BASE PROSPECTUS

REDEXIS GAS FINANCE B.V.

(incorporated with limited liability in the Netherlands)

€2,000,000,000

Euro Medium Term Note Programme

unconditionally and irrevocably guaranteed by

REDEXIS GAS, S.A.

(incorporated with limited liability in the Kingdom of Spain)

Under the €2,000,000,000 Euro Medium Term Note Programme (the **Programme**) described in this base prospectus (the **Base Prospectus**), Redexis Gas Finance B.V. (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Redexis Gas, S.A. (the **Guarantor**).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*General Description of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the **Prospectus Act 2005**) to approve this document as a base prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and*

Conditions of the Notes") of Notes will be set out in a final terms document (the **Final Terms**) which will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Programme has been rated BBB- by Standard & Poor's Credit Market Services Europe Limited (**S&P**) and BBB (RWN) by Fitch Ratings Limited (**Fitch**). Please see "*Recent Developments and Key Milestones for the Group*" below. Each of S&P and Fitch is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of S&P & Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. On 7 November 2017, further to a recent review of its solicited credit ratings, Redexis Gas announced that it has decided to terminate its relationship with Fitch and that it has requested that Fitch's solicited credit ratings for Redexis Gas and its debt obligations be withdrawn. The senior unsecured notes issued by the Issuer will continue to be rated by S&P on a solicited basis.

Arrangers

THE ROYAL BANK OF SCOTLAND

CRÉDIT AGRICOLE CIB

Dealers

BNP PARIBAS | **CRÉDIT AGRICOLE CIB**

GOLDMAN SACHS INTERNATIONAL | **NATWEST MARKETS**

The date of this Base Prospectus is 21 November 2017.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. When used in this Base Prospectus, Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the EEA.

The Issuer and the Guarantor accept responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents incorporated by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated by reference and form part of this Base Prospectus.

Neither the Dealers nor the Trustee (as defined below) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuer, the Guarantor or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Dealers or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes, from 1 January 2018 are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (MiFID II); (ii) a customer within the meaning of Directive 2002/92/EC (IMD), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and/or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the Prospectus Directive). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States and the European Economic Area (including the United Kingdom, Spain and the Netherlands); see "*Subscription and Sale*".

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

(d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

(e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or federal securities laws. Accordingly, the Notes are being offered and sold outside the United States to persons other than U.S. persons pursuant to Regulation S under the Securities Act (**Regulation S**) (see "*Subscription and Sale*"). The Issuer has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended. The Notes are subject to U.S. tax law requirements.

PRESENTATION OF INFORMATION

In this Base Prospectus, all references to **euro** and **€** refer to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting/named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

CONTENTS

Page

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer and/or the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer and/or the Guarantor becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in the Risk Factors.

Risks relating to the Issuer and the Guarantor

The Issuer is a finance vehicle owned by the shareholders of the Guarantor for the purpose of issuing notes and other debt securities. The Issuer's principal liabilities will comprise the Notes issued by it and its principal assets will comprise its rights (if any) under agreements (the **On-Loan Agreements**) under which the net proceeds from the issue of the Notes and other debt securities are on-lent to the Guarantor. In turn, the Guarantor is dependent on its subsidiaries (together with the Guarantor, the **Group**) meeting their obligations under intercompany loans made by the Guarantor to them and to dividend income (if any) from such subsidiaries. Accordingly, in order to meet its obligations under the Notes, the Issuer is dependent upon the Guarantor meeting its obligations under the On-Loan Agreements in a timely fashion. The amounts required to be paid by the Guarantor under the On-Loan Agreements will be sufficient to enable the Issuer to meet its obligations under the Notes. Should the Guarantor fail to meet its obligations under the On-Loan Agreements in a timely fashion, this could have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Notes issued under the Programme.

Risks related to the Group's regulated activities

Risks relating to changes in regulation

The Group carries out the activities of distribution and transmission of natural gas, which are regulated activities, and supply of Liquefied Petroleum Gas (**LPG**). Both Spanish and European regulations determine the scope of the business undertaken by the Group and the remuneration scheme applicable to its regulated activities. Consequently, the Group's business, prospects, financial position and operating results could be materially adversely affected by changes in laws (including the Bill as defined in the section " *Overview of the Spanish natural gas sector and its* regulation – *Special regulation of the natural gas sector*"), regulations or regulatory policies that apply to its business (such changes can potentially apply retroactively) such as: (i) further changes in the current remuneration scheme or in some of the variables used to determine the remuneration scheme for the distribution and transmission of natural gas - in this regard, note that, as described in the section *" Overview of the Spanish natural gas sector and its* regulation*"* below, the remuneration scheme is subject to periodic reviews; (ii) a further liberalisation of the natural gas market in Spain; (iii) amendments to the current exclusivity granted in favour of respective distributors of natural gas with respect to specific geographical zones which also gives them preferential treatment with respect to public tenders carried out in the neighbouring geographical zones; (iv) changes concerning whether licences, approvals, concessions or agreements to operate are granted or renewed or whether there have been any breaches of their respective terms; (v) the imposition of new obligations on entities operating in the natural gas sector, including the eventual need to finance measures against energy poverty (vi) the creation of new taxes (e.g. green taxes) that may increase the price of natural gas and adversely affect its demand; and (vii) other decisions relating to the impact of general economic conditions, climate change, levels of permitted revenues and dividend distributions for its businesses and in relation to proposed business development activities. In addition, the Group's ability to undertake specific projects is subject to it being able to obtain the relevant regulatory approvals, licences, concessions or permits.

Notwithstanding the above, it should be noted that regulated activities, such as distribution and transmission of natural gas, currently benefit from a remuneration scheme established by Law 18/2014, of 15 October 2014 (**Law 18/2014**), which approved measures to encourage growth, competitiveness and efficiency in the natural gas sector. This new remuneration scheme is viewed as long term, and as being more stable, predictable and sustainable.

LPG has a different economic framework, whereby the company that owns the network both supplies LPG to the end user and buys the LPG from the wholesaler of LPG, and both of these activities are subject to regulated prices. As such any changes in the regulation of those prices or in the cost of the raw material (which is linked to the cost of petroleum), may affect the operating results of the Group.

Current regulation allows the conversion of LPG supply points into natural gas supply points. These converted supply points are considered to be new connection points for the purposes of the calculation of allowed revenue. The level of remuneration of the supply points depends on whether the municipality where they are located has been recently "gasified". Any changes to the unit remuneration of a supply point if it was considered a special "new" natural gas supply point (as they were previously linked to the LPG network) may affect the revenues earned from converting LPG supply points.

The Spanish Markets and Competition Commission (*Comisión Nacional de los Mercados y la Competencia*, **CNMC** has recently requested information from LPG companies on the supply costs of LPG which may result in the CNMC deciding to issue a report based upon the results of such information request. In the event that the Ministry of Energy, Tourism and Digital Agenda (*Ministerio de Energía, Turismo y Agenda Digital*) (**MINETAD**) decides to modify the LPG supply margin based upon any such report, the remuneration received by the Group may be affected.

Risks relating to changes in regulation which impact the regulated remuneration scheme applicable to the Group in Spain

In Spain, the main source of income for a company engaged in regulated activities in the Spanish natural gas market is the regulated remuneration, as defined and settled by the regulators as part of the periodical system of costs settlements. According to the current regulatory framework, the purpose of this payment is to enable transporters and distributors of natural gas to recover their investment, pay the costs of running and maintaining the distribution and transmission systems and earn a reasonable return. The annual amounts to be paid to each company are set out in accordance with the rules laid down in regulations, including, among others, the Law 34/1998 of 7 October 1998 on the Hydrocarbons Sector (**LSH**) (as amended by Law 18/2014).

As per article 60 of Law 18/2014 the parameters to be applied under this remuneration methodology will be established for regulatory periods of six years, although they may be adjusted every three years if costs and revenues change significantly. The current six year period will end on 31 December 2020.

The provisional regulated remuneration for each relevant company is specifically determined every year by MINETAD and is published by Ministerial Orders.

In general, should regulators decide to change the values used to adjust the annual remuneration, transporters and distributors of gas natural could see smaller-than-expected increases or even decreases in their annual income.

Under Law 18/2014, the Spanish government fixed, through the Royal Decree 984/2015, the methodology for calculating the remuneration applicable to the installations of primary transmission pipelines that had not been awarded before it came into force. The level of remuneration is based on a concurrence mechanism linked to the demand for gas, covering both industrial and domestic consumption, which will affect the remuneration received by the Group.

Risks relating to costs exceeding revenues in the Spanish gas system causing a tariff deficit

The regulated remuneration paid to the natural gas transmission and distribution companies every year is determined by a settlement process which takes into consideration all revenues and costs throughout the Spanish gas system (the **Gas System**). For a number of years costs have been exceeding revenues, generating a tariff deficit in the Gas System which has been leading to delays in the collection of the full annual regulated remuneration by the companies involved in these regulated activities.

Law 18/2014 has been designed to remove the tariff deficit of the Gas System. The key principle is financial and economic sustainability, to ensure that the Spanish natural gas system generates sufficient revenue to cover all of its costs. From now on, any measures which may lead to a cost increase or to a reduction in revenue must be accompanied by an equivalent decrease in other cost items or an equivalent increase in other revenues in order to maintain the cost/revenue balance. Law 18/2014 also includes measures to correct any short-term imbalances in costs and revenues, intended to prevent another deficit from being generated. These reforms have had a neutral impact for the Group's remuneration, so far.

According to Law 18/2014, the accumulated deficit up to 31 December 2014 had to be included as a system cost, which was determined in the settlement of the 2014 remuneration (€1,025 million). As indicated by Order ETU/1977/2016, the regulated natural gas transmission and distribution companies subject to the remuneration settlement system will be entitled to recoup their respective accumulated deficits in annual settlements over the next 15 years (together with interest at market rates).

Law 18/2014 also includes measures to correct any short-term imbalances and to prevent another deficit from being generated. These measures include an annual limit (10%) for the deficit in any single year and an aggregate limit (15%) for the accumulated deficit, as further explained in the section " *Overview of the Spanish natural gas sector and its* regulation".

If, despite the measures described above, the deficit cannot eventually be eliminated, the Spanish government may take ancillary action to reduce such deficit which may affect, to a limited extent, the remuneration of the natural gas transmission and distribution companies, including the Group.

Risk relating to the possibility of the imposition of penalties that may entail the suspension or revocation of the authorisations awarded to the Group

Many of the Group's authorisations, licences, concessions and permits are subject to the fulfilment of certain commitments which, if not met, can lead to the imposition of sanctions. These sanctions include a reduction in remuneration, revocation of the authorisations, licences, concessions and permits and enforcement of any guarantees provided.

In addition, events such as lack of compliance with the safety requirements, manipulation in the measuring of the supplied natural gas, non-compliance with the independency requirements in the management of companies developing distribution and transmission activities etc., can lead to the imposition of such penalties, under the LSH.

If the Group were to be subject to any such sanctions or penalties, it could have a material adverse effect on the business, financial condition and operating results of the Group.

Compliance with laws

While the Group considers that it is, in all material respects, in compliance with the laws governing its activities, it is subject to a complex set of laws. If the competent public or private sector bodies were to interpret or apply any such laws in a manner contrary to the Group's interpretation of them, such compliance could be questioned or challenged and, if any non-compliance were to be alleged or proven, it could have a material adverse effect on the Group's subsidies, business, prospects, financial condition and operating results.

Risks related to the Group's transmission activities

Risks that investments affecting the transmission sector will not be authorised

Spanish regulations on the gas sector provide that investments affecting the construction of natural gas transmission pipelines are subject to mandatory planning to be established by the Spanish government. It is not clear when the new mandatory planning (replacing the one for 2008-2016) will be approved by the Spanish Government. In addition, any infrastructure investment included within the current or any future mandatory planning is to be authorised by MINETAD and these projects are generally subject to a regulated public bid award process. It is not certain that the Group will be the successful bidder in the public bid award processes for other such projects. Failure to be awarded these projects may deviate the Group from its investment plan, which could have an adverse effect on the future operating results of the Group.

Risk associated with new transmission investments

All new investments are subject to a range of market, credit, commercial, regulatory, operational and other risks, which may affect the profitability of the project.

In particular, the construction and development of natural gas transmission infrastructure can be time-consuming and highly complex. Any increase in the costs of, cancellation of and/or delay in the completion of, the Group's projects under development and projects proposed for development could have a material adverse effect on its business, prospects, financial condition and results of operations. In particular, if the Group was unable to complete projects under development, it may not be able to recover the costs incurred and its profitability could be adversely affected. Additionally, gas consumption of households and industries, will affect the remuneration received by the Group in those new pipelines awarded by concurrence mechanisms.

Risks arising from unitary reference values for investment, operation and maintenance

Pursuant to the provisions of Ministerial Order IET/389/2015 dated 5 March 2015, the CNMC was required to have proposed to MINETAD new unitary reference values for investment, operation and maintenance in relation to transmission facilities and regasification plants within 18 months of the coming into effect of the Order (which was 10 September 2016). However, as at the date of this Base Prospectus the CNMC has not proposed any such values. If these new values are proposed by the CNMC and MINETAD decides to apply them, the Group's remuneration may be affected.

Risks relating to the Group's distribution activities

Risks relating to new investment opportunities for the Group's distribution activity

Any new investment that natural gas distribution companies may wish to make outside their distribution area will be subject to regulatory approval. In addition, any investment in current distribution areas or new areas into which they are given permission to expand may also be subject to environmental or planning permissions. If one of these approvals were refused or granted subject to unfavourable conditions, investment may not ultimately be made. As a consequence, the construction and development of natural gas distribution infrastructure can be time-consuming and highly complex.

Any increase in the costs of, cancellation of and/or delay in the completion of, the Group's projects under development and projects proposed for development could have a material adverse effect on its business, prospects, financial condition and operating results. In particular, if the Group was unable to complete projects under development, these may never be put into operation and therefore it may not be able to recover the costs incurred and its profitability could be adversely affected. These risks could lead the Group to deviate from its investment plan, which could have a material adverse effect on the Group's business, prospects, financial position and operating results.

Risks of certain investment commitments with regard to the Group's distribution activity

Spanish regulation of the natural gas sector provides that in order to satisfy demand for natural gas, in case there is a request for supply from any consumer in a specific area covered by an authorisation, the distribution company holding such authorisation is obliged to expand its gas network to satisfy such demand. In such cases, distribution companies assume all the costs involved in installing the first six metres of the extension in its pipeline from the distribution network (less than 4 bar) and the remainder of the pipeline length is paid by the customer at a unit price per metre set by regulation. In certain cases of distribution network extensions, the unitary value of the price could be lower than the real costs undertaken by the distribution company to extend the network to the new customer.

If the Group is required to undertake a significant number of pipeline extension projects in the circumstances described above, such investment might not be as profitable as others available to the Group and could have a material adverse effect on the Group's business, prospects, financial position and operating results.

Risk assumed by the Group in case of non-payment by a natural gas supplier

The main source of revenue for the Group is the regulated remuneration defined by MINETAD and currently settled by the CNMC. In the future, the settlement will be made by MINETAD.

Companies receive this regulated remuneration through a monthly settlement. MINETAD determines in the monthly settlement the proportional share of the annual payment for that month and will compare that amount with the monthly amount invoiced by the relevant distribution company from the application of tolls to the third party suppliers of natural gas who have a contract to access the distribution network.

If the amount invoiced by the distribution company in the form of tolls is higher than the monthly payment amount, the company must pay the difference to the Gas System. On the other hand, if the monthly payment is higher than the amount invoiced to the third party gas suppliers as tolls, the company must rely on receiving the difference from the Gas System.

The amounts invoiced to the third party gas suppliers are considered as revenue for the distribution company regardless of whether or not those amounts have been collected. Therefore, the risk of non-payment is borne by the supply company.

In case of non-payment, the distribution company may suspend the access contract of the relevant supplier of natural gas, once two months have elapsed from the date of a formal request (*requerimiento fehaciente*) for payment. This means that during the period prior to suspension, the risk of non-payment is borne by the distribution company. Any significant level of such non-payment could have a material adverse effect on the business, financial condition and operating results of the Group.

Risks associated with changes in gas demand and connection points

The Group's remuneration for its distribution activity is determined annually by MINETAD based, among other factors, on the number of connection points and the growth in demand for natural gas. Under Law 18/2014, inflation is no longer a factor in the remuneration scheme of the distribution activity and thus the inflation risk is taken by distribution companies.

The Group's distribution business is closely linked to growth in demand for natural gas in Spain, both in terms of actual number of end consumers and total gas demand in its designated territory, which depends on a series of factors beyond the Group's control. These factors include, among others, the development of the electricity sector, the development of an alternative energy supply, the price of natural gas in comparison to other energy sources, the general economic situation in Spain, climate changes, the availability of capacity for international imports of natural gas and environmental legislation.

Also, the demand for natural gas is closely related to climate. In peninsular Spain, gas systems are winter peak systems, which means that, generally, demand is higher during the cold weather months of October to March and lower during the warm weather months of April to September. A significant portion of the demand for natural gas in the winter months is related to heating. The revenues and operating results of the Group from the distribution of natural gas could be affected by periods of unseasonably warm weather during the autumn and winter months. It is not expected that meteorological or climatic variations over the long term will have a significant effect on the revenues and operating results of the Group.

In relation to the Group's distribution business growth being closely tied to an increase in the number of connection points to the distribution network, this increase is dependent on (i) extending to new distribution areas, (ii) the construction of new buildings that make it necessary to extend the distribution area, or (iii) existing buildings to which distribution is extended. Given the current economic climate, the number of new builds that require extension of the distribution network or customers that request natural gas connections is likely to grow at a slower pace than in the past.

Therefore if the connection points or, to a lesser extent, demand for natural gas in the area where the Group operates do not increase at the foreseen rate, the Group's revenues and strategic plan could be affected, which could have a material adverse effect on the Group's business, financial position and operating results.

Risks related to the revenue generated from regulated and non-regulated ancillary services provided by the Group

The Group also receives income from services it provides that are ancillary to its regulated gas transmission and distribution services. This represents less than 10% of the Group's EBITDA. The majority of the prices of these ancillary services are also regulated by national or regional governments. For example, the activation and maintenance of connection points, the rental of meters, the recording of meter readings and the inspection are all sources of ancillary income. If the prices that companies are able to charge for these ancillary activities were changed or were not sufficient to cover all the costs incurred, this could adversely affect the income received or the profitability of such companies.

The Group's ancillary activities relating to the inspection of natural gas reception installations have been liberalised by Law 8/2015 and RD 984/2015, such that the Group's installation business will have to compete with other installation companies in order to conduct these inspections for the distribution clients of the Group or other distribution clients. These ancillary activities represented a marginal proportion of the Group's EBITDA in 2016. However, the first complete year with these measures in force, has shown that only a very small number of users have chosen an installation company instead of being inspected by the distributor.

Notwithstanding the foregoing, any other change in the regulated remuneration scheme or in the prices for ancillary services, such as a change in the tariffs applicable to the rental of meters (a topic addressed by the

CNMC in a report dated 16 March 2017), could have a material adverse effect on the Group's business, prospects, financial position and operating results.

Other risks related to the Group's business

Risks resulting from the operation of the gas distribution and transmission networks

The Group's operations are subject to certain inherent risks, including pipeline ruptures, explosions, pollution, release of toxic substances, fires, adverse weather conditions, earthquakes, natural disasters, sabotage, terrorism, accidental damage to its gas distribution and transmission networks and other hazards and force majeure events, any of which could result in personal injury and/or damage to, or the destruction of, the Group's facilities and other properties or an interruption in gas distribution or transmission. The Group is not generally able to predict the occurrence of these or similar events and they may cause unanticipated interruptions in its gas distribution activities. While the Group seeks to obtain, and in fact it does obtain, insurance cover for these risks resulting in damages and loss of profit, its financial position and operating results may be adversely affected to the extent any losses are uninsured, exceed the applicable limitations under its insurance policies, are subject to the payment of an excess towards the insured amount or to the extent the premiums payable in respect of such policies are increased as a result of insurance claims. In addition, these operating risks could materially adversely affect the Group's reputation.

Furthermore, the Group may suffer a major network failure or interruption or may not be able to carry out critical non-network operations. Operational performance could be materially adversely affected by a failure to maintain the health of the system or network, inadequate forecasting of demand or inadequate record keeping or failure of information systems and supporting technology. This could cause the Group to fail to meet agreed standards of service or incentive and reliability targets or be in breach of a licence, authorisation, approval, or any other regulatory requirement or contractual obligation, and even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, affect the Group's financial position and operating results or harm the Group's reputation.

Risks resulting from the implementation of the Group's business strategy

Given the risks to which the Group is exposed and the uncertainties inherent in its business activities, the Group may not be able to implement its business strategy successfully. Were the Group to fail to achieve its strategic objectives, or if those objectives, once attained, did not generate the benefits initially anticipated, its business, financial condition and results of operations may be adversely affected, perhaps significantly. The Group's ability to achieve its strategic objectives is subject to a variety of risks, including, but not limited to, the following specific risks:

(a) the possibility of a worsening recession in the Spanish or the European economy, or the actual or threatened default by any major economy on its sovereign debt, which would negatively affect the performance of the Group's businesses;

(b) an inability to successfully manage the requirements of regulatory frameworks if stricter than expected regulatory measures were to be imposed in relation to the distribution and transmission of gas;

(c) denial of or delays in regulatory approval for new projects; and

(d) demand for natural gas or the failure to correctly estimate projected natural gas demand over coming years.

Risks that changes in the natural gas sector in Spain may adversely affect the Group's business

A number of different entities are active in the Spanish natural gas sector, including Enagas which operates a large portion of the transmission network, storage facilities and regasification facilities and Gas Natural Fenosa which operates a large portion of the distribution network. There has been M&A activity affecting businesses active in the Spanish natural gas sector over the last financial years. It is possible that there will be further activity in the sector, and it is not certain how this activity might affect entities active in the sector or the regulation of the sector as a whole. Management of the Group continually monitors activity in the sector with a view to establishing whether any particular changes in the sector represent threats to the Group's existing business or provide opportunities for the Group to consolidate and grow its business. The decisions made by management, which could include acquiring further businesses active in the sector, divesting of businesses and/or entering into joint ventures with third parties, and activity in the natural gas sector in Spain as a whole may have an adverse effect on the Group's business.

Acquisitions

The successful completion of any acquisition may be impacted by various factors, including the inability to satisfy any conditions precedent to such acquisition. In addition, the successful integration of any completed acquisitions may be affected by various factors, including the ability to align management and operating systems and carry out the successful operational integration of gas pipelines and control systems. Any delay or inability to complete or integrate acquisitions successfully could materially adversely affect operations and future financial performance of the Group.

As part of any acquisition the Group will normally receive certain indemnities, representations and warranties from the seller. However, these indemnities, representations and warranties may not fully cover all potential liabilities associated with the business (including tax liabilities and other liabilities to state entities), whether identified or unidentified, and they are in certain circumstances limited in their scope, duration and/or amount. Accordingly, the Group may not have full recourse against, or otherwise recover in full from, any relevant seller in respect of all losses which it may suffer in respect of a breach of those representations or warranties, or in respect of the subject matter of any of the indemnities, or otherwise in respect of the particular acquisition. In addition, the Group will be dependent on the ongoing solvency of the seller to the extent it seeks to recover amounts in respect of claims brought under such indemnities, representation and warranties. This could potentially have a limited adverse impact on the Group's business, reputation, financial condition and/or results of operations.

Environmental and health and safety risks

Aspects of the Group's activities are potentially dangerous, such as the construction, operation and maintenance of gas distribution and transmission networks and ancillary installations. Gas utilities also typically use and generate in their operations hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of its operations that are not currently regarded or proven to have adverse effects but that could become so, such as contaminated land, gas emissions or problems relating to the pipes used to transmit natural gas (for example, the discovery of asbestos). The Group is subject to laws and regulations relating to pollution, the protection of the environment and the use and disposal of hazardous substances and waste materials. These expose the Group to costs and liabilities relating to its operations and properties. The cost of future environmental remediation obligation is often inherently difficult to estimate and uncertainties can include the extent of contamination, the appropriate corrective actions and the Group's share of the liability.

The Group is also subject to laws and regulations governing health and safety matters protecting the public and its employees. The Group is increasingly subject to regulation in relation to climate change. The Group commits significant expenditure towards complying with these laws and regulations. While the Group seeks to obtain, and in fact it does obtain, insurance cover for these risks resulting in damages and loss of profit, should additional requirements be imposed or if its ability to recover these costs under the relevant regulatory framework changes, or if the resulting damages or loss of profit exceed the coverage provided by the Group's insurance policies, this could have a material adverse impact on the Group's business, prospects, financial position and operating results. Furthermore, any breach of these regulatory or contractual obligations, or even incidents that do not amount to a breach, could materially adversely affect the Group's reputation and, subsequently, operating results.

Insurance

The Group seeks to maintain insurance cover on all its key property and liability exposures in the international insurance market. No assurance can be given that the insurance cover acquired by the Group provides adequate or sufficient cover for all events or incidents. The international insurance market is volatile and therefore there can be no guarantee that existing cover will remain available or will be available at commercially acceptable rates. Should resulting damages or loss of profit on the occurrence of an event or incident exceed the coverage provided by the Group's insurance policies, this could materially adversely affect the Group's operating results.

Risks relating to the United Kingdom ceasing to become a member of the European Union

On 23 June 2016, the United Kingdom (the **UK**) held a referendum to decide on the UK's membership of the European Union. The UK vote was to leave the European Union and the UK Government invoked article 50 of the Lisbon Treaty on 29 March 2017. Under article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union will cease to apply in the relevant state from the date of entry into force of a withdrawal agreement, or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances. There are a number of uncertainties in connection with the future of the UK and its relationship with the European Union. The negotiation of the UK's exit terms is likely to take a number of years. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the business of the Group. As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the Guarantor's ability to guarantee the Issuer's obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

Uncertain macroeconomic climate could affect the Group's financial position

The global economy and the global financial system experienced significant turbulence and uncertainty over recent years, including a dislocation of the financial markets and stress to the sovereign debt and economies of certain EU countries. This dislocation restricted general levels of liquidity and the availability of credit and the terms on which credit is available. It also increased the financial burden on the Group's customers, the companies engaged in the supply of natural gas in Spain, downgrading their credit quality, reducing their spending capacity and negatively impacting their access to credit. This crisis in the financial system led the governments of many developed economies (including Spain) to inject liquidity into the financial system and also required the recapitalisation of the financial sector to reduce the risk of failure of certain large institutions, in an attempt to safeguard the flow of credit to businesses and to seek to return confidence to the market.

Following this intervention, the financial sector showed signs of stabilisation and conditions and trends are improving in Spain. A return to the volatile and disrupted market conditions previously seen throughout the world and in Spain could affect many areas including business and consumer confidence, unemployment trends, the state of the housing market, the commercial real estate sector, the state of the equity, bond and foreign exchange markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes in key markets and the liquidity of the global financial markets, all of which could have a material adverse effect on the Group's business, prospects, financial position and operating results.

Political instability in Catalonia may impact the Group's operations in Catalonia and/or its ability to conduct future business in Catalonia. Business in Catalonia generated approximately 2.55% of the Group's revenue during the twelve months ended 30 June 2017. Changes in Catalonia's political framework could also have adverse consequences on the Group's business, results of its operations or its financial condition.

Liquidity and availability of funding risks

The Group's business and investment plans are mainly financed through cash generated from ongoing operations, with the support of capital expenditure and revolving credit facilities.

The Group undertakes a significant amount of capital expenditure and so needs access to sources of liquidity to meet such capital expenditure requirements. The Group currently has access to working capital and capex facilities and, while the existing facilities are sufficient in order to cover its short-term requirements, there is a risk that such facilities become no longer available or are not sufficient for the Group's ongoing needs. This could affect the businesses, financial conditions and results of operations of the Group and also result in the Group not being able to meet the capital expenditure requirements under the terms of its licences.

It is expected that the Issuer will continue to access the long-term capital markets to refinance all or part of the Group's current bank facilities or for any other purpose through the issue of Notes under this Programme from time to time.

The capital markets debt that the Group issues may be rated by credit rating agencies and changes to these ratings may affect both its borrowing capacity and the cost of those borrowings. Also, as evidenced during recent periods, financial markets can be subject to periods of volatility and shortages of liquidity. If the Group were unable to access the capital markets or the Group were unable to access other sources of finance at competitive rates for a prolonged period, the Group's cost of financing may increase, the additional loan facilities that the Group incurs might not be able to be refinanced at competitive rates, or not be in line with the Group's financial strategy, and the manner in which the Group implements its business and financial strategy may need to be reassessed. The occurrence of any such event could have a material adverse impact on the Group's business, financial condition and operating results.

Interest rate risk

Although the Group takes a proactive approach to the management of interest rate risk in order to minimise its impact on its revenues, in some cases the policies it implements may not be effective in mitigating the adverse effects caused by interest rates and could have an adverse impact on the Group's business, financial condition and results of operations.

Employees of the Group could strike or participate in industrial action in the future

While the ability of employees, contractors or trade unions to strike is limited by regulation and agreements, the Group can give no assurance that there will not be labour-related actions in the future, including strikes or threats of strikes. The threat of strikes or work stoppages can result and could result in disruptions and increased costs. Such disputes and resulting disruption and costs could have a material adverse effect on the Group's business and results of operations.

Litigation

The Group is, from time to time, involved in legal proceedings. Any adverse result in relation to any such proceedings may have an adverse effect on the Group's financial position, reputation and profitability.

Risks related to climate change and transition energy

In December 2015, more than 195 countries signed a global climate deal in Paris. Although the Paris Agreement is not legally binding, the EU has defined specific targets for greenhouse gas emissions, renewables penetration and energy efficiency for 2020, 2030 and 2050. The Spanish government has opened a consultation period prior to the approval of new legislation on climate change and energy transition. New measures for the transition to a low carbon economy could potentially affect, positively or negatively, the activities currently carried out by the Group, for example its applicable tax regime, regulatory environment or other environmental measures.

Risks relating to the Notes

The Notes may be redeemed prior to maturity

In the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Netherlands, the Kingdom of Spain or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

Generally, an optional redemption feature of Notes (in the case of any particular Tranche of Notes where the relevant Final Terms specifies that the Notes are redeemable at the Issuer's option) may in certain circumstances be likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market in, and the market value of, the Notes since the Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On 27 July 2017, the Chief Executive of the UK's Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available.

Risks related to Notes generally

Investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common depositary or a common safekeeper, as applicable, for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or a common safekeeper, as applicable, for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Trust Deed.

Investors must rely on the Trustee for enforcement of rights under the Notes

The Conditions of the Notes provide that under Condition 3 (*Negative Pledge*) the Trustee has discretion to consider in its sole opinion, that in relation to such other security, guarantee, indemnity or other arrangement that may be provided for the obligations of the Issuer under the Notes, the Coupons or the Trust Deed, this would not be materially less beneficial to the Noteholders. The Trustee may also at its sole discretion, give notice that each Note is immediately due and repayable in accordance with Condition 9.1 (*Events of Default*). In addition, under Condition 9.2 (*Enforcement*) the Trustee may at any time, at its sole discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons. The Trustee is not bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless it has been directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding. Prior to giving any such instructions, the Trustee may require that it be indemnified and/or secured and/or pre-funded to its satisfaction and may refrain from acting to the extent that it considers any such action would result in a breach of applicable law. The requirement that the Trustee be indemnified and/or pre-funded and/or secured as set out above may result in additional delay and cost for Noteholders in relation to the exercise or enforcement of rights. The Trustee may not be willing to take actions which Noteholders request, and Noteholders will have no right to take such actions directly. There can be no guarantee that where the Trustee is permitted to act at its sole discretion under the Conditions, the Trustee's instructions will be in the best interests of any particular holder of the Notes or any group of such holders.

Modification, waiver and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders except in the case of a Basic Terms Modification (as defined in the Trust Deed), agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14 (*Meetings of Noteholders, Modification, Waiver and Substitution*) and the Trust Deed.

The Proposed Financial Transactions Tax (FTT)

The European Commission has published a proposal (the **Commission's Proposal**) for a Directive for a common FTT which is being considered by Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The European Commission were expected to present draft legislation for consideration by the participating Member States by the end of 2016, but this has not yet been published. The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Change in law

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Denominations

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified

Denomination. Further a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

There may not be an active trading market for the Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Fixed rate Notes are subject to interest rate risks

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. The Issuer understands that any issue of Notes under the Programme that exceeds a certain size could result in a downgrade to existing Notes under the Programme and the ratings assigned to any new Notes issued under the Programme could be lower than the ratings assigned to the Programme. Any such downgrade could have an adverse effect on the ability of the Issuer and/or the Guarantor to raise further financing and may have an adverse effect on the market value and/or the liquidity of the Notes in the secondary market.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the

European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

GENERAL DESCRIPTION OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event a new Base Prospectus will be published.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive (the **Prospectus Regulation**).

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	Redexis Gas Finance B.V.
Guarantor:	Redexis Gas, S.A.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. There are also certain factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These include certain risks relating to the structure of particular Series of Notes and certain market risks. Each of these risks are set out under "*Risk Factors*" above.
Description:	Euro Medium Term Note Programme
Arrangers:	The Royal Bank of Scotland plc Crédit Agricole Corporate and Investment Bank
Dealers:	BNP Paribas Crédit Agricole Corporate and Investment Bank Goldman Sachs International The Royal Bank of Scotland plc (trading as NatWest Markets) and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent; see "*Subscription and Sale*".

	Under Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities, which implements the Prospectus Directive, prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such Act.
Issuing and Principal Paying Agent:	The Bank of New York Mellon, London Branch
Luxembourg Listing Agent:	The Bank of New York Mellon (Luxembourg) S.A.
Trustee:	BNY Mellon Corporate Trustee Services Limited
Programme Size:	Up to €2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Subject to applicable selling restrictions, Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "*Form of the Notes*".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of the Reference Rate set out in the applicable Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption: Notes will be redeemable at their stated maturity at their Final Redemption Amount. Unless Issuer Call, Investor Put and/or Event Put applies as indicated in the applicable Final Terms, Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default).

In particular, if so specified, the Notes may be redeemed at the option of the Noteholders following certain sales or disposals of assets and/or loss of licences and/or change of control as further described in Condition 6.5 (*Redemption at the option of the Noteholders (Event Put))*.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.

Issuer Call: The applicable Final Terms will indicate whether the relevant Notes will be redeemable at the option of the Issuer upon giving notice to the Noteholders on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer as further described in Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*).

Investor Put: The applicable Final Terms will indicate whether the relevant Notes will be redeemable at the option of the Noteholders upon giving notice to the Issuer on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer as further described in Condition 6.4 (*Redemption at the option of the Noteholders (Investor Put)*).

Event Put: The applicable Final Terms will indicate whether the relevant Notes will be redeemable at the option of the Noteholders if an Event Put arises upon giving notice to the Issuer on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. An Event Put may arise following the occurrence of a Material Licence Event, Material Disposal Event and/or Change of Control Event which results, within the Relevant Event Period, in a Rating Downgrade or a Negative

	Rating Event as further described in Condition 6.5 (*Redemption at the option of the Noteholders (Event Put)*).
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 7 (*Taxation*). In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 7 (*Taxation*), be required to pay such additional amounts to cover the amounts so deducted as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 3 (*Negative Pledge*).
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 9 (*Events of Default and Enforcement*).
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Guarantee:	The Notes will be unconditionally and irrevocably guaranteed by the Guarantor on an unsubordinated basis. The obligations of the Guarantor under its Guarantee will be direct, unconditional and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Guarantor and upon insolvency of the Guarantor (subject to any applicable legal and statutory exceptions and unless they qualify as subordinated credits under Article 92 of the Spanish Insolvency Law or equivalent legal provisions which may replace it in the future) rank *pari passu* and rateably without any preference among such obligations of the Guarantor in respect of the Notes of the same issue and at least pari passu with all other unsubordinated and unsecured indebtedness and money obligations involving or otherwise related to borrowed money of the Guarantor, present or future.
On-Loan Agreements:	The Issuer will enter into on-loan agreements with the Guarantor from time to time pursuant to which the proceeds of the Notes will be advanced to the Guarantor and repayments of principal,

	payments of interest and additional amounts will be made to the Issuer on terms sufficient to enable the Issuer to meet its obligations under the Notes.
Rating:	The Programme has been rated BBB- by S&P and BBB (RWN) by Fitch. Series of Notes issued under the Programme may be rated or unrated. Please see "*Recent Developments and Key Milestones for the Group*" below. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. See "Credit ratings may not reflect all risks" in "Risk Factors" above. On 7 November 2017, further to a recent review of its solicited credit ratings, Redexis Gas announced that it has decided to terminate its relationship with Fitch and that it has requested that Fitch's solicited credit ratings for Redexis Gas and its debt obligations be withdrawn. The senior unsecured notes issued by the Issuer will continue to be rated by S&P on a solicited basis.
Listing:	Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes issued under the Programme to be listed on the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be agreed between the Issuer, the Principal Paying Agent and the relevant Dealer and as specified in the relevant Final Terms.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, the Kingdom of Spain and the Netherlands) and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes; see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Base Prospectus:

(a) the auditors' report and the audited accounts for the financial year ended 31 December 2016 of the Issuer as set out on the following pages:

Balance sheet	Page 7
Profit and loss account	Page 8
Statement of comprehensive income	Page 10
Accounting Principles and Notes	Pages 11 to 23
Audit Report	Pages 25 to 28
Cash Flow Statement	Page 9

Note: the page numbers in the above table refer to the page numbers of the corresponding pdf file.

(b) the auditors' report and the audited accounts for the financial year ended 31 December 2015 of the Issuer as set out on the following pages:

Balance sheet	Page 7
Profit and loss account	Page 8
Statement of comprehensive income	Page 10
Accounting Principles and Notes	Pages 11 to 23
Audit Report	Pages 25 to 27
Cash Flow Statement	Page 9

Note: the page numbers in the above table refer to the page numbers of the corresponding pdf file.

(c) the unaudited consolidated interim financial statements for the six-month period ending 30 June 2017 of the Guarantor as set out on the following pages:

Balance sheet	Page 15
Profit and loss account	Page 9
Cash Flow Statement	Page 13

Note: the page numbers in the above table refer to the page numbers of the corresponding pdf file.

(d) English translation of the auditors' report and the audited consolidated annual accounts for the financial year ended 31 December 2016 of the Guarantor as set out on the following pages:

Statement of Financial Position	Page 5
Income Statement	Page 6
Accounting Principles and Notes	Pages 11 to 75
Audit Report	Pages 1 to 2
Cash Flow Statement	Page 10

Statement of Changes in Equity .... Page 8 to 9

Note: the page numbers in the above table refer to the page numbers of the corresponding pdf file.

(e) English translation of the auditors' report and the audited consolidated annual accounts for the financial year ended 31 December 2015 of the Guarantor as set out on the following pages:

Statement of Financial Position .... Page 4

Income Statement .... Page 5

Accounting Principles and Notes .... Pages 10 to 70

Audit Report .... Page 1 to 2

Cash Flow Statement .... Page 9

Statement of Changes in Equity .... Page 7 to 8

Note: the page numbers in the above table refer to the page numbers of the corresponding pdf file.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the website of the Luxembourg Stock Exchange (www.bourse.lu) and from the website of the Guarantor (http://www.redexisgas.es).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note**) which, in either case, will:

(a) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and

(b) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

While any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event or (c) at any time at the request of the Issuer. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9 (*Events of Default and Enforcement*)) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Permanent Global Notes and Definitive Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes[, from 1 January 2018] are not intended to be offered, sold or otherwise made available to [and, with effect from such date], should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, **the Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][1]

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which have a denomination of at least €100,000 (or its equivalent in any other currency) or more issued under the Programme.

[*Date*]

REDEXIS GAS FINANCE B.V.

Issue of [Aggregate Nominal Amount of Tranche][Title of Notes]

Guaranteed by Redexis Gas, S.A.

under the €2,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the **Conditions**) set forth in the Base Prospectus dated 21 November 2017 [and the supplement[s]] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**) (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or federal securities laws. Accordingly, the Notes are being offered and sold outside the United States to persons other than U.S. persons pursuant to Regulation S under the Securities Act (**Regulation S**) (see "*Subscription and Sale*"). The Issuer has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended. The Notes are subject to U.S. tax law requirements.

(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.)

---

1 *Legend to be included on front of Final Terms (i) for offers concluded on or after 1 January 2018 if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for some other reason, in which case the selling restrictions should be specified to be "Applicable" (ii) for offers concluded before 1 January 2018 at the option of the parties.*

1.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*provide issue amount/ISIN/Maturity Date/issue date of earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [*date*]][Not Applicable]
2.	Specified Currency or Currencies:		[ ]
3.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
4.	Issue Price:		[ ]% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(a)	Specified Denominations:	[ ] *(Note – where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:* *"€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000.")*
	(b)	Calculation Amount:	[ ] *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
6.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[specify/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
7.	Maturity Date:		[*Fixed rate – specify date/Floating rate* - Interest Payment Date falling in or nearest to [*specify month*]]
8.	Interest Basis:		[[ ]% Fixed Rate] [[[ ] month [LIBOR/EURIBOR]] +/- [ ]% Floating Rate] [Zero coupon]

		(see paragraph [13]/[14]/[15]below)
9.	Redemption[/Payment] Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ]% of their nominal amount (*Note – Zero Coupon Notes may only be redeemed at par or a premium over par*)
10.	Change of Interest Basis:	[(*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 15 and 14 below and identify there*)][Not Applicable]
11.	Put/Call Options: [Investor Put]	[Event Put] [Issuer Call] [(see paragraph [17]/[18][19] below)]
12.	[Date Board approval for issuance of Notes obtained:]	*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate(s) of Interest:	[ ]% per annum payable in arrear on each Interest Payment Date
	(b) Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c) Fixed Coupon Amount(s): *(Applicable to Notes in definitive form.)*	[ ] per Calculation Amount
	(d) Broken Amount(s): *(Applicable to Notes in definitive form.)*	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e) Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f) [Determination Date(s):	[[ ] in each year][Not Applicable] *(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
14.	Floating Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Specified Period(s)/Specified	[ ] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below not

	Interest Payment Dates:	subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
(f)	[Screen Rate Determination:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Reference Rate:	[ ] month [LIBOR/EURIBOR]
	(ii) Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	(iii) Relevant Screen Page:	[ ] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*]
(g)	[ISDA Determination:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*]
	(i) Floating Rate Option:	
	(ii) Designated Maturity:	[ ]
	(iii) Reset Date:	[ ] *(In the case of a LIBOR- or EURIBOR-based option, the first day of the Interest Period)*
(h)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(i)	Margin(s):	[+/-] [ ] % per annum

	(j) Minimum Rate of Interest:	[ ]% per annum
	(k) Maximum Rate of Interest:	[ ] % per annum
	(l) Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]
15.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Accrual Yield:	[ ]% per annum
	(b) Reference Price:	[ ]
	(c) Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

16.	Notice periods for Condition [Redemption and Purchase – Redemption for taxation reasons]:	Minimum period: [ ] days Maximum period: [ ] days
17.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount:	[[ ] per Calculation Amount][Make-whole Amount]
	(c) Make-whole Amount:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Reference Bond:	[ ]/[Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
Redemption Margin:		[ ]
Financial Adviser:		
Quotation Time:		
	(ii) Discount Rate:	[ ]/[Not Applicable]

		(iii) Make-whole Exemption Period:	[Not Applicable]/[From (and including) [●] to (but excluding) [●]/the Maturity Date]
	(d)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]
	(e)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent [or Trustee]*)
18.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount *(NB: The Optional Redemption Amount must be a specified amount per Calculation Amount)*
	(c)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days *(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
19.	Event Put:		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Material Licence Event:	[Applicable/Not Applicable]
	(b)	Material Disposal Event:	[Applicable/Not Applicable]
	(c)	Change of Control Event:	[Applicable/Not Applicable]

(d)	Event Put Redemption Amount:	[ ] per Calculation Amount [in respect of a [Material Licence Event/Material Disposal Event/Change of Control Event]] [[ ] per Calculation Amount [in respect of a [Material Licence Event/Material Disposal Event/Change of Control Event]]
(e)	Event Put Redemption Date:	[ ] days after the last day on which Noteholders are able to exercise the Event Put, being [ ] days after the end of the Relevant Event Period. (*Ensure that this date falls sufficiently after the date referred to in paragraph (f) below)*
(f)	Period for exercising Event Put:	Not later than the date falling [ ] days after the end of the Relevant Event Period. (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)

20. Final Redemption Amount: [ ] per Calculation Amount

21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:

(a)	Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] (*N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in*

			relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)
	(b)	New Global Note:	[Yes][No]
23.	Additional Financial Centre(s):		[Not Applicable/give details] (*Note that this paragraph relates to the date of payment and not Interest Period end dates to which subparagraphs 14(c) relates*)
24.	Talons for future Coupons to be attached to Definitive Notes:		[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Redexis Gas Finance B.V.:

By: ....

Duly authorised

PART B – OTHER INFORMATION

1. ADMISSION TO TRADING

(a)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange with effect from [ ].] [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)*] with effect from [ ].]
(b)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [Standard & Poors (**S&P**)]: [●] [Fitch Ratings Limited (**"Fitch"**)]: [●] Each of S&P and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.]

4. YIELD *(Fixed Rate Notes Only)*

Indication of yield:	[[ ]/Not Applicable]

5. HISTORIC INTEREST RATES *(Floating Rate Notes Only)*

Details of historic [LIBOR/EURIBOR/*specify other Reference Rate*] rates can be obtained from [Reuters].

6. OPERATIONAL INFORMATION

(a)	ISIN Code:	[ ]

(b)	Common Code:	[ ]
(c)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
(d)	Delivery:	Delivery [against/free of] payment
(e)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(f)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

7. **DISTRIBUTION**

(a)	Method of distribution:	[Syndicated/Non-syndicated]
(b)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(c)	Date of [Subscription] Agreement:	[ ]
(d)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(e)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(f)	U.S. Selling Restrictions:	Reg. S Compliance Category [2]; TEFRA D/TEFRA C/TEFRA not applicable to Notes with a maturity of one year or less

(g)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and no key information document will be prepared and the Notes may constitute "packaged" products, "Applicable" should be specified.)*

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Redexis Gas Finance B.V. (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 21 March 2014 made between the Issuer, Redexis Gas, S.A. (as guarantor (the **Guarantor**)) and BNY Mellon Corporate Trustee Services Limited (in its capacity as the trustee, the **Trustee**, which expression shall include any person for the time being acting as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 21 March 2014 and made between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**). References to the applicable Final Terms are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Interest-bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the London office for the time being of the Trustee being at One Canada Square, Canary Wharf, London E14 5AL and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **"euro"** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Guarantor, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantor, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its sole opinion, thinks fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2. STATUS OF THE NOTES AND THE GUARANTEE

2.1 Status of the Notes

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

2.2 Status of the Guarantee

(a) The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed on an unsubordinated basis (the **Guarantee**).

(b) The obligations of the Guarantor in respect of Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed constitute direct, unconditional, unsubordinated and (without prejudice to Condition 3 (*Negative Pledge*)) unsecured obligations of the Guarantor and upon the insolvency of the Guarantor (subject to any applicable legal and statutory exceptions and unless they qualify as subordinated credits under Article 92 of the Spanish Insolvency Law or equivalent legal provisions which may replace it in the future) rank *pari passu* and rateably without any preference among such obligations of the Guarantor in respect of the Notes of the same issue and at least *pari passu* with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future.

3. NEGATIVE PLEDGE

(a) So long as any of the Notes or Coupons remain outstanding (as defined in the Trust Deed) neither the Issuer nor the Guarantor will, and the Guarantor shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking, assets or revenues (including any uncalled capital) present or future to secure any Relevant Indebtedness, or any guarantee of or, indemnity in respect of, any Relevant Indebtedness, without:

(i) at the same time or prior thereto securing the obligations of the Issuer under the Notes, the Coupons and the Trust Deed and the obligations of the Guarantor under its Guarantee, equally and rateable therewith to the satisfaction of the Trustee; or

(ii) providing such other security, guarantee, indemnity or other arrangement for the obligations of the Issuer under the Notes, the Coupons and the Trust Deed and the obligations of the Guarantor under its Guarantee, as the Trustee may in its sole opinion consider to be not materially less beneficial to the interests of the Noteholders.

(b) In these Conditions:

Holding Company means, in relation to a company or a corporation, any other company or corporation in respect of which it is a Subsidiary.

Permitted Security Interest means any Security Interest created in respect of Relevant Indebtedness of a company or a corporation which has merged with the Issuer, the Guarantor or one of the Guarantor's Subsidiaries or which has been acquired by the Issuer, the Guarantor or one of the Guarantor's Subsidiaries, provided that such Security Interest was already in existence at the time of the merger or acquisition, was not created for the purpose of financing the merger or acquisition and secures Relevant Indebtedness which is not increased in amount or extended in maturity following the merger or acquisition.

Relevant Indebtedness means Financial Indebtedness in the form of notes, bonds, debentures, debenture stock, loan stock or other securities which (with the consent of the Issuer thereof or the Guarantor) are for the time being capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market.

Security Interest means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

Subsidiary means, in relation to any Holding Company, a company, corporation or other legal entity:

(i) which is controlled, directly or indirectly, by the Holding Company;

(ii) more than half the issued share capital of which is owned, directly or indirectly, by the Holding Company; or

(iii) which is a subsidiary of another Subsidiary of the Holding Company,

and, for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to determine the composition of the majority of its board of directors or equivalent body.

4. INTEREST

4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are partly paid Notes, the aggregate amount paid up); or

(b) in the case of Fixed Rate Notes in definitive form, the **Calculation Amount** as set out in the applicable Final Terms,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(c) In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 4.2 (Interest on Floating Rate Notes) – (a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such

Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

I. a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each additional business centre (**Additional Business Centre**) specified in the applicable Final Terms; and

II. either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no offered quotation appears or, in the case of (B) above, fewer than three offered quotations appear, in each case as at the time specified in the preceding paragraph, the Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the time specified in the preceding paragraph on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the time specified in the preceding paragraph on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the time specified in the preceding paragraph on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) 26 plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of the Rate of Interest and calculation of Interest Amounts**

The Agent will at or as soon as practicable after, each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are partly paid Notes, the aggregate amount paid up); or

(ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

(A) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(B) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(C) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(D) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(E) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(F) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

(G) (if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period, provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) **Notification of Rate of Interest and Interest Amounts**

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13 (*Notices*). For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **Determination or Calculation by Trustee**

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above, as the case may be, and in each case in accordance with paragraph (d) and (e) above the Trustee shall determine the Rate of Interest at such rate as, in its sole opinion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

(h) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 (*Interest on Floating Rate Notes*) by the Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) as provided in the Trust Deed.

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto.

5.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

5.3 **Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

5.4 **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

5.5 **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8 (*Prescription*)) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, the relevant place of presentation; and

(ii) each Additional Financial Centre specified in the applicable Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 **Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5) (*Redemption at the option of the Noteholders (Event Put)*); and

(f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

6. **REDEMPTION AND PURCHASE**

6.1 **Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

6.2 **Redemption for tax reasons**

Subject to Condition 6.6 (*Redemption And Purchase – Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and (ii) such obligations as described under (i) cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it; or

(b) the Spanish tax authorities determine on or after the date of issue of the first Tranche of the Notes that interest payments by the Issuer are subject to Spanish withholding tax as a result of the Issuer being a resident of Spain or having a permanent establishment in the Kingdom of Spain to which the Notes are connected,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by one Director of the Issuer or, as the case may be, one Director of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 6.2 (*Redemption And Purchase - Redemption for tax reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 6.6 (*Redemption And Purchase – Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Trustee and to Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if Make-whole Amount is specified in the applicable Final Terms, will be the higher of (a) 100% of the principal amount outstanding of the bonds to be redeemed and (b) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at (i) the Reference Bond Rate plus the Redemption Margin or (ii) the Discount Rate, in each case as may be specified in the applicable Final Terms. If the Make-whole Exemption Period is specified as applicable and the Issuer gives notice to redeem the Notes during the Make-whole Exemption Period, the Optional Redemption Amount will be 100% of the principal amount outstanding of the Notes to be redeemed.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 (Notices) not less than 15 days prior to the date fixed for redemption.

For the purpose of this Condition:

Discount Rate will be as set out in the applicable Final Terms.

FA Selected Bond means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes.

Financial Adviser means the entity so specified in the applicable Final Terms or, if not so specified or such entity is unable or unwilling to act, any financial adviser selected by the Issuer and/or the Guarantor.

Make-whole Exemption Period will be as set out in the applicable Final Terms.

Redemption Margin will be as set out in the applicable Final Terms.

Reference Bond shall the bond so specified in the applicable Final Terms or, if not so specified or if no longer available, the FA Selected Bond.

Reference Bond Price means, with respect to any date of redemption: (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations; or (b) if the Financial Adviser obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

Reference Bond Rate means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption.

Reference Date will be set out in the relevant notice of redemption, such date to fall no earlier than the date falling 30 days prior to the date of such notice.

Reference Government Bond Dealer means each of five banks selected by the Issuer and/or the Guarantor, or their affiliates, which are (a) primary government securities dealers, and their respective successors, or (b) market makers in pricing corporate bond issues.

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Calculation Agent by such Reference Government Bond Dealer.

Remaining Term Interest means with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer in accordance with Condition 6.3.

6.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (Notices) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

6.5 **Redemption at the option of the Noteholders (Event Put)**

If Event Put is specified as being applicable in the applicable Final Terms, if a Relevant Event occurs and, within the applicable Relevant Event Period either a Negative Rating Event or a Rating Downgrade occurs, then, unless the Issuer shall have previously given notice under Condition 6.2 (*Redemption for tax reasons*) or Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) or the holder has given notice to redeem some or all of its Notes under Condition 6.4 (*Redemption at the option of the Noteholders (Investor Put)*) or, in respect of the occurrence of a previous Relevant Event, in accordance with this Condition 6.5 (*Redemption at the option of the Noteholders (Event Put)*), upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) not later than the date specified in the applicable Final Terms after the end of the Relevant Event Period, the Issuer will, upon the expiry of such notice, redeem such Note on the Event Put Redemption Date specified in the applicable Final Terms and at the Event Put Redemption Amount specified in the applicable Final Terms, together, if appropriate, with interest accrued to (but excluding) the Event Put Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed Put Notice and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Noteholder's instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Promptly upon the Issuer or the Guarantor becoming aware that a Relevant Event has occurred, the Issuer and/or the Guarantor shall give notice (a **Relevant Event Notice**) to the Trustee and to the Noteholders in accordance with Condition 13 (*Notices*) specifying the nature of the Relevant Event and the procedure and other pertinent information for exercising the Event Put.

For the purpose of this Condition:

> **Affiliate** means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

A **Change of Control Event** shall be deemed to have occurred if either:

(a) prior to a Listing, the Controlling Shareholder ceases to control (directly or indirectly) more than 50% of the voting rights of the Guarantor or ceases to have the right to appoint at more than 50% of the board of directors of the Guarantor; or

(b) on or after a Listing, either (i) the Controlling Shareholder ceases to control (directly or indirectly) more than 30% of the voting rights of the Guarantor or ceases to have the ability to appoint more than 30% of the board of directors of the Guarantor, or (ii) any person or group of persons acting in concert other than the Controlling Shareholder controls (directly or indirectly) more than 30% of the voting rights of the Guarantor or having the right to appoint more than 30% of the board of directors of the Guarantor.

Controlling Shareholder means GS Global Infrastructure Partners II L.P. and/or GS International Infrastructure Partners II L.P., their Related Funds and any other funds controlled by any Affiliate of Goldman Sachs & Co LLC (whether together, in groups or individually).

Disposal Percentage means, in relation to a sale, transfer, lease or other disposal or dispossession of any Disposed Assets, the ratio of (a) the aggregate EBITDA attributable to such Disposed Assets to (b) the consolidated EBITDA of the Group, expressed as a percentage.

Disposed Assets means, where any member of the Group sells, transfers, leases or otherwise disposes of or is dispossessed by any means (but excluding sales, transfers, leases, disposals or dispossessions which, when taken together with any related lease back or similar arrangements entered into in the ordinary course of business, have the result that EBITDA directly attributable to any such undertaking, property or assets continues to accrue to a wholly owned member of the Group), otherwise than to a wholly owned member of the Group, of the whole or any part (whether by a single transaction or by a number of transactions whether related or not) of its undertaking or property or assets, the undertaking, property or assets sold, transferred, leased or otherwise disposed of or of which it is so dispossessed.

EBITDA means the profit before income tax of the Group adding the net finance cost of the Group; adding the depreciation and amortisation of the Group; adding the non-recurrent adjustment to transmission revenue from previous years of the Group; adding non-recurrent workforce restructuring of the Group; adding other non-recurrent operating expenses of the Group; and adding impairment losses on non-current assets of the Group, each as determined by the most recent audited consolidated annual accounts of the Group.

Investment Grade Rating means a Rating of at least BBB- or Baa3 (or their respective equivalents at each Rating Agency for the time being).

Listing means a listing on any investment exchange or any other sale or issue by way of flotation or public offering or any equivalent circumstances in relation to the shares of the Guarantor in any jurisdiction or country.

Loss of Relevant Licence means:

(a) the revocation or termination by any event of any Relevant Licence as a result of a final decision from the relevant administration that cannot be appealed in an administrative proceeding provided that the enforceability of such final decision is not preventatively suspended within a judicial proceeding, without such Relevant Licence being replaced, renewed or extended; or

(b) the withdrawal or surrender of any Relevant Licence without such Relevant Licence being replaced, renewed or extended.

A **Material Disposal Event** shall be deemed to have occurred at any time (whether or not approved by the board of directors of the relevant members of the Group) that the sum of all (if any) Disposal Percentages for the Group is more than 35% in any **relevant period**, where relevant period means (i) on or before the third anniversary of the Issue Date of the first Tranche of Notes (the **Initial Issue Date**), the period from and including the Initial Issue Date, and (ii) after the third anniversary of the Initial Issue Date, any period of 36 consecutive months commencing on or after the Initial Issue Date.

A **Material Licence Event** shall be deemed to have occurred at any time (whether or not approved by the board of directors of relevant members of the Group) that the sum of all (if any) Relevant Licence Percentages for the Group is more than 35% in any **relevant period**, where relevant period means (i) on or before the third anniversary of the Initial Issue Date, the period from and including the Initial Issue Date, and (ii) after the third anniversary of the Initial Issue Date, any period of 36 consecutive months commencing on or after the Initial Issue Date.

A **Negative Rating Event** shall be deemed to have occurred in respect of a Relevant Event if there are no Rated Securities at the date of the Relevant Event and either:

(a) the Issuer and/or the Guarantor do not, either prior to or not later than 21 days after the Relevant Event occurs, seek and thereafter through the Relevant Event Period use all reasonable endeavours to obtain, a rating of the Notes or any other Rateable Debt from a Rating Agency; or

(b) if the Issuer and/or the Guarantor does so seek and use such endeavours, they are unable to obtain a rating of the Notes or any other Rateable Debt from a Rating Agency of an Investment Grade Rating.

Public Announcement means the date of the Relevant Event Notice or, in the case of a Change of Control Event, any earlier date on which a public announcement or statement is made by the Guarantor, any actual or potential bidder or any adviser thereto relating to any potential Change of Control Event where within 180 days following the date of such announcement or statement, a Change of Control Event occurs.

Rateable Debt means any unsecured and unsubordinated debt of the Issuer guaranteed by the Guarantor having an initial maturity of five years or more.

Rated Securities means the Notes, if and for so long as they shall have a Rating, and otherwise any Rateable Debt which is Rated.

Rating means a long-term credit rating ascribed by a Rating Agency at the request (or with the consent of) the Guarantor and **Rated** shall be construed accordingly.

Rating Agency means any of (a) Fitch Ratings Limited, (b) Moody's Investors Service, Inc., (c) Standard & Poor's Credit Market Services Europe Limited, and (d) any other rating agency of similar international standing and (in each case) their respective affiliates and successors and Rating Agencies shall be construed accordingly.

A **Rating Downgrade** shall be deemed to have occurred in respect of the Relevant Event, if there are Rated Securities at the date of the Relevant Event and:

(a) in circumstances where the Rated Securities are assigned an Investment Grade Rating by at least one Rating Agency, an Investment Grade Rating assigned to the Rated Securities by a Rating Agency is withdrawn or reduced to a Rating below an Investment Grade Rating; or

(b) in circumstances where the Rated Securities are not assigned an Investment Grade Rating by at least one Rating Agency, a Rating by one of the Rating Agencies is lowered one full rating notch (for example, Ba1 to Ba2 by Moody's or BB+ to BB by Standard & Poor's or Fitch),

provided that a Rating Downgrade otherwise arising by virtue of a particular reduction in Rating shall not be deemed to have occurred in respect of a particular Relevant Event if the Rating Agency making the reduction in Rating to which this definition would otherwise apply does not announce or publicly confirm, or inform the Issuer, the Guarantor or the Trustee in writing, that the reduction was, in whole or in part, the result of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Relevant Event (whether or not the applicable Relevant Event shall have occurred at the time of the Rating Downgrade).

Related Fund in relation to a fund (the **first fund**), means:

(a) a fund which is managed or advised by the same investment manager or investment adviser as the first fund; or

(b) if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

Relevant Event means any one or more Material Licence Event, Material Disposal Event and/or Change of Control Event in each case if specified as applicable in the applicable Final Terms and a Relevant Event shall be deemed to have occurred if any such Relevant Event is deemed to have occurred.

Relevant Event Period means:

(a) if at the time the Relevant Event occurs there are Rated Securities, the period beginning on and including the date of the relevant Public Announcement and ending on the date falling 90 days after the Relevant Event occurs; or

(b) if at the time the Relevant Event occurs there are no Rated Securities, the period beginning on and including the date on which the Relevant Event occurs and ending on the date falling 90 days after the later of (i) the date on which the Issuer or the Guarantor seeks to obtain a rating as contemplated in the definition of Negative Rating Event prior to the expiry of the 21 days referred to in that definition, and (ii) the date of the relevant Public Announcement,

or, in the case of either (a) or (b) above, such longer period in which the Rated Security are under consideration (such consideration having been announced publicly within the first mentioned 90 day period) for rating review or, as the case may be, rating by any Rating Agency.

Relevant Licence means, from time to time, any licence(s) or other authorisation(s) granted to members of the Group which means that the activity of natural gas distribution and/or transmission cannot be carried on by such member of the Group without such licence, exemption, permission or other authorisation.

Relevant Licence Percentage means, in relation to a Loss of Relevant Licence, the ratio of (a) the aggregate EBITDA associated with such Relevant Licence to (b) the aggregate EBITDA of the Group, expressed as a percentage.

6.6 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9.1 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price of the first Tranche of the Series, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price of the first Tranche of the Series, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^{y}$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360 day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360), or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360), or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

6.7 **Purchases**

The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent for cancellation.

6.8 **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.7 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.9 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.5 above or upon its becoming due and repayable as provided in Condition 9.1 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.6(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) presented for payment in the Netherlands or the Kingdom of Spain; or

(b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*Payments - Payment Day*)).

As used herein:

(i) **Tax Jurisdiction** means the Netherlands or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the

Issuer) or the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Guarantor); and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (*Notices*).

8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 (*Payments - Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Payments - Presentation of definitive Notes and Coupons*).

9. EVENTS OF DEFAULT AND ENFORCEMENT

9.1 Events of Default

The Trustee at its sole discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) (but in the case of the happening of any of the events described in paragraphs (b) and (f) inclusive below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its sole opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall occur:

(a) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or

(b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Conditions or the Guarantee or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 60 days next following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or

(c) (i) any Financial Indebtedness of the Issuer, the Guarantor or any Material Subsidiary is not paid when due or, as the case may be, within any originally applicable grace period;

(ii) any Financial Indebtedness of the Issuer, the Guarantor or any Material Subsidiary is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of non-payment or an event of default (however described); and

(iii) any commitment for any Financial Indebtedness of the Issuer, the Guarantor or any Material Subsidiary is cancelled or suspended by a creditor of the Issuer, the Guarantor or any Material Subsidiary as a result of an event of default (however described).

No Event of Default shall occur under this provision if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within sub-paragraphs (i) to (iii) above is less than the higher of €35,000,000 or 1.5% of the Group's Total Assets (or its equivalent in any other currency or currencies).

(d) if any order is made by any competent court or resolution passed for the winding up, dissolution, insolvency or any analogous event of the Issuer, the Guarantor or any of its Material Subsidiaries (otherwise than for the purposes of or pursuant to an amalgamation, re-organisation, or restructuring while solvent) provided that no Event of Default shall occur if:

    (i) any frivolous or vexatious winding-up petition is discharged, stayed or dismissed within 90 days of its commencements; or

    (ii) in respect of an attachment or enforcement over assets, the aggregate value exceeds €5,000,000 (or its equivalent in any other currency or currencies);

(e) if one or more judgment(s) or order(s) for the payment of any amount is rendered against the Issuer, the Guarantor or any of their respective Material Subsidiaries (if any) for any amount in excess of €5,000,000 (or its equivalent in any other currency or currencies) and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(f) if it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under or in respect of the Notes or the Trust Deed; or

(g) if any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes and the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable, and (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of England and the Kingdom of Spain, is not taken, fulfilled or done; or

(h) if the Issuer, the Guarantor or any of its Material Subsidiaries ceases to carry on the whole or a substantial part of its business, save for the purposes of a Permitted Reorganisation; or

(i) if the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect; or

(j) if all or a material part of the assets owned by the Group is nationalised or compulsorily acquired by the Kingdom of Spain or any subdivision thereof.

9.2 **Enforcement**

The Trustee may at any time, at its sole discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and the failure shall be continuing.

9.3 **Definitions**

For the purposes of the Conditions:

Accounting Principles means generally accepted accounting principles in The Kingdom of Spain or the Netherlands, as applicable.

Financial Indebtedness means (without double counting) any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of finance leases;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement) required by Accounting Principles to be treated as a borrowing;

(g) any counter indemnity obligation in respect of any guarantee, indemnity, bond, standby or documentary letter of credit or other instrument issued by a bank or financial institution;

(h) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and

(i) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (i)(h) above,

but in each case excluding:

(i) any such amounts constituting obligations owed by a member of the Group to any other member of the Group;

(ii) any such amounts constituting indebtedness that is, or is expressed on its terms to be subordinated to, and ranks in order of priority below, the obligations of the Issuer under the Notes or the obligations of the Guarantor under the Guarantee and any other Financial Indebtedness that ranks equally and rateably with the Notes or the Guarantee (as applicable); and

(iii) any such amounts in respect of the On-Loan Agreements.

Group's Total Assets means, the Group's total assets as measured by its most recent audited consolidated annual accounts.

Material Subsidiary means any majority owned or wholly owned subsidiary of the Guarantor, the EBITDA of which (consolidated where that subsidiary itself has subsidiaries) accounts for more than 5% or more of the consolidated EBITDA of the Group.

On-Loan Agreements means the on-loan agreements entered into from time to time between the Issuer and the Guarantor pursuant to which the proceeds of the Notes will be advanced to the Guarantor and repayments of principal, payments of interest and additional amounts will be made to the Issuer on terms sufficient to enable the Issuer to meet its obligations under the Notes.

Permitted Reorganisation means the solvent liquidation or reorganisation of any member of the Group (other than the Guarantor) (a) to the extent required under applicable law (b) effected to separate the distribution and transmission businesses of the Group into separate sub-groups or (c) for the purpose of the organisational efficiency of the Group.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be an Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*Payments – General provisions applicable to payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. While any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the

Notes, the Coupons or any of the provisions of the Trust Deed or the Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes Basic Terms Modifications (as defined in the Trust Deed) of the Notes or the Coupons or the Trust Deed, the quorum shall be one or more persons holding or representing not less than two thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification other than a Basic Terms Modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Agency Agreement or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the sole opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of another company, being a Subsidiary of the Guarantor, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Guarantor, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, and (c) certain other conditions set out in the Trust Deed being complied with.

15. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Issuer, the Guarantor and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The Trust Deed (save for the status of the Guarantee), the Agency Agreement, the Notes, the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and construed in accordance with, English law. The status of the Guarantee shall be governed by, and construed in accordance with, Spanish law.

18.2 Submission to jurisdiction

(a) Subject to Condition 18.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 18.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, the Trustee, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

18.3 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

18.4 Other documents and the Guarantor

The Issuer and, where applicable, the Guarantor have in the Trust Deed and the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be on lent to the Group to be used for general corporate purposes, including, among others, (i) the payment of investments and ordinary expenses and taxes of the Group; (ii) the repayment of amounts drawn under the bank facilities; and (iii) the payment of dividends.

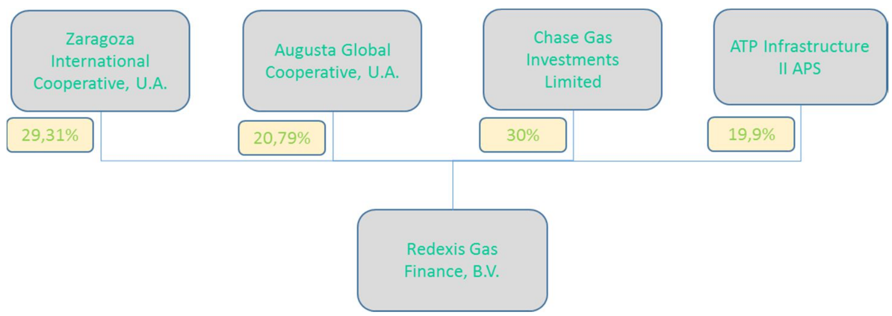
DESCRIPTION OF THE ISSUER

General information

Redexis Gas Finance B.V. (the **Issuer**), a subsidiary of Zaragoza International Cooperative U.A., Augusta Global Cooperative U.A., Chase Gas Investments Limited and ATP Infrastructure II APS (the **Redexis Gas Shareholders**), was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) on 10 March 2014 under the laws of the Netherlands. The registered office of Redexis Gas Finance B.V. is at Strawinskylaan 3127, 8e verdieping, 1077 ZX Amsterdam, the Netherlands, with telephone number +31 88 560 9950. The Issuer has its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands, and is registered in the Commercial Register at the Chamber of Commerce under number 60182733. The Issuer was incorporated for an indefinite period. The Issuer only prepares non-consolidated annual financial statements and does not prepare or publish interim financial statements.

Share capital and major shareholders

The Issuer's issued and fully paid-up share capital is €1,000, divided into 1,000 ordinary shares of one euro each. The whole of the issued and paid-up share capital of the Issuer is owned by the Redexis Gas Shareholders.



The Redexis Gas Shareholders are investment vehicles Zaragoza International Cooperative, U.A. and Augusta Cooperative, U.A., owned by GS Global Infrastructure Partners II L.P. and GS International Infrastructure Partners II L.P. (together **GSIP**), investment vehicle ATP Infrastructure II APS owned by Arbejdsmarkedets Tillægspension (**ATP**) and investment vehicle Chase Gas Investments Limited owned by Universities Superannuation Scheme Limited (**USS**).

GSIP, the majority shareholder, is part of a series of funds managed by Goldman Sachs & Co. LLC and its affiliates to make investments in infrastructure and infrastructure-related assets and companies. GSIP was raised in 2010 with U.S.$3.1 billion of commitments. Goldman Sachs & Co. LLC has extensive experience of managing similar core infrastructure assets with other investments to date including DONG Energy (Denmark), Elenia (Finland), Japan Renewable Energy (Japan), Metropistas (Puerto Rico) and Red de Carreteras de Occidente (Mexico).

ATP is Denmark's largest pension and social security provider and one of Europe's largest pension providers, with more than €100 billion of assets under management invested in bonds, equities, real estate and infrastructure assets, among others.

USS was established in 1975 as the principal pension scheme for universities and higher education institutions in the UK. It has approximately 375,000 scheme members across more than 360 institutions and is one of the largest pension schemes in the UK, with total fund assets of approximately €67 billion (as of May 2017).

Business

The Issuer is a finance company which is authorised to raise funds by issuing debt instruments in the capital and money markets as well as to raise funds in the bank market. The net proceeds from the issuance of these instruments will be used to prepay capital expenditure facilities and for the general corporate purposes of the Group. The Issuer is dependent on Redexis Gas to service its obligations under these instruments.

Material contracts

The material contracts entered into by the Issuer (other than in its ordinary course of business) which are relevant to its ability to meet its obligations in respect of the Programme are the Programme Agreement and the Agency Agreement.

Management

The members of the Issuer's board of directors (the **Board of Directors**) are detailed in the following table:

Name	Function	Principal activities outside the Issuer
J. L. de Zwart	Director	Director of Zaragoza International Coöperatieve U.A
David Folgado Delgado	Director	CFO of Redexis Gas, S.A. and independent member of the board of directors of Secuoya Grupo de Comunicación.
Marcus Hubertus Gertrudis Vennekens	Director	Director of Augusta Global Coöperatieve U.A.

The business address of each member of the Board of Directors is Strawinskylaan 3127, 8e verdieping, 1077 ZX Amsterdam, the Netherlands.

No conflict of interest has been notified to the Issuer between the duties of the members of the Board of Directors and their private interests or other duties. None of the members of the Board of Directors performs any activities outside the Issuer that are significant with respect to the Issuer.

DESCRIPTION OF THE GUARANTOR

General information

Redexis Gas, S.A. (**Redexis Gas** or the **Guarantor**) was incorporated with limited liability under Spanish law in Madrid on 6 April 2000 under the name of Nubia 2000, S.L., (subsequently Endesa Gas T&D, S.L.) and adopted its current name in 2013. Redexis Gas was converted from a *sociedad limitada* to a *sociedad anónima* on 14 March 2014. The registered office of Redexis Gas is at Calle Mahonia 2, Madrid, with telephone number +34 91 277 7985. Redexis Gas is registered at the Commercial Registry of Madrid with tax registration number A82625021.

Share capital and major shareholders

The current share capital of Redexis Gas is one hundred million Euros (€100,000,000) divided into ten million (10,000,000) shares, each having a par value of ten Euros (€10). The share capital is fully paid up, issued and is owned by the Redexis Gas Shareholders.

The Guarantor's Shareholders are investment vehicles (i) Zaragoza International Cooperative, U.A., (ii) Augusta Cooperative, U.A., both owned by GSIP, (iii) investment vehicle Chase Gas Investments Limited owned by USS and (iv) investment vehicle ATP Infrastructure II APS owned by ATP.

GSIP, the majority shareholder in the Guarantor, is part of a series of funds managed by Goldman Sachs & Co. LLC and its affiliates to make investments in infrastructure and infrastructure-related assets and companies. GSIP was raised in 2010 with U.S.$3.1 billion of commitments. Goldman Sachs & Co. LLC has extensive experience of managing similar core infrastructure assets with other investments to date including DONG Energy (Denmark), Elenia (Finland), Japan Renewable Energy (Japan), Metropistas (Puerto Rico) and Red de Carreteras de Occidente (Mexico).

ATP is Denmark’s largest pension and social security provider and one of Europe’s largest pension providers, with more than €100 billion of assets under management invested in bonds, equities, real estate and infrastructure assets, among others.

USS was established in 1975 as the principal pension scheme for universities and higher education institutions in the UK. It has approximately 375,000 scheme members across more than 360 institutions and is one of the largest pension schemes in the UK, with total fund assets of approximately €67 billion (as of May 2017).

Recent Developments and Key Milestones for the Group

Potential new issuance

On 17 November 2017, it was announced that the Issuer was considering a potential issuance of up to €250million in principal amount of Notes under the Programme, with proceeds to be used for general corporate purposes, including, among others, (i) the payment of investments and ordinary expenses and taxes of the Group; (ii) the repayment of amounts drawn under the bank facilities; and (iii) the payment of dividends. Following this announcement, S&P announced that it had downgraded the long term credit rating of Redexis Gas to from BBB to BBB- (stable outlook) and Fitch placed each of the long term credit ratings of Redexis Gas (BBB-) and Redexis Gas Finance (BBB) on rating watch negative.

Acquisition of 18.8% of the Issuer and the Guarantor by USS and ATP

On 28 May 2017, USS, ATP and GSIP entered into a purchase agreement by virtue of which ATP and USS restructured their indirect interests and increased their stakes in the Issuer and the Guarantor (the **2017 Restructuring**). As a result of the 2017 Restructuring: (i) ATP held an approximate 14.45% interest in the Issuer and the Guarantor, and (ii) USS held an approximate 16.6589% interest in the Issuer and the Guarantor.

In addition: (i) ATP acquired 5.4522% of the share capital in each of the Issuer and the Guarantor; and (ii) USS acquired 13.3411% of the share capital in each of the Issuer and the Guarantor.

Following completion of the 2017 Restructuring, as at the date of this Base Prospectus (i) the investment vehicles owned by GSIP own 50.10% of the share capital in the Issuer and Guarantor; (ii) the investment vehicle owned by USS owns 30.00% of the share capital in the Issuer and Guarantor; and (iii) the investment vehicle owned by ATP owns 19.90% of the share capital in the Issuer and Guarantor.

Acquisition of LPG connection points from Repsol Butano, S.A.

During 2015 and 2016, the Guarantor acquired a total of approximately 75,000 piped LPG connection points from Repsol Butano, S.A. (**Repsol**) (the **Repsol Acquisition**) in the ten autonomous communities where the Guarantor operates. The acquisitions, valued at €142 million, are linked to a medium-term LPG supply agreement entered into with Repsol. The total 75,000 LPG connection points have added more than 700 kilometres to the Group's distribution network.

Acquisition of LPG connection points from Cepsa Comercial Petróleo, S.A.U.

In December 2016, Redexis Gas acquired 4,696 piped LPG connection points and 222 installations from Cepsa Comercial Petróleo, S.A.U. (**Cepsa**) in the seven autonomous communities in which the Guarantor operates (the **Cepsa Acquisition**). The assets acquired are expected to be operational within the business of Redexis Gas by the end of 2017.

*Acquisition of Redexis Gas Murcia (**RGM**)*

Redexis Gas entered into a share purchase agreement dated 16 December 2014 (the **Acquisition Agreement**) with Naturgas Energía Distribución S.A. (a member of the EDP Group) (**NED**) in order to acquire 99.98% of the share capital of Gas Energía Distribución Murcia, S.A. (now known as Redexis Gas Murcia, S.A.) (the **RGM Acquisition**). The Acquisition Agreement included the acquisition of a credit right arising from the termination of an intra-group cash pooling agreement entered into between NED, as lender, and RGM, as borrower on 1 October 2014, for the granting of a credit facility up to a maximum amount of €65 million. The RGM Acquisition was completed on 30 January 2015, having obtained the relevant regulatory approvals.

As of 31 December 2014, RGM owned 88,201 distribution connection points, distributed gas in 22 municipalities in the Region of Murcia through 2,058 kilometres of gas distribution pipelines, and owned a 65 kilometre gas transmission pipeline.

Acquisition of additional distribution assets from NED

In December 2014 Redexis Gas agreed to acquire additional natural gas distribution assets in four other Spanish regions (Catalonia, Extremadura, Region of Madrid and Castile-Leon) from NED, as well as two additional locations in the Regional Murcia region, being San Pedro del Pinatar and San Javier. The acquisition was completed in June 2015, having obtained the relevant regulatory approvals.

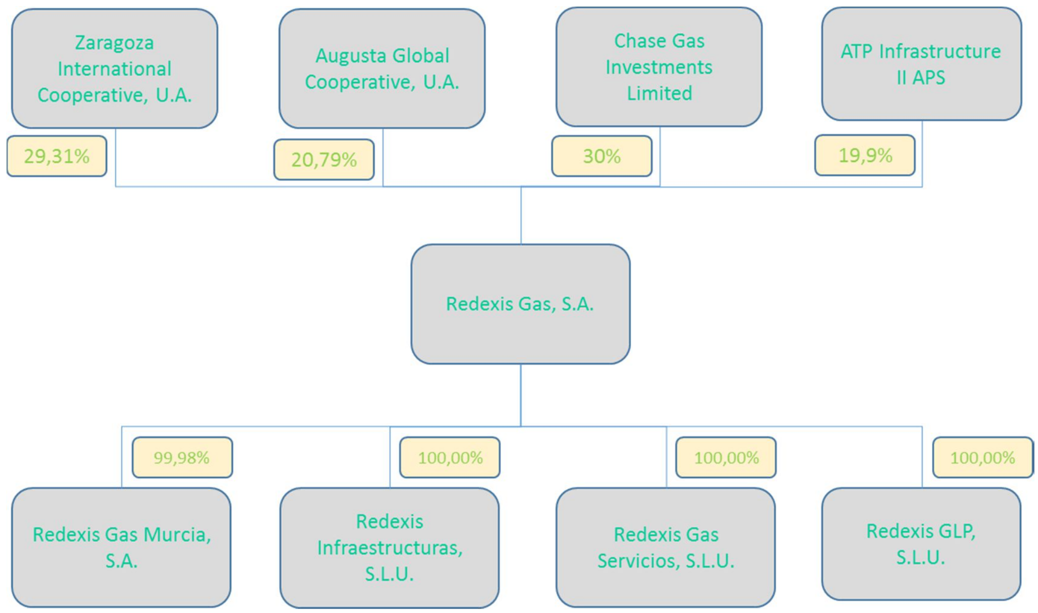
Group's corporate reorganisation

On 27 February 2015, Redexis Gas completed an internal reorganisation, merging its subsidiary companies into Redexis Gas which now directly carries out the operating business of transmission and distribution of natural gas (the **Corporate Reorganisation**). The underlying aim of the merger was to simplify the Group's structure with a view to improving management efficiency. The business activities of the merged subsidiaries are deemed to have been assumed by Redexis Gas as of 1 January 2014.

The subsidiary companies (all of which were wholly owned (directly or indirectly) by Redexis Gas) absorbed into Redexis Gas were: (i) Redexis Gas Aragón, S.A.U.; (ii) Redexis Gas Baleares, S.A.U.; (iii) Distribuidora Regional del Gas, S.A.U.; (iv) Redexis Gas Distribución, S.A.U.; (v) Redexis Gas Transporte, S.L.U.; and (vi) Transportista Regional del Gas, S.A.

Additionally, in May 2015, due to regulatory requirements, the primary transmission activity of the Group was spun-off from Redexis Gas, S.A to Redexis Infraestructuras, S.L.U. and it is anticipated, due to further regulatory requirements, that the next spin-off will be from Redexis Gas, S.A to Redexis GLP, S.L.U. in respect of the LPG assets which may not, in the short term (i.e. within 12 – 18 months), be transformed into natural gas.

As at the date of this Base Prospectus, the new corporate structure of the Group is as follows:



BUSINESS OVERVIEW

Introduction

Redexis Gas is a leading company in gas distribution and transmission, as well as 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. Spain is a country with a low penetration rate for natural gas and LPG compared to its European peers (Source: CNMC Report IS/DE/007/17, dated on 12 September 2017).

Redexis Gas operates under a stable, supportive and transparent regulatory framework, which provides long-term visibility for the Group, while incentivising growth and operational outperformance. The majority of Redexis Gas' revenues are regulated.

The Group's strategy is to continue expanding its network to create additional value in the regions where it operates. As of 30 June 2017, Redexis Gas provided its services to 636,127 connection points throughout Spain and managed a gas distribution and transmission network spanning 9,655 kilometres.

Redexis Gas has licences to operate in 574 municipalities across 31 provinces of the regions of Aragon, Andalusia, the Balearic Islands, the Canary Islands, Castile and Leon, Castile-La Mancha, Valencia, Madrid, Murcia, Catalonia and Extremadura in Spain.

The key features of the Group are as follows:

- 94% of the Group's revenues are generated by its regulated activities which benefit from a new regulatory framework which is viewed as long-term, and as being more predictable and sustainable. The Group receives the majority of revenues from a mix of regulated income streams consisting of transmission income (regulated by formula), distribution income (regulated by formula) and regulated income streams ancillary to the distribution business providing for a diversified and stable revenue platform.
- The Group has increased the scale of its regulated activities, not only through the recent LPG acquisitions as described above in the section "*Recent Developments and Key Milestones for the Group*", but also through successful organic growth in relation to both distribution and transmission assets and is well above average growth in the sector. In this regard, the Group's goals are to achieve continued organic growth with respect to distribution and continued development in its transmission activities over the coming years.

- The Group is geographically diversified by region between urban and rural areas and core revenue streams are generated by serving both domestic and industrial customers.
- The Group benefits from strong gas market fundamentals supporting both industrial and residential gas demand growth. This growth is underpinned both by the fact that gas penetration in Spain was at 30% in 2016 as compared with other European countries such as Italy which showed 82% growth despite relatively similar weather conditions (source: Spanish Association of Gas (Asociación Española del Gas, Sedigas) "*Año gasista 2016 y Perspectivas 2017"* report – March 2017) and by the fact that gas is considered to be one of the most efficient energy sources.
- The Group has one of the newest asset bases in the Spanish gas sector with corresponding lower associated maintenance and operating expenditure requirements.
- The Group is managed operationally by region with long serving operational managers. Strategy is set by the management team with focus on the implementation of best practices across all regions.
- The Group continuously seeks to work with contractors, operators and maintenance companies of the highest calibre to ensure quality is maintained across its businesses. In addition, the Group believes that it has a good record of capturing cost efficiencies in network construction and maintenance.
- One of the main focuses of the Group is to improve on a continuous basis, throughout its entire business, the quality and safety of its facilities and of the services it provides.
- The Group uses artificial intelligence algorithms to increase the capture of connection points and optimise network deployment.
- The Group is aware of the need to contribute to dealing with the challenges of today's society and has in place a 'Health and Safety and Environmental Policy', which is applicable to the entire Group.
- The Group has updated its Integrated Management System on Health, Safety & the Environment and has created a prevention system for Redexis Gas. This modification of the System has been audited, maintaining the ISO 14.001:2.004 Standard certification and the OHSAS 18.001:2007 certification.
- The Group voluntarily adopts corporate governance measures, has an internal code of conduct that ensures regulatory compliance and has a protocol to report any irregular behaviour from a regulatory perspective.
- Redexis Gas supports the 'Ten Principles' of the United Nations Global Compact, in line with the new framework adopted by world leaders in September 2015, including the 17 'Sustainable Development Goals' (**SDG**) and associated 169 targets under the SDGs.
- Redexis Gas has a diversified and flexible capital structure tailored to create value and to support its growth strategy. Throughout recent years, the Group has demonstrated its ability to access the capital markets through two issuances of investment grade senior unsecured bonds in 2014 and 2015 for an amount of €650 million and €250 million, maturing in 2021 and 2027, respectively, and the funding of a bank loan for an amount of €300 million (maturing in 2019), of which €30 million was drawn down in 2016.
- In December 2015, Redexis Gas signed a €160 million facility agreement with the European Investment Bank within the framework of the European Fund for Strategic Investments whose funds were drawn down in July 2016 in order to roll out transmission and distribution networks throughout the municipalities in which the Group operates. The loan will be repayable in 17 equal annual instalments between July 2020 and July 2036.
- The Group is eligible to participate in the Corporate Sector Purchase Programme (**CSPP**) announced by the European Central Bank. On 18 July 2016, the Bank of Spain announced that Redexis Gas was among certain Spanish companies with bonds purchased under the CSPP. The bonds purchased represented a portion of the bonds maturing in 2021 and in 2027 issued by the Issuer.
- In November 2017, Redexis Gas and nine financial national and international institutions entered into a bullet revolving facility agreement for an amount of € 300 million due 2022, extendable to 2024, for the refinancing needed to ensure its future strategy and capex requirements.

- The Group's senior unsecured bonds are rated BBB- by S&P and BBB (RWN) by Fitch with a stable outlook. Please see "*Recent Developments and Key Milestones of the Group* above. This investment grade rating reflects the credit strength of Redexis Gas' regulated activities and the prudent financial policies applied by the Group. On 7 November 2017, Redexis Gas announced that it has decided to terminate its relationship with Fitch and that it has requested that Fitch's solicited credit ratings for Redexis Gas and its debt obligations be withdrawn. The senior unsecured notes issued by the Issuer will continue to be rated by S&P on a solicited basis.

Key Milestones for Redexis Gas

The Group's strategy is oriented towards growth; a fundamental axis of its business management. In recent years, the key indicators of its business have continued to evolve positively. Increasing its presence in the municipalities where it is already present, as well as expanding its activity to new regions and municipalities in the Spanish territory are the basis of its growth strategy.

Redexis Gas' team has the ability to identify, acquire and integrate new assets and companies, as demonstrated by recent acquisitions.

As a consequence of the RGM Acquisition, Redexis Gas added approximately 114,000 connection points, 35 new municipalities and approximately 2,000 kilometres of pipelines to its gas distribution network. Likewise, with such acquisition, Redexis Gas added 65 kilometres of the "Moratalla – Mula" gas pipeline to its transmission network. The acquired assets complement Redexis Gas' diverse geographical footprint and made it a strong market participant in Murcia; a new region for the Redexis Gas with significant growth potential.

As a consequence of the Repsol Acquisition, in 2015 the Group acquired approximately 71,500 piped LPG connection points from Repsol, out of which 9,500 were integrated in the fourth quarter of 2015 and the rest during 2016. Additionally, in May 2016, Redexis Gas acquired an additional package of 3,500 connection points from Repsol, which were integrated into its portfolio in the second half of 2016. A total of approximately 75,000 connection points have added more than 700 kilometres to the Group's distribution network.

Additionally, the assets acquired in the Cepsa Acquisition are expected to be operational by late 2017.

These acquisitions have allowed Redexis Gas to accelerate its growth and provided a platform on which to increase its number of authorisations to distribute natural gas.

Key operating metrics

The following table sets out the operating metrics of the Group between the periods indicated:

Operating data	Unit	2015	2016	H1 2016	H1 2017
Connection points					
NG (P<4b)	#	522,066	544,348	531,799	555,502
LPG	#	15,691	81,166	70,900	80,359
NG (P>4b)	#	235	253	245	266
Total CPs[2]	#	**537,992**	**625,767**	**602,944**	**636,127**
Organic growth[3]	#	18,351	22,584	9,056	10,880
Acquisition	#	123,108	65,191	55,896	18
LPG conversion	#	**239**	**556**	**542**	**984**
Provinces served	#	**26**	**27**	**26**	**27**
Municipalities served[4]	#	**243**	**484**	**449**	**484**
Network length					
Distribution network	Km	6,784	7,789	7,324	8,024
Transmission network[5]	Km	1,554	1,622	1,604	1,631
Network length	Km	**8,338**	**9,411**	**8,928**	**9,655**
Energy distributed					
P<4b	GWh	5,118	5,525	3,178	3,193
LPG	GWh	52	253	80	240
4b<P<60b	GWh	5,281	5,135	2,701	3,.003
P>60b	GWh	17,994	15,114	6,592	8,446
Energy distributed	GWh	**28,446**	**26,026**	**12,551**	**14,882**

Group Activities

As described below, the Group's activities consist of transmission and distribution of natural gas as well as a series of other related services such as those ancillary to the distribution network or the sale of LPG.

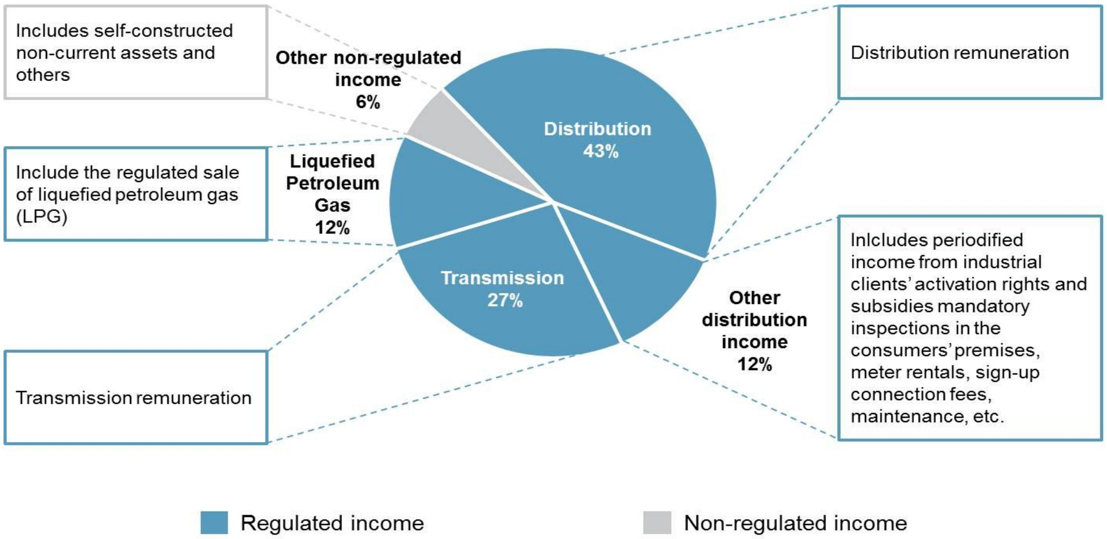
As of 30 June 2017, more than 94% of the Group's revenue derived from regulated business underpinned by statutorily defined remuneration mechanisms and 6% were non-regulated. The following chart provides a brief explanation of the Group's services and a breakdown of the percentage of the Group revenues, as of 30 June 2017:

[2] Total connection points in 2014 were 396,533

[3] Organic growth in 2014 was 12,365. Total Gross activations (excl acquisition) were 19,900; 28,405; 33,914 in 2014, 2015 and 2016, respectively; and 14,905 and 17,607 in H1 2016 and H1 2017, respectively. The number of contracts were 15,629; 24,448; 32,859 in 2014, 2015 and 2016, respectively; and 15,274 and 23,910 in H1 2016 and H1 2017, respectively

[4] Municipalities served in 2014 were 193

[5] Transmission and Distribution network length in 2014 was 1,434 km and 4,439 km, respectively



For further detail on what these activities entail and the remuneration thereunder see section "*Regulation of the Spanish Gas Sector*".

Overview financial information

The table below includes a summary of the consolidated income statements of the Group and the percentage change from period to period for the periods indicated.

P&L	2015	2016	%	H1 2016	H1 2017	%
	(audited)			(unaudited)		
(Data in €million unless otherwise stated)						
Distribution – regulated	92.3	98.0	6.2 %	48.3	49.7	2.9 %
Other regulated distribution income	21.5	25.2	17.2%	10.5	13.5	28.6 %
Transmission - regulated	58.6	61.5	4.9 %	30.6	30.8	0.7%
LPG regulated business	2.8	12.9	-	3.8	14.0	-
Other operating income	3.2	3.9	21.9 %	2.0	1.6	(20.0) %
Self-constructed non-current assets	9.4	10.2	8.5%	4.7	5.1	8.5 %
Total Revenue and Other Income[6]	**187.8**	**211.7**	**12.7 %**	**99.9**	**114.7**	**14.8 %**
Supplies	(3.7)	(8.1)	118.9 %	(3.1)	(9.3)	-
Salaries and wages	(18.0)	(18.4)	2.2 %	(8.5)	(9.0)	5.9 %
Other employee benefits	(4.1)	(4.3)	4.9 %	(2.0)	(2.4)	20.0 %
Personnel expenses	(22.1)	(22.7)	2.7 %	(10.5)	(11.5)	9.5 %
Other operating expenses	(26.0)	(23.8)	(8.5) %	(11.6)	(13.5)	16.4 %
EBITDA[7]	**136.0**	**157.1**	**15.5 %**	**74.8**	**80.4**	**7.6 %**
EBITDA Margin	*72.4%*	*74.2%*	*1.8pp*	*74.8%*	*70.1%*	*(4.7)pp*
EBITDA Margin Exc. LPG dilution	*73.2%*	*76.7%*	*3.5pp*	*76.6%*	*75.9%*	*(0.7)pp*
Depreciation and Amortisation	(57.8)	(69.8)	20.8 %	(33.3)	(36.5)	9.6 %
Impairment losses_gains on non-current assets	-	(0.9)	-	(0.2)	(0.1)	(50.0) %
Non-recurrent adjustment to transmission revenue from prior years	(1.6)	(0.4)	(75) %	-	-	-
Non-recurrent workforce restructuring	(3.4)	(2.0)	(41.2) %	(1.8)	-	-
Other non-recurrent operating expenses	-	(1.2)	-	-	(1.8)	-
EBIT	**73.1**	**82.8**	**13.3 %**	**39.4**	**42.0**	**6.6 %**
Finance income	0.2	0.3	50.0 %	0.1	0.3	200.0 %
Finance costs	(25.0)	(28.9)	15.6 %	(13.2)	(14.0)	6.1 %
Net financial result	(24.8)	(28.5)	14.9%	(13.1)	(13.7)	4.6 %
EBT	**48.3**	**54.3**	**12.4 %**	**26.4**	**28.3**	**7.2 %**
Income tax	(13.9)	(5.6)	(59.7) %	(6.5)	(6.4)	(1.5 %)
Net result for the period	**34.4**	**48.7**	**41.6%**	**19.8**	**21.9**	**10.6 %**

The table below includes the capital expenditure of the Group and the percentage change from period to period for the periods indicated.

Capex	2015	2016	%	H1 2016	H1 2017	%
	(audited)			(unaudited)		
(Data in € million)						
Distribution	72.0	83.5	16.0 %	35.6	54.2	52.2 %
Transmission	47.0	5.5	(88.3) %	5.4	3.3	(38.9) %
Intangible assets	6.0	5.5	(8.3) %	1.9	1.3	(31.6) %
Acquisition of Redexis Gas Murcia and additional assets	240.6	-	-	-	-	-
Redexis Gas Murcia	189.5	-	-	-	-	-
Additional assets	51.1	-	-	-	-	-
LPG points purchase	21.1	126.7	-	118.5	-	-
Total Capex	**386.6**	**221.1**	**(42.8) %**	**161.4**	**58.7**	**(63.6) %**

[6] Total Revenue and other Income figure for 2014 was 158.3

[7] EBITDA figure for 2014 was €115.9 million. The EBITDA margin was 73.2% and EBITDA Margin Exc. LPG dilution was 74.3% for 2014.

The table below includes the reconciliation of EBITDA to Profit before income tax and the percentage change from period to period for the periods indicated.

Reconciliation of EBITDA	**2015**	**2016**	**%**	**H1 2016**	**H1 2017**	**%**
	(audited)			(unaudited)		
(Data in € million)						
Profit before income tax	48.3	54.3	12.4 %	26.4	28.3	7.2 %
Net Finance Cost	24.8	28.5	14.9 %	13.0	13.7	5.4 %
Amortisation and Depreciation	57.8	69.8	20.8 %	33.3	36.5	9.6 %
Exceptional Items (One-Off)	5.0	3.6	(28.0) %	1.8	1.8	-
Non-recurrent adjustment to transmission revenue from prior years	1.6	0.4	(75.0 %)	-	-	-
Non-recurrent workforce restructuring	3.4	2.0	(41.2 %)	1.8	-	-
Other non-recurrent operating expenses	-	1.2	-	-	1.8	-
Impairment losses_gains on non-current assets	-	0.9	-	0.2	0.1	(50.0) %
EBITDA	**136.0**	**157.1**	**15.5 %**	**74.8**	**80.4**	**7.5 %**

The table below includes a summary of the consolidated cash flow of the Group and the percentage change from period to period for the periods indicated.

Cash Flow	2015	2016	%	H1 2016	H1 2017	%
	(audited)			(unaudited)		
(Data in € million)						
Earnings before tax (EBT)	**48.3**	**54.3**	**12.4 %**	**26.4**	**28.3**	**7.2 %**
Adjustment for:						
Depreciation and amortisation	57.8	69.8	20.8 %	33.3	36.5	9.6 %
Impairment losses on non-current assets	-	0.9	-	0.2	0.1	(50.0) %
Change in provisions	(1.0)	(1.5)	50.0 %	(0.1)	-	-
Government grants taken to income	(0.7)	(1.5)	114.3 %	(1.0)	(0.7)	(30.0) %
Financial income	(0.2)	(0.3)	50.0 %	(0.1)	(0.3)	-
Financial expenses	25.0	28.9	15.6 %	13.2	14.0	6.1 %
Other adjustment	1.9	-	-	-	-	-
Cash flow from operating activities	**131.2**	**150.5**	**14.7 %**	**71.9**	**77.9**	**8.3 %**
Net change in working capital	**4.7**	**(20.3)**	**-**	**(1.6)**	**20.5**	**-**
Cash flow from operations	**135.9**	**130.2**	**(4.2) %**	**70.3**	**98.4**	**40.0 %**
Interest and commissions paid	(21.3)	(25.9)	21.6 %	(23.6)	(23.3)	(1.3) %
Interest received	0.2	0.3	50.0 %	0.1	0.3	-
Income tax paid	(11.5)	(3.3)	(71.3) %	(0.5)	(1.4)	180.0 %
Net cash from operating activities	**103.3**	**101.3**	**(1.9) %**	**46,3**	**74.0**	**59.8 %**
Payments for acquisition of Redexis Gas Murcia	(189.5)	-	-	-	-	-
Payments for purchases of distribution and LPG assets in service	(72.1)	(124.5)	72.7 %	(118.5)	-	-
Current payments for acquisition of property, plant and equipment	(93.7)	(101.8)	8.6 %	(55.6)	(62.0)	11.5 %
Investing Cash Flow	**(355.3)**	**(226.3)**	**(36.3) %**	**(174.1)**	**(62.0)**	**(64.4) %**
Net Cash from financing activities						
Acquisition of financial assets	0.8	(16.2)	-	-	(0.1)	-
Proceeds / (Repayment) of loans - banks (BEI)	-	160.0	-	-	-	-
Proceeds / (Repayment) of loans - banks (Capex Facility)	(75.0)	30.0	(140.0) %	190.0	-	-
Proceeds from the issue of Notes	247.3	-	-	-	-	-
Dividend paid	(40.0)	(70.3)	75.8%	(70.3)	(0.4)	(99.4) %
Shareholders' contribution	100.0	-	-	-	-	-
Net cash from financing activities	**233.1**	**103.5**	**(55.6) %**	**119.7**	**(0.5)**	**(100.4) %**
Net increase / decrease in cash and cash equivalents	**(18.8)**	**(21.6)**	**14.9 %**	**(8.1)**	**11.5**	**-**
Cash and cash equivalents BOP	79.4	60.6	(23.7) %	60.6	39.0	(35.6) %
Cash and cash equivalents EOP	60.6	39.0	(35.6) %	52.5	50.5	(3.8) %

BUSINESS OPERATIONS

Introduction

Gas usage across Spain has historically been lower than the European average, driven by several reasons, including the absence of any source of natural gas, lack of connections to external gas sources and a relatively warm climate. Spain is now well connected to a range of gas supply sources (including six international interconnection points), and the Spanish government is supporting expansion of the gas network across the country. This is reflected in the established regulation that aims to align regional transmission licences to associated distribution revenues.

Redexis Gas operates in selected underpenetrated regions of Spain, making it well placed to benefit from potential growth in gas consumption. It is able to respond to regional demand through the provision of (i) primary and secondary transmission networks that connect the mesh grid to the distribution network and (ii) a distribution network that currently serves 484 municipalities across 27 provinces (as of 30 June 2017).

Geographical spread

The following table set out the transmission assets of Redexis Gas (as of 31 December 2016):

Regions	Transmission network		Gas pipelines	
	Assets (Km)	Projects	Assets	Projects
Andalusia	282	132	8	6
Aragon	559	-	15	-
Balearic Islands	181	23	5	2
Castile and León	358	-	15	-
Castile-La Mancha	73	10	2	1
Community of Valencia	103	-	3	-
Murcia	65	-	1	-
Total	**1,622**	**165**	**49**	**9**

Source: Redexis Gas

The following table set out the distribution assets of Redexis Gas (as of 31 December 2016):

Regions	Connection points	Distribution network (km)	Municipalities served
Andalusia	57,883	1,159	68
Aragon	239,405	2,020	203
Balearic Islands	115,438	1,037	37
Castile and Leon	43,502	712	73
Castile-La Mancha	12,454	200	32
Community of Valencia	19,150	357	25
Murcia	109,457	1,951	36
Extremadura	8,866	155	2
Madrid	3,712	49	4
Catalonia	15,900	149	4
Total	**625,767**	**7,789**	**484**

Source: Redexis Gas

Existing Network

The transmission and distribution network of Redexis Gas is at an early stage of development: more than 60% of the transmission network has been built in recent years and a significant proportion of the distribution network was constructed between 2005 and 2008. As a result, Redexis Gas only requires a limited investment in order both to maintain its asset base and strong safety ratios.

The transmission gas pipelines are built with steel pipes, a material often used in this type of infrastructure and capable of operating at high pressure, normally between 45 and 70 bar. Additionally, all pipes have a highly resistant polyethylene exterior coating, which together with other active elements helps to prevent corrosion and contributes towards extending their useful life.

75% of the transmission network is built with pipes with a diameter of between 10 and 12 inches, generating synergies in terms of maintenance, replacement works and acquisitions.

The distribution pipelines that connect the gas pipeline network with the consumption areas are usually built with steel when the pressure in the network exceeds 10 bar, and with polyethylene for equivalent or lower operating pressures.

Anti-corrosion protection techniques used by the main gas pipeline operators worldwide are applied to all steel networks of Redexis Gas, whether gas pipelines or distribution branches. The application techniques increase the useful life of the pipelines and notably reduces the need for repairs, particularly corrective maintenance. Additionally, the systematic use of highly durable and resistant plastic materials extends the useful life of the networks, and thus Redexis Gas does not foresee the need for the implementation of a long-term asset replacement programme.

Network Operation

Redexis Gas has a despatch and control centre from which it monitors all the key parameters that indicate the condition of its infrastructures, such as gas pressure, flow and temperature, as well as having remote access to the various facilities.

Both the primary and secondary transmission gas pipelines, as well as the individual points in the distribution network, are permanently monitored from the despatch and control centre which facilitates the effective management of the Group's network and optimises safety levels.

Network Expansion Programme

The Group makes substantial investments in the regions where it has a significant presence and where it has access to the greatest number of end users, businesses and industries, through its distribution networks.

The amount of investment required to expand the distribution network depends on the type of end-user connection to the network, which may be:

- New Households. New connection points of new residential developments.
- Vertical Distribution of Gas (Vertical Saturation). New connection points within a building connected to the Group's distribution network, which requires individual installation at the client's household.
- Horizontal Distribution Gas (Horizontal Saturation). New connection points in buildings not connected to the distribution network. This requires the installation of an electrical supply and other individual facilities for the gas supply to reach each client.
- Expansion of the Network. New connection points in neighbourhoods where there is no distribution network and which require the installation of infrastructure to supply gas to such connection points.
- Commercial/Industrial. New connection points for users within industrial or commercial premises that are not connected to the network.

The Group uses internal models to analyse each investment opportunity internally, and performs a series of tests. The Investment Committee then decides whether to approve such models on the basis of certain investment criteria.

In addition, Redexis Gas uses artificial intelligence algorithms to increase the capture of connection points and optimise network deployment.

- The Machine Learning Model identifies patterns to rank housing units within the Company's potential market according to propensity to contract.
    - The Machine Learning Model uses all available relevant internal and external data to come to conclusions regarding individual customers' propensity to switch to natural gas with the greatest degree of accuracy possible.
    - Such algorithms "learn" with every bit of additional information as they identify new hidden patterns.

- The Machine Learning Model thus identifies patterns among the characteristics of customers who contracted, or chose not to do so, in the recent past to infer the likely behaviour of potential customers in the target area.

- The network deployment methodology combines:
    - The use of advanced machine learning tools to prioritise the most responsive target markets.
    - Algorithms to optimize network design to reach the desired market.
    - Marginal profitability calculation.

As of the date of this Base Prospectus, the Group estimates that the accessible market of existing and potential users is 2,998 thousand housing units in municipalities authorised.

Operational Efficiency Programme

In operational terms, Redexis Gas focuses its innovation efforts on optimising and managing its assets in order to improve the quality and reliability of the natural gas supply on an ongoing basis, providing more efficient services and products that satisfy consumers' needs in a sustainable manner and ensuring an adequate level of staff knowledge in Redexis Gas for an optimal use of the technological environment.

Redexis Gas has continued to develop and use innovative technologies in order to carry out its projects; providing added value to its activities and distinguishing itself in the industry. Among the most significant initiatives are:

- Optimisation Projects which include, amongst others, an optimised trench width and a redesign of the LNG plants, which are adaptable according to the needs of size and penetration in each municipality.
- The use of a new polyethylene (resistant to stress) in the networks, which optimises the civil works and/or construction costs.
- The use of a new multi-layer material that reduces the costs relating to common reception facilities.

These innovative projects have assisted with:

- Optimising the design and construction of facilities across all business areas in order to respond to the demands of new customer bases, contributing to the expansion of the business to new municipalities.
- Implementing and introducing new technological solutions, improving the internal standards and becoming a benchmark for the rest of the sector.
- Installing and implementing more efficient new equipment and materials.
- Improving the operation and safety of facilities across all business areas.
- Ensuring compliance with safety regulations in all areas.

The change in the capex required per metre of network deployment has decreased by 19% between 2014 and H1 2017. The continuous improvements in the design and engineering of the Group's operations have resulted in savings of 10.4% and the strategic tendering initiatives have resulted in an additional 8.7% of savings.

Transmission

Redexis Gas constructs, operates and maintains its own transmission network, whereby it provides access to natural gas to millions of people. This network is formed by high-pressure gas pipelines, which transport natural gas from the primary network to industrial centres, electric plants or distribution networks, in accordance with relevant legal and regulatory requirements.

The Group's principal regional transmission projects are in the regions where it has a significant gas distribution business. The Group selects regional transmission capital expenditure projects based on the number of customers and gas demand it can access via its distribution network. Redexis Gas operates a transmission network of 1,631 kilometres formed by 50 pipelines, and has a number of prospective transmission projects which are expected to continue to grow its network.

This creates the potential for economic efficiencies and business synergies. As outlined in the table below, Redexis Gas has obtained authorisations from MINETAD and regional authorities to construct 345 kilometres of additional pipeline. Redexis Gas believes that this demonstrates the regulator's willingness to promote economically sustainable regional network development in spite of challenging economic conditions.

Execution authorisations	**Km**
2014	**152**
Huercal Overa-Baza-Guadix (Phase II)	52
Son Reus-Andratx	41
Elche-Monóvar-Algueña	59
2015	**53**
Son Reus-Inca-Alcudia	45
Cas Tresorer-Manacor-Felanitx (Phase I)	8
2016	**68**
Cas Tresorer-Manacor-Felanitx (Phase II)	51
Villanueva del Arzobispo-Castellar	17
2017 (as of 30 June)	**21**
Yeles-Seseña	9
Villacarrillo-Villanueva del Arzobispo	12

Redexis Gas has made steady progress in its transmission network roll out. During 2016, Redexis Gas obtained the commissioning certificate for two new gas pipelines that have added 68 kilometres to its transmission network.

In April 2016, the Group obtained the of commissioning certificate for stage II of the "Cas Tresorer-Manacor-Felanitx" gas pipeline (51 kilometres long) completing the project it started in late 2015. This gas pipeline, which is located in the Balearic Islands, has a total length of 59 kilometres and will provide access to natural gas to more than 140,000 inhabitants spread across a number of different municipalities.

In December 2016, the Group obtained certification for construction of the "Villanueva del Arzobispo - Castellar" pipeline (17 kilometres long) in the area of Jaen (Andalusia).

At the beginning of 2017, the Group initiated the roll-out of the "Yeles-Seseña" gas pipeline in Castile-La Mancha (9 kilometres long) which will provide natural gas to more than 5,200 citizens and businesses in the area, and will promote the development of new industrial projects.

Additionally, in February 2017, Redexis Gas obtained authorisation for the installation (*autorización de ejecución de instalación*) for the "Villacarrillo - Villanueva del Arzobispo" section of the pipeline in Andalusia, which entails the construction of 11 additional kilometres.

For further details on this see the section " *Overview of the Spanish natural gas sector and its* regulation – *Remuneration regime*".

In addition, the transmission business is also subject to a licensing regime which is described in the section " *Overview of the Spanish natural gas sector and its* regulation – *Authorisations and permits*".

Distribution

Redexis Gas also operates in the distribution phase for gas; the last stage of the process that culminates with the supply of gas to places of consumption, being residential households or industrial premises. Redexis Gas builds, operates and maintains the necessary facilities used to supply natural gas to different municipalities, and allows third parties (retailers and qualified customers) access to its networks, in exchange for the payment of regulatory tolls.

These distribution networks extend from the transmission network nodes, where the pressure is lower (16 bar or less) in the so-called Regulation and Metering Stations, to the end consumers. In cases where there is no gas pipeline coverage in the area, the distribution networks also extend from the LNG plants located in the perimeters of the urban centres for the purposes of carrying the supply from the LNG plants to end consumers.

As of 30 June 2017, the Group distributed natural gas and LPG in 484 municipalities in Spain (note that distribution of natural gas and LPG may co-exist in the same municipality), operated 8,024 kilometres of distribution network and 1,631 kilometres of transmission network, and operated 555,768 connection points of natural gas and 80,359 LPG connection points in Spain.

In addition, during the first half of 2017, Redexis Gas has continued to deliver on its growth plans, securing 24,000 new contracts; a 57% increase compared to the first half of 2016; providing 18,000 gross connection points. This performance reflects the implementation of a new expansion model based on advanced artificial intelligence tools and more efficient business processes. As part of its commitment to innovation, Redexis Gas is using newly developed computer algorithms in order to maximise natural gas penetration and efficient network deployment in the municipalities in which it operates.

In the last six months, the Group added approximately 11,000 net connection points from its continued organic growth, representing a 20% increase compared to the previous year.

Redexis Gas has strong growth prospects given its presence in autonomous communities with gas penetration rates that are below the Spanish average. Redexis Gas aims to pursue organic growth by expanding its network in existing and new municipalities, increasing both technical penetration and commercial saturation. In the first half of 2017, Redexis Gas expanded its natural gas networks to six new municipalities in the regions where it operates.

At the same time, the Group is focused on energy intensive industrial clients by implementing targeted offerings to capture new clients and increase the consumption of existing ones. Among others, Redexis Gas has successfully concluded gas supply with the following companies: Celvi (Andalucía), Fudepor (Murcia), El Limonar de Santomera (Murcia) and Cargill (Zaragoza).

The regulated remuneration regime for revenues generated by distribution also changed in 2014. For further details see the section " *Overview of the Spanish natural gas sector and its* regulation – *Remuneration regime*".

In addition, the distribution business is subject to a licensing regime which is described in the section " *Overview of the Spanish natural gas sector and its* regulation – *Authorisations and permits*".

Liquid Petroleum Gas

Within the framework of its piped gas distribution activity, Redexis Gas is also engaged in the distribution and commercialisation of LPG, a regulated activity, and subject to the regime provided for in Title IV of Act 34/1998 on the hydrocarbon sector.

LPG supply has certain similarities with the supply of natural gas, and from a regulatory perspective, it is a sector where the same administrative and regulatory entities (CNMC, MINETAD and autonomous communities) intervene, although the remuneration scheme is different.

In those places where there is no natural gas supply yet, Redexis Gas offers an alternative and supplementary solution by developing facilities for the distribution of piped LPG and the supply of such fuel to end users. Just as other companies develop their activity in the natural gas sector, Redexis Gas has increased its LPG customer portfolio through the acquisition of approximately 75,000 LPG points from Repsol in 2015 and 2016 and approximately 4,700 LPG points from Cepsa in 2016, which is expected to be integrated in late 2017.

In the first half of 2017, approximately 1,000 LPG points have been migrated to natural gas from LPG.

As of 30 June 2017, the Group provides LPG services in 419 municipalities; it operates a 918 kilometre network and has 80,359 LPG points.

Management – Board of Directors

As at the date of this Base Prospectus, the members of the board of directors of Redexis Gas, their position on the board and their principal activities outside Redexis Gas, where these are significant, are the following:

Name	Title	Date of first appointment	Type of Director	Principal activities outside the Group
Mr. Fernando Bergasa Cáceres	Chairman and CEO	22 September 2011	Executive Director	N/A
Mr. Philippe Louis Hubert Camu	Member of the Board of Directors	17 December 2010	Stakeholding Director	Managing Director, Global Head and Chief Investment Officer of the Infrastructure Investment Group at Goldman Sachs, Director of Eurotunnel
Mr. Stephen Alan John Deeley	Member of the Board of Directors	10 December 2013	Stakeholding Director	Investment Manager at USS
Ms. Cristina Ávila García	Member of the Board of Directors	19 September 2014	Executive	N/A
Mr. Gavin Bruce Merchant	Member of the Board of Directors	27 July 2017	Stakeholding Director	Head of Real Assets at USS
Mr. Matteo Botto Poala	Member of the Board of Directors	17 December 2010	Stakeholding Director	Managing Director in the Infrastructure Investment Group at Goldman Sachs, Director of Elenia Lampo
Mr. Claudio Aguirre Pemán	Member of the Board of Directors	17 December 2010	Stakeholding Director	Member of the International Advisory Board of Goldman Sachs, Chairman and Founding Partner of Altamar Private Equity
Mr. Ulrik Dan Weuder	Member of the Board of Directors	10 December 2013	Stakeholding Director	Vice President ATP, CEO Alternativa Investments K/S, CEO ATP Timberland Invest K/S, Head of Inflation Linked Physical Assets ATP, permanent member of ATP's committee for responsible investments

There are no potential conflicts of interest between the Board of Directors, duties to Redexis Gas and their private interests or other duties.

The business address of the members of the board of directors is calle Mahonia, 2, 28043 Madrid, Spain.

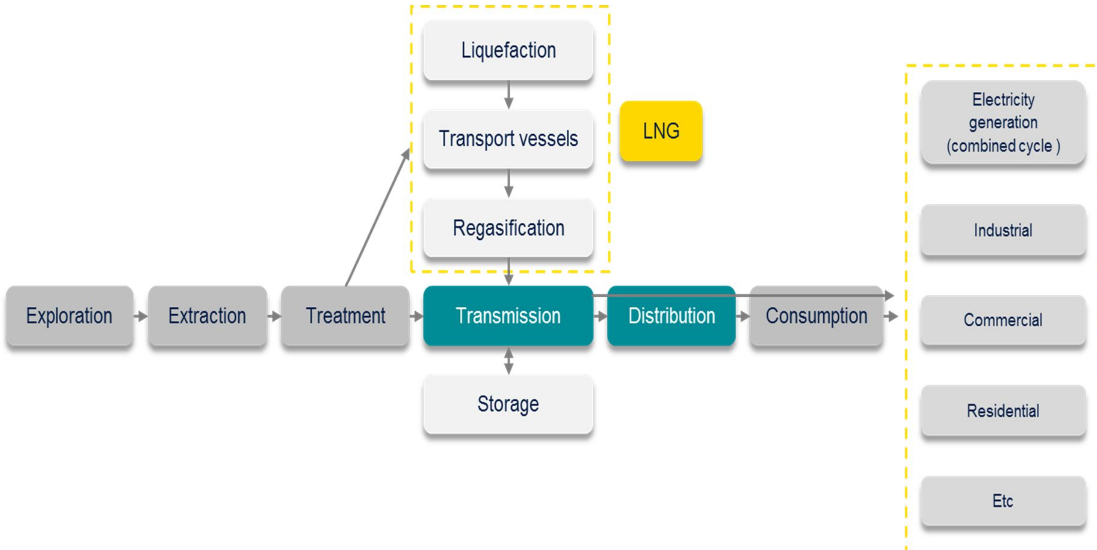
Employees

As at 30 June 2017, Redexis Gas had 279 employees in the Group (270 as at 31 December 2016).

OVERVIEW OF THE SPANISH NATURAL GAS SECTOR AND ITS REGULATION

Overview of the Spanish natural gas sector

The natural gas sector in Spain is made up of a number of activities and assets involved in bringing natural gas from its points of entry in the Gas System to end users.



According to the 2016 Spanish Association of Gas Annual Report, 99.9% of the natural gas used in Spain is imported. Of such imported gas, approximately 58% is imported through six international pipelines (comprising of two from North Africa (Maghreb and Medgaz), two from France and two from Portugal) with the other 42% imported through six regasification plants. In 2016, Spain received gas from ten different countries including Algeria (58%), France (10%), Gulf countries (8%), Nigeria (15%), Trinidad and Tobago (2%), Norway (2%) and Peru (5%).

According to ENAGAS' data (ENAGAS Report "*Sistema Gasista Español 2016"*), in Spain conventional natural gas consumption (including industrial and households consumption) was 3.3% higher in 2016 compared to 2015 and non-conventional natural gas consumption (including production of electricity) in 2016 was 2.6% lower than in 2015. Total natural gas consumption in Spain in 2016 was 2.1% higher compared to 2015, as a result of the strengthening of the Spanish economy. According to ENAGAS, the increase in natural gas consumption was mainly due to the effect of the increase of consumption of industries.

Given the current economic climate in Spain, which has supported the improvement in consumption of the previous years, it is likely that the overall consumption of energy will increase in Spain, and therefore the consumption of natural gas will also increase (as indicated by the most recently available consumption data).

Regarding the organisation of the Gas System, it should be noted that supply is liberalised enabling all end users to choose which natural gas supplier to use. Access to the transmission grid is regulated, and it is managed in a transparent and non-discriminatory manner to ensure that shippers of gas can compete freely. LSH marked the beginning of the liberalisation of the gas supply market in Spain. Since 1998 several players have entered the market, which until that time was mainly operated by Gas Natural. In 2008, the supply market was fully liberalised. Natural gas in Spain can now only be supplied by licenced shippers or traders, who pay tolls to the Gas System for the use of the transmission and distribution network. It should be noted however that the price of gas supply to customers with annual consumption of less than 50,000kWh is regulated.

A number of different entities are active in the Spanish natural gas sector, including ENAGAS which operates a large portion of the transmission network, storage facilities and regasification facilities and Gas Natural Fenosa which operates a large portion of the distribution network. There has been merger and acquisition activity affecting businesses which are active in the Spanish natural gas sector over the last few years and as such, there may be further activity affecting entities active in the sector and/or the regulation of the sector as a whole.

Gas system

The Gas System is made up of the following activities and assets:

Transmission

Transmission activities consist of building, operating and maintaining regasification terminals, pipelines and primary storage facilities.

The transmission is carried out by entities that transmit gas through a primary network (high pressure pipelines with a pressure of equal to or higher than 60 bar) or secondary networks (high pressure pipelines with a pressure of more than 16 bar, but less than 60 bar). Those entities also manage the international gas connections. Other premises considered "transmission premises" are re-gasification terminals, strategic storage facilities, or the ancillary facilities required to operate transmission premises. At re-gasification plants the liquefied natural gas is converted into gas and introduced into the Gas System. With respect to the storage facilities, these can be depleted reservoirs of oil and/or gas fields, aquifers or salt cavern formations. Natural gas is stored to modulate and adjust differences in supply and demand. Thereby variations due to interruptions in supply, or seasonal variations can be balanced and the transmission of natural gas optimised. The storage of gas also aims to maintain strategic reserves and enable the supply of gas in cases of unforeseen interruption in the supply chain.

Distribution

Distribution activities consist of building, operating and maintaining gas facilities dedicated to place the gas at points of consumption, as well as building, operating and maintaining certain secondary transmission networks, and the installation of final connection points.

The distribution network is in essence comprised of (i) gas pipelines with a pressure equal to or less than 16 bar; (ii) pipelines that distribute gas directly to single customers from the primary and secondary transmission networks irrespective of the pressure; and (iii) other ancillary facilities required to operate distribution premises.

Supply

Supply activities consist of acquiring natural gas with the intention of selling it to end users or to other supply companies at freely agreed terms or to carry out international transits.

Unlike transmission and distribution activities, natural gas supply is a non-regulated activity. This involves buying natural gas from producers or other suppliers and selling it to customers or other suppliers: (i) at market prices (directly to consumers in the market or to those acceding directly to third party gas networks); or (ii) for certain suppliers, at regulated prices to a "Last Resort Tariff" (*Tarifa de Último Recurso*, **TUR**).

Gas system operation

The major owner and operator of the gas transmission system, Enagas, was appointed as the technical manager of the Gas System by the LSH. In accordance with Directive 2009/73/EC, Enagas created separated subsidiaries. One of those subsidiaries is Enagas GTS, S.A.U. (**Enagas GTS**), which undertakes the role and functions of the Gas System and as such it is in charge of the technical management of the Gas System and implements a set of rules to ensure a continuous and secure supply of gas and proper co-ordination among access points, storage facilities, transmission and distribution. All gas agents involved in the gas sector are required to comply with the Gas System's technical rules (*Normas de Gestión Técnica del Sistema*). Enagas GTS is a separate company from its affiliated company Enagas Transporte, S.A.U., which has been certified for the purposes of Directive 2007/73/EC as an unbundled gas transmission company.

Organised gas market

The RD 984/2015 sets out the regulatory framework for a new organised gas market, similar to that of other European regulated gas markets. Additionally, Law 8/2015 (as defined below) established MIBGAS as the operator of the organised gas market.

Regulation of the natural gas sector

Introduction

The regulation of the natural gas industry in Spain is mainly based on the LSH as amended, *inter alia*, by Royal Decree-Law 6/2000, of 23 June 2000, introducing urgent measures for the increase in competition in the goods and services; Law 12/2007, of 2 July 2007, amending the LSH conforming it to Directive 2003/55/EC, concerning common rules for the internal market in natural gas (**Law 12/2007**); Royal Decree-Law 13/2012, of 30 March 2012, transposing measures concerning the domestic electricity and gas markets and electronic communications, and adopting measures to remedy diversions due to gaps between the costs and revenues of the electricity and gas industries (**RDL 13/2012**); Royal Decree-Law 8/2014 which introduced measures to encourage growth, competitiveness and efficiency (**RDL 8/2014**) as ratified by Law 18/2014, of 15 October (**Law 18/2014**); and Law 8/2015, of 21 May 2015, modifying LSH and regulating certain tax and non-tax related measures in relation to exploration, investigation and exploitation of hydrocarbons (**Law 8/2015**).

As described above, one of the most relevant amendments to the LSH was under Law 12/2007, which resulted in the deregulation of the Spanish gas sector with the abolition of the regulated gas supply, in line with the requirements of the Second European Directive 2003/55/EC. Pursuant to Law 12/2007 and Ministerial Order ITC/2309/2007, the regulated gas market was abolished as from 1 July 2008 and distribution companies ceased to supply natural gas on a bundled tariff. Under the new liberalised system, customers are free to select their gas suppliers and those that failed to do so by 1 July 2008 were automatically transferred to the supply company belonging to their current distribution company's business (the **Last Resort Supplier**, *Comercializador de Último Recurso*).

The TUR was established, setting the maximum price at which Last Resort Suppliers may charge eligible consumers (initially being consumers connected to a gas pipeline with a pressure less than or equal to 4 bar and whose annual consumption was less than 3 GWh). On 14 May 2009, Ministerial Order ITC/1251/2009 published the Agreement of the Council of Ministers adopted on 3 April 2009, that modified the scope of the TUR to apply as from 1 July 2009 only to customers connected to a gas pipeline with a pressure equal to or less than 4 bar and whose annual consumption was less than 50 MWh.

Royal Decree 104/2010 of 5 February 2010, by which the entry into force of the last resort supply in the natural gas sector is regulated, included the rights and obligations of Last Resort Suppliers.

RDL 13/2012 further modified the LSH in order to adapt it to Directive 2009/73/EC on the internal market for the gas sector, and it also has approved certain measures in order to correct the increasing tariff deficit in the electric and gas sectors, caused by imbalances between the costs and revenues of the respective systems. The ownership unbundling regime provided for under Directive 2009/73/EC implemented in Spain by RDL 13/2012.

Law 8/2015 has been a milestone in the integration of Spain in the European gas system as, similar to other European countries, a new organised gas market has been created, with the expectation that such new organised gas market in Spain will become an important market in light of the fact that it is the southern entry point for natural gas to enter mainland Europe.

Regulatory changes to reduce the accumulated tariff deficit in the Spanish gas sector

Law 18/2014 of 15 October 2014 (**Law 18/2014**) has introduced a series of measures to encourage growth, competitiveness and efficiency in the Gas System. The underlying rationale behind these measures has been the eradication of the deficit in the Gas System by endeavouring to ensure that sufficient revenues are generated to cover all of its costs. Law 18/2014 provides that the revenues generated by the Gas System will be used exclusively to finance the system's costs. It also provides that the system's revenues should be sufficient to cover its costs, and therefore any measures that would lead to a cost increase or a reduction of revenues must be accompanied by an equivalent decrease in other cost items or a corresponding increase in other revenues

The costs of the Gas System that are to be financed by its revenues are: (i) the remuneration in respect of transport, regasification, basic storage and distribution; (ii) the remuneration in respect of the technical management of the Gas System; (iii) the duty payable to the CNMC and MINETAD; (iv) if any, the cost differential of supplying liquefied natural gas or manufactured gas and/or propane-air other than natural gas in island territories that do not have a connection to the gas pipeline network or regasification plants, as well as the remuneration of the supply-at-tariff carried out by the distributors in those territories; (v) demand management measures, if recognised by applicable regulation; (vi) annual payments for temporary imbalances between the revenues and costs of the Gas System, plus interest and any adjustment payments, as described below; and (vii) any other cost established expressly by a legal provision that is aimed exclusively at the Gas System.

The following is also included: (a) the accumulated tariff deficit up to 31 December 2014, which was determined by the CNMC (Resolution dated 24 November 2016) at €1,025,052,945.66, and will allow natural gas transmission and distribution companies subject to the remuneration settlement system to recoup their respective accumulated deficits in annual settlements over the next 15 year period (together with interest at market rates); and (b) the amount arising from an award by the International Court of Arbitration in Paris in 2010 in an aggregate amount of €163,790,000, in relation to a dispute in respect of Algerian gas contracts and supplied through the Maghreb pipeline, which will be recovered over a period of five years to 2019.

Law 18/2014 also includes measures to correct any short-term imbalances and to prevent another structural deficit from being generated. These are: (a) if in a single year the deficit exceeds 10% of the revenues generated by the Gas System, tolls and duties will be increased automatically in the following year to recover the amount by which the limit was exceeded; and (b) if the accumulated deficit exceeds 15% of revenues, tolls and duties will also be increased automatically in the following year to the extent by which the limit was exceeded.

Finally, in the context of legislative measures adopted in relation to the tariff deficit, on 3 October 2014, the Spanish government approved Royal Decree-Law 13/2014 (**RDL 13/2014**), which establishes other urgent measures in relation to the natural gas sector. In this regard, RDL 13/2014 terminated the concession for operating the Castor natural gas underground storage facility and the relevant facilities to be put in hibernation. Enagas Transporte, S.A.U. shall pay €1,350 million to the holder of the concession, as recognition for the investments made related to the research and exploration works undertaken to operate the Castor natural gas underground storage facility. This amount will be collected from the Gas System over a period of 30 years and paid to Enagas Transporte, S.A.U. starting from the first settlement of the Gas System corresponding to the revenues accrued from 1 January 2016. In addition, Enagas Transporte, S.A.U. will be in charge of the operation and maintenance of these facilities during its hibernation. The maintenance, operation and other costs established in the RDL 13/2014 will also be collected from the Gas System and paid to Enagas Transporte, S.A.U through the Gas System' settlements corresponding to the monthly billing.

According to the report on the current status of the debt of the Gas System issued by the CNMC on 16 March 2017, the debt of the Gas System as of 31 December 2016 was €2,470.9 million. This figure includes € 1,327.7 million for the compensation to the Castor storage facility; € 1,018.1 million for the deficit until 31 December 2014; € 98.3 million for a specific debt related to an arbitration award between Gas Natural and Sonatrach; and €26.7 million of deficit for 2015.

Other recent regulatory changes

Since the implementation of Law 18/2014, the most relevant regulation approved in relation to natural gas in Spain is Law 8/2015. However, the most relevant new requirements introduced by this Law do not directly affect transporters or distributors. Law 8/2015 establishes a secondary market for natural gas for Spain unified with Portugal. Law 8/2015 has been subsequently implemented by a number of regulations such as Royal Decree, of 30 October 2015, by which the organised market for gas and third party access to the facilities of the natural gas system are regulated (**RD 984/2015**).

However, as explained below, the aforementioned RD 984/2015 approves the remuneration for installations of secondary transmission networks and the installations of primary transmission networks not included in the backbone network, which at the date RDL 8/2014 entered into force (5 July 2014), had not obtained the necessary construction approval for such installations.

Special regulation of the natural gas sector

The following is a list of the most relevant Spanish regulatory framework for the natural gas sector:

(a) Law 34/1998 of 7 October 1998 on the Hydrocarbons Sector.

(b) Law 12/2007, of 2 July 2007, amending the Hydrocarbons Sector Law conforming it to Directive 2003/55/EC, concerning common rules for the internal market in natural gas.

(c) Law 15/2012, of 27 December 2012, on tax measures for energy sustainability.

(d) Law 18/2014, of 15 October 2014 which approves urgent measures to encourage growth, competitiveness and efficiency.

(e) Law 8/2015, of 21 May 2015, modifying LSH and regulating certain tax and non-tax related measures in relation to exploration, investigation and exploitation of hydrocarbons.

(f) Royal Decree-Law 6/2000, of 23 June 2000, introducing urgent measures for the increase in competition in goods and services.

(g) Royal Decree-Law 13/2012, of 30 March, 2012, transposing measures concerning the domestic electricity and gas markets and electronic communications, and adopting measures to remedy diversions due to gaps between the costs and revenues of the electricity and gas industries.

(h) Royal Decree-Law 8/2014, of 4 July 2014, which approves urgent measures to encourage growth, competitiveness and efficiency.

(i) Royal Decree-Law 13/2014, of 3 October 2014 which approves urgent measures in relation to the natural gas sector and ownership of nuclear plants.

(j) Royal Decree 949/2001, of 3 August 2001, regulating third party access and establishing an integrated economic system for the natural gas sector (**RD 949/2001**).

(k) Royal Decree 1434/2002, of 27 December 2002, regulating the transmission, distribution, wholesaling and supply activities of natural gas and natural gas facility authorisation procedures (**RD 1434/2002**).

(l) Royal Decree 919/2006, of 28 July 2006, approving the technical regulations for the distribution and use of gaseous fuels and their supplementary technical instructions.

(m) Royal Decree 326/2008, of 29 February 2008, establishing the remuneration for transmission of natural gas for installations put into service after 1 January 2008.

(n) Royal Decree 984/2015 of 30 October 2015, by which the organised market of gas and third party access to the facilities of the natural gas system is regulated.

(o) Ministerial Order ECO/2692/2002, of 28 October 2002, by which the procedures for the settlement of the remuneration of the regulated activities of the natural gas and for the specifically addressed quotas are regulated and the information systems that have to be provided by companies is established (**Order ECO/2692/2002**).

(p) Ministerial Order ECO/31/2004, of 15 January 2004, establishing the methods for determining the remuneration for regulated activities in the natural gas sector.

(q) Ministerial Order ECO/3126/2005, of 5 October 2005, establishing the technical rules for the natural gas industry.

(r) Ministerial Order ITC/3993/2006, of 29 December 2006, establishing the remuneration for certain regulated activities in the gas industry.

(s) Ministerial Order ITC/3992/2006, of 29 December 2006, by which the tariffs for natural gas and channelised manufactured gases, meter rental and service line royalties for consumers connected to networks with a supply pressure which is equal to or less than 4 bar, are established.

(t) Ministerial Order ITC/3863/2007, of 28 December 2007, establishing the charges and fees associated with third party access to natural gas facilities for the year 2008 and some aspects regarding the remuneration of the regulated activities within the natural gas system are updated.

(u) Ministerial Order ITC/3802/2008, of 26 December 2008, establishing the charges and fees associated with third party access to natural gas facilities, the last resort tariff, and some aspects regarding the regulated activities within the natural gas system.

(v) Ministerial Order ITC/3520/2009, of 28 December 2009, establishing tolls and levies associated with third party access to gas facilities in 2010 and updating certain aspects relating to the remuneration of regulated activities in the gas sector.

(w) Ministerial Order ITC/3354/2010, of 28 December 2010, establishing the charges and fees associated with third party access to natural gas facilities, and the payments in respect of regulated activities.

(x) Ministerial Order IET/3587/2011, of 30 December 2011, establishing the charges and fees associated with third party access to natural gas facilities, and the payments in respect of regulated activities.

(y) Ministerial Order IET/2812/2012, of 27 December 2012, establishing the charges and fees associated with third party access to natural gas facilities, and the payments in respect of regulated activities.

(z) Ministerial Order IET/2446/2013, of 27 December 2013, establishing the charges and fees associated with third party access to natural gas facilities, and the payments in respect of regulated activities.

(aa) Ministerial Order IET/2355/2014, of 12 December 2014, establishing the remuneration for the second period of 2014 (**Order IET/2355/2014**).

(bb) Ministerial Order IET/2445/2014, of 19 December 2014, establishing the charges and fees associated with third party access to natural gas facilities, and the payments in respect of regulated activities.

(cc) Ministerial Order IET/2736/2015, of 17 December 2015, establishing the charges and fees associated with third party access to natural gas facilities, and the payments in respect of regulated activities for 2016.

(dd) Ministerial Order ETU/1977/2016, of 23 December 2016, establishing the charges and fees associated with third party access to natural gas facilities, and the payments in respect of regulated activities for 2017 (**Order ETU/1977/2016**).

(ee) Quarterly Resolutions of the Directorate General for Energy Policy and Mining establishing the last resort tariff of natural gas.

Regulators

The Spanish regulators are MINETAD and the CNMC. The latter was created by Law 3/2013, of 4 June 2013 (**Law 3/2013**) and started its operations on 7 October 2013), with the purpose of assuming the competences of several former regulatory bodies such as the former Spanish Energy Commission (*Comisión Nacional de Enegría*, **CNE**), which was until that moment the relevant regulatory authority for natural gas.

Although in accordance with Law 3/2013 the former functions of the CNE are to be assumed by the CNMC, it also specifies that MINETAD shall take over some of them. However, in accordance with the Fourth Transitory Provision of Law 3/2013, the CNMC shall keep performing these functions until the moment in which MINETAD shall have the appropriate means for that purpose.

Even so, MINETAD has important functions regarding the natural gas sector, as it shall, amongst other things, (i) approve the annual payments to distribution and transmission companies, (ii) carry out the settlement of the regulated activities (a former function of the CNE), (iii) approve the charges paid by suppliers to distribution and transmission companies and the TUR, and (iv) supervise deals in the gas industry (acquisitions by companies engaged in regulated activities, buyouts of regulated companies or groups of companies engaged in regulated activities or mergers and spin-offs that affect regulated companies). Where MINETAD is supervising deals in the gas industry (as mentioned above) it can, in certain specific cases, impose conditions where these constitute a real and serious threat to supply security.

In addition, certain functions, specifically referred to monitor compliance with the relevant regulation, are developed by the autonomous communities in Spain (each an **Autonomous Community**).

Regulated and unregulated activities

According to article 60 of the LSH, the Gas System has been structured around two types of activities: regulated activities and unregulated activities.

Regulated activities

Regulated activities include regasification, primary storage, transmission and distribution of natural gas. The specific regulation to which these activities are subject includes the following aspects envisaged in the LSH:

(a) The building of facilities requires administrative authorisation.

(b) The facilities must be (with a few exceptions) available for other agents of the Gas System to use, so companies holding these facilities cannot refuse access to their facilities if they have enough capacity, unless they have an inability to meet prior supply commitments, serious financial difficulties (with the prior authorisation of the Spanish government and the European Commission) or, if the applicant is a non-EU company, in case of failure by its country of origin to offer reciprocal rights to Spanish companies operating in its territory.

(c) In addition, the Spanish government is required to fix the maximum tolls and fees that owners of these facilities may charge for granting access, which shall take into account the actual costs incurred.

(d) The remuneration values for these activities is set by the Spanish government (article 92 of the LSH), on an annual basis and through a Ministerial Order.

(e) There is a settlement process managed by MINETAD (without prejudice of the transitory situation in which the CNMC shall assume these functions until MINETAD has the appropriate means) and each company or asset in relation to regulated activities receives, on the basis of monthly payments on account, an annual amount set or defined by the Spanish government.

In particular, the following should be highlighted regarding transmission and distribution activities:

Transmission

Transmission activities include regasification, basic storage and transmission of natural gas (i.e. activities carried out by transporters).

Transporters are, therefore, companies authorised for the construction, operation and maintenance of gas transmission facilities. The construction, modification, operation and closure of natural gas transmission facilities is subject to prior administrative authorisation, as explained below.

The LSH differentiates between basic storage facilities as opposed to non-basic storage facilities depending on whether the facility in question has been included in the planning on a mandatory or indicative basis. The latter shall not be included in the economic regime of the Gas System.

Companies within the Group which are authorised for the construction, operation and maintenance of gas transmission facilities, are considered transporters and therefore are subject to the conditions mentioned above.

Distribution

Distribution activities are carried out by companies authorised for the construction, operation and maintenance of distribution installations dedicated to delivering gas to consumption points. Such installations include gas pipelines with a pressure equal to or less than 16 bar and any other pipeline which purpose, regardless of its pressure, is to provide gas to a sole consumer from a gas pipeline of the basic secondary transmission network (gas pipelines with a pressure of more than 16 bar, but less than 60 bar).

In line with the requirements of transmission activities, the construction, modification, operation and closure of natural gas distribution facilities are subject to prior administrative authorisation.

Companies within the Group which are authorised for the construction, operation and maintenance of distribution installations dedicated to delivering gas to consumption points, are considered distributors and therefore are subject to the conditions mentioned above.

Unregulated activities

All other activities not included within the scope of the regulated activities described above constitute unregulated activities, including production, non-primary storage and trading of natural gas.

Unregulated activities are conducted on the free market; therefore the market is open to all economic agents and prices can be set freely (with the exception of the Last Resort Supply –as described above-).

The trading of natural gas in Spain is carried out by suppliers which acquire natural gas from producers or other traders (i.e. in the over-the-counter market or through the recent natural gas organised market) for its sale to consumers or to other traders, or for international transit, and access the installations of transporters and distributors.

Trading may only be carried out by companies which have filed a declaration of compliance with all legal requirements with the relevant granting authority prior to the start of their operations.

Unbundling

Regulated activities such as transmission and distribution are subject to certain requirements aimed at the unbundling of each activity within a group. These limitations are set forth in articles 62 and 63 of the LSH, and are in line with EU Directive 2009/73/EC.

In this regard, a company carrying out gas transmission or distribution activities, shall have that activity as its exclusive corporate purpose, not being able to carry out simultaneously gas production or trading activities (among others) whether directly or indirectly through subsidiaries.

In addition to the above, a company that holds transmission assets belonging to the basic natural gas network (*red básica*) should have transmission activity as it sole corporate purpose in the natural gas sector.

As of the date of this Base Prospectus, the Guarantor does not carry out non-regulated activities.

The Guarantor must comply with the following unbundling obligations, due to the fact that it conducts both transmission and distribution of natural gas activities:

(a) the independence of the managers of companies which carry out regulated activities is preserved by protecting their professional interests, in particular with regard to remuneration and dismissal;

(b) where a group of companies carry out both transmission and distribution activities, the LSH envisages that those responsible for the management of companies carrying out distribution activities cannot be part of any organisational structure of the group that is responsible, directly or indirectly, for the daily management of the group's transmission activities and vice versa;

(c) a company carrying out regulated activities must have the capacity to take decisions effectively and independently from the group, with regard to the assets needed for its activity. Nevertheless, the group of companies will be entitled to supervise the economic position of the companies as well as the management of such companies, and it is entitled to submit for approval the annual financial plan or establish the overall levels of leverage.

(d) the group will not be able to give instructions to companies carrying out regulated activities in respect of its day-to-day management or in relation to particular decisions referring to the construction or enhancement of distribution assets, provided the relevant companies carrying out regulated activities comply with the financial plan or any equivalent document; and

(e) companies which carry out regulated activities must establish a code of conduct in which the measures adopted in order to comply with the aforementioned requirements are explained. This code of conduct must be sent to the CNMC and MINETAD. A report on compliance with these obligations must be filed with these two administrations every year (prior to 31 March).

The CNMC is in charge of monitoring compliance with these obligations. In addition to such unbundling obligations, companies carrying out regulated activities in the natural gas sector are also required to comply with certain audit obligations, including having separate accounts for each activity.

Authorisations and permits

Introduction

In order to operate the transmission and distribution of natural gas installations, certain specific sectorial administrative authorisations and permits need to be obtained by any entity wishing to carry out such activities (in addition to other general authorisations and permits which may be required for any given economic activity, or those related to environmental issues).

This regime is regulated by the LSH, while the procedure for the granting of the authorisations is developed by RD 1434/2002. In particular, in accordance with article 67.1 of the LSH a prior authorisation is required for the construction, exploitation, modification, assignment and closure of natural gas facilities belonging to the Gas System.

In accordance with article 70 of the said RD 1434/2002, the first operation or modification of a transmission or distribution facility requires the following permits to be granted by the General Directorate for Energy Policy and Mining (*Dirección General de Política Energética y Minas*) (**DGPEM**) or the relevant regional authority:

(a) Preliminary administrative authorisation (**Administrative Authorisation**).

The Administrative Authorisation, which refers to an undetailed, technical and economical project of a given premise, shall be provided alongside the relevant environmental permit, where applicable, and grants the authorised company the right to execute a specific facility under certain conditions.

(b) Approval of the detailed construction project.

The approval of the detailed construction project affords its holder the right to build or execute the facility.

(c) Start-up certificate.

The start-up certification entitles its holder to start-up the operations on the facility.

The authorisation and permits regime specific to transmission and distribution activities can be summarised as follows:

Transmission

The LSH establishes the non-discriminatory third party access (**TPA**) to the transmission facilities in the conditions established in the LSH, RD 984/2015 and RD 949/2001 and in exchange for payment of the corresponding tolls.

Entities that intend to operate transmission installations shall demonstrate their compliance with certain requirements related to their legal, technical and economic capacities. In essence:

- Legal capacity: it must be a Spanish trading company (*sociedad mercantil*) or a company of another EU Member State;
- Technical capacity: which will be directly recognised if it has exercised directly or indirectly transmission activity during the previous three years or this experience is provided by one of its shareholders, provided it holds at least 25% of the share capital; and
- Financial capacity: which will be directly recognised if the company counts with a certain amount of its equity dedicated to the transmission activity (the bigger figure of the following two: €5,000,000 or 25% of the budget for the facilities to be authorised).

A guarantee (2% of the budget of the project) has to be provided by the transmission company.

Administrative Authorisations are granted preferably through a public tender. However, under certain specific circumstances, direct award of the authorisation is also envisaged (e.g. when a facility is part of the basic natural gas network, the authorisation of the construction and operation may be granted directly to the entity operating most of the installations of the basic natural gas network).

The relevant authority for the award of the authorisations regarding the facilities that belong to the basic natural gas network is MINETAD, taking into account the process regulated by the RD 984/2015. For secondary transmission facilities Administrative Authorisations are awarded by MINETAD only if their scope is not limited to a single Autonomous Community, in which case, the relevant authority would be the specific Autonomous Community.

Distribution

As mentioned, the distribution business is a regulated activity subject to an authorisation regime under the LSH. The procedure for the granting of the authorisations is developed by RD 1434/2002.

According to the LSH, the authorisations for the construction and operation of the distribution installations must be granted preferably to the distribution company of that area. In the event that no such distributor currently operates in that area, the authority will take a decision which shall be driven by the principle of cost efficiency for the Gas System, as well as the natural monopoly in the transmission and distribution and single network principles.

The LSH establishes the non-discriminatory TPA for other agents of the Gas System to the distribution facilities in the conditions established in the LSH, RD 984/2015 and RD 949/2001 and in exchange for payment of the corresponding tolls.

In order to obtain the referred Administrative Authorisation, distributors must specifically comply with the following requirements:

- legal capacity: it must be a Spanish limited liability company (*sociedad anónima*) or a company of another EU Member State;

- technical capacity: which will be directly recognised if it has exercised directly or indirectly distribution activity during the previous three years or this experience is provided by one of its shareholders, provided it holds at least 25% of the share capital; and
- economical capacity: which will be directly recognised if the company has a certain amount of its equity dedicated to distribution activities (this will be the larger amount of the following: €1,000,000 or 50% of the budget for the facilities which are to be authorised).

A guarantee amounting to 2% of the budget of the project needs to be provided by the distribution company.

The relevant authority for the award of the Administrative Authorisations regarding the distribution facilities is the relevant body of the Autonomous Community. If the project affects more than one Autonomous Community or expands beyond its geographical limits thereof, the relevant authority for the award of the Administrative Authorisations is MINETAD.

Several distribution companies may compete for the award of the same Administrative Authorisation.

Circumstances where a distribution or transmission authorisation can be withdrawn

The following are circumstances under which a granted authorisation can be withdrawn:

- Non-compliance with the conditions or requirements set forth in the authorisations or the substantial modification of the grounds that justified their granting may result in the revocation of the said authorisations.
- In addition, the commission of a very serious infringement by the entity that was awarded the authorisation may result in the revocation or suspension of the authorisation and the subsequent temporal ineligibility for the development of the regulated activity for a period of up to one year (e.g. misleading manipulation aimed at altering the natural gas prices; non-compliance with the maintenance requirements of the facilities, when it results in a clear danger to people, assets or the environment; unjustified denial of third party access, etc.).

The relevant administration may enforce the 2% guarantee that needs to be posted in order to be granted with the Administrative Authorisation.

Redexis Gas and its subsidiaries have never been the subject of a licence withdrawal, nor have they ever applied for a material change for any of their licences.

TPA

As stated above, the LSH establishes that companies which carry out distribution and transmission activities must allow TPA to access their facilities under the conditions established in the LSH, RD 984/2015 and RD 949/2001 and in exchange for payment of the corresponding tolls.

This TPA has to be based on the principles of non-discrimination, transparency and objectivity, and its actual performance is monitored by the relevant energy authorities (mainly, the CNMC).

The distribution and transmission companies may only refuse access to the network or TPA if the entity seeking access to the network lacks the necessary capacity or in case the applicant has not make the corresponding payments or placed the required guarantees. The refusal must be justifiable. The lack of the necessary capacity may only be justified on the grounds of security, regularity or quality of the supplies in line with the demands laid down in the regulations.

However, it should be noted that the tolls that the transmission and distribution companies charge for allowing third parties to use their facilities are not direct remuneration for them as they are part of the Gas System revenues (as explained below).

Criteria to determine TPA tolls

According to Article 92.4 of the LSH and Article 25 of RD 949/2001, by Ministerial Order MINETAD issues the necessary provisions to set natural gas tolls for basic TPA services. The Ministerial Order sets out the concrete values of those tolls or a system to work out and automatically update them. The tolls are the same nationwide.

The tolls are calculated out in line with the following criteria established in article 92 of the LSH: (i) ensure the recovery of the investment made in facilities during their lifespan; (ii) to allow a reasonable return on the investment; and (iii) to promote an effective management and an improvement of the productivity which shall be passed to the users.

Taking into account those principles, the tolls shall be set on the basis of the following elements: (i) gas demand forecast; (ii) remuneration of regulated activities; (iii) forecast for the use of regasification, storage and transmission and distribution installations; and (iv) variation resulting from the application of the settlement arrangements from the previous year (Article 26.1 of RD 949/2001).

In accordance with Article 31 of RD 949/2001, transmission and distribution tolls are made up of two components: (i) a capacity reservation term; and (ii) a conveyance term, which is differentiated in line with the design pressure at which the consumer's installations are connected.

The capacity reservation term is applicable to the daily flow of each system user with an access contract and is billed by the transmission company owning the installations where the entry or intake point of gas into the transmission and distribution network is located.

The conveyance term is billed to the system user with an access contract by the distribution company owning the installations where the delivery point of gas to the end user is located. If the delivery point is connected directly to the transmission network, the conveyance term is billed by the transmission company. Different tiers are established for conveyance terms depending on the design pressure where the final user is connected.

Remuneration regime

Overview

Transmission and distribution, as regulated activities, are subject to a specific remuneration regime which is essentially set forth in the LSH (as amended by Law 18/2014) and additional implementing regulations.

General formulas for calculating the remuneration for a given facility in a given year are provided as part of these regulations. Therefore, the total remuneration for a given company is equal to the sum of the remuneration earned for each of the facilities it holds. This provisional remuneration is calculated by means of a Ministerial Order.

Remuneration of the regulated activities

According to the Law 18/2014, the principle of economic and financial sustainability, as mentioned above, must be accompanied by a remuneration methodology that allows for an adequate remuneration for low-risk, regulated activities, such as transmission and distribution.

The parameters to be applied under this remuneration methodology will be established for regulatory periods of six years, although they may be adjusted every three years if costs and revenues change significantly. However, the rate of financial return may not be adjusted throughout each regulatory period and automatic update formulas will not be applied to the parameters used to calculate them.

During the regulatory period, the rate of financial return or the efficiency coefficient for improvements in productivity cannot be modified.

With regard to the transmission facilities, the rate of permitted financial return on these assets will be calculated as the average yield of Spanish government ten year bonds on the secondary market plus an adequate spread to be fixed by the Spanish government (currently 50 basis points, leading to a 5.09% financial remuneration rate in this regulatory period), and the remuneration for investment in basic network facilities (including transmission facilities) will be calculated based on its net value.

Law 18/2014 establishes different methodologies for determining the remuneration applicable to distribution and transmission. In both cases, the first regulatory period began on the date on which RDL 8/2014 entered into force (5 July 2014), ending on 31 December 2020. MINETAD will approve the remuneration applicable to each calendar year, at the proposal of the CNMC, which must be delivered before 1 October of each year.

Transmission

Transmission, as a regulated activity, is subject to a specific remuneration regime which is essentially set forth in the LHS (as amended by Law 18/2014).

Calculation

A new remuneration scheme (including in respect of transmission activities) came into force on 5 July 2014.

The remuneration for the second half of 2014 was as set out in Order IET/2355/2014.

The remuneration for transmission activity from 1 January 2015 until the end of the first regulatory period (i.e., year 2020) is to be calculated in accordance with Annex XI of Law 18/2014.

The formula for calculating the remuneration corresponding to the transmission activity recognised to the titleholder of asset "i" in year "n" (R.I.) will be as follows:

$$R_n^i = RD_n^i + RCS_n^i$$

Where:

RD_n^i Yearly remuneration for the availability of asset "i" in year "n", expressed in euros[8].

RD_n^i recognised for the titleholder of each asset "i" in year "n" for each activity will be:

$$RD_n^i = CI_n^i + COM_n^i$$

Where:

CI_n^i Investment cost of asset "i" in the year "n", expressed in euros, which shall be calculated according to the following formula:

$$CI_n^i = A^i + RF_n^i$$

Where:

Ai Remuneration for the depreciation of the investment in asset "i" in year "n", which shall be calculated according to the following formula:

$$\boldsymbol{Ai = \frac{VI^i}{VU^i}}$$

Where:

VI^i: Confirmed value of investment in asset "i" made in the corresponding resolution of the Directorate General of Energy and Mining Policy or Order of MINETAD[9].

VU^i Regulated lifetime of asset "i", expressed in years.

RF_n^i Financial return on the investment in asset "i" in year "n", which will be calculated each year "n" by applying the financial remuneration rate (TR) to the net value of investment VNI_n^i according to the following formula:

$$RF_n^i = VNI_n^i \cdot TR$$

Where:

$\boldsymbol{TR^i}$ Financial rate of return applicable to asset "i" during the regulatory period.

VNI_n^i: Net present value of the investment in asset "i" in year "n", which is calculated according to the following formula:

$$VNI_n^i = VI^i - (K-1) \cdot A^i$$

Where k is the number of years elapsed between the start-up date of the facility and year "n".

If the asset continues in operation once the regulatory useful life of asset "i" comes to an end, the remuneration accrued by that installation in respect of investment costs (CI_n^i) will be zero.

$\boldsymbol{COM_n^i}$ Operation and maintenance costs of asset "i" in year "n", expressed in euros.

- The operation and maintenance costs of installations of the network of transmission pipelines, COM_n^i, shall be calculated according to the following formula:

$$\boldsymbol{COM_n^i = COMF_n^i + COMV_n^i}$$

Where:

---

8 *The annual remuneration per company, per activity, shall be obtained from the sum of the amounts to be remunerated to each of the assets belonging to that company involved in the transmission activity.*

9 *In the case of assets that have been started up before 1 January 2002, the value is the one used for the calculation of the remuneration in Order ECO/301/2002, of 15 February, which establishes the remuneration of regulated activities in the gas system.*

$COMF_n^i$ Fixed operation and maintenance costs of each asset "i" in year "n", expressed in euros.

$COMV_n^i$ Variable operation and maintenance costs of each asset "i" in year "n", expressed in euros.

In order to calculate the operation and maintenance costs per asset "i" for year "n", the unitary reference operation and maintenance costs in force for year "n" shall be applied irrespective of the start-up date of the asset.

- Once the regulatory lifespan of an asset "i" has ended, if the asset is still operative, the remuneration for operation and maintenance of the asset "i" in year "n" shall be as results from multiplying (COM_n^i) by a coefficient to extend useful life μ_n^i, which will take the following values:
  - During the first five years after exceeding the regulatory lifespan: $\mu_n^i = 1{,}15$.
  - Once the regulatory useful life has been exceeded by between six and ten years, the value of the coefficient to extend the lifespan will be: $\mu_n^i = 1{,}15 + 0{,}01\ (X - 5)$.
  - Once the regulatory useful life has been exceeded by between 11 and 15 years, the value of the coefficient to extend the lifespan will be: $\mu_n^i = 1{,}20 + 0{,}02\ (X - 10)$.
  - Once the regulatory useful life has been exceeded by more than 15 years, the value of the coefficient to extend the lifespan will be: $\mu_n^i = 1{,}30 + 0{,}03\ (X - 15)$.

Where "X" means the number of years that the asset has exceeded its regulatory useful life.

Parameter μ_n^i cannot have a value higher than 2.

- In the case of transmission pipelines started up prior to 1 January 2008, the regulatory lifespan is established at 40 years.

RCS_n^i The yearly remuneration for the continuity of supply of asset "i" in year "n", expressed in euros[10] and which has been recognised for the titleholder of the asset of activity "A" will be calculated as follows:

$$RCS_n^{i.A} = \alpha_n^{i.A}\ .\ (RCS_{n-1}^A\ .f^A\ ).(1 + \Delta D_n^A)$$

Where:

RCS_{n-1}^A Yearly remuneration for the continuity of supply in activity "A" in year "n-1" obtained as the sum of yearly remuneration for the continuity of supply of all assets involved in that activity considered for that same year.

$$RCS_{n-1}^A = \sum_{i=1}^{m} RCS_{n-1}^{i.A}$$

"m" being the total number of elements "i" in year "n-1".

$\alpha_n^{i.A}$ Segregation coefficient of the remuneration for continuity of supply for year "n" among all assets "i" involved in activity "A" considered in accordance with the following formula:

$$\alpha_n^{i.A} = \frac{VRI_{n-1}^i}{\sum_{i=1}^{i=m} VRI_{n-1}^i}$$

Where VRI_{n-1}^i is the replacement value of asset "i", irrespective of whether year "n-1" is definitive or provisional. The replacement value shall be obtained by applying applicable investment unit values to the

[10] *Such annual remuneration shall be reviewed once the definitive value is available or the gas volumes referred for the annual remuneration for continuity in the supply are more concrete for the transmission activity.*

technical parameters of the installation. For the purposes of this calculation no correction factor for pressure will be considered.

f^A Efficiency coefficient for improvements in productivity of activity "A". It shall take a value between a minimum of 0.95 and a maximum of 1.

For the first regulatory period, the coefficient is established at 0.97 for the transmission activity.

ΔD^A Variation in demand taken into account for remunerating the continuity of supply in installations of the activity "A" of the transmission pipeline, between year "n" and year "n-1", expressed for a single unit, where the variation of total national gas demand is considered excluding supply through satellite plants.

In order to calculate the variation in demand used for remunerating the continuity of supply for installations of the transmission pipeline (excluding gas supply through satellite plants) between year "n" and year "n-1", a maximum demand value of 410 TWh and a minimum demand value of 190 TWh shall be used.

The methodology of remuneration established in Annex XI shall not apply to the installations of secondary transmission and the installations of primary transmission not included in the backbone network, which at the date RDL 8/2014 entered into force (5 July 2014), had not obtained the construction approval for such installations. As per article 64.3 of Law 18/2014, the Spanish government, through royal decree, shall establish the methodology for calculating the remuneration applicable to those installations of primary transmission not included in the backbone network. This was made by means of RD 984/2015.

Pursuant to article 55.1 of RD 984/2015, the annual remuneration of the installations comprises (i) an availability component (RD) which is the result of adding the remuneration for the vehiculated gas (RGV) and the remuneration to the operation and maintenance costs (COM); and (ii) supply continuity component (RCS). The following rules apply:

– Components COM and RCS will be calculated according to Annex XI of Law 18/2014.
– The lineal work with start accruing remuneration for RGV from the following date to the start-up of its operations and with the limit set out in article 56 of RD 984/2015 (see below), even if the installation surpasses its regulatory lifespan. The rest of the assets of the installation will not directly accrue any remuneration for RGV.
– The remuneration for RGV will be obtained by multiplying the annual volume of gas for a given installation from November of the year "n-1" to October of year "n" (both included) for the remuneration offered by the awardee of the installation. For the purposes of this calculation:
  (i) As provisional flow it will be used the gas vehiculated from November of year "n-2" to October of year "n-1".
  (ii) The provisional remuneration will be replaced by the definitive one when the flow between November of the year "n-1" to October of year "n" (both included) is available.
  (iii) For the first year of operation, the provisional remuneration will be estimated by MINETAD based upon the data provided by the holder of the installation.
– Once the regulatory lifespan is over, the remuneration for COM will be calculated as per the lifespan extension coefficient set out in Annex XI to Law 18/2014.
– As per article 56 of RD 984/2015, the Net Present Value (NPV) of the annual remuneration for RGV, calculated with a discount rate equal to the profitability rate in force (TR) each year cannot exceed the value of the investment acknowledged by MINETAD. In that moment, the remuneration for RGV will be zero.

NPV will be calculated as per the following formula:

$$VAN = \sum_{i} \frac{RGVi}{(1+TR_i)^i}$$

Where

RGV_i and TR_i are the remuneration for the vehiculated gas and the profitability rate for year "i".

– Influence area primary transmission assets connected to another influence area primary transmission asset which are awarded through a tendering procedure will not accrue remuneration for RGV, receiving only remuneration for RCS and the corresponding operation and maintenance costs.

Distribution

Distribution, as a regulated activity, is subject to a specific remuneration regime which is set forth essentially in the LSH (as amended by Law 18/2014).

Calculation

A) Calculation of the remuneration of the distribution activity

A new remuneration scheme (including in respect of distribution activities) came into force on 5 July 2014.

The remuneration for the second half of 2014 was as set out in Order IET/2355/2014.

The remuneration corresponding to the distribution activity from 1 January 2015 until the end of the first regulatory period (i.e., 2020) shall be calculated in accordance with Annex X of Law 18/2014 for the group of installations of each distribution company, excluding connections.

The installations of secondary transmissions which, at the date of RDL 8/2014, have not obtained the construction approval shall be considered as distribution installations for the purposes of the remuneration regime and shall not be subject to mandatory planning.

The remuneration of the distribution activity per year shall be reviewed when the definitive value of demand and clients or more precise values are known.

Before 1 January of each year, the remuneration received by the distribution company in accordance with Annex X shall be determined by order of MINETAD, after a report has been issued by the CNMC.

The formula for calculating the remuneration corresponding to the distribution activity for year "n" (RDn) shall be as follows:

$$\mathbf{RD_n = RD_{n-1} + RN_n}$$

Where:

$\mathbf{RD_{n-1}}$: Remuneration of year "n-1".

$\mathbf{RN_n}$: Remuneration corresponding to acquiring a new market, which shall be calculated according to the following formula:

$$\boldsymbol{RN_n = F_{c<4b}^{mg} \,.\Delta Cl_{c<4b}^{mg} + F_{c<4b}^{mgr} \,.\Delta Cl_{c<4b}^{mgr} + F_{v<4b}^{1} \,.\Delta V_{v<4b}^{1} + F_{v<4b}^{2} \,.\Delta V_{v<4b}^{2} + F_{v>4b} \,.\Delta V_{v>4b}}$$

Where:

$\boldsymbol{F_{c<4b}^{mg}}$: Unitary remuneration per client connected to a pressure equal or lower than 4 bar, in gasified municipalities, expressed in € per client.

$\boldsymbol{\Delta Cl_{c<4b}^{mg}}$ Variation of the number of consumers connected to networks that are designed for a pressure equal to or lower than 4 bar, in gasified municipalities, calculated as the difference between the average client number foreseen for the year in which the remuneration is calculated and the average value of the previous year.

$\boldsymbol{F_{c<4b}^{mgr}}$: Unitary remuneration per client connected to a pressure equal to or lower than 4 bar, in recently gasified municipalities[11], expressed in € per client.

$\boldsymbol{\Delta Cl_{c<4b}^{mgr}}$: Variation of the number of consumers connected to networks that are designed for a pressure equal to or lower than 4 bar, in recently gasified municipalities, calculated as the difference between the average client number foreseen for the year in which the remuneration is calculated and the average value for the previous year.

11 *Recently gasified municipalities are understood to be municipalities in which gas start-up has taken place less than five years before the year for which the remuneration is calculated.*
For the market captured in recently gasified municipalities, an incentive unitary remuneration shall be established per client connected to a pressure equal to or lower than 4 bar. This incentive remuneration shall only apply to those non-gasified municipalities for which the start-up certificate has been issued after 1 January 2014.

$\boldsymbol{F^1_{v<4b}}$: Unitary remuneration for supplies for a pressure equal to or lower than 4 bar made to consumers with annual consumption lower than or equal to 50 MWh, expressed in € per MWh.

$\boldsymbol{\Delta V^1_{v<4b}}$: Variation in the gas volume supplied for a pressure equal to or lower than 4 bar to consumers with an annual consumption lower than or equal to 50 MWh, expressed in MWh, calculated as the difference between the demand foreseen in year "n" and the estimate available for year "n-1" in respect of that type of consumers.

$\boldsymbol{F^2_{v<4b}}$: Unitary remuneration for supplies for a pressure equal to or lower than 4 bar made to consumers with an annual consumption higher than 50 MWh expressed in € per MWh.

$\boldsymbol{V^2_{v<4b}}$: Variation of the gas volume supplied for a pressure equal to or lower than 4 bar to consumers with an annual consumption higher than 50 MWh, expressed in MWh, calculated as the difference between the demand foreseen in year "n" and the estimate available for year "n-1" in respect of that type of consumers.

$\boldsymbol{F_{v>4b}}$: Unitary remuneration for supplies at a pressure between 4 and 60 bar[12], expressed in € per MWh.

$\boldsymbol{\Delta V_{v>4b}}$: Variation of the gas volume supplied at a pressure between 4 and 60 bar, expressed in MWh, calculated as the difference between the demand foreseen for year "n" and the available estimate for year "n-1" in respect of that type of consumers.

B) Parameters to apply in the remuneration of the distribution activity

In order to apply the methodology established in Annex X, from the date RDL 8/2014 entered into force (5 July 2015), the following parameters shall apply:

1) The coefficient for efficiency due to productivity improvements (f_d) shall have a value equal to 1.

2) The unitary remunerations shall have the following values:

$\boldsymbol{F^{mg}_{c<4b}}$: Unitary remuneration per client connected to a pressure equal to or lower than 4 bar in gasified municipalities: €50 per client.

$\boldsymbol{F^{mgr}_{c<4b}}$: Unitary remuneration per client connected to a pressure equal to or lower than 4 bar in recently gasified municipalities: €70 per client.

$\boldsymbol{F^1_{v<4b}}$: Unitary remuneration for supplies at a pressure equal to or lower than 4 bar made to consumers with an annual consumption lower than or equal to 50 MWh: €7.5 per MWh.

$\boldsymbol{F^2_{v<4b}}$: Unitary remuneration for supplies at a pressure equal to or lower than 4 bar made to consumers with an annual consumption higher than 50 MWh: €4.5 per MWh.

$\boldsymbol{F_{v>4b}}$: Unitary remuneration for supplies at a pressure between 4 and 60 bar: €1.25 per MWh.

Remuneration received by Group under the regulatory regime

As stated, the specific remuneration awarded each year for distribution and transmission companies is calculated in accordance with the aforementioned formulas and by means of a Ministerial Order. In this regard, in accordance with Order ETU/1977/2016, the total provisional regulated remuneration for the Group for 2017 will be €156.4 million, such figure including remuneration awarded to Redexis Gas Murcia.

With respect to the remuneration for 2017, the following aspects regarding the remuneration established by Ministerial Order ETU/1977/2016 for 2017 should be highlighted:

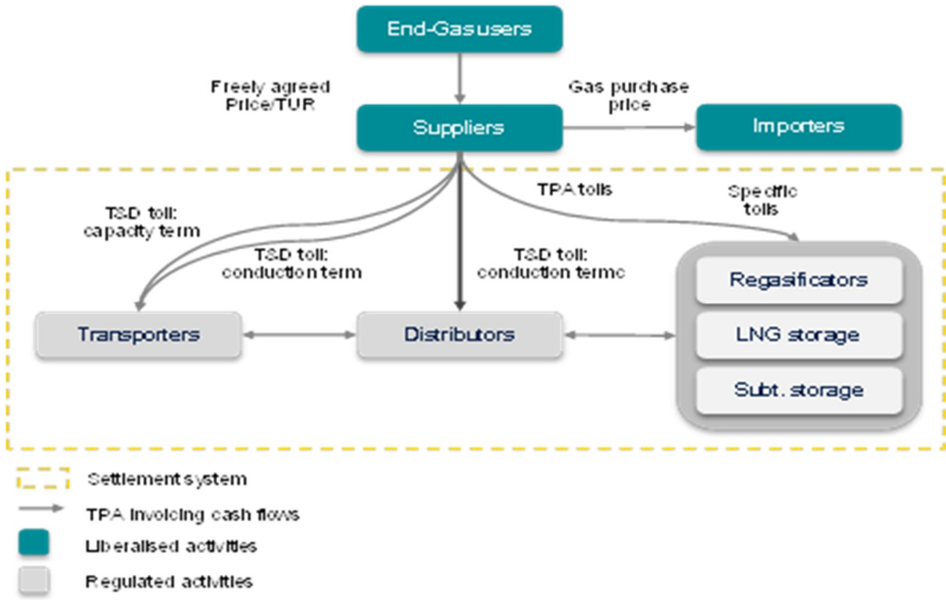
---

[12] *For the purposes of applying this formula, the gas supplied and the clients of group 3.5 shall receive the same treatment as if they were supplied at a pressure of between 4 and 60 bar.*

- The rate of return applicable to the regulated remuneration corresponding to the gas sector for the year 2017 accounts for 5.09%, calculated in accordance with Law 18/2014.
- The Gas System remuneration has been set at €2.75 billion for 2017, showing a decrease of €78 million (€2.83 billion for 2016) or 2.76% compared to that of 2016.
- The value for the efficiency coefficient which is applied to the remuneration formulas of the regulated activities was set at 0.97 for the transmission activity and 1 for the distribution activity, for the first regulatory period (until 2020) in both cases, in accordance with Law 18/2014.
- Order ETU/1977/2016 has provisionally assigned €61.8 million of remuneration to the entities of the Group carrying out transmission activities (including RGM) and €94.6 million to the entities of the Group carrying out distribution activities (including RGM).
- The Group has increased 0.34%its market share on distribution activities and has increased 0.56% in transmission activities as a result of the new pipelines developed and use of such pipelines.
- The following new transmission pipelines of the Group have been included in its 2017 remuneration: "Ca's Tresorer-Manacor-Felanitx (Phase II)" and "Villanueva del Arzobispo-Castellar".

Settlement system

The settlement procedure for the Group's transmission and distribution activities can be summarised in the following chart:



As stated above, the transmission and distribution activities, as regulated activities within the natural gas sector, are part of the gas settlement system regulated in RD 949/2001 and subsequently implemented through different Ministerial Orders, in particular, through the Ministerial Order ECO/2692/2002.

The gas settlement system is an integrated economic system created to remunerate the natural gas sector's regulated activities, based on cost and revenues information related to these activities, and it establishes a payment and charges structure for the companies involved, based on provisional and final settlements.

The settlement procedure considers: (i) the income obtained as a result of the application of the tariffs, tolls and fees in force, in their maximum value, to the supply of natural gas and to the TPA to regasification, natural gas stores, transmission and distribution facilities, which have taken place during the considered settlement period; and (ii) the accredited costs which corresponds to the retribution of the regasification, transmission, storage and distributions activities and the activities remunerated through quotas included within the tariffs, tolls and fees (this late category refers to the amounts intended to finance the activities of the Gas System or the CNMC).

The settlement system comprises 12 monthly provisional settlements plus two for final adjustment. The final adjustments are carried out after inspections, before December n+1. The payments and collections deriving from the provisional settlements will be on account of the final settlement, which should cover the calendar year and should include the consumption corresponding to that period, invoiced during that year or the first two months of the following year in accordance with Order ECO/2692/2002.

Regarding the specific operation of the settlement system, it should be noted that the Order ECO/2692/2002 has not been amended in order to foresee the dissolution of the CNE and the subsequent assumption of its former functions by the CNMC and MINETAD.

In this regard, as a result of Law 3/2013, the CNE's duties and responsibilities in respect of the management of the settlement process described above are to be assumed by MINETAD. However, as stated above, in accordance with the Fourth Transitory Provision of the said Law 3/2013, the CNMC shall keep performing these functions until MINETAD shall have the appropriate means for that purpose.

Therefore, CNE references within the Order ECO/2692/2002 should be taken as to the CNMC.

The aforementioned system of payments and revenue on account may be summarised as follows:

- At the end of each month, all transporters and distributors involved in this settlement procedure are required to submit before the CNMC information required for the CNMC to determine the amount to be settled.
- The CNMC, based on the information provided from each transporter or distributor, shall calculate the down-payments to be made during the provisional settlement period.
- The monthly down-payments for any given transporter or distributor shall be calculated as the difference between the payments and the income corresponding to each transporter or distributor, on the period which is being settled and the prior one.
- Proposals of settlement must be sent by the CNMC to the DGPEM. Each transporter and distributor must be notified of the partial and cumulative payments and revenue on account.
- The transporters or distributors that are to make settlement payments are required to pay them to the creditor transporters or distributors in the manner described below, within 15 days after notice of the payment obligations. They are required to notify the DGPEM and the CNMC within three days after making payment.
- Finally, the CNMC is required to notify each transporter and distributor of its corresponding final annual settlement before 1 May of the following year. This should result in an amount to be received or paid that must be paid within the term of 15 days after this notice.

The CNMC, as a part of each of the settlements, is required to calculate how much has been received by each of the operators engaged in regulated activities, and how much each of the operators actually should receive based on their compensation scheme and the result of their activities for the period under consideration. The CNMC shall determine which operators are required to pay and which operators are entitled to receive the corresponding differences.

After making this calculation, and in order to reduce the risk of non-payment, the CNMC is required to prepare a payment matrix, pursuant to which all debtor transporters and distributors pay all creditor transporters and distributors. The CNMC is required to notify this matrix to those engaged in activities subject to the settlement system, in order for the transporters and distributors that are required to make payments to do so within the term of 15 days.

In summary, it should be noted that: Only suppliers have direct contact to end-customers (both liberalised and TUR customers).

- Suppliers collect income for the use of the entire national gas network on behalf of all players.
- TPA tolls are charged to suppliers for the utilisation of the assets required to deliver gas to their end-customers.
- TPA tolls are set annually by MINETAD taking into account the estimated annual remuneration due to each regulated activity of the system and gas forecast to be consumed.
- The settlement systems is designed to redistribute TPA tolls collected between the various regulated entities in line with each entity's published remuneration amounts due. This is achieved through a matrix of payments between the operating entities, with no payments made to or from the "system" itself.
- The Group issues an invoice directly to suppliers.
- Most of the gas supplied in Spain is supplied by large vertically integrated utilities with relatively strong credit quality, such as Endesa or Gas Natural Fenosa.
- In case a supplier defaults, it would be replaced by a Last Resort Supplier, which could delay the payment by approximately two months.
- End consumers, who are not paying their gas bills timely, could be disconnected from the network (the Group would disconnect an end user after being notified by a supplier).

LPG Distribution and supply

LPG Distribution and supply remuneration is directly received from the customer, and the cost of the raw material bought from the wholesalers are directly paid to the wholesaler, both being regulated prices (Ministerial Orders IET/389/2015 and ITC/3292/2008).

Regulated prices for LPG distribution are calculated as the sum of the following:

- Raw material costs: defined as the international reference quotes of the different components (propane and butane from Algeria and the North Sea) and includes their freight costs; these are updated on a monthly basis.
- Supply costs: which includes the cost for transporting LPG to end consumers; these are updated annually every July and are higher for the distribution of piped LPG to end users than for bulk LPG transfer to distributors.

Current regulated prices for piped LPG to end users consist of the following:

- A fixed term (€/month): includes the fixed part of the supply costs
- A variable term (€cents/kg), include the variable part of supply and raw material costs

	Supply costs		Raw material costs	
	Distributors	Final consumers	Distributors	Final consumers
Fixed term (€/month)	-	1.57	-	-
Variable term (€cents/kg)	21.3614	35.9402	36.1267	

The regulated supply margin for a distributor of piped LPG is therefore approximately €cents14.57/kg plus €1.57/month.

ALTERNATIVE PERFORMANCE MEASURES

The Issuer considers the following metrics contained in the overview financial information of the section "Description of the Guarantor" and paragraphs (a),(b),(c),(d),and (e) of the section "Documents Incorporated by Reference" to constitute Alternative Performance Measures (**APMs)** as defined in the European Securities and Markets Authority guidelines on APMs (**ESMA Guidelines on APMs**).

Investors should review such APMs in conjunction with the financial information prepared in accordance with IFRS incorporated by reference in this Base Prospectus (contained in the documents referred to in paragraphs (d) and (e) of the section "Documents Incorporated by Reference" on pages 25 to 26, and set out in overview financial information of the section "Description of the Guarantor") and note the matters referred to below with respect to the reliability, comprehensibility and comparability of such APMs.

These supplemental financial measures derived from the Guarantor's consolidated accounting records and other management sources are not measures of the Group's financial performance or liquidity under IFRS and should not be considered as an alternative to consolidated net income as an indicator of the Group's performance or as an alternative to cash flows from operating activities as a measure of the Group's liquidity. Accordingly, they may differ from similarly-titled measures reported by other companies and may not be comparable.

The Issuer discloses these APMs to assist investors in understanding its financial performance, as they constitute additional financial information and the Issuer believes they represent useful indicators of the financial performance of the Group when read in addition to the financial statements.

Metric	**Definition**
EBIT	Results from Operating Activities
EBITDA	Profit before income tax + net finance cost + depreciation and amortisation + non-recurrent adjustment to transmission revenue from previous years + non – recurrent workforce restructuring + other non-recurring operating expenses+ impairment losses on non-current assets
EBITDA Margin	EBITDA/Total Revenue and Other Incomes
EBITDA Margin Exc. LPG dilution	EBITDA/ (Total Revenue and Other Incomes minus LPG supply cost)
EBT	Profit before income tax
Capex (Capital Expenditure)	Additions to property plant and equipment + payments for acquisition of subsidiaries + additions to intangible assets
Personnel Expenses	Salaries and wages + Other employee benefits (not including restructuring (sundry provision or similar) or non-recurrent items)
Total Revenue and Other Incomes	Revenue + other operating income plus self-constructed non-current assets

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date whether or not such change in law has a retroactive effect.

Kingdom of Spain

Payments made by the Issuer

On the basis that the Issuer is not resident in Spain for tax purposes and does not operate in Spain through a permanent establishment, branch or agency, all payments of principal and interest in respect of the Notes shall be made free of any withholding or deduction for or on account of any taxes in Spain of whatsoever nature imposed, levied, withheld or assessed by Spain or any political subdivision or taxing authority thereof or therein, in accordance with applicable Spanish law.

Under certain conditions, withholding taxes may apply to Spanish taxpayers when a Spanish resident entity or a non-resident entity that operates in Spain through a permanent establishment in Spain is acting as depositary of the Notes or as collecting agent of any income arising from the Notes.

Payments made by the Guarantor

In the opinion of the Guarantor, any payments of principal and interest made by the Guarantor under the Guarantee may be characterised as an indemnity and, accordingly, be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Kingdom of Spain or any political subdivision or authority thereof or therein having power to tax.

However, although no clear precedent, statement of law or regulation exists in relation thereto, in the event that the Spanish Tax Authorities take the view that the Guarantor has validly, legally and effectively assumed all the obligations of the Issuer under the Notes subject to and in accordance with the Guarantee, they may attempt to impose withholding tax in the Kingdom of Spain on any payments made by the Guarantor in respect of interest. In such case, and as regards non-Spanish tax residents not acting through a permanent establishment in Spain, no withholding tax should be deducted on interest paid thereunder provided that the requirements established in Law 10/2014, dated 26 June 2014, are complied with (including, among others, that the Notes remain listed on a regulated market, a multilateral trading facility or an organised market). In effect, according to such law and provided that the requirements established therein are complied with, the withholding tax treatment applicable to income obtained by non-residents from debt instruments (such as the Notes) issued by Spanish corporates shall be equivalent to that applicable to Public or Government Debt which currently provides for a full exemption from withholding tax.

In the event that the Guarantor is deemed to have validly, legally and effectively assumed all the obligations of the Issuer and, thus, if the issuance of the Notes is deemed to fall under the scope of Law 10/2014, it shall comply with certain obligations of information.

The Netherlands

General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but is not a comprehensive description of all Netherlands tax considerations that may be relevant. For purposes of Netherlands tax law, a holder of Notes may include an individual who or an entity that does not have the legal title of these Notes but to whom nevertheless the Notes or the income thereof are attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Notes or the income thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Base Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

(a) investment institutions (*fiscale beleggingsinstellingen*);

(b) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are not subject to or exempt from Netherlands corporate income tax;

(c) holders of Notes holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a holder of Notes, alone or, where such holder is an individual, together with his or her partner (statutory defined term), directly or indirectly, hold or are deemed to hold (i) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;

(d) holders of Notes who are individuals and for whom the income or capital gains derived from the Notes are attributable to employment activities, the income from which is taxable in the Netherlands;

(e) holders of Notes to whom the Notes and the income from the Notes are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Netherlands Gift and Inheritance Tax Act 1956 (*Successiewet 1956*); and

(f) entities that are residents of Aruba, Curacao or Sint Maarten and that have an enterprise that is carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) on Bonaire, Sint Eustatius or Saba and the Notes are attributable to such permanent establishment or permanent representative.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

The statements below are based on the assumption that the Final Terms of any Series of Notes will not materially deviate from the Terms and Conditions as described in this Base Prospectus, in particular with regard to the status of the Notes.

Withholding Tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, provided that the Notes do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

Corporate and Individual Income Tax

Residents of the Netherlands

If a holder of Notes is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands corporate income tax purposes, income tax in respect of an enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands individual income tax purposes, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), if:

(a) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or

(b) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) above applies, an individual that holds the Notes, must determine taxable income with regard to the Notes on the basis of a deemed return on savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on savings and investments is fixed at a percentage of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a statutory threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual's yield basis. The deemed return percentage to be applied to the yield basis increases progressively depending on the amount of the yield basis. The deemed return on savings and investments is taxed at a rate of 30%.

Non-residents of the Netherlands

If a holder of Notes is not a resident of the Netherlands nor is deemed to be a resident of the Netherlands for Netherlands corporate or individual income tax purposes, such holder is not liable to Netherlands income tax in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

(a) the holder of Notes is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25%.

(b) the holder of Notes is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities in the Netherlands which includes activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is other than by way of securities entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at progressive rates up to a maximum rate of 52%. Income derived from a share in the profits of an enterprise as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair market value of the share in the profits of the enterprise (which includes the Notes) will be part of the individual's Netherlands yield basis.

Gift and Inheritance Tax

Netherlands gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

(a) the holder of a Note is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or

(b) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Netherlands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required, pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional notes (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

The proposed financial transactions tax ("FTT")

The European Commission has published a proposal (the **Commission's Proposal**) for a Directive for a common FTT which is being considered by Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The European Commission were expected to present draft legislation for consideration by the participating Member States by the end of 2016, but this has not yet been published. The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Luxembourg

The following information is of a general nature only and is based on the laws presently in force in Luxembourg though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues, and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax, to a tax of a similar nature or to any other concepts refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(a) *Non-resident holders of Notes*

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(b) *Resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the **Relibi Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20%.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**), dated 21 November 2017, agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time, or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Prohibition of sales to EEA Retail investors

From 1 January 2018, unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the offering circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

   (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

   (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

   (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**); and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Spain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered or sold in Spain other than by institutions authorised under the consolidated text of the Securities Market Law approved by legislative Royal Decree 4/2015 of 23 October *(Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores)* (the **Securities Market Law**) and related legislation, and Royal Decree 217/2008 of 15 February on the Legal Regime Applicable to Investment Services Companies *(Real Decreto 217/2008, de 15 de febrero, sobre el Régimen Jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión)* to provide investment services in Spain. The Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Securities Market Law, as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. Neither the Notes nor this Base Prospectus have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore this Base Prospectus is not intended for any public offer of the Notes in Spain.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Zero Coupon Notes (as defined below) in definitive form issued by the Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of the Issuer or a member of Euronext Amsterdam N.V. in accordance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended). No such mediation is required: (i) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form; or (ii) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof; or (iii) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession; or (iv) in respect of the transfer and acceptance of such Zero Coupon Notes, within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein, "Zero Coupon Notes" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or, pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The update of the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer, dated 17 November 2017, and has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 9 October 2017. The issue of the Notes, and the giving of the Guarantee in respect thereof, has been or, on or before the Issue Date of such Notes, will be duly authorised by the Issuer and the Guarantor.

Listing of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer:

(a) the constitutional documents of the Issuer and the constitutional documents of the Guarantor;

(b) the audited accounts of the Issuer in respect of the financial years ended 31 December 2015 and 31 December 2016 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares only audited stand-alone annual accounts on an annual basis;

(c) the unaudited consolidated interim financial statements of the Guarantor for the six-month period ending 30 June 2017;

(d) the consolidated audited annual accounts of the Guarantor in respect of the financial years ended 31 December 2015 and 31 December 2016, in each case together with the audit reports prepared in connection therewith. The Guarantor currently prepares only audited consolidated annual accounts on an annual basis;

(e) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(f) a copy of this Base Prospectus; and

(g) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Significant or Material Change

There has been no significant change in the financial position of the Issuer since 31 December 2016. There has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2016.

There has been no significant change in the financial position of the Group since 30 June 2017 (except as provided for in "*Description of the Guarantor – Recent Developments*"). There has been no material adverse change in the financial position or prospects of the Group since 31 December 2016.

Litigation

Neither the Issuer nor the Guarantor nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, Guarantor or the Group.

Auditors

The auditors of the Issuer are KPMG Accountants N.V., members of the Nederlandse Beroepsorganisatie van Accountants, who have audited the Issuer's stand-alone annual accounts, that are prepared in accordance with Title 9, Book 2 of the Dutch Civil Code and the Dutch Generally Accepted Accounting Principles (Dutch GAAP) for each of the two financial years ending on 31 December 2015 and 31 December 2016. The auditors of the Issuer rendered an unqualified opinion on these financial statements and have no interest in the Issuer.

The auditors of the Guarantor are KPMG Auditores, S.L., members of the Instituto de Censores Jurados de Cuentas de España, who have audited the Guarantor's consolidated annual accounts, without qualification, in accordance with the International Financial Reporting Standards as adopted by the European Union for each of the two financial years ended 31 December 2015 and 31 December 2016. The auditors of the Guarantor have no interest in the Guarantor.

Dealers transacting with the Issuer and the Guarantor

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions, financial advisory services with, and may perform other services for, the Issuer, the Guarantor and their affiliates in the ordinary course of business from time to time for which they have received monetary compensation. The Dealers may from time to time also enter into swap and other derivative transactions with the Issuer, the Guarantor and their affiliates, including in relation to the bonds.

The net proceeds from the issue of each Tranche of Notes will be on lent to the Group to be used for general corporate purposes, including (among other things) to refinance the Group's existing bank acquisition facilities. Certain of the Dealers have participations in the facilities that are expected to be repaid as part of such refinancing.

An affiliate of one of the Dealers, Goldman Sachs International, is the majority shareholder of Redexis Gas – see "*Description of the Guarantor – Share capital and major shareholders*"

Trustee's action

The Conditions and the Trust Deed provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Trustee is unable to take any action, the Noteholders are permitted by the Conditions and the Trust Deed to take the relevant action directly.

ISSUER

Redexis Gas Finance B.V.
Stawinskylann 3127
8e verdieping
1077 ZX Amsterdam
The Netherlands

GUARANTOR

Redexis Gas, S.A.
Calle Mahonia, 2
Madrid
Spain

ARRANGERS

The Royal Bank of Scotland plc
250 Bishopsgate
London EC2M 4AA
United Kingdom

Crédit Agricole Corporate and Investment Bank
12, Place des Etats-Unis
CS 70052
92547 – Montrouge Cedex
France

DEALERS

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Crédit Agricole Corporate and Investment Bank
12, Place des Etats-Unis
CS 70052
92547 – Montrouge Cedex
France

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

The Royal Bank of Scotland plc (trading as NatWest Markets)
250 Bishopsgate
London EC2M 4AA
United Kingdom

TRUSTEE

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

ISSUING AND PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

LISTING AGENT

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris
2 – 4 rue Eugené Ruppert
L-2453 Luxembourg
Luxembourg

LEGAL ADVISERS

To the Guarantor as to English and Spanish law

Allen & Overy
Pedro de Valdivia 10
28006 Madrid
Spain

To the Issuer as to Dutch law

Allen & Overy
Apollolaan 15
1077 AB Amsterdam
The Netherlands

To the Dealers as to English law

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG
United Kingdom

To the Dealers as to Spanish law

Herbert Smith Freehills Spain LLP
Calle de Velázquez 63
28001 Madrid
Spain

AUDITORS

To the Guarantor

KPMG Auditores, S.L.
Edificio Torre Europa
Paseo de la Castellana, 259C
28046 Madrid
Spain

To the Issuer

KPMG Accountants N.V.
P.O. Box 74500
1070 DB Amsterdam
The Netherlands