1,007**		

Net debt as of 31 December 2016 was €1,007 million, including the above-mentioned drawn debt, €39 million in cash and cash equivalents and €44 million of collection rights from the 2014 accumulated deficit.

According to the CNMC full year 2014 final instalment, the deficit amounted to €1,025 million. The regulation states that each operator receives an official collection right, which entitles them to recover their share of the accumulated deficit plus a market interest rate over the following 15 years or earlier. The intention is to sell these collection rights to financial institutions. Currently, Redexis Gas owns collection rights amounting to €44m of the 2014 accumulated deficit.

Redexis Gas has drawn down the €160 million EIB Facility in full on 20 July 2016. The final terms include a fixed interest rate of 1.294% until its maturity in July 2036, payable annually. The repayments on the facility will start on 20 July 2020 in equal instalments until 20 July 2036.

As a consequence, the majority of the Revolving Capex Facility drawdowns were repaid in the second half of 2016. The Revolving Capex Facility, which matures in 2019, becomes fully available on the amounts repaid for further use in the future.

At 31 December 2016, Redexis Gas had an additional €270 million of available undrawn facilities.

Annex 1: Reporting structure

We are reporting the consolidated results of Redexis Gas, S.A. and subsidiaries as of and for the year ended 31 December 2016, including Redexis Gas Murcia since February 2015, and the additional distribution assets from Naturgas since June 2015. The consolidated results of Redexis Gas, S.A. include Redexis Gas Finance B.V.

The financial information included in this document has been prepared under IFRS.

Certain numerical figures included in this document have been rounded-off. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding-off. The term “pp” means percentage points when describing the change in a percentage between two periods.

Annex 2: Important legal disclaimer

This document contains forward-looking statements (that is, statements relating to future, not past, events and those made solely with respect to historical facts) based upon management’s beliefs and data currently available to them. Because of their nature, these forward-looking statements address matters that are, to different degrees, uncertain, and are based on a variety of assumptions that may not be realised and are subject to significant business, economic, legal and competitive risks and uncertainties, including those set forth below, many of which are beyond Redexis Gas’ (“the Company”) control. The Company’s actual operations, financial condition or position, cash flows or operating results may differ materially from those expressed or implied by any such forward-looking statements contained in this document, and the Company undertakes no obligation to update or revise any such forward-looking statements.

All statements other than statements of historical fact included in this document, including, without limitation, those regarding any party’s intentions, beliefs, current expectations, targets and projections about future events, business strategy, management plans and objectives or future financial condition or position, operations and customers are forward-looking statements. These forward-looking statements involve known risks, uncertainties and other factors, which may cause the actual results, performance or achievements, or industry results of a transaction, project or relevant party, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions. Forward-looking statements are not guarantees of future performance and actual results may differ materially from those made in or suggested by the forward-looking statements contained in this document. As there is always uncertainty with respect to any forward-looking statement, potential investors must not rely on the forward-looking statements in making investment decisions in respect of any securities described in this document. Forward-looking statements speak only as of the date of this document and the Company expressly disclaims any obligation or undertaking to release any update of, or revisions to, any forward looking statements in this document, any change in the Company’s expectations or any change in events, conditions or circumstances on which these forward-looking statements are based.

Given these and other uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements contained in this release.