

## BASE PROSPECTUS



### RED ELÉCTRICA FINANCIACIONES, SOCIEDAD ANÓNIMA UNIPERSONAL

*(incorporated with limited liability in Spain)*

Guaranteed by

### RED ELÉCTRICA CORPORACIÓN, SOCIEDAD ANÓNIMA

*(incorporated with limited liability in Spain)*

and

### RED ELÉCTRICA DE ESPAÑA, SOCIEDAD ANÓNIMA UNIPERSONAL

*(incorporated with limited liability in Spain)*

### EUR 5,000,000,000 Euro Medium Term Note Programme

Under the EUR 5,000,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this base prospectus (the "**Base Prospectus**"), Red Eléctrica Financiaciones, Sociedad Anónima Unipersonal (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 each of Red Eléctrica Corporación, Sociedad Anónima and Red Eléctrica de España, Sociedad Anónima Unipersonal (each a "**Guarantor**" and together the "**Guarantors**").

This Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**") as a base prospectus issued in compliance with the Prospectus Regulation for the purpose of giving information with regard to the issue of Notes issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof. This Base Prospectus constitutes a base prospectus for the purposes of Article 8 of the Prospectus Regulation, by approving this Prospectus, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the Issuer or the Guarantors. The CSSF approves this Base Prospectus only as meeting the standards of completeness, consistency and comprehensibility imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer or the Guarantors that is the subject of this Base Prospectus nor as an endorsement of the quality of the notes that are the subject of the Base Prospectus. Investors should make their own assessment as to the suitability of investing in such notes. Applications have been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the official list and to trading on the Regulated Market of the Luxembourg Stock Exchange. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). The Programme also permits Notes to be issued on the basis that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Notes issued under the Programme will be rated or unrated. As at the date of the Base Prospectus, each of Fitch Ratings España, S.A.U. ("**Fitch**") and S&P Global Ratings Europe Limited ("**S&P**") has rated the Programme A- (long-term) and F1 (short-term), and A- (long-term) and A-2 (short-term), respectively. Each of Fitch and S&P is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). Tranches of Notes issued under the Programme may be rated or unrated. If a Tranche of Notes is rated, it will be specified in the relevant Final Terms if the relevant credit rating agency is or is not established in the European Union and whether such agency is or is not registered under the CRA Regulation. Rating agencies registered under the CRA Regulation appear on the list of registered credit rating published by the European Securities and Markets Authority on its website <http://www.esma.europa.eu>. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

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.

This Base Prospectus is available for inspection at [www.bourse.lu](http://www.bourse.lu) and [www.ree.es](http://www.ree.es).

**This Base Prospectus is valid for twelve months from its date of approval and for the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus after the end of its twelve-month validity period. This Base Prospectus will expire on 4 June 2021.**

*Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantors to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.*

**Arranger**

**DEUTSCHE BANK**

**Dealers**

Banco Bilbao Vizcaya Argentaria, S.A.

Barclays

BNP PARIBAS

CaixaBank

Citigroup

Deutsche Bank

J.P. Morgan

Santander

4 June 2020

## TABLE OF CONTENTS

GENERAL DESCRIPTION OF THE PROGRAMME .....	4
RISK FACTORS .....	9
IMPORTANT NOTICES .....	19
DOCUMENTS INCORPORATED BY REFERENCE .....	22
USE OF PROCEEDS .....	28
FINAL TERMS AND DRAWDOWN PROSPECTUSES.....	29
FORMS OF THE NOTES .....	30
TERMS AND CONDITIONS OF THE NOTES .....	32
FORM OF FINAL TERMS .....	61
OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM .....	75
DESCRIPTION OF THE ISSUER.....	78
DESCRIPTION OF RED ELÉCTRICA CORPORACIÓN, SOCIEDAD ANÓNIMA AND ITS CONSOLIDATED GROUP.....	79
DESCRIPTION OF RED ELÉCTRICA DE ESPAÑA, SOCIEDAD ANÓNIMA UNIPERSONAL.....	85
TAXATION .....	95
ANNEX I Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes.....	101
SUBSCRIPTION AND SALE .....	102
GENERAL INFORMATION.....	105

## GENERAL DESCRIPTION OF THE PROGRAMME

*This overview must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this overview.*

<b>Issuer:</b>	Red Eléctrica Financiaciones, Sociedad Anónima Unipersonal.
<b>Guarantors:</b>	Red Eléctrica Corporación, Sociedad Anónima and Red Eléctrica de España, Sociedad Anónima Unipersonal.
<b>Risk Factors:</b>	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantors to fulfil their respective obligations under the Notes are discussed under "Risk Factors".
<b>Arranger:</b>	Deutsche Bank AG, London Branch.
<b>Dealers:</b>	Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank Ireland PLC, BNP Paribas, CaixaBank, S.A., Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc and any other Dealer appointed from time to time by the Issuer and the Guarantors either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Fiscal Agent:</b>	Deutsche Bank AG, London Branch.
<b>Luxembourg Listing Agent:</b>	Deutsche Bank Luxembourg, S.A.
<b>Final Terms or Drawdown Prospectus:</b>	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed by the relevant Final Terms or, as the case may be, as supplemented and/or amended in the relevant Drawdown Prospectus.
<b>Listing and Trading:</b>	Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.
<b>Clearing Systems:</b>	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
<b>Initial Programme Amount:</b>	Up to EUR 5,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding and guaranteed at any one time.
<b>Rating</b>	The Programme has been rated A- (long-term) and F1 (short-term) by Fitch and A- (long-term) and A-2 (short-term) by S&P. Fitch and S&P are established in the EU and registered under the CRA Regulation. Series of Notes issued under the Programme may be

rated or unrated. 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.

**Issuance in Series:**

Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

**Forms of Notes:**

Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

**Currencies:**

Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Status of the Notes:**

Notes will be issued on an unsubordinated basis.

**Status of the Deed of Guarantee:**

Notes will be unconditionally and irrevocably guaranteed by the Guarantors, on an unsubordinated basis, as set out in a deed of guarantee dated 4 June 2020 (the "**Deed of Guarantee**").

**Issue Price:**

Notes may be issued at any price, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Guarantors and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

**Maturities:**

Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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; or (ii) be issued in other circumstances which do not constitute a contravention of Section 19 of the FSMA by the Issuer.

<b>Redemption:</b>	Notes may be redeemable at par or at such other Redemption Amount, which shall not be less than par, as may be specified in the relevant Final Terms.		
<b>Optional Redemption:</b>	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms, as further described in Conditions 8(c) ( <i>Redemption at the option of the Issuer</i> ) and 8(e) ( <i>Redemption at the option of the Noteholders</i> ), respectively.		
<b>Residual Maturity Redemption:</b>	Notes may be redeemed at their principal amount plus accrued interest within the last three months (in the case of Notes with a maturity of not more than ten years) or within the last six months (in the case of Notes with a maturity of more than ten years) before their stated maturity at the option of the Issuer (in whole but not in part) to the extent (if at all) specified in the relevant Final Terms, as further described in Condition 8(g) ( <i>Residual Maturity Call Option</i> ).		
<b>Substantial Purchase Event Redemption:</b>	<b>Purchase</b>	<b>Event</b>	In addition, if the relevant Final Terms so specify, the Issuer shall have the option, in the event of a Substantial Purchase Event, to redeem or purchase the relevant Notes at their principal amount plus accrued interest, as further described in Condition 8(f) ( <i>Redemption following a Substantial Purchase Event</i> ).
<b>Tax Redemption:</b>	Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 8(b) ( <i>Redemption and Purchase – Redemption for tax reasons</i> ).		
<b>Interest:</b>	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.		

<b>Denominations:</b>	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealers and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such 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 specified currency and save that (a) the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or within the United Kingdom or offered to the public in a Member State of the European Economic Area or in the United Kingdom in circumstances which would otherwise require the publication of a prospectus under the Prospectus Regulation will be EUR 100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency); and (b) unless otherwise permitted by then current laws and regulations Notes which have a maturity of less than one year from their date of issue will have a minimum denomination of £100,000 (or its equivalent in another currency).
<b>Negative Pledge:</b>	The Notes will have the benefit of a negative pledge as described in Condition 5 ( <i>Negative Pledge</i> ).
<b>Cross-Default:</b>	The Notes will have the benefit of a cross default as described in Condition 11(c) ( <i>Events of Default - Cross-Default of Issuer or Guarantors</i> ).
<b>Taxation:</b>	<p>All payments in respect of Notes will be made free and clear of withholding taxes of the Kingdom of Spain, as the case may be, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 10 (<i>Taxation</i>)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.</p> <p>In addition to certain customary exceptions, no such additional amounts shall be payable to holders of Notes in respect of whose Notes the Issuer or the Guarantors do not receive such information from the Fiscal Agent in a timely manner as may be required in order to comply with the applicable Spanish tax reporting obligations (see "<i>Terms and Conditions of the Instruments - Taxation</i>" and "<i>Taxation - Taxation in Spain - Information about the Notes in Connection with Payments</i>").</p>
<b>Governing Law:</b>	The formalities relating to the issue of the Notes, their legal nature ( <i>obligaciones</i> ), the status of the Notes and the status of the Guarantee of the Notes (Condition 4 ( <i>Status of the Notes and Guarantee</i> )), the capacity of the Issuer and of the Guarantors, the relevant corporate resolutions and all non-contractual obligations arising out of or in connection with any of the above shall be governed by Spanish law. Subject as provided above, the terms and conditions of the Notes, the Fiscal Agency Agreement and the Deed of Covenant and all non-contractual obligations arising from or in connection with the Notes, Receipts, Coupons, Talons, Fiscal Agency Agreement and Deed of Covenant are governed by English law.
<b>Enforcement of Notes in Global Form:</b>	In the case of Global Notes, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in the relevant Global Note will acquire rights directly against the Issuer, governed

by a Deed of Covenant dated 4 June 2020, a copy of which will be available for inspection at the specified office of the Fiscal Agent.

**Selling Restrictions:**

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, EEA and UK Retail Investors, the United Kingdom, the Kingdom of Spain, Japan and Singapore, see "Subscription and Sale".



## RISK FACTORS

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the Guarantors and the industry in which each of them operates together with all other information contained in this Base Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.*

*The following is a list or explanation of the risks that may affect the ability of the Issuer to fulfil its obligations or which investors may face when making an investment in the Notes that Issuer and the Guarantors believe to be the most relevant to an assessment by a prospective investor of whether to consider an investment in the Notes as of the date of this Base Prospectus. The risks described below are the detailed risks the Issuer and the Guarantors actually consider specific to the Group, organized considering their probability and materiality or negative impact, in the event that any of those risks occur. If any of the following risks actually materialize, the Group's business, financial condition, results of operations and business prospects could be materially adversely affected. You should carefully consider the following risk factors and the other information contained in this Base Prospectus before making an investment decision. Additional risks and uncertainties relating to the Issuer and the Guarantors that are not currently known to the Issuer or the Guarantors, or that such entity currently deems immaterial, which have not been included herein below in accordance with the Prospectus Regulation, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantors and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment.*

*Investors, before investing in the Notes, should consult with its own legal, regulatory, tax, financial and accounting advisors to the extent it considers necessary in order to determine and consider carefully whether an investment in the Notes is a fit, proper and suitable investment for them in light of the information in this Base Prospectus and their personal circumstances.*

### **Risks related to the Issuer**

#### ***The Issuer is a finance vehicle***

The Issuer is not an operating company. The Issuer is a finance vehicle established by Red Eléctrica Corporación, S.A. for the purpose of issuing notes and other financial instruments and on-lending the proceeds to the members of the Group. The Issuer is therefore dependent upon other members of the Group paying interest on and repaying their loans in a timely fashion. Should any member of the Group fail to pay interest on or repay any loan in a timely fashion this circumstance 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 Red Eléctrica Group**

#### **Risks Related to Red Eléctrica's Business and Industry**

***The activities of Red Eléctrica Group are subject to extensive regulation in the jurisdictions in which the Group companies operate, and certain regulatory changes could have a material adverse effect on its business, financial condition and results of operation***

The main activity of Red Eléctrica Corporación, S.A., parent company of the Issuer, and its subsidiaries (the "**Red Eléctrica Group**" or the "**Group**") is the transmission of electricity and the operation of the electricity network in Spain. This activity is carried out by Red Eléctrica de España, Sociedad Anónima Unipersonal ("**Red Eléctrica S.A.U.**") as an electricity transmission system operator ("**TSO**") and the activity and the remuneration received by it for the services it provides are subject to numerous laws and regulations including, amongst other, Law 24/2013, of 26 December, of the Electricity Sector (hereinafter, "**Law 24/2013**"). As of 31 December 2019, the provision of electricity transmission services and the operation of the Spanish national electricity grid accounted for 90 per cent. (93 per cent. as of 31 December 2018) of the Group's consolidated revenues and the assets related to the provision of these services represent 76 per cent. (85 per cent. as of 31 December 2018) of Red Eléctrica Group's consolidated total assets.

Any material changes to this extensive regulatory framework and to the remuneration system may adversely affect Red Eléctrica S.A.U. and the Red Eléctrica Group's business, financial position and results.

Particularly, the impact of the Covid-19 classified as a pandemic in the countries where the Red Eléctrica Group operates, could imply an increase of enactment of new regulations (including those that may affect and be material changes to the regulatory framework and to the remuneration system) that may adversely affect the Red Eléctrica Group's business, financial position and results.

Additionally, any non-compliance by Red Eléctrica S.A.U. with the applicable laws and regulations currently in force in relation to its activities could lead to sanctions or penalties of monetary or other nature being imposed by the regulator and to facing potential liability to third parties due to any damage or loss caused. Should Red Eléctrica S.A.U. face any sanctions, penalties or claims, the Group's cash flow, business, financial condition and results of operation could be materially adversely affected.

***Risks associated with Red Eléctrica Group's operation, management and construction of transmission grid and telecommunications facilities***

In its condition of global operator of strategic infrastructure, the Red Eléctrica Group operates, manages and builds multiple electricity transmission and network technical facilities. One of the effects of the Covid-19 is that is slowing down some of the activities of the Red Eléctrica's group activities all over the world.

The operation and management of technical electricity and telecommunications facilities is costly and the Group may not be able to continue to conduct this activity on acceptable economic terms in the future. Furthermore, this activity is exposed, given the perils inherent to high voltage facilities, to events beyond Red Eléctrica Group's control including, but not limited to, natural disasters and extreme weather conditions, accidents and defects or failures in machinery or control systems or components of them that may damage the Group's facilities and cause interruptions in the provision of electricity transmission and telecommunication services and, in turn, require high repair or alternative transmission channel costs. As well, the materialisation of environmental and operational risks inherent to Red Eléctrica Group's activities may result in the filing of claims by public authorities or third parties as a result of environmental or other damage. In the event that the Group is unable to respond to any adverse events damaging its facilities or interrupting its activities, or that it is unable to continue to operate and manage facilities at acceptable cost levels, the Group's business prospects, financial condition and results of operations may be materially adversely affected.

The Red Eléctrica Group companies have taken out various insurance policies to cover the risks to which the companies are exposed through their activities, mainly damage that could be caused to the Group companies' facilities and possible claims that might be lodged by third parties due to the companies' activities. Nonetheless, the amounts for which the Group companies are insured may not be sufficient to cover any incurred losses in their entirety, or the formalised insurance policies may not provide coverage for certain damaging events.

Additionally, Red Eléctrica S.A.U.'s ability to increase revenues derived from its business as electricity system operator, transmission agent and transmission network manager depends, due to the capital-intensive nature of this activity, on investments being made in new transmission infrastructure. In this respect, Red Eléctrica S.A.U. has been entrusted with the development and expansion of the high-voltage transmission network in order to guarantee the maintenance and improvement of the national electricity grid. As of 31 December 2019, investments for development of the Spanish transmission network amounted to EUR396.4 million, compared with EUR378.2 million in 2018. A variety of factors may affect Red Eléctrica Group's capacity to build new facilities including, but not limited to, delays in obtaining regulatory approvals or environmental permits; shortages or changes in the price of equipment, supplies or labour; opposition from local groups, political groups or other stakeholders; adverse meteorological conditions, natural disasters, accidents or other unforeseen incidents which could delay completion of facilities.

Therefore, any changes in the approved planning for the construction of new facilities, delays or standstills in projects under development caused by impediments in the obtaining of environmental and/or administrative authorisations, opposition from political groups or other organisations, or changes in the political climate or in the regulatory framework, or any increased costs in the construction of new facilities due to variations in the financial or goods and services markets could materially adversely affect Red Eléctrica Group's reputation, business prospects, financial condition and results of operations.

***Red Eléctrica Group's business and finances are heavily concentrated in Spain and they are influenced by macroeconomic and political conditions***

Red Eléctrica Group's operations are heavily concentrated in Spain as the revenues obtained by Red Eléctrica S.A.U. represent, as of 31 December 2019, 90 per cent. of the Group's consolidated revenues (93 per cent. as of

31 December 2018) and 76 per cent. of its total assets (85 per cent. as of 31 December 2018). As a result, any adverse change in Spain's general economic and political conjuncture or any other factor affecting the electricity transmission industry could materially adversely affect Red Eléctrica Group's business prospects, financial condition, results of operations.

The Red Eléctrica Group's business performance is influenced by the economic conditions of the countries in which it operates and, in particular, those of Spain. In recent years, Spain has made relevant efforts to control the public deficit and correct the country's economic imbalances and growth has resumed supported by external demand as well as higher domestic demand, reflecting improved financial conditions and rising confidence. In spite of all that efforts, the Covid-19 is strongly affecting the forecasts of the different international organisms for the evolution of the GDP in the following years, as an example, the International Monetary Fund forecasts a growth of the gross domestic product in Spain of -8 per cent. in 2020 and 4.3 per cent. in 2021 (source: IMF, World Economic Outlook update April 2020). However, any adverse changes affecting the Spanish economy could have a negative impact on the Group's consolidated revenues and increase the Red Eléctrica Group's consolidated financing costs, circumstances which could have a material adverse effect on the business, prospects, financial condition and results of operations of the Red Eléctrica Group.

The Spanish economy is particularly sensitive to economic conditions in the Eurozone, the main market for Spanish goods and services exports. Any additional decline in the European economic activity could have an adverse effect on Spanish economic growth. The International Monetary Fund has estimated that the Eurozone will decrease an estimated -7.5 per cent. in 2020 (from 1.3 per cent. previously envisaged) and increase by 4.7 per cent. in 2021 (source: IMF, World Economic Outlook update April 2020).

The Spanish economy faces additional challenges derived from the impact of the Covid-19, domestic developments and the political instability as in the region of Catalonia. Such uncertainty may slow the pace of reforms, enactment of laws, regulations and policies, or impact economic growth in Spain in general and in Catalonia in particular. Additionally, external factors such as the geopolitical uncertainty originated by, amongst other, the exit of the United Kingdom from the European Union on 31 January 2020, the rising international trade tensions between the US and China, volatility in commodity prices or the negative market reactions to central bank policies may affect the growth of the Spanish economy.

Any adverse changes affecting the Spanish economy, the Eurozone economy or the political uncertainty could have a negative impact on the Group's consolidated revenues and increase the Group's consolidated financing costs, circumstances which could have a material adverse effect on the business prospects, financial condition and results of operation of the Group.

The outbreak of Covid-19 virus (known as "Coronavirus" in Wuhan (China)), which subsequently spread to several other countries in Asia, Europe (including Spain) and other continents, has caused worldwide unrest and is affecting the main economies negatively by compromising, among others, industrial and business activities, workers mobility, investments and consumption. The unfolding, expansion, duration and consequences of the pandemic cannot be prognosticated with certainty and, therefore, the magnitude and extent of the negative effects on the world economy and the Group's business are uncertain.

***Red Eléctrica Group relies on information technology for its operation and systems failures or third-party hacks may adversely affect our business prospects, financial condition and results of operation***

As electricity system operator and transmission network manager, one of the Red Eléctrica S.A.U.'s main functions is to guarantee the continuity and security of the electricity supply.

Disruptions or failures of Red Eléctrica S.A.U.'s computer and information technology systems could cause an interruption to its business, which could have a material adverse effect on its business prospects, financial condition and results of operations. In particular, Red Eléctrica S.A.U.'s information technology systems may be vulnerable to a variety of interruptions as a result of events beyond its control, including, but not limited to, network or hardware failures, malicious or disruptive software, viruses, malware, ransomware or other malicious codes, unintentional or malicious actions of employees or contractors, cyberattacks by hackers, criminal groups or nation-state organizations or social-activist (hacktivist) organizations, geopolitical events, natural disasters, failures or impairments of telecommunications networks, or other catastrophic events, including natural disasters or extreme meteorological phenomena. Cyber threats are constantly evolving and this increases the difficulty of detecting and successfully defending against them. These events could compromise Red Eléctrica S.A.U.'s confidential information, impede or interrupt its business operations, and may result in other negative

consequences, including remediation costs, loss of sales, litigation and reputational damage. While Red Eléctrica S.A.U. has implemented administrative and technical controls and taken other preventive actions to reduce the risk of cyber incidents and protect its information technology, they may be insufficient to prevent physical and electronic break-ins, cyberattacks or other security breaches to its computer systems. In the event that Red Eléctrica S.A.U. or any of the Group companies suffers a breach in its cyber security or other failure of its information technology systems, it could have a material adverse effect on the Group's business prospects, financial condition and results of operations.

#### ***Risks associated with international and telecommunication investments***

As part of Red Eléctrica Group's growth strategy, it has encouraged expansion through inorganic growth by successfully making investments and carrying out the integration of businesses acquired. In recent years, Red Eléctrica Group has made electricity transmission-related investments in Peru, Chile and Brasil through Red Eléctrica Internacional, S.A.U. ("**Red Eléctrica Internacional**") and in the telecommunications sector through Red Eléctrica Infraestructuras de Telecomunicación, Sociedad Anónima Unipersonal ("**REINTEL**") and Red Eléctrica Sistemas de Telecomunicaciones, Sociedad Anónima Unipersonal ("**RESTEL**").

The investments inherently involve a number of risks such as those related to the existence of contingences not foreseen and the lack or insufficient guarantees or indemnities to cover the contingencies, claims in connection of the investments (from employees, customers or third parties) or the lack of materialization of expected benefits from such investments, risks related to local laws on where the investments are located such as local law factors and risks related to exchange rate fluctuations, capital movement restrictions, inflation, political and economic instability and possible state expropriation of assets in addition to risks related to the necessity of a local management team or the integration or retention of local personnel.

Moreover, the Group could not be able to successfully integrate the operations of acquired businesses, or to realize the potential synergies and sales growth anticipated, either in the expected amount or timeframe and the costs of achieving these benefits may be higher than, and the timing may differ from, what the group has foreseen.

If these risks materialise, they could materially adversely affect Red Eléctrica Group's reputation, business prospects, financial condition and results of operations.

#### ***Risks associated to Joint Ventures and Operations***

Joint Ventures or Operations refer to those arrangements in which there is a contractual agreement to share the control over an economic activity, in such a way that decisions about the relevant activities require the unanimous consent of the Group and the remaining venturers or operators. Whilst Joint Operations involve the existence of rights to assets, including revenue, and obligations for liabilities, including expenses, relating to the arrangement, Joint Ventures involve a contractual agreement with a third party to share control over an activity and the strategic financial and operating decisions relating to the activity require the unanimous consent of all the venturers that share control. The Group's joint arrangements as of 31 December 2019 include the 50 per cent. interest in Transmisora Eléctrica del Norte, S.A. held through Red Eléctrica Chile SpA. as a Joint Venture, focused on operating transmission line spanning approximately 580 km that connects the Far North Interconnection System to the Central Interconnected System in Chile; the 50 per cent. interest in INELFE held through Red Eléctrica S.A.U. as a joint arrangement together with Réseau de Transport d'Électricité (RTE), the French transmission system operator focused on is the study and execution of interconnections between Spain and France that will increase the electricity exchange capacity between the two countries.

Furthermore, on 22 November 2019, Red Eléctrica Internacional and the Colombian company Grupo Energía Bogotá S.A. ESP reached an agreement to jointly and equally acquire 100 per cent. of the shares in Argo Energia Empreendimentos e Participações S.A. ("**Argo Energia**") owner of three electric transmission concessions in Brazil. On 26 March 2020, Red Eléctrica Internacional paid EUR374.3 million for 50 per cent. of the company held through Red Eléctrica Brasil as a Joint Venture.

Due to the nature of joint arrangements, whether Joint Ventures or Joint Operations, the Group's success in them depends primarily on its ability to maintain good relationships and to reach consensus on short, medium and long-term strategic decisions with its partners, whose interests may differ from those of the Group. In the event that the Group is unable to maintain good relationships and adopt positive strategic decisions, the Group may lose its investment in its joint arrangements and its business prospects, financial condition, and results of operations may be materially adversely affected.

## **Financial Risks**

### ***Interest rate risk***

The nature of Red Eléctrica Group's business is inherently capital intensive and requires financing to operate and expand. The Group's financial debt structure comprises certain debt instruments that accrue interest at both fixed and variable interest rates, the latter being linked to variable reference interest rates such as EURIBOR and LIBOR. The financial debt structure is low risk with moderate exposure to fluctuation in interest rates, as a result of the debt policy implemented, which aims to bring the cost of debt into line with the financial rate of return applied to the Group's regulated assets, among other objectives. As of 31 December 2019, Red Eléctrica Group's total financial debt amounted to EUR6,354.15 million, of which 78 per cent., EUR4,976.9 million, accrued interest at fixed rates. Similarly, as of 31 December 2018, Red Eléctrica Group's total financial debt amounted to EUR5,449.9 million in 2018, of which 90 per cent. EUR4,898.0 million accrued interest at fixed rates.

Nevertheless, any variations in the underlying reference interest rates on which the Group's financing agreements accruing interest at variable rates depend may impact the Group's financial expenses by requiring the dedication of significant cash flow to service repayment, thus reducing the availability of cash flow to fund its business operations, and increase its vulnerability to adverse economic and industry conditions.

Additionally, Red Eléctrica Group anticipates that any new financing agreements which it undertakes could imply higher financial costs than in the agreements signed in recent years due to increases in margins paid over market interest rates. If Red Eléctrica Corporación or any of the Group companies are unable to formalise any new financing agreements under reasonable financial terms, there can be no assurance that such increased financing costs will not have a material adverse effect in the Group's business, operations, cash flows and overall financial condition.

### ***Liquidity risk***

Liquidity risk arises as a result of differences in the amounts or the collection and payment dates of the various assets and liabilities of the companies of Red Eléctrica Group. The Group's liquidity position is based on its strong capacity to generate funds, backed by the existence of credit lines that allow it to keep a significant volume of funds available during the year. As of 31 December 2019, the short-term credit lines available amounted to EUR192 million, while the long-term credit lines amounted to EUR1,576 million and available cash amounted to EUR329 million, compared with short-term credit lines amounting to EUR535 million, long-term credit lines amounting to EUR1,291 million and cash amounting to EUR767 million as of 31 December 2018.

While the Group attempts to have sufficient liquidity available to meet its payment obligations by maintaining adequate liquidity levels over specific time periods without resorting to additional financing sources and diversifying its funding sources and optimising the maturity of its debt, the reduction of the remuneration calculation system currently in force or any other event that prevents or disrupts the generation of cash flow may materially adversely affect the Group's results of operations and financial condition as it is likely that the Group would be obliged to incur in extra financial costs or, in the worst-case scenario, threaten the Group's continuity as a going concern and lead to insolvency.

### ***Currency risk***

Because the Group's consolidated annual accounts are expressed in Euro but the financial statements of several subsidiaries are expressed in other currencies, negative fluctuations in exchange rates could negatively affect the value of consolidated foreign subsidiaries' assets, income and equity, with a concomitant adverse effect on the Group's consolidated annual accounts (*i.e.*, translation risk). For instance, due to the translation effect, an appreciation of the Euro against the Group's other significant currencies would adversely affect the Group's results.

In 2019 the Group companies arranged forward cash flow hedges in the form of forward derivatives to hedge highly probable cash flows of certain revenue in US Dollars and certain payment commitments in Brazilian Reais. Consequently, had the Euro strengthened or weakened by 10% against the hedged currencies at year end, the market values of those derivatives would have changed, and equity would have decreased or increased by approximately Euros 25 million at 31 December 2019 (no impact at 31 December 2018). Consequently, had the Euro strengthened or weakened by 10 per cent. against the currencies to which the Group is exposed at year end, the Parent's equity would have decreased or increased by approximately EUR 14 million at 31 December 2019 (EUR 7 million at 31 December 2018).

***The Group's business may be adversely affected by developments in European sovereign debt markets and by the exit from the Eurozone of one or more current Eurozone states***

Conditions in the Eurozone economy generally continue to show signs of fragility and volatility as at the date of this Base Prospectus, with political tensions in Europe being particularly heightened. In recent years, sovereign debt crises in various European countries have led to concerns about the ability of some EU member states, to service their sovereign debt obligations. Such concerns have impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations, indicating a reassessment of the associated risks. Despite measures undertaken by the European Central Bank, concern has remained among investors that some countries in the Eurozone might default on their obligations, which has resulted in a general reduction in financing, greater volatility in the overall markets and acute difficulties in obtaining liquidity internationally. On more than one occasion, fear arose that the European Monetary Union might be dissolved, or that certain individual member states might revert to their pre-euro currencies. While the probability of country defaults has decreased since 2012, the possibility of a European sovereign default still exists, and with it the risk that the effect of any sovereign state default spreads by contagion to other EU economies. Should any Member State default on its debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be adversely affected, with wider possible adverse consequences for global financial market conditions.

The UK's exit from the EU could adversely affect European or worldwide economic or market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the euro. If other Member States decide to leave the EU, whether following a sovereign debt default or otherwise, this could have a material adverse effect on the Group by, for example, impacting the cost and availability of credit and causing uncertainty and disruption in relation to financing. Concerns about independence movements within the EU, such as that continuing in Catalonia, could cause significant market dislocations and lead to adverse economic and operational impacts that are inherently difficult to predict or evaluate. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**Risks Relating to the Notes**

**Risks relating to the markets the Notes will trade in and the features of the Notes**

***There is a limited active trading market for the Notes***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently a limited trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). Accordingly, future liquidity of the Notes may be limited. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantors. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Luxembourg Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

***Notes issued at a substantial discount or premium***

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

***The Notes may be redeemed prior to maturity***

Unless in the case of any particular Tranche of Notes the relevant Final Terms or Drawdown Prospectus specify otherwise, in the event that the Issuer or the Guarantors 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 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.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms or Drawdown Prospectus specify that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

### ***Floating Rate Notes***

Investments in Notes that bear interest at a floating rate comprise (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such rate. Typically, the relevant margin will not change throughout the life of the Notes but there will be a periodic adjustment (as specified in the applicable Final Terms or Drawdown Prospectus, as the case may be) of the reference rate (e.g. every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of floating rate Notes may be volatile if changes, particularly short-term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of such Notes upon the next periodic adjustment of the relevant reference rate.

### ***Certain benchmark rates, including LIBOR and EURIBOR, may be discontinued or reformed in the future - including the potential phasing-out of LIBOR after 2021.***

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

The Benchmarks Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds became applicable from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The Benchmark Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority ("**FCA**") announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and, on 12 July 2018, announced that the LIBOR benchmark may cease to be a regulated benchmark under the Benchmark Regulation. Such announcements indicate that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its working group on Sterling risk free rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the next four years across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described

in Condition 7(j) (*Benchmark Discontinuation*)), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to LIBOR, EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The "Terms and Conditions of the Notes" provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, unlawful or unrepresentative, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used.

This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions), the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

#### ***The market continues to develop in relation to SONIA as a reference rate for Floating Rate Notes***

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The nascent development of Compounded Daily SONIA/SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA- based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Notes.

The use of Compounded Daily SONIA as a reference rate for Eurobonds continues to develop both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing Compounded Daily SONIA.

The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Terms and Conditions as applicable to the Notes. Furthermore, the Issuer may in future issue Notes referencing SONIA that differ materially in terms of interest determination when compared with the Notes. In addition, the manner of adoption or application of SONIA reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Noteholders should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing Compounded Daily SONIA.

#### ***SONIA differs from LIBOR in a number of material respects and has a limited history***

Compounded Daily SONIA differs from LIBOR in a number of material respects, including that Compounded Daily SONIA is a backwards-looking, compounded, risk-free overnight rate, whereas LIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that LIBOR and SONIA may behave materially differently as interest reference rates for the Notes.



Publication of SONIA began in April 2018 and it therefore has a limited history. The future performance of SONIA may therefore be difficult to predict based on the limited historical performance. The level of SONIA during the term of the Notes may bear little or no relation to the historical level of SONIA. Prior observed patterns, if any, in the behaviour of market variables and their relation to SONIA such as correlations, may change in the future.

Furthermore, the Interest Rate is only capable of being determined at the end of the relevant Reference Period and immediately prior to the relevant Interest Payment Date. It may be difficult for Noteholders to estimate reliably the amount of interest which will be payable on the Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of the Notes. Further, in contrast to LIBOR-based Notes, if the Notes become due and payable as a result of an Event of Default under Condition 11 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Interest Rate payable in respect of the Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable.

***The administrator of SONIA may make changes that could change the value of SONIA or discontinue SONIA***

The Bank of England (or a successor), as administrator of SONIA, may make methodological or other changes that could change the value of SONIA, including changes related to the method by which SONIA is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, or timing related to the publication of SONIA. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SONIA.

***The application of the net proceeds of Green Notes as described in "Use of Proceeds" may not meet investor expectations or be suitable for an investor's investment criteria***

Prospective investors in any Notes where the title "Green Notes" in Part B of the applicable Final Terms is stated to be "Applicable" (the "**Green Notes**"), should have regard to the information in the applicable Final Terms regarding the use of the net proceeds of those Green Notes and must determine for themselves the relevance of such information for the purpose of any investment in such Green Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer, the Guarantors or the Dealers that the use of such proceeds for any eligible projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not significantly change. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any eligible projects will meet any or all investor expectations regarding such "green" or other equivalently-labelled performance objectives or that any adverse environmental and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any eligible projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Green Notes and in particular with any eligible projects to fulfil any environmental and/or other criteria. Any such report, assessment, opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such report, assessment, opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Guarantors, the Dealers or any other person to buy, sell or hold any such Green Notes. Any such report, assessment, opinion or certification is only current as of the date it was issued. Prospective investors must determine for themselves the relevance of any such report, assessment, opinion or certification and/or the information contained therein and/or the provider of such report, assessment, opinion or certification for the purpose of any investment in such Green Notes. At the date of this Base Prospectus Supplement, the providers of such reports, assessments, opinions and certifications are not subject to any specific oversight or regulatory or other regime.

In the event that any Green Notes are listed or admitted to trading on any dedicated "green" or other equivalently labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Guarantors, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Guarantors, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Green Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Green Notes.

While it is the intention of the Issuer to apply the net proceeds of any Green Notes and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in the manner described in each case in the Final Terms, there can be no assurance that the Issuer or the Guarantors will be able to do this. Nor can there be any assurance that any eligible projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer or the Guarantors.

Any such event or failure to apply the net proceeds of any issue of Green Notes for any eligible projects or to obtain and publish any such reports, assessments, opinions and certifications, will not constitute an event of default under the relevant Green Notes or give rise to any other claim of a holder of such Green Notes against the Issuer and the Guarantors. The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that the Issuer or the Guarantors are not complying in whole or in part with any matters for which such report, assessment, opinion or certification is reporting, assessing, opining or certifying on, and/or any such Green Notes no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of such Green Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

## IMPORTANT NOTICES

Each of Red Eléctrica Financiaciones, Sociedad Anónima Unipersonal (the "**Issuer**"), Red Eléctrica Corporación, Sociedad Anónima and Red Eléctrica de España, Sociedad Anónima Unipersonal (each a "**Guarantor**" and together the "**Guarantors**") accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "Terms and Conditions of the Notes" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "Final Terms and Drawdown Prospectuses" below. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer and the Guarantors have confirmed to the Dealers named under "Subscription and Sale" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the guarantees of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the guarantees of the Notes) not misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or the Guarantors or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantors or any Dealer.

Neither the Dealers nor any of their respective affiliates have verified the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantors since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantors and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantors or any of the Dealers 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 relevant Issuer and/or the Guarantors.

In making an investment decision, investors must rely on their own examination of the relevant Issuer and the Guarantors and the terms of the Notes being offered, including the merits and risks involved.

Certain of the Dealers and their affiliates have engaged and may in the future engage in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Guarantors and their respective affiliates.

None of the Dealers, the Issuer or the Guarantors makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should satisfy itself that it is able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantors, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantors.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed EUR 5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into EUR at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "Subscription and Sale".

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Union, references to "**U.S.\$**", "**USD**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**EUR**" or "**euro**" or "**€**" are to the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

**MiFID II product governance / target market** – A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

The Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom ("UK"). 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 MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point

(10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

**PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE), AS AMENDED FROM TIME TO TIME (THE SFA).**

The Final Terms in respect of any Notes may include a legend entitled "Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") which will state the product classification of the Notes pursuant to section 309B(1) of the SFA.

The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

***Benchmark Regulation***

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "Benchmark Regulation"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

***Stabilisation***

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) 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 person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

## DOCUMENTS INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus:

- (1) the English translation of the audited consolidated annual accounts of Red Eléctrica Corporación, Sociedad Anónima and its consolidated subsidiaries as at and for each of the years ended 31 December 2018 and 31 December 2019 that shall be available for viewing at:

<https://www.ree.es/en/shareholders-and-investors/financial-information/annual-accounts>, and

<https://dl.bourse.lu/dl?v=icx243r1tm1DqelMLjUbQiw/OdBmFoUT1sp9Cc+GSZHQlRRe7tJg7ELhtaRNefzupKDPw209gTuTNBcVH+Jxe90SQo9WD5yH1uwKy0T64/w41Ua3135DBaBqru761ARPe5UR+lecxNPd0G9CHrnjW2r13MXvCB/33Mec8sLA6Xxnc8ZM7LT0PH9rc5s6YiMDsuslwWImAyhbVwyuE4KmZV8RhBKdqzk3tuOwERL84KnoiCeRc/so4WgAACAJONWjOXzs4TFOy6rY51lybNzO7ybbcgmyF+OMUuxIXoZZLI7Q5abQ9uQq74Y11elkAisqzatIGxJk1jSm1zv64Ag==;>

- (2) the English translation of the unaudited interim consolidated Income Statement, interim summary consolidated Balance Sheet and interim summary consolidated Cash Flow Statement of Red Eléctrica Corporación, Sociedad Anónima (and its consolidated subsidiaries) of the Financial Results of Red Eléctrica Corporación, Sociedad Anónima for the three-month period ended 31 March 2020 (the "**REC March 2020 Financial Results**") that shall be available for viewing at:

<https://www.ree.es/en/shareholders-and-investors/financial-information/quarterly-financial-information>;

- (3) the English translation of the audited non-consolidated annual accounts of the Issuer as at and for each of the years ended 31 December 2018 and 31 December 2019 that shall be available for viewing at:

[https://dl.bourse.lu/dl?v=ZSijHqNpPhZh7i2qhaOuvikO3Bh9xDJ+fSYXotyzQ3RLbstcFoWs4INSrjeifw9A3e8QnrThKTpCSv+vTqN/gp7nR6VLRnrDwgWeWTWxRSHzDj/wZE0CmRoWfcXNg+Rl9krazwenXwbIWZZegeWKJgh0Xv9YxYm+NxbSfMW76nKg7C93NfvfwcIoCl034IkAofoP9rDetQFea5BGsQ7MsK25TYGAXs5528pgZHs=, and](https://dl.bourse.lu/dl?v=ZSijHqNpPhZh7i2qhaOuvikO3Bh9xDJ+fSYXotyzQ3RLbstcFoWs4INSrjeifw9A3e8QnrThKTpCSv+vTqN/gp7nR6VLRnrDwgWeWTWxRSHzDj/wZE0CmRoWfcXNg+Rl9krazwenXwbIWZZegeWKJgh0Xv9YxYm+NxbSfMW76nKg7C93NfvfwcIoCl034IkAofoP9rDetQFea5BGsQ7MsK25TYGAXs5528pgZHs=,)

<https://dl.bourse.lu/dl?v=icx243r1tm1DqelMLjUbQiw/OdBmFoUT1sp9Cc+GSZHQlRRe7tJg7ELhtaRNefzupKDPw209gTuTNBcVH+Jxe90SQo9WD5yH1uwKy0T64/w41Ua3135DBaBqru761ARPe5UR+lecxNPd0G9CHrnjW2r13MXvCB/33Mec8sLA6Xxnc8ZM7LT0PH9rc5s6YiMDsuslwWImAyhbVwyuE4KmZV8RhBKdqzk3tuOwERL84KnoiCeRc/so4WgAACAJONWjOXzs4TFOy6rY51lybNzO7ybbcgmyF+OMUuxIXoZZLI7Q5abQ9uQq74Y11elkAisqzatIGxJk1jSm1zv64Ag==;>

- (4) the English translation of the audited non-consolidated annual accounts of Red Eléctrica de España, Sociedad Anónima Unipersonal as at and for each of the years ended 31 December 2018 and 31 December 2019 that shall be available for viewing at:

[https://dl.bourse.lu/dl?v=uHNdQ2dRDfhStJNzhFx9qPWNf2S8qPcgng5xMD0iuopT7uoJd5HPw9lM6p1JGF4lZFq3HGDV3kwnUF3VZUv5JGBHcy/AWXPUlYXk9L0MJzID/7zX5cQc3kZCwfd8Yg9jeMfAOZGIsth7doPG4g5F3oppuVdp69k25aKQnh+Q9TAh8yFNumhb7ufssCtg95Ype8sW5f+KzhD9B5VFA8uTgIE9Wz1AZPxuseLKeZYTkSI=, and](https://dl.bourse.lu/dl?v=uHNdQ2dRDfhStJNzhFx9qPWNf2S8qPcgng5xMD0iuopT7uoJd5HPw9lM6p1JGF4lZFq3HGDV3kwnUF3VZUv5JGBHcy/AWXPUlYXk9L0MJzID/7zX5cQc3kZCwfd8Yg9jeMfAOZGIsth7doPG4g5F3oppuVdp69k25aKQnh+Q9TAh8yFNumhb7ufssCtg95Ype8sW5f+KzhD9B5VFA8uTgIE9Wz1AZPxuseLKeZYTkSI=,)

<https://dl.bourse.lu/dl?v=UZsTki84uPINlud5uli4ql7gC7ZG1WjkaUFBYzlyuRagdV8uhhMk4uwEsSp848w/JwftuQogkVwTjEf0BRM3hmxTwqtbrMEIvG61uxMT9J12B+BEMuWlq2z3vBgb588Y4pE8EHlUblFKNNATjedzIQjaM0jxNjnOqI0Ur52+7jMzJwCzQsIRo+s/Tds0rv4+6b/7xC1B9vyeUwosKuCTXUxnHYUf5SLshb06nVZ22rkuWVZFNzlnCvnMopPLg/XJLhpDfFGAoTMI769jYhupgCnwqy9gbzvaVSornm1LXtkPF1xINfdUmr5w3sRggU47IE/QwfbDyKVoQfsa7n9+4tsjSU9wCj75Ir4+kXxs5xz2JJYntn1xLjiMbV0yht05HHnVW2dh/vs/apSkIxKA=;>

- (5) the terms and conditions of the Notes set out on pages 28 to 54 of the base prospectus dated 4 June 2019 relating to the Programme that shall be available for viewing at:

<https://dl.bourse.lu/dl?v=IBHIDUv7O115/mbh26rvtlwbE/ePcX75SEnhKBCDlbUn1JdcACg1n+LawmVpm+NUMqcNIRLd8ZyTx61ZwIX94HKZofw6MsP/jmPe1UWR0dAiYO/s9cX0yTwxDfJt3uTXhC9Mi/VRONDL+8N6YUxeiFqMt/NBP1n1aZgf5yq/Ces=;>

- (6) the terms and conditions of the Notes set out on pages 30 to 62 of the base prospectus dated 4 June 2018 relating to the Programme that shall be available for viewing at:

<https://dl.bourse.lu/dl?v=3KZXVvp/ctj2I7gl4ctomRygikeCfDDGZQ2sgG5HAQG3CpCPurkBAgi0EbFWW6riulgwsFUniLExxIFNs/P3uoTMD4TyosOXuCVH9ow0B1ddc2xKIzIdoNMEiZ0UfgAxU+RSdEt3rWesTC6ivJev+hkb9CotxyEBuQx4kxvi9g=:>

- (7) the terms and conditions of the Notes set out on pages 28 to 60 of the base prospectus dated 2 June 2017 relating to the Programme that shall be available for viewing at:

<https://dl.bourse.lu/dl?v=HJ6yfpPpDqOdjOMuHbOzDrGt81XgpF4PnyX152eT2d8ltrlNHoxEHRlUYIrQFjxiJbT4FNwBfF8Nut/YUhzCmKXboWWNoMoK4NFoHNV/S5N8vSYFU1biXO6yBmP1T54vPD/LxTuaMxxO+6BXysd4NxW3SKC6SdCJlfCdcTTe9hNK9wKkkFH63fV98dcGhEefvwAuNY/y8DC5H66WKLazYL8QYEihgOxxhU40bg4r6vNGZm3+7iGBYJih3CjnFzexUueyHIJTDswzpE/T6Nql9nMiGMoNOZQS4moS/kx0ocqNrmaaMODsKjPMEASCmTclf/Y+o8wnmmtq8e8VT1FETjz5+mE2Kv1oSpvnJhLZiNQ=:>

- (8) the terms and conditions of the Notes set out on pages 30 to 62 of the base prospectus dated 3 June 2016 relating to the Programme that shall be available for viewing at:

<https://dl.bourse.lu/dl?v=EhA6uExfq7ziRmzlqmuWv19wfwKww3i2rwjp+ovMWQzSJr1WWVnYuhByV5gMJVwgnTBf/X3UnVkpPhnxPgYkFUpVGhT/Q3dytCsd4eBL5k6/CuirbbSeUfDsgps2BjuCw592u5gwLMKPwkUh0glYtEmmAsOMBbkQF5JFxuUOwYtg4GkDrnmwym3oM3CwZU5gw1GEsnmWKBdh9tni5zKXfj2lmZukKE2K59lGalbpt8x4YL8/9P5sVG2V0jnzIYdQ+s030A5YyJZXOJrdYflvVXy5IIPV+E0AhASKT49RhBEjvYtkF6lKrNij+SOMe1WdPsnwXCOH3mo07OjnnjGxH8be854bcLHZUegQcPFfOUE=:>

- (9) the terms and conditions of the Notes set out on pages 28 to 60 of the base prospectus dated 3 June 2015 relating to the Programme that shall be available for viewing at:

<https://dl.bourse.lu/dl?v=RteKsWUDLuJ59/DVVbK+PCLG0DvHf324W3ykbJ90IoyIVeUMjectmLCIG2Vm9TcJSUpP2y/hF271FYj7zAi4qLdkOfaKPkCgCFNPDPjJG0+RYKhHbgzm8ZzHmkXAFBn62WRof8m3RJqH6MIJPlui3hYVxWUFm8C97A2b1DCHmbgoJPOMKSfkdIqoUeReBgTniguAaJ5fMy9EKczYI4OMBizUF1tFcb2mKSLzGpRkREE1TG5u4TbhF2q0tCL7uSuW4gWo9xjPKnJXTjqI5eKNCYzgbwf4AP77SOHSaTFeCiMGyGclBGkmssRySOJUvinBD+JkY7jaNpq8U7smQTngM5L7bnIfaaRcmfncdcak=:>

- (10) the terms and conditions of the Notes set out on pages 27 to 60 of the base prospectus dated 3 June 2014 relating to the Programme that shall be available for viewing at:

<https://dl.bourse.lu/dl?v=lb+Prwk6ZX1cgFmocWfajg2TEXFYqPpkNd/XUtbOhBlotAtVBnUjOQGvp4j1XCEwMYEx4fmbV2nNENmyIuFnsPD1uU7FVpnC+zoFQbVNL6dAjM9orwjPo6XdKB4Xb+c7VTY1cn5/0cYc0Tk7oCJvJcFh9L1NXEMQkPXm+numRNWWkX/TMia+pMBuuWSHkRLEK/u9Mn1vxp3+WDUGhhWcXaIwbPuPus5FlgdrQweHdzP0HaSKGPbUW9K65mqQpu91zaaYhiRGIPRNwnplHY2BBrrldFs10aziJLFEfmMRVPLemgKSPUMdGiyGs/aDaHXrLwjdbfKQ7YnGmsmWusRChqqpPAGEc872LaX/sw6v/ZI=:>

- (11) the terms and conditions of the Notes set out on pages 28 to 60 of the base prospectus dated 6 June 2013 relating to the Programme that shall be available for viewing at:

<https://dl.bourse.lu/dl?v=+mhMWzIbYiZfZIOs7a9LZdd7rOXE2yMIPYQk1bj+Cbl6kWYzhwEkXSn0uNcGa0fVNLnSWeX6OptwJWMSMMz70gmdHd2ARLFQu68pJvZ8kY5qIvg8+dODneIEwp1zUzXRViIo2MdTCFj4D94S5It8FC2As2QOBtXYcICqtA/NBwZh/y6vqRDRD+QSxbBC6A8XhFOSMsexAtR9o9mtQy8sikUQxVAMGa+EATKnGns/gp2mchaIgt3QHKuUjGZDGyKGNS5GpgoyBXoliYhhUq0KmnxcZiuf7cXBtPoJXercHCBZyCVpBlbF1eYHdilawILXSdLcazGCC8R0zPIM8+2dX+EHXOXUmnitVX5kNGQjpQ=:>

- (12) the terms and conditions of the Notes set out on pages 28 to 59 of the base prospectus dated 6 June 2012 relating to the Programme that shall be available for viewing at:

<https://dl.bourse.lu/dl?v=BCgkuH1wL6NZgB8XYmd/YbNAWVtIP5NrrUBOQZvJXTUAFk1tQRuFmV/r ogMt0atcdiV5k90CVSZuxfoyeXIfSedLcOUKZFrmQB51j8fUXyJ12YmCZUFUnp8a2d+hN4V/YtVun6 EMs2+/suWlk/xJ6yNms53RhRsz7nA84IeyW5VqhG3ZX4elIydGriJRXRqcgVcmymIsrkMD/diTodTRFi 3YmAZs6C+pnJ8x9w0mLBPH5cJdaGxc9yzK7fmwCUgIj5TAXTsd3O0wUDGaXawZZF5iGyb7oFQu 4TTVzBuWVQ+sGzM+fDGApfNY5ZfS+SUNX+w8QcuOq9NE9ysZ0ovLMOUI8sYjem/I1w0fuJr2oY UM=>;

- (13) the terms and conditions of the Notes set out on pages 28 to 59 of the base prospectus dated 17 June 2011 relating to the Programme that shall be available for viewing at:

<https://dl.bourse.lu/dl?v=4OhDeCWN7LceRa2BIBFk8VQNFn7PC7v2xsIufwP6z+1+gCpVr0FzMAjW+ 6/miX8x+ruBMz+wKqo22Nvu0hUJeqiuhJGYSqiK/K/0fZCjJmYJ9MJTztmcL6H0Cs2sRAjUuw7hEYQ 7svF+0CoqzjtaImPREiwBGIdSChZPCcnnO0+e+ip313trOUeh6HWxCLbv4CZALTOIAIodnpJ0dd/THus iqEqXZRTXf7rlX/g2ATRR73qFIS5rerQmNQf2Lbb2WqqCIHipW999N+yEwgKbmme0febO9FwdzsK GatQN7w9Bbrc4OKFEXAOC+RCg7N8MRCKChdPEF9zNaVeCR4gB+GivuW3hA6Z32ROEf3ASjW g=>;

- (14) the terms and conditions of the Notes set out on pages 27 to 58 of the base prospectus dated 17 June 2010 relating to the Programme that shall be available for viewing at:

<https://dl.bourse.lu/dl?v=+qtJRKekk+ocUiapjQcLu2v+q1iokWeIrqe17yhSVJWNC6pSm120FqM5WHf/ V5q8K2FwmwvrH6YniwzNlqOl+6AH9LEZPKyobMoK8bI4L6vSbMzUIIR1dJAftCJLrq2DhanJmA9 5qW+Ln+aU+eCloP+HMIlwqjc+kZf2J9bvi4kouScUvEaLyWXwrEEQOktZvuN66BbPlspVz9RSWw2s LA3EZtGcSgb0M+awIk+FXWM/CbFSldqrDs6argOi0L+gADjXV7UNdSmkoBwlsPkW8hOvKS+pHq QLXs5M1AasDim0WROIga+aJpXFD18utVc6sRIMBu45wltf8VZRCwNg2iDCMjoTxxji6+oDTw3DL E=>.

The tables below set out the relevant page references for the translated English language consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows, explanatory notes and the translated auditor's report of Red Eléctrica Corporación, Sociedad Anónima for each of the years ended 31 December 2018 (the "**REC 2018 Annual Accounts**") and 31 December 2019 (the "**REC 2019 Annual Accounts**"), as set out in the annual reports for each of the years ended 31 December 2018 and 31 December 2019, and the relevant page references for the unaudited interim consolidated



Income Statement, interim summary consolidated Balance Sheet and interim summary consolidated Cash Flow Statement of Red Eléctrica Corporación, Sociedad Anónima contained in the REC March 2020 Financial Results:

<b>REC March 2020 Financial Results</b>	<b>Page reference</b>
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Consolidated Income Statement	11
Consolidated Balance Sheet	12
Consolidated Cash Flow Statement	13

<b>REC 2019 Annual Accounts</b>	<b>Page reference</b>
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Consolidated Income Statement	2
Consolidated Statement of Financial Position	1
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Annual Accounts	6 to 87

Auditors Report	Page 2 to 8 of the PDF document
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**REC 2018 Annual Accounts**

Consolidated Income Statements	2
Consolidated Statements of Financial Position	1
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Annual Accounts	6 to 103

Auditors Report	Page 2 to 8 of the PDF document
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**English translations**

In the event of a discrepancy, the original Spanish-language versions prevail.

The table below sets out the relevant page references for the translated English language balance sheet, income statement, statement of total changes in equity, statement of cash flows, explanatory notes and the translated auditor's report of the Issuer for each of the years ended 31 December 2018 (the "**Issuer 2018 Annual Accounts**")

") and 31 December 2019 (the "**Issuer 2019 Annual Accounts**") as set out in the non-consolidated accounts for each of the years ended 31 December 2018 and 31 December 2019:

<b>Issuer 2019 Annual Accounts</b>	<b>Page reference</b>
Balance Sheets	1
Income Statements	2
Statement of Total Changes in Equity	3
Statements of Cash Flows	5
Explanatory Notes	6-17
Auditor's report	Page 2 to 5 of the PDF document

<b>Issuer 2018 Annual Accounts</b>	<b>Page reference</b>
Balance Sheets	1
Income Statements	2
Statements of Total Changes in Equity	3
Statements of Cash Flows	5
Explanatory Notes	6-18
Auditor's report	Page 2 to 6 of the PDF document

The tables below set out the relevant page references for the translated English language balance sheet, income statement, statement of total changes in equity, statement of cash flows, explanatory notes and the translated auditor's report of Red Eléctrica de España, Sociedad Anónima Unipersonal as of and for each of the years ended 31 December 2018 (the "**REE 2018 Annual Accounts**") and 31 December 2019 (the "**REE 2019 Annual Accounts**"), as set out in the non-consolidated annual accounts for each of the years ended 31 December 2018 and 31 December 2019:

<b>REE 2019 Annual Accounts</b>	<b>Page reference</b>
Balance Sheets	1
Income Statements	2

Statements of Total Changes in Equity	3
Statement of Cash Flows	5
Explanatory Notes	6-54
Auditor's report	Pages 2 to 6 of the PDF document

<b>REE 2018 Annual Accounts</b>	<b>Page reference</b>
Balance Sheets	1
Income Statements	2
Statements of Total Changes in Equity	3
Statement of Cash Flows	5
Explanatory Notes	6-55
Auditor's report	Pages 2 to 6 of the PDF document

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the registered office of Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. Copies of such documents are also available for inspection on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Any information not listed in the cross-reference tables but included in the documents incorporated by reference is given for information purposes only and is considered as additional information and is not required by the relevant schedules of Commission Delegated Regulation (EU) 2019/980.

For the avoidance of doubt, uniform resource locators ("URLs") given in respect of website addresses in this Base Prospectus are inactive textual references only and it is not intended to incorporate the contents of any such websites into this Base Prospectus nor should the contents of such websites be deemed to be incorporated into this Base Prospectus.

## USE OF PROCEEDS

The net proceeds from each issue of Notes will be used for Red Eléctrica S.A.U.'s general corporate purposes, which include making a profit. In addition, where the title "Use of Proceeds" in Part B of the applicable Final Terms is stated to be "Green Notes" as described in this "Use of Proceeds" section the net proceeds from each such issue of Notes will be applied by the Issuer to finance and/or refinance, in whole or in part, the development, construction, installation, maintenance of new or existing projects, assets or activities that meet the eligibility requirements defined and detailed in the green framework established by Red Eléctrica S.A.U. (the "**Green Framework**"). The eligible green projects will fall under the eligible categories defined and detailed in the Green Framework established by Red Eléctrica S.A.U.

The process to select and evaluate Eligible Green Projects will be performed as established in the Green Framework.

The Green Framework is available to view at <https://www.ree.es/en/shareholders-and-investors/bonds/green-framework>.

For the avoidance of doubt, URLs given in respect of website addresses in this Base Prospectus are inactive textual references only and it is not intended to incorporate the contents of any such websites into this Base Prospectus nor should the contents of such websites be deemed to be incorporated into this Base Prospectus. None of the information contained in such websites has been scrutinized or approved by the CSSF.

## **FINAL TERMS AND DRAWDOWN PROSPECTUSES**

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the necessary information which is material to an investor for making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantors and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer and the Guarantors have endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Prospectus or in a supplement to this Base Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the Guarantors and the relevant Notes or (2) by a registration document containing the necessary information relating to the Issuer and the Guarantors, a securities note containing the necessary information relating to the relevant Notes. In addition, if the Drawdown Prospectus is constituted by a registration document and a securities note, any significant new factor, material mistake or inaccuracy relating to the information included in the registration document which arises or is noted between the date of the registration document and the date of the securities note which is capable of affecting the assessment of the relevant Notes will be included in the securities note.

## FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### **Temporary Global Note exchangeable for Permanent Global Note**

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided however that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 11 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal

amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

#### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

#### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 11 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

#### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Overview of Provisions Relating to the Notes while in Global Form" below.

#### **Legend concerning United States persons**

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"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."

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may complete any information in this Base Prospectus.*

*The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Overview of Provisions Relating to the Notes while in Global Form" below.*

### 1 Introduction

- (a) *Programme*: Red Eléctrica Financiaciones, Sociedad Anónima Unipersonal (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR 5,000,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by Red Eléctrica Corporación, Sociedad Anónima and Red Eléctrica de España, Sociedad Anónima Unipersonal (each a "**Guarantor**" and together the "**Guarantors**").
- (b) *Final Terms*: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") which complete these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Public Deed of Issuance*: as far as required by Law (or, otherwise, at the option of the Issuer) each Tranche of Notes will be constituted by virtue of a public deed of issuance (the "**Public Deed of Issuance**") to be executed before a Spanish notary public on or prior to the Issue Date.
- (d) *Fiscal Agency Agreement*: The Notes are the subject of an amended and restated fiscal agency agreement dated 4 June 2020 (the "**Fiscal Agency Agreement**") between the Issuer, the Guarantors, Deutsche Bank AG, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (e) *Deed of Guarantee*: The Notes are the subject of a deed of guarantee dated 4 June 2020 (the "**Deed of Guarantee**") entered into by the Guarantors.
- (f) *The Notes*: All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing during normal business hours at the Specified Office Fiscal Agent, the initial Specified Office of which is set out below.
- (g) *Summaries*: Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and the Deed of Guarantee and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement and the Deed of Guarantee applicable to them. Copies of the Fiscal Agency Agreement and the Deed of Guarantee are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 2 Interpretation

- (a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;



**"Additional Business Centre(s)"** means the city or cities specified as such in the relevant Final Terms;

**"Additional Financial Centre(s)"** means the city or cities specified as such in the relevant Final Terms;

**"Business Day"** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means such Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

**"Calculation Amount"** has the meaning given in the relevant Final Terms;

**"Coupon Sheet"** means, in respect of a Note, a coupon sheet relating to the Note;

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if **"30/360"** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

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

where:

**"Y<sub>1</sub>"** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**"Y<sub>2</sub>"** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**"M<sub>1</sub>"** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**"M<sub>2</sub>"** is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

**"D<sub>1</sub>"** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**"D<sub>2</sub>"** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30";

- (f) if **"30E/360"** or **"Eurobond Basis"** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (g) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation 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<sub>2</sub> will be 30,

*provided, however, that* in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions, or specified in the relevant Final Terms;

**"EURIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently, Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

**"Final Redemption Amount"** means, in respect of any Note, its principal amount or such higher amount as may be specified in the relevant Final Terms;

**"First Interest Payment Date"** means the date specified in the relevant Final Terms;

**"Fixed Coupon Amount"** has the meaning given in the relevant Final Terms;

**"Group"** means Red Eléctrica Corporación, Sociedad Anónima and its subsidiaries;

**"Guarantee"** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

**"Guarantee of the Notes"** means the guarantee of the Notes given by the Guarantors in the Deed of Guarantee;

**"Indebtedness"** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility; and
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

**"Interest Amount"** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**"Interest Determination Date"** has the meaning given in the relevant Final Terms;

**"Interest Payment Date"** means the First Interest Payment Date and any other date or dates specified as such in the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention

at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Benchmarks Supplement"** means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms)) published by the International Swaps and Derivatives Association, Inc;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"Issue Date"** has the meaning given in the relevant Final Terms;

**"LIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the British Bankers' Association (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

**"Margin"** has the meaning given in the relevant Final Terms;

**"Maturity Date"** has the meaning given in the relevant Final Terms;

**"Maximum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Minimum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount or, if specified in the relevant Final Terms, the Make-Whole Amount, such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

**"Optional Redemption Date (Call)"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Date (Put)"** has the meaning given in the relevant Final Terms;

**"Participating Member State"** means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

**"Payment Business Day"** means:

(a) *if the currency of payment is euro, any day which is:*

- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
- (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) *if the currency of payment is not euro, any day which is:*

- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

- (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency *provided however that*:

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

**"Reference Banks"** has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**"Reference Price"** has the meaning given in the relevant Final Terms;

**"Reference Rate"** means LIBOR, EURIBOR or SONIA (or the Successor Rate), as specified in the relevant Final Terms;

**"Regular Period"** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**"Relevant Financial Centre"** has the meaning given in the relevant Final Terms;

**"Relevant Indebtedness"** means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) in each case, with an original maturity of greater than 365 days;

**"Relevant Screen Page"** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Time"** has the meaning given in the relevant Final Terms;

**"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;

**"Specified Currency"** has the meaning given in the relevant Final Terms;

**"Specified Denomination(s)"** has the meaning given in the relevant Final Terms;

**"Specified Office"** has the meaning given in the Fiscal Agency Agreement;

**"Specified Period"** has the meaning given in the relevant Final Terms;

**"Subsidiary"** means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of 50 per cent. of the share capital, contract, the power to appoint or remove the majority of the members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated (using the proportional integration method) with those of the first Person;

**"Talon"** means a talon for further Coupons;

**"TARGET2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**"TARGET Settlement Day"** means any day on which TARGET2 is open for the settlement of payments in euro; and

**"Treaty"** means the Treaty establishing the European Communities, as amended.

(a) *Interpretation:* In these Conditions:

- (i) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

- (ii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iii) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 10 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (iv) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (v) references to Notes being "outstanding" shall be construed in accordance with the Fiscal Agency Agreement;
- (vi) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (vii) any reference to the Fiscal Agency Agreement or the Deed of Guarantee shall be construed as a reference to the Fiscal Agency Agreement or the Deed of Guarantee, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3 Form, Denomination and Title

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or within the United Kingdom, or offered to the public in a Member State of the European Economic Area or in the United Kingdom in circumstances which would otherwise require the publication of a prospectus under the Prospectus Regulation, the minimum Specified Denomination will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

### 4 Status of the Notes and Guarantee

Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the "**Insolvency Law**") provides, among other things, that:

- (i) any claim may become subordinated if it is not reported to the insolvency administrators within one month from the last official publication of the court order declaring the insolvency. If the insolvency proceeding is declared as abridged, the term to report may be reduced to fifteen days;
- (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable;
- (iii) interest (other than any interest accruing under secured liabilities up to an amount equal to the value of the assets subject to the security) accrued and unpaid until the declaration of the insolvency proceedings (*concurso*) shall become subordinated; and



- (iv) accrual of interest (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall be suspended from the date of the declaration of insolvency.

(a) Status of the Notes:

The Notes constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 5 (*Negative Pledge*) unsecured obligations of the Issuer which (unless they qualify as subordinated credits under Article 92 of the Insolvency Law) in the event of the insolvency (*concurso*) of the Issuer will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, and in particular, save for such payment obligations that are preferred by law under Articles 84, 90 and 91 of the Insolvency Law.

In the event of the insolvency (*concurso*) of the Issuer, under the Insolvency Law, and assuming that the Notes continue being unsecured, claims relating to the Notes (unless they qualify as subordinated credits under Article 92 of the Insolvency Law) will be ordinary credits (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*). Ordinary credits rank above subordinated credits. Accrued and unpaid interest due in respect of the Notes at the commencement of an insolvency proceeding (*concurso*) of the Issuer will qualify as subordinated credits. Under Spanish law, accrual of interest on the Notes shall be suspended from the date of any declaration of insolvency.

(b) Status of the Guarantee:

The Guarantors have in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes.

This Guarantee of the Notes constitutes direct, general, unsubordinated and (subject to the provisions of Condition 5 (*Negative Pledge*) unsecured obligations of the Guarantors which (unless they qualify as subordinated credits under Article 92 of the Insolvency Law) in the event of the insolvency (*concurso*) of the Guarantors will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, and in particular, save for such payment obligations that are preferred by law under Articles 84, 90 and 91 of the Insolvency Law.

## 5 Negative Pledge

So long as any Note remains outstanding neither the Issuer nor the Guarantors shall create or permit to subsist any Security Interest (other than Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (i) at the same time or prior thereto securing the Notes equally and rateably therewith, or (ii) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

Permitted Security Interest means: (i) any Security Interest created in respect of any Relevant Indebtedness of a company which has merged with the Issuer, any of the Guarantors or one of its or their Subsidiaries or which has been acquired by the Issuer, any of the Guarantors or one of its or their Subsidiaries, provided that such security was already in existence at the time of the merger or the acquisition, was not created for the purpose of financing the merger or the acquisition and is not increased in amount and not extended following the merger or the acquisition; and (ii) any Security Interest arising pursuant to any mandatory provision of law other than as a result of any action taken by the Issuer or any of the Guarantors in their ordinary course of business.

## 6 Fixed Rate Note Provisions

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 9 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 7 Floating Rate Note Provisions

- (a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 9 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be (other than in respect of Notes for which SONIA is specified as the Reference Rate in the relevant Final Terms) determined by the Calculation Agent on the following basis:
  - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (ii) if 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 Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

- (A) one rate shall be determined as if the Relevant Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the Relevant Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

*provided, however, that* if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided however that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
  - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a

currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Calculation of other amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (h) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (i) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantors, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (j) *Benchmark Discontinuation:* If a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 7(j)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 7(j)(iii)) and any Benchmark Amendments (in accordance with Condition 7(j)(iv)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Fiscal Agent, or the Noteholders for any determination made by it pursuant to this Condition 7(j).

If (i) the Issuer is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7(j) prior to the relevant Interest Determination Date, the

Reference Rate applicable to the immediate following Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period. For the avoidance of doubt, any adjustment pursuant to this Condition 7(j)(i) (*Benchmark Discontinuation*) shall apply to the immediately following Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 7(j).

If the Independent Adviser and the Issuer agree that:

- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7(j)(iii)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(j) in the event of a further Benchmark Event affecting the Successor Rate; or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7(j)(iii)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(j) in the event of a further Benchmark Event affecting the Alternative Rate.

If the Independent Adviser and the Issuer agree (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).

If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7(j) and the Independent Adviser and the Issuer agree (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the applicable Final Terms Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 7(j)(v), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 7(j)).

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 7(j) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 20 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

- (A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7(j); and
- (B) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread.

The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad

faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the other Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 7(j), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 7(j), which, in the sole and reasonable opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Fiscal Agency Agreement and/or these Conditions.

As used in this Condition 7(j):

**"Adjustment Spread"** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or
- (C) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (D) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

**"Alternative Rate"** means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 7(j) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency.

**"Benchmark Event"** means:

- A. the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- B. a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the **"Specified Future Date"**); or
- C. a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the **"Specified Future Date"**), be permanently or indefinitely discontinued; or

- D. a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the "**Specified Future Date**"), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or
- E. a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market; or
- F. it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (B), (C) or (D) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

"**Benchmark Amendments**" has the meaning given to it in Condition 7(j)(iv).

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense under Condition 7(j).

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

## **7A Interest – Floating Rate Notes referencing SONIA**

- (a) This Condition 7A is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and the "Reference Rate" is specified in the relevant Final Terms as being "SONIA".
- (b) Where "SONIA" is specified as the Reference Rate in the Final Terms, the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SONIA plus or minus (as specified in the relevant Final Terms) the Margin, all as determined by the Calculation Agent.
- (c) For the purposes of this Condition 7A:

"**Compounded Daily SONIA**", with respect to an Interest Period, will be calculated by the Calculation Agent on the Interest Determination Date in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SONIA_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

"**d**" means, for any Observation Period, the number of calendar days in such Observation Period;

"**d<sub>o</sub>**" means, for any Observation Period, the number of London Banking Days in such Observation Period;

"**i**" means, for any Observation Period, a series of whole numbers from one to d<sub>o</sub>, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in such Observation Period to, and including, the last London Banking Day in such Observation Period;

"**Interest Determination Date**" means, in respect of any Interest Period, the date falling p London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling p London Banking Days prior to such earlier date, if any, on which the Notes are due and payable).

"**London Banking Day**" or "**LBD**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**n<sub>i</sub>**" for any London Banking Day "i", the number of calendar days from, and including, such London Banking Day "i" up to, but excluding, the following London Banking Day;

"**p**" means the number of London Banking Days by which an Observation Period precedes an Interest Period, as specified in the relevant Final Terms (provided that "p" shall not be less than five London Banking Days without prior written approval of the Calculation Agent);

"**Observation Period**" means the period from, and including, the date falling "p" London Banking Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date which is "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Banking Days prior to such earlier date, if any, on which the Notes become due and payable);

"**SONIA Reference Rate**" means, in respect of any London Banking Day, a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or if the Relevant Screen Page is unavailable, as otherwise is published by such authorised distributors) on the London Banking Day immediately following such London Banking Day; and

"**SONIA<sub>i</sub>**" means, in respect of any London Banking Day "i" falling in the relevant Observation Period, the SONIA Reference Rate for that day.

*For the avoidance of doubt, the formula for the calculation of Compounded Daily SONIA only compounds the SONIA Reference Rate in respect of any London Banking Day. The SONIA Reference Rate applied to a day that is a non-London Banking Day will be taken by applying the SONIA Reference Rate for the previous London Banking Day but without compounding.*

- (d) If, in respect of any London Banking Day in the relevant Observation Period, the Calculation Bank determines that the SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA Reference Rate shall be:
  - (i) (A) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus (B) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous London Banking Days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or



- (ii) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Banking Day, the SONIA Reference Rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA Reference Rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).
- (e) If the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 7A, the Interest Rate shall be (A) that 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) or (B) if there is no such preceding Interest Determination Date, the initial Interest Rate which would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).
- (f) If the Notes become due and payable in accordance with Condition 11 (*Events of default*), the final Interest Determination Date shall, notwithstanding the definition specified above, be deemed to be the date on which the Notes became due and payable and the Interest Rate on the Notes shall, for so long as the Notes remain outstanding, be the rate determined on such date.

## 8 Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 9 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:
  - (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice:

- (A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, 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 of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (1) the Guarantors have or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Guarantors taking reasonable measures available to it,

*provided, however, that no such notice of redemption shall be given earlier than:*

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantors would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantors would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by two directors of the Issuer 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 (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) either of the Guarantors has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 8(b) (*Redemption and Purchase – Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 8(b) (*Redemption and Purchase – Redemption for tax reasons*).

- (c) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other notice period as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

If the Optional Redemption Amount (Call) specified in the relevant Final Terms is the **"Make-Whole Amount"**, the Optional Redemption Amount (Call) will be the higher of:

- (a) 100 per cent. of the principal amount outstanding of the Notes 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 Note 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 (Call) will be 100 per cent. of the principal amount outstanding of the Notes to be redeemed.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 8(c).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

In this Condition 8(c), as applicable:

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

**"FA Selected Note"** 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.<sup>9</sup>

**"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 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 Note Dealer"** means each of five banks selected by the Issuer and/or the Guarantors, or their affiliates, which are (a) primary government securities dealers, and their respective successors, or (b) market makers in pricing corporate note issues.

**"Reference Government Note Dealer Quotations"** means, with respect to each Reference Government Note Dealer and any date for redemption, the arithmetic average, as determined by the Agent, of the bid and offered prices for the Reference Note (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 Note Dealer.

**"Reference Note"** shall be the note so specified in the applicable Final Terms or, if not so specified or if no longer available, the FA Selected Note.

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

**"Reference Note 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 Note, assuming a price for the Reference Note (expressed as a percentage of its nominal amount) equal to the Reference Note Price for such date of redemption.

**"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 this Condition.

- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 8(c) (*Redemption and Purchase – Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 8(c) (*Redemption and Purchase – Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant

Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 8(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 8(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), may be withdrawn; *provided however that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 8(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- (f) *Redemption following a Substantial Purchase Event*: If a Substantial Purchase Event (as defined below) is specified in the relevant Final Terms as being applicable and a Substantial Purchase Event has occurred, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 18 (*Notices*), redeem or purchase (or procure the purchase of), at its option, the Notes comprising the relevant Series in whole, but not in part, in accordance with these Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the date of redemption or purchase.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

A "**Substantial Purchase Event**" shall be deemed to have occurred if at least 80 per cent. of the aggregate principal amount of the Notes of the relevant Series originally issued (which for these purposes shall include any further Notes of the same Series issued subsequently) is purchased by the Issuer or Guarantors or any of their subsidiaries (and in each case is cancelled in accordance with Condition 8(j)).

- (g) *Residual Maturity Call Option*: If a Residual Maturity Call Option is specified in the relevant Final Terms as being applicable, the Issuer may, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 18 (*Notices*) (which notice shall specify the date fixed for redemption (the "**Residual Maturity Call Option Redemption Date**")), at its option, redeem the Notes comprising the relevant Series, in whole but not in part, at their principal amount together with any accrued and unpaid interest up to (but excluding) the date fixed for redemption, which shall be no earlier than (i) three months before the Maturity Date in respect of Notes having a maturity of not more than 10 years or (ii) six months before the Maturity Date in respect of Notes having a maturity of more than ten years.

For the purpose of the preceding paragraph, the maturity of not more than ten years or the maturity of more than ten years shall be determined as from the Issue Date of the first Tranche of the relevant Series of Notes.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

- (h) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (g) above.
- (i) *Purchase*: The Issuer, the Guarantors or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured

Coupons are purchased therewith. Such Notes may be held or resold at the option of the Guarantors or their respective Subsidiaries. Notes purchased by the Issuer must be surrendered to any Paying Agent for cancellation. The Guarantors or their respective Subsidiaries may sell such notes to the Issuer. In such case the Issuer must surrender such notes to any Paying Agent for cancellation.

- (j) *Cancellation:* All Notes so redeemed by the Issuer and any unmatured Coupons attached to or surrendered with them shall be cancelled. All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8(i) (*Redemption and Purchase – Purchase*) above (together with all unmatured Coupons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

## 9 Payments

- (a) *Principal:* Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* 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 10 (*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 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 10 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided however that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment;

*provided however that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 9(f) (*Payments – Unmatured Coupons void*) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 8(b) (*Redemption and Purchase – Redemption for tax reasons*), Condition 8(c) (*Redemption and Purchase – Redemption at the option of the Issuer*), Condition 8(e) (*Redemption and Purchase – Redemption at the option of Noteholders*), Condition 8(f) (*Redemption following a Substantial Purchase Event*), Condition 8(g) (*Residual Maturity Call Option*) or Condition 11 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 12 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 10 Taxation

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantors shall be made free and clear of, and without 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 Kingdom of Spain or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantors shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received

by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (i) presented for payment by, or on behalf of, a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
  - (ii) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration concerning the nationality, residence or identity of the holder (or providing information, documentation or other evidence of the same) or other similar claim for exemption to the relevant tax authority or to (or on behalf of) the Issuer, where such declaration or claim is upon request required or imposed by the Spanish tax authorities; or
  - (iii) to, or to a third party on behalf of, a holder if the Issuer or the Guarantors do not receive in a timely manner certain information about the Notes of such holder as it is required by the applicable Spanish tax laws and regulations, including a duly executed and completed certificate from the Fiscal Agent, pursuant to Law 10/2014 of 26 June, and any implementing legislation or regulation; or
  - (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.
- (b) *Taxing jurisdiction:* If any of the Issuer or the Guarantors become subject at any time to any taxing jurisdiction other than the Kingdom of Spain, references in these Conditions to the Kingdom of Spain shall be construed as references to the Kingdom of Spain and/or such other jurisdiction.

## 11 Events of Default

If any of the following events occurs and is continuing:

- (a) *Non-payment:* the Issuer (and each of the Guarantors under the Deed of Guarantee) fails to pay any amount of principal in respect of the Notes (or in respect of the Deed of Guarantee) within fourteen days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes (or in respect of the Deed of Guarantee) within twenty one days of the due date for payment thereof; or
- (b) *Breach of other obligations:* the Issuer or either of the Guarantors defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Guarantee and such default remains unremedied for 60 days after written notice thereof to the Issuer and the Guarantors; or
- (c) *Cross-default of Issuer or Guarantors:*
  - (i) any Relevant Indebtedness of the Issuer or the either of the Guarantors is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any amounts of principal or interest in respect of such Relevant Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or either of the Guarantors (as the case may be) or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
  - (iii) the Issuer or either of the Guarantors fails to pay when due any amount payable by it under any Guarantee of any Relevant Indebtedness;

provided that the amount of Relevant Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph

- (iii) above individually or in the aggregate exceeds €50,000,000 (or its equivalent in any other currency or currencies); or
- (d) *Enforcement proceedings*: a distress, attachment, execution, or other legal process is levied, enforced or sued out, on or against all or a material part of the property, assets or revenues of the Group and is not discharged or stayed within 90 days; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Group; or
- (f) *Insolvency etc*: (i) the Issuer or either of the Guarantors becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or either of the Guarantors or the whole or a substantial part of the undertaking, assets and revenues of the Issuer or either of the Guarantors is appointed (or application for any such appointment is made), (iii) the Issuer or either of the Guarantors takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or either of the Guarantors ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or (v) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or either of the Guarantors (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (g) *Failure to take action etc*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantors lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Kingdom of Spain is not taken, fulfilled or done by the Issuer or the Guarantors (as applicable); or
- (h) *Unlawfulness*: it is or will become unlawful for the Issuer or either of the Guarantors to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Guarantee; or
- (i) *Guarantee not in force*: the Guarantee of the Notes is not (or is claimed by either of the Guarantors not to be) in full force and effect; or

then any Noteholder of the relevant Series in respect of such Notes may, by written notice to the Issuer and the Guarantors, declare that such Notes or Note (as the case may be) and all interest then accrued but unpaid on such Notes or Note (as the case may be) shall be forthwith due and payable, whereupon the same shall (to the extent permitted by applicable Spanish law) become immediately due and payable at its Early Termination Amount, together with all interest accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary.

## **12 Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

## **13 Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the



expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### **14 Agents**

In acting under the Fiscal Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and the Guarantors and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantors reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; *provided however that*:

- (a) the Issuer and the Guarantors shall at all times maintain a Fiscal Agent; and
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantors shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer and the Guarantors shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

#### **15 Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes, these Conditions, the Deed of Guarantee and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

#### **16 Substitution**

Each of the Guarantors or any of their Subsidiaries (as defined below) (each a "**Substitute Obligor**") may, without the consent of the Holders of any Notes, Receipts or Coupons, assume the obligations of the Issuer (or any previous Substitute Obligor) under and in respect of any Notes upon:

- (a) *Deed poll*: the execution of a deed poll (the "**Deed Poll**") by the Substitute Obligor and (if the Substitute Obligor is not either of the Guarantors) the Guarantors (or by such of the Guarantors as is not the Substitute Obligor) in a form which gives full effect to such assumption and which includes (without limitation):
  - (i) a covenant by the Substitute Obligor in favour of the Holders of the Notes to be bound by these Terms and Conditions, the Notes, the Receipts, the Coupons, the Deed of Covenant and the Fiscal Agency Agreement, with any consequential amendments, as if it had been named herein and therein as the principal debtor in place of the Issuer, and such other deeds, documents and instruments (if any) in order for the substitution to be fully effective and for the Substitute Guarantor to be bound by all of the Issuer's obligations;
  - (ii) a warranty and representation (A) that the Substituted Obligor has obtained all necessary governmental and regulatory approvals and consents necessary for such substitution and for the performance by the Substituted Obligor of its obligations under the Deed Poll and under any other documents required to give full effect to the substitution, (B) that all such approvals and consents are in full force and effect, and (C) that the obligations assumed by the Substituted Obligor are valid and binding in accordance with their respective terms and enforceable by each Holder of the Notes; and
  - (iii) a covenant by the Substitute Obligor and (if the Substitute Obligor is not either of the Guarantors) each of the Guarantors (or by such of the Guarantors as is not the Substitute Obligor) to indemnify and hold harmless each Holder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such Holder as a result of any substitution pursuant to this Condition 16 (*Substitution*) and which would not have been so incurred or levied had such substitution not been made (and, without limiting the generality of the foregoing, any and all taxes or duties which are imposed on any such Holder by any political sub-division or taxing authority of any country in which such Holder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made); and
  - (iv) an acknowledgment of the right of all Holders of the Notes to the production of the Deed Poll.
- (b) *Deed of Guarantee*: if the Substitute Obligor is not either of the Guarantors, the execution of a deed of guarantee (the "**Substitute Guarantee**" hereinafter for the purpose of this Condition 16 (*Substitution*) only) by each of the Guarantors (or by such of the Guarantors as is not the Substitute Obligor) on substantially the same terms as the Deed of Guarantee pursuant to which it undertakes to guarantee the performance of the obligations of the Substitute Obligor under the Deed Poll, the Terms and Conditions of the Notes and any other documents required to give full effect to the substitution.
- (c) *Legal opinion*: the delivery by the Issuer to the Fiscal Agent of an opinion of independent legal advisers of recognised standing to the effect that:
  - (i) the Deed Poll constitutes legal, valid, binding and enforceable obligations of the Substitute Obligor and, if the Substitute Obligor is not either of the Guarantors, the Guarantors (or by such of the Guarantors as is not the Substitute Obligor);
  - (ii) the Notes constitute legal, valid, binding and enforceable obligations of the Substitute Obligor; and
  - (iii) if the Substitute Obligor is not either of the Guarantors, the Substitute Guarantee constitutes legal, valid, binding and enforceable obligations of the Guarantors in respect of all sums from time to time payable by the Substitute Obligor in respect of the Notes.

- (d) *Taxation*: where the Substitute Obligor is subject to a different taxing jurisdiction (the "**Substituted Territory**") than that to which the Issuer is subject generally (the "**Issuer's Territory**"), the Substituted Obligor will give an undertaking in terms corresponding to Condition 10 (*Taxation*) with the substitution for the reference in that Condition to the Issuer's Territory of references to the Substituted Territory;
- (e) *Ratings*: an undertaking to the Holders to provide a written confirmation by two internationally recognised rating agencies that the substitution of the Substituted Obligor will not result in a downgrading of the then current credit rating of such rating agencies applicable to the class of debt represented by the Notes;
- (f) *Release of Issuer*: Not later than fourteen days after the execution of any such documents as aforesaid in paragraph (a), the Substituted Obligor shall cause notice thereof to be given to the Noteholders; and
- (g) *Completion of substitution*: Upon the execution of such documents and compliance with the requirements stated in this Condition 16 (*Substitution*), the Substituted Obligor will be deemed to be named in these Terms and Conditions, the Notes, Receipts and Coupons as if it had been named herein and therein as the principal debtor in place of the Issuer (or of any previous substitute under this Condition 16 (*Substitution*)) and the Notes, the Receipts and the Coupons will be deemed to be amended in such manner as necessary to give effect to the substitution and any references in the Notes, Receipts and Coupons to the Issuer will be references to the Substituted Obligor.

## 17 Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

## 18 Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

## 19 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 20 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 21 Governing Law and Jurisdiction

- (a) *Governing law:* The formalities relating to the issue of the Notes, their legal nature (*obligaciones*), the status of the Notes and the status of the Guarantee of the Notes (Condition 4 (*Status of the Notes and Guarantee*)), the capacity of the Issuer and of the Guarantors, the relevant corporate resolutions and all non-contractual obligations arising out of or in connection with any of the above shall be governed by Spanish law. Subject as provided above, the terms and conditions of the Notes, the Fiscal Agency Agreement and the Deed of Covenant and all non-contractual obligations arising from or in connection with the Notes, Receipts, Coupons, Talons, Fiscal Agency Agreement and Deed of Covenant are governed by English law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with the Notes, Receipts, Coupons and/or Talons (including a dispute relating to the existence, validity or termination of the Notes, Receipts, Coupons and/or Talons or any non-contractual obligation arising out of or in connection with the Notes, Receipts, Coupons and/or Talons) or the consequences of their nullity (a "**Dispute**").
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Process agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes, to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

**[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** - The Notes are not intended, to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (the "**UK**"). 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 (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]

**MIFID II product governance / Professional investors and Eligible Counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

**[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time** (the "**SFA**") – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).]

**Final Terms dated [•]**

**RED ELÉCTRICA FINANCIACIONES, SOCIEDAD ANÓNIMA UNIPERSONAL**

(LEI: 9598006P00EGK6U2SG18)

Issue of [•]

Guaranteed by

**[RED ELÉCTRICA CORPORACIÓN, SOCIEDAD ANÓNIMA]**

*(incorporated with limited liability in Spain)*

**[RED ELÉCTRICA DE ESPAÑA, SOCIEDAD ANÓNIMA UNIPERSONAL]**

*(incorporated with limited liability in Spain)*

under the

**EUR 5,000,000,000 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 Conditions (the "**Conditions**") set forth in the Base Prospectus dated 4 June 2020 [and supplement(s) to it dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Regulation (EU) 2017/1129 of 14 June 2017 (the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 8.4 of the Prospectus Regulation. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Base Prospectus.]

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date were incorporated by reference in this Base Prospectus.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the [date] Conditions (the "**Conditions**") set forth in the Base Prospectus dated [17 June 2010]/[17 June 2011]/[6 June 2012]/[6 June 2013]/[3 June 2014]/[3 June 2015]/[3 June 2016]/[2 June 2017]/[4 June 2018]/[4 June 2019] [and the supplement(s) to it dated [date]] which are incorporated by reference in the Prospectus dated 4 June 2020. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated [insert date] [and the Prospectus Supplement dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation, save in respect of the Conditions which are set forth in the base prospectus dated [17 June 2010]/[17 June 2011]/[6 June 2012]/[6 June 2013]/[3 June 2014]/[3 June 2015]/[3 June 2016]/[2 June 2017]/[4 June 2018]/[4 June 2019] and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 8.4 of the Prospectus Regulation.]

Full information on the Issuer, the Guarantors and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the Prospectus Supplement] [is] [are] available for viewing on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and [at the Issuer's website at [www.ree.es](http://www.ree.es)] and copies may be obtained from Deutsche Bank Luxembourg, S.A. at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg.

- |    |  |
|----|--|
| 1. | <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="flex: 1;"> <div style="display: flex; justify-content: space-between; align-items: flex-start; margin-bottom: 10px;"> <div style="flex: 1;">[(i)</div> <div style="flex: 2;">Series Number:</div> </div> <div style="flex: 1; text-align: right;">[   ]</div> </div> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="flex: 1;">[(ii)</div> <div style="flex: 2;">Tranche Number:</div> </div> <div style="flex: 1; text-align: right;">[   ]</div> </div> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="flex: 1;">[(iii)</div> <div style="flex: 2;">Date on which the Notes become fungible:</div> <div style="flex: 3;"> <div style="border: 1px solid black; padding: 5px;"> [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [   ] on [[   ]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below [which is expected to occur on or about [   ]].] </div> </div> </div> |
| 2. | <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="flex: 1;">Specified Currency or Currencies:</div> <div style="flex: 1; text-align: right;">[   ]</div> </div>  |
| 3. | <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="flex: 1;">Aggregate Nominal Amount:</div> <div style="flex: 1; text-align: right;">[   ]</div> </div> <div style="display: flex; justify-content: space-between; align-items: flex-start; margin-top: 10px;"> <div style="flex: 1;">[(i)]</div> <div style="flex: 2;">Series:</div> <div style="flex: 1; text-align: right;">[   ]</div> </div> <div style="display: flex; justify-content: space-between; align-items: flex-start; margin-top: 10px;"> <div style="flex: 1;">[(ii)</div> <div style="flex: 2;">Tranche:</div> <div style="flex: 1; text-align: right;">[   ]</div> </div>   |

4. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date (if applicable)]*]
5. (i) Specified Denominations: [ ]  
*(Minimum denominations of EUR 100,000 (or its equivalent if denominated in another currency) required when Notes are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the Economic Area in circumstances which require the publication of a base prospectus under the Prospectus Regulation)*
- (ii) Calculation Amount: [ ]
6. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [[ ]/Issue Date]
7. Maturity Date: [ ]
8. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[ ] month [LIBOR]/[EURIBOR]/[SONIA]/*[Specify other]*] +/- [ ] per cent. Floating Rate]
9. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[ ]/[100]] per cent. of their nominal amount.  
*(N.B. Redemption amount cannot be less than 100 per cent.)*
10. Change of Interest Basis: *[Specify the date when any fixed to floating rate change occurs or refer to paragraph 14 below and identify there]/[Not Applicable]*
11. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [Substantial Purchase Event]  
 [Residual Maturity Call Option]  
 [Not Applicable][See paragraph [15/16/17/18] below]

12. [Date [Board] approval for issuance of Notes [and Guarantee] [respectively]] obtained: [ ] [and [ ], respectively]/[Not Applicable]  
*[(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)]*

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- i. **Rate(s) of Interest:** [ ] per cent. per annum payable in arrear on each Interest Payment Date
- ii. **Interest Payment Date(s):** [ ] in each year
- iii. **Fixed Coupon Amount(s):** [ ] per Calculation Amount
- iv. **Broken Amount(s):** [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]/[Not Applicable]
- v. **Day Count Fraction:** [30/360 / Actual/Actual (ICMA/ISDA)]
- vi. **[Determination Dates:** [ ] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*

14. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- i. **Specified Period:** [ ]/[Not Applicable]  
*(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- ii. **Specified Interest Payment Dates:** [ ]/[Not Applicable]  
*(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day*



*Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*

- iii. [First Interest Payment Date]: [ ]
- iv. Business Day Convention: [FRN Convention/Floating Rate Convention/Eurodollar Convention Following Business Day Convention/Modified Following Business Day Convention/Modified Business Day Convention Preceding Business Day Convention/No Adjustment]
- v. Additional Business Centre(s): [ ]/[Not Applicable]
- vi. Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- vii. Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s): [[ ] shall be the Calculation Agent]  
[For an issue of Floating Rate Notes, the Calculation Agent cannot be Deutsche Bank AG, London Branch as Fiscal Agent]
- viii. Screen Rate Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- Reference Rate: [[ ] month [LIBOR]/[EURIBOR]/[SONIA]]
  - Interest Determination Date(s): [ ]
  - "p": [ ]
  - Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
  - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
  - Relevant Financial Centre: [For example, London/Euro zone (where Euro zone means the region comprised of the countries whose lawful currency is the euro)]
- ix. ISDA Determination: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]
- [ISDA Definitions: [2006]]
- [ISDA Benchmarks Supplement: [Applicable / Not Applicable]]

- x. 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)*]]
- xi. Margin(s): [+/-][ ] per cent. per annum
- xii. Minimum Rate of Interest: [[ ] per cent. per annum]/[Not Applicable]
- xiii. Maximum Rate of Interest: [[ ] per cent. per annum]/[Not Applicable]
- xiv. Day Count Fraction:
 

[Actual/Actual		(ICMA)]
[Actual/Actual		(ISDA)]
[Actual	365	(Fixed)]
[Actual/360]		
[30/360]		
[30E/360]		
[Eurobond		Basis]
[30E/360 (ISDA)]		

## PROVISIONS RELATING TO REDEMPTION

### 15. Call Option [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- i. Optional Redemption Date(s): [ ]
- ii. Optional Redemption Amount(s) (Call) of each Note: [ ] per Calculation Amount of each Note/ [Make-Whole Amount]

- iii. Make-Whole Amount: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Reference Note: [[ ]/Not Applicable]
- (b) Redemption Margin: [ ]
- (c) Financial Adviser: [ ]
- (d) Quotation Time: [ ]
- (e) Discount Rate: [[ ]/Not Applicable]
- (f) Make-whole Exemption Period: [Not Applicable]/[From (and including) [ ] to (but excluding) [ ]/the Maturity Date]
- iv. If redeemable in part:
- (a) Minimum Redemption Amount: [[ ] per Calculation Amount]/[Not Applicable]
- (b) Maximum Redemption Amount: [[ ] per Calculation Amount]/[Not Applicable]
- v. Notice period: [ ] days/[Not Applicable]

## 16. Put Option

- [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- i. **Optional Redemption Date(s):** [ ]
- ii. **Optional Redemption Amount(s) of each Note:** [ ] per Calculation Amount
- iii. **Notice period:** [ ] days/[Not Applicable]

17. **Substantial Purchase Event** [Applicable/Not Applicable]
18. **Residual Maturity Call Option** [Applicable/Not Applicable]
19. **Final Redemption Amount of each Note** [ ] / [Par] per Calculation Amount
20. **Early Redemption Amount** [[ ] / [Par] per Calculation Amount / Not Applicable]
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. **Form of Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
22. **New Global Note:** [Yes] [No]
23. **Additional Financial Centre(s):** [Not Applicable]/[ ]
- (Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub paragraph 15(v) relates)*
24. **Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes/No. 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.]
25. **[Temporary Commissioner:]** *[Insert name of temporary commissioner in case of fungible issuances, if applicable, otherwise delete]*

### THIRD PARTY INFORMATION

[(*Relevant third party information*) has been extracted from (*specify source*). [Each of the] [The] Issuer [and the Guarantor(s)] 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 Red Eléctrica Financiaciones, Sociedad Anónima Unipersonal:

By: .....

Duly authorised

Signed on behalf of the Red Eléctrica Corporación, Sociedad Anónima:

By: .....

Duly authorised

Signed on behalf of the Red Eléctrica de España, Sociedad Anónima Unipersonal:

By: .....

Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Application has been made by the Issuer (or on its behalf) for the Notes to be listed on [the official list of the Luxembourg Stock Exchange with effect from [ ]].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on the official list of the Luxembourg Stock Exchange.]
- (ii) Admission to Trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from [ ]].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [ ] with effect from [ ]].]
- (iii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings: [The Notes to be issued [have not been/are not expected to be rated]]/ [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]]:

[S & P: [ ]]

[Moody's: [ ]]

[Fitch: [ ]]

[[Other]: [ ]]

[The meaning of such ratings is [*insert description*]]

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA or in the UK and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").] [*Insert legal name of particular credit rating agency entity providing rating*] appears on the latest update of the list of registered credit rating agencies (as of [insert date of most recent list]) on the ESMA website at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.]

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the Notes but the rating it has given to the Notes is endorsed by *[insert legal name of credit rating agency]*, which is established in the EEA or in the UK and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). *[Insert legal name of particular credit rating agency entity providing rating]* appears on the latest update of the list of registered credit rating agencies (as of *[insert date of most recent list]*) on the ESMA website at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.]

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA or in the UK but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA or in the UK and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA or in the UK and registered under the CRA Regulation.

### **3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

*(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below.)*

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer 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(s)] and [its/their] affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests)*]

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)]*

### **4. Fixed Rate Notes only – YIELD**

Indication of yield: [            ]

## 5. *Floating Rate Notes only* - HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/SONIA] rates can be obtained from [Reuters]/[Not Applicable]

## 6. OPERATIONAL INFORMATION

ISIN: [ ]

Common Code: [ ]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [ ]

Names and addresses of additional Paying Agent(s) (if any): [ ]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No][Not Applicable]

[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 intraday 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.] [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 intraday 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

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
- (A) Names of Managers: [Not Applicable/*give names*]
- (B) Stabilisation Manager(s) if any: [Not Applicable/*give names*]
- (iii) If non-syndicated, name of Dealer: [Not Applicable/*give names*]
- (iv) US Selling Restrictions [Reg. S Compliance Category [1/2]; TEFRA C/TEFRA D / TEFRA not applicable]

## 8. USE AND ESTIMATED NET AMOUNT OF THE PROCEEDS

- Use of proceeds: [ ] [See ["*Use of Proceeds*"] in the Base Prospectus/Green Notes]
- Estimated net proceeds: [ ]

## 9. BENCHMARK REGULATION

- Relevant Benchmark[s]: [[EURIBOR/LIBOR/SONIA] is provided by [administrator legal name]][*repeat as necessary*]. As at the date hereof, [[administrator legal name]][appears]/[does not appear]][*repeat as necessary*] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the Benchmark Regulation]/[Not Applicable]

## 10. JAPANESE OFFEREES

*[In the case where the Japanese offerees are limited to Qualified Institutional Investors only, and therefore the Issuer relies upon the Qualified Institutional Investor private placement exemption (the Issuer must appoint its attorney in Japan):*

*[The Notes have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") in reliance upon the exemption from the registration requirements since the offering constitutes the private placement to qualified institutional investors only.*

*A transferor of the Notes shall not transfer or resell them except where a transferee is a qualified institutional investor under Article 10 of the Cabinet Office Ordinance concerning Definitions provided in Article 2 of the Financial Instruments and Exchange Act of Japan (the Ministry of Finance Ordinance No. 14 of 1993, as amended).]]*

*[In the case where the Japanese offerees are fewer than 50, and therefore the Issuer relies upon the small number private placement exemption:*

*[The Notes have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement.*

*A transferor of the Notes shall not transfer or resell the Notes except where the transferor transfers or resells all the Notes en bloc to one transferee.]]*

*[Replace second paragraph above with the following if, in addition to fewer than 50 offerees, the numbers of the notes to be sold in Japan is fewer than 50:*

*[The Note is not permitted to be divided into any unit less than the minimum denomination.]]*

## OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer or the Guarantors to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer or the Guarantors in respect of payments due under the Notes and such obligations of the Issuer and the Guarantors will be discharged by payment to the bearer of the Global Note.

### Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (i) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (ii) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not

been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 4 June 2020 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Exchange of Permanent Global Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Conditions applicable to Global Notes**

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

*Payment Business Day :* In the case of a Global Note, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any)

Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

*Exercise of put option:* In order to exercise the option contained in Condition 8(e) (*Redemption and Purchase – Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 8(c) (*Redemption and Purchase – Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 18 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 18 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## DESCRIPTION OF THE ISSUER

### Information about the Issuer

The corporate name of the Issuer is "Red Eléctrica Financiaciones, Sociedad Anónima Unipersonal".

The Issuer is registered with the Mercantile Registry (*Registro Mercantil*) of Madrid, Spain, under Volume 26.804, Folio 133, Section 8, Page M-483031, 1st registration entry. The Issuer holds Tax Identification Code number A-85724052. The Issuer was incorporated for an indefinite time before Madrid Notary Public Mr. Manuel Rodríguez Marín on 17 June 2009 and operates under Spanish law.

The Issuer is a wholly-owned subsidiary of Red Eléctrica Corporación, Sociedad Anónima and was incorporated as a limited liability corporation (*sociedad anónima*) owned by one single shareholder (unipersonal), in accordance with Spanish law under Royal Legislative Decree 1564/1989, of 22 December 1989, approving the Spanish Corporations Law (*Ley de Sociedades Anónimas*), -abrogated by the Royal Legislative Decree 1/2010 of 2 July, which approves the Consolidated Text of Spanish Limited Liability Companies' Law (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*).

The Issuer's registered offices are located at Paseo del Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, Spain, and its telephone number is + 34 91 6502012.

The Issuer's share capital is €60,200 divided into six hundred and two (602) standard shares, each having a par value of one hundred euro (€100), numbered consecutively from no. 1 to no. 602 inclusive, all of which are issued and fully paid-up.

No recent events relating to the Issuer exist which are important for evaluating its solvency.

### Business Overview

The Issuer's exclusive corporate purpose is the issuance of debt instruments, either ordinary or unsubordinated, guaranteed by the Guarantors. This purpose shall be implemented subject to compliance with applicable legal requirements in force at the relevant time.

### Management and Supervisory Bodies

As at the approval date of this Base Prospectus, the members of the Board of Directors of the Issuer are as follows:

Name of Director	Position on Board
Tomás José Gallego Arjiz	Joint director
Rafael García de Diego Barber	Joint director

The business address of the members of the Board of Directors is Paseo Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, Spain.

Tomás José Gallego also acts as Manager of the Finance Area of Red Eléctrica Group and Rafael García de Diego is General Secretary and Secretary of the Board of Directors of Red Eléctrica Corporación, S.A.

To the best of the Issuer's and the Guarantors' knowledge, as at the date of this Base Prospectus there are no potential conflicts of interest between the duties of the persons identified above to the Issuer and their private interests and/or other duties in accordance with the Spanish law.

### Financial Information concerning the Issuer's Assets and Liabilities

#### *Financial position*

The Issuer was incorporated on 17 June 2009 with no financial activity prior to this date. The audited non-consolidated annual accounts of the Issuer as at and for the years ended 31 December 2019 and 31 December 2018 have been incorporated by reference in this Base Prospectus.

## DESCRIPTION OF RED ELÉCTRICA CORPORACIÓN, SOCIEDAD ANÓNIMA AND ITS CONSOLIDATED GROUP

### Introduction

Red Eléctrica Corporación, Sociedad Anónima ("**Red Eléctrica Corporación**") is registered with the Mercantile Registry (*Registro Mercantil*) of Madrid, Spain, under Volume 214, Book 191, Folio 38, Section 3, Page 62853, 1st registration entry and operates under Spanish Law. Red Eléctrica Corporación holds Tax Identification Code number A-78003662 and Legal Entity Identifier number 5493009HMD0C90GUV498. Red Eléctrica Corporación was incorporated for an indefinite time as a limited liability corporation (*sociedad anónima*), its registered office is at Paseo Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, Spain, and its telephone number is + 34 91 650 20 12.

As parent company of the Red Eléctrica Group (described below), Red Eléctrica Corporación is listed on the Spanish stock market (Madrid, Barcelona, Bilbao and Valencia Stock Exchanges) and it is included in the Ibex 35 selective index. The Spanish state industrial holding company, Sociedad Estatal de Participaciones Industriales ("**SEPI**"), is the main shareholder of Red Eléctrica Corporación, with a 20 per cent stake.

Red Eléctrica Corporación's share capital as of the date of this Base Prospectus is EUR270,540,000.

Red Eléctrica Corporación's website is [www.ree.es](http://www.ree.es). For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on the website does not form part of this Base Prospectus.

No recent events relating to Red Eléctrica Corporación that are important for evaluating its solvency have occurred.

### Business Overview

Red Eléctrica Corporación's corporate purpose is:

1. to hold, pursuant to the legislation in force from time to time, the capital stock of the company to which the functions of system operator and electricity transmission network manager and electricity transmitter correspond, pursuant to the provisions of Law 54/1997 of 27 November, on the Electricity Industry ("**Law 54/1997**");
2. the management of its business group, constituting the holdings in the capital stock of the companies comprising it;
3. the research, study and plan investment and corporate organization projects, as well as to promote, create and develop industrial, commercial or services enterprises; to research, develop and operate communications, information technologies and other new technologies in all respects; to provide assistance or support services to investees, for which purpose it may provide to those companies such guarantees and deposits as may be appropriate;
4. the design, development, implementation and operation of services relating to the corporate information, management and organization specific to its activity; and
5. all activities which are necessary for or enable its fulfilment, provided that they comply with the law.

### Background

Red Eléctrica de España, Sociedad Anónima ("**Red Eléctrica S.A.U.** ") was established for an indefinite time on 29 January 1985, under Law 49/1984, of 26 December 1984. At the time, Red Eléctrica S.A.U. was the first company in the world exclusively dedicated to the transmission of electrical energy and the operation of electricity systems.

Law 54/1997 introduced free competition in parts of the electricity sector. This law granted Red Eléctrica de España the functions of system operator, transmission grid manager, and principal carrier of the electricity system of Spain.

Law 17/2007 came into force on 6 July 2007 and modified the Electrical Sector Law in accordance with European regulations ("**Law 17/2007**"). Red Eléctrica S.A.U.'s role as operator and manager of the transmission grid was

confirmed by granting it the function of sole transmission and system operator in Spain. This completed the consolidation of its position as Spanish Transmission System Operator ("**TSO**").

Law 17/2007 introduced various corporate changes in Red Eléctrica S.A.U., including changes to its company articles of association and a restructuring of the company.

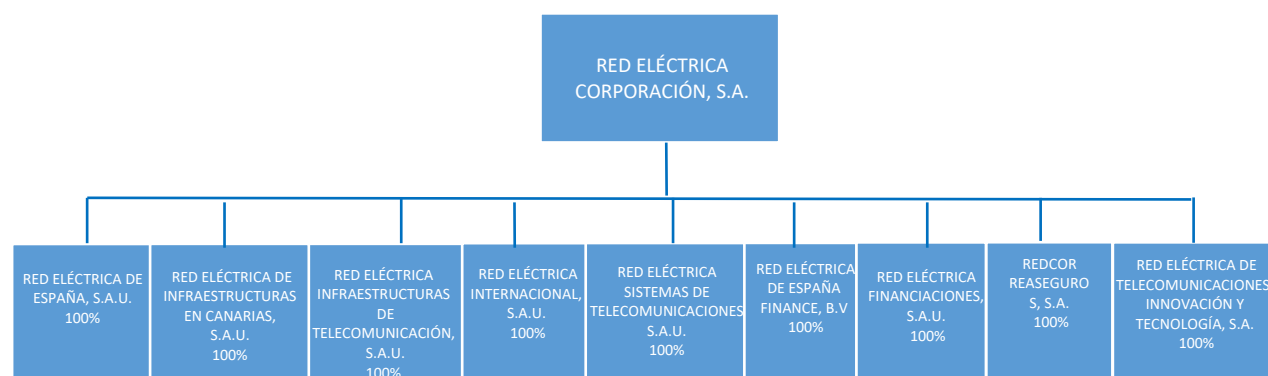
Red Eléctrica S.A.U.'s organisational structure was transformed into a holding structure to establish transparency and clear division between different regulated activities in Spain, such as the electricity system's transmission and operation.

In order to comply with Law 17/2007's requirements, on 1 July 2008, Red Eléctrica de España changed its name to Red Eléctrica Corporación, Sociedad Anónima, transferring all aspects of the business dealing with the regulated activities carried out in Spain onto Red Eléctrica S.A.U. The corporate head offices and properties not involved in the regulated activities, and any shareholdings in other entities not transferred to Red Eléctrica S.A.U. remain under the parent company, Red Eléctrica Corporación, S.A., owner of 100 per cent. of Red Eléctrica S.A.U.'s share capital.

Law 54/1997 was substituted by Law 24/2013 of 26 December, 2013, relating to the electricity sector ("**Law 24/2013**"), which maintains Red Eléctrica's appointment as the sole transmission carrier, system operator and transmission grid manager. Law 24/2013 also maintains, given the non-derogation of the twenty-third additional disposition of Law 54/1997, Red Eléctrica Corporación's current corporate name and structure.

### The Red Eléctrica Group

As of date of this Base Prospectus, the simplified corporate structure of Red Eléctrica Corporación Group is as follows (the "**Red Eléctrica Group**"):



Under Law 24/2013, all of the provisions relating to the system operator and transmission network manager apply to Red Eléctrica S.A.U. and Red Eléctrica Corporación, may not transfer its shares in Red Eléctrica S.A.U. to third parties as it carries out regulated activities.

### Business

The Red Eléctrica Group conducts its business and operations across three main divisions: (i) Management of electric infrastructure in Spain as Transmission System Operator; (ii) Telecommunications Business; and (iii) Management of electric infrastructure in International Business.

#### (i) *Management of electric infrastructure in Spain as Transmission System Operator*

The Red Eléctrica Group's principal activity is electricity transmission, system operation and management of the transmission network for the Spanish electricity system. These regulated activities are carried out through Red Eléctrica S.A.U. as TSO of the Spanish electricity system and, as of 31 December 2019, they represented 90 per cent. of the Group's total revenues (93 per cent. as of 31



December 2018) and they are described below in a specific section "Management of electric infrastructure in Spain".

In accordance with Law 24/2013, high voltage transmission of electricity consists in transmitting electricity and in constructing, maintaining and managing the facilities necessary to do so. The Red Eléctrica Group, through Red Eléctrica S.A.U., also operates the electricity systems serving the Spanish territory, including the mainland, islands and non-mainland electricity systems, to ensure the continuity and security of the electricity system.

Moreover, in connection with the activity of TSO, the Group is involved in construction of energy storage facilities in non-mainland and isolated systems through Red Eléctrica Infraestructuras en Canarias S.A.U. ("**REINCAN**"), a fully-owned subsidiary of Red Eléctrica Corporación, incorporated on 17 September 2015.

In addition, Red Eléctrica S.A.U. owns 50 per cent. of the share capital of Interconexión Eléctrica Francia-España, S.A.A. ("**INELFE**") for development of the connection facilities with France.

(ii) *Telecommunications Business*

The Red Eléctrica Group also provides telecommunications services to third parties through Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. ("**REINTEL**"). In 2018, Red Eléctrica Corporación incorporated Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. ("**RESTEL**") whose main corporate purpose is the acquisition, holding, management and administration of securities. See the section entitled "*Investments – Telecommunication Investments*" below.

(iii) *Management of electric infrastructure in International Business*

The Red Eléctrica Group's international business has been conducted through Red Eléctrica Internacional, S.A.U. ("**Red Eléctrica Internacional**") and international operations have been concentrated mainly in Peru and Chile. Red Eléctrica Internacional currently holds a direct 100 per cent. stake in Peruvian companies Red Eléctrica Andina, S.A.C. ("**REA**") and Red Eléctrica del Sur, S.A. ("**REDESUR**") (being the owner of several companies focused on specific projects) and Chilean company Red Eléctrica Chile, S.p.A. ("**RE Chile**"), the latter holding further stakes in the share capital of other electricity transmission and operation companies.

The Group's activities in Peru are principally directed at the management of electricity transmission facilities. Additionally, the Group's activities in Chile have been focused on the commercial operation of electrical grid lines that connect Chile's established interconnected systems and the management and operation of further sub-stations and electricity lines across the country. See the section entitled "*Investments –International Transmission Investments*".

In addition to the above-mentioned business divisions, the Red Eléctrica Group carries out activities through its subsidiaries aimed at financing its operations Red Eléctrica de España Finance, B.V., and Red Eléctrica Financiaciones, S.A.U., and covers risks by reinsuring its assets and activities, Redcor Reaseguros, S.A.

In 2019, Red Eléctrica Corporación incorporated Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología ("**RETIT**") to foster technological innovation.

In 2019, the Red Eléctrica Group generated revenues of EUR2,007.2 million, representing a 3.0 per cent increase compared to the previous year (EUR1,948.5 million in 2018) and achieved a net profit of EUR718.0 million, representing a 1.9 per cent increase compared to the previous year (EUR704.5 million in 2018).

## **Investments**

### *Investment Plan*

The 2018-2022 Strategic Plan includes an investment plan of approximately EUR6,000 million, EUR3,200 million will be allocated to the transmission network and storage in Spain, promoting the energy transition, EUR1,700 million to telecommunications, and EUR1,000 million to international business. Integration of renewables will be the main investment vector, representing 25.5 per cent. of the total investments.

#### *Transmission network investments in Spain*

Investments on transmission activities will be directed mainly towards improving the security of supply and creating a sustainable energy model.

The regulated activities are driven mainly by three lines of action: propelling the energy transition, market integration and the sustainability of the electricity system with a major technological component; search for efficiency, enabling the Red Eléctrica Group to maintain its position as an international benchmark and; the implementation of new regulated activities, such as storage of energy in the island systems as a tool to guarantee the security of the isolated non-mainland electricity systems.

As system operator, Red Eléctrica S.A.U. is required by Law 24/2013 to participate in the development of the electricity infrastructure plan, whose aim is to guarantee security of supply in the long term and define the needs of the transmission grid under the principles of transparency and cost efficiency.

#### *Telecommunication Investments*

On 29 June 2015, REINTEL was incorporated for the development of operation of networks and provision of telecommunications services for third parties.

REINTEL is positioning itself as a neutral provider of telecommunications infrastructure, its main activity being the rental of dark fiber and the infrastructure associated with that network. REINTEL operates a fiber-optic network of more than 50,000 km of cables deployed on the electricity transmission network and the railway network, ensuring transparent access and equal conditions to customers and agents of the telecommunications sector. The company is the successful tenderer for a period of 20 years ending in 2034 for the right of use and operation of the fiber optic network, not dedicated to the railway business and other associated elements, owned by Adif - High Speed.

Additionally, significant progress was made to position the Group as a global operator of telecommunications infrastructure. On 12 February 2019, Abertis Infraestructuras, S.A. and Red Eléctrica Corporación reached an agreement for RESTEL to acquire 89.68 per cent. of Abertis Infraestructuras, S.A.'s stake in Hispasat, S.A. The closing of the acquisition was formalised on 3 October 2019, once the required conditions precedent were met. Hispasat, S.A. is the leading satellite infrastructure operator in Spain and Portugal by volume of business, and also ranks as the fourth operator in Latin America and the eighth operator worldwide.

#### *International Transmission Investments*

The international business of the Red Eléctrica Group is developed through Red Eléctrica Internacional, which manages international investments in transmission infrastructure and promotes new business opportunities internationally.

Regarding the activities in Peru, Red Eléctrica Internacional holds a direct 100 per cent. interest in the capital of the Peruvian companies **REA** and **REDESUR**. In turn, **REDESUR** owns 100 per cent. of Transmisora Eléctrica del Sur, S.A. ("**TESUR**"), Transmisora Eléctrica del Sur 2, S.A. ("**TESUR2**"), Transmisora Eléctrica del Sur 3, S.A., ("**TESUR3**") and with the participation of Red Eléctrica Internacional, Transmisora Eléctrica del Sur 4, S.A. ("**TESUR4**"), companies whose principal activity is the electricity transmission and the operation and maintenance of electricity transmission networks in Peru.

In June 2018, TESUR 2 initiated the commercial operation phase of the Azangaro-Juliaca-Puno 220 kV transmission line for a period of 30 years. The projects carried out by TESUR 3, the Montalvo - Los Héroes line and, TESUR 4, the Tintaya- Azángaro line are in the construction period and will come into operation in the next few years.

On 14 December 2018, Red Eléctrica Internacional reached an agreement with Cajamarca Invest, S.L. and Bow Power to acquire 100 per cent. of the capital of Concesionaria Linea de Transmision CCNMC S.A.C, a concessionaire of the Carhuaquero - Cajamarca Norte - Cállic - Moyobamba 220 kV power line and the 4 related substations in northern Peru. These assets have been operating since the end of 2017 on the basis of a license for 30 years with the Peruvian State. The transaction was completed in 2019 through the recently incorporated company Red Eléctrica del Norte Perú, S.A.C. ("**REDELNOR**"). Red Eléctrica Internacional holds a 100 per cent. interest in REDELNOR.

Regarding the activities in Chile, Red Eléctrica Internacional holds a 100 per cent. interest in the Chilean company "**RE Chile**", incorporated in November 2015 and its main activity is the acquisition, possession, administration, direction and management of the shares that the Group maintains in Chile. RE Chile in turn, has, 50 per cent. of Transmisora Eléctrica del Norte, S.A. ("**TEN**"), the other being 50 per cent. of the Chilean company, Engie Energía Chile, a subsidiary of Grupo ENGIE.

During 2018, TEN has operated the first year of service of the Mejillones-Cardones line, with 500 kV and a total length of 600 km which connects the Central Interconnected System (SIC) with the Great Northern Interconnected System (SING).

RE Chile also has a 69.9 per cent. stake in Red Eléctrica del Norte S.A. ("**REDENOR**") and 100 per cent. of Red Eléctrica del Norte 2 S.A. ("**REDENOR2**").

On 5 July 2017, RE Chile and Cobra Instalaciones y Servicios S.A., incorporated the company REDENOR. The company's purpose is to design, finance, build, operate and maintain various transmission facilities in the Far North Interconnected System (Sistema Eléctrico del Norte Grande-SING). The company was awarded a project for the construction and operation of 258 km of 220 kV lines and a substation in northern Chile, the construction of the project began in 2018.

On 3 July 2018, RE Chile incorporated the company REDENOR2, whose statutory activity is the involvement in electricity transmission and transportation activities. In September 2018 REDENOR2 acquired 100 per cent. of the corporate capital of Centinela Transmisión, S.A., the company operates a 265 km circuit made up of three 220 kV lines in Chile's northern Antofagasta Region, and at the end of 2018, the company was absorbed by REDENOR2.

On 22 November 2019, Red Eléctrica Internacional and the Colombian company Grupo Energía Bogotá S.A. ESP reached an agreement to jointly and equally acquire 100 per cent. of the shares in Argo Energia Empreendimentos e Participações S.A. ("**Argo Energía**") owned by Patria Investments and Sommerville Investments, B.V., a wholly owned subsidiary of Temasek Holdings (Private) Limited. Argo Energía owns three electric transmission concessions in Brazil for a period of 30 years totalling 1,460 km of 500 kV and 230 kV circuit and 11 substations, including 1,150km of circuit and five substations operational since October 2019. The concessions, form part of Brazil's national transmission system, two of them are in the construction phase and are expected to become fully operational in 2023.

On 26 March 2020, Red Eléctrica Internacional paid EUR374.3 million for 50 per cent of the Brazilian electricity transmission company Argo Energía. Since that day, the Brazilian Company has been consolidated in the Red Eléctrica Group using the equity method through the Red Eléctrica Internacional subgroup.

## Management

The members of the Board of Directors of Red Eléctrica Corporación and their positions, as at the approval date of this Base Prospectus, are as follows:

<b>Name of Director</b>	<b>Position on Board</b>
Beatriz Corredor Sierra	Chairwoman
Roberto García Merino	Chief Executive Officer
Mercedes Real Rodríguez*	Member - Nominee (SEPI)
Antonio Gómez Expósito	Member - Nominee (SEPI)
María Teresa Costa Campi	Member - Nominee (SEPI)
Carmen Gómez de Barreda Tous de Monsalve	Member - Independent
María José García Beato	Member - Independent

<b>Name of Director</b>	<b>Position on Board</b>
Socorro Fernández Larrea	Member - Independent
Antonio Gómez Ciria	Member - Independent
Arsenio Fernández de Mesa y Díaz del Río	Member - Independent
Alberto Francisco Carbajo Josa	Member - Independent
José Juan Ruiz Gómez	Member - Independent

The above table lists all officers and there are no additional executive officers in Red Eléctrica Corporación, S.A.

\* Mercedes Real Rodríguez also acts as director of the division of investee companies - energy of the SEPI.

The business address of the members of the Board of Directors is Paseo Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, Spain. To the best knowledge and belief of the Issuer and the Guarantors, as at the date of this Base Prospectus, there are no potential conflicts of interest between the duties of the persons identified above to Red Eléctrica Corporación and their private interests or other duties in accordance with the Spanish law.

The directors of Red Eléctrica Corporación have no principal activities performed by them outside Red Eléctrica Corporación where these are significant with respect to Red Eléctrica Corporación.

#### **Red Eléctrica Corporación's Credit Rating**

The following table contains the credit ratings that Red Eléctrica Corporación has currently assigned for the long and short term by the credit ratings agencies Fitch Ratings España, S.A.U. and S&P Global Ratings Europe Limited.

<b>Rating Agency</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Outlook</b>	<b>Latest date of review of rating</b>
Fitch Ratings España, S.A.U.	A-	F1	Stable	6 April 2020
S&P	A-	A-2	Stable	6 March 2020

Each of Fitch Ratings España, S.A.U. and S&P Global Ratings Europe Limited is established in the European Union and are registered under the CRA Regulation.

#### **Recent events**

On 3 April 2020, Red Eléctrica Corporación issued EUR400 million in bonds on the Euromarket, maturing in five years and with an issue date of 14 April 2020, an annual coupon of 0.875% and an issue price of 99.606%, representing a yield of 0.956%.

## DESCRIPTION OF RED ELÉCTRICA DE ESPAÑA, SOCIEDAD ANÓNIMA UNIPERSONAL

### Introduction

Red Eléctrica S.A.U. is a ("**Red Eléctrica S.A.U.**") wholly-owned subsidiary of Red Eléctrica Corporación. Red Eléctrica S.A.U. is registered with the Mercantile Registry (*Registro Mercantil*) of Madrid, Spain, under Volume 25.097, Folio 195, Section 8, Page M-452031, 4th registration entry and operates under Spanish Law. Red Eléctrica S.A.U. holds Tax Identification Code number A-85309219. Red Eléctrica S.A.U. was incorporated for an indefinite time on 1 July 2008, its registered office is at Paseo Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, Spain, and its telephone number is + 34 91 6502012.

### Business

The main activity of the Group comprises electricity transmission, system operation and management of the transmission network for the Spanish Electricity System, carried out through Red Eléctrica de España, S.A.U.

The administration body of Red Eléctrica S.A.U. is formed by a sole administrator and this position is carried out by its parent company, Red Eléctrica Corporación, S.A.

Red Eléctrica S.A.U.'s main business activities are as follows:

### Transmission

Red Eléctrica S.A.U. owns the majority of the Spanish transmission network, consisting of over 44,000 km of high voltage lines, over 5,700 substation bays, and over 92,000 MVA (megavolt amps) of transformation capacity.

As mentioned above, the TSO model was legally ratified with the entry into force of Law 17/2007. This law established the existence of a sole transmission company and assigned said function, together with those of system operator and transmission network manager, to Red Eléctrica S.A.U. and was confirmed by new Law 24/2013.

In order to develop and maintain the transmission network, Red Eléctrica S.A.U. carries out the following activities:

- (1) *Planning:* Red Eléctrica S.A.U.'s work consists of identifying future network development needs to improve the network. In this respect, it carries out the corresponding demand and supply forecast analyses and technical studies on the suitability of the transmission network.
- (2) *Development:* Red Eléctrica S.A.U.'s investments are targeted towards the structural reinforcement and development of the transmission network, to improve the meshing of the transmission grid, integrating, and improving the transmission assets in the Balearic and Canary Islands and strengthening international interconnections. Propelling the energy transition, market integration and the sustainability of the electricity system with a major technological component and search for efficiency.

As mentioned above, the structural reinforcement of the transmission network includes the development of international interconnections, to ensure security of supply in Spain as well as the integration of the Spanish electricity market into other markets. The increase of interconnection capacity will enable to confront the greater variability of renewable generation, minimising waste in a context of increased green generation capacity, reducing the need for backup generation and facilitating the development of the internal energy market in Europe, which will be a key tool for the operation of the electricity system. In this regard, the development of interconnections with France, which connects the Spanish and Portuguese electricity systems to other European electricity systems, is paramount to Red Eléctrica S.A.U.'s activities. Additionally, increasing and expanding these interconnections is one of the principal objectives of EU energy policy.

The interconnection with France, completed in 2014, consists of a new line extending between the two transformers located in Santa Llogaia (Spain) and Baixas (France). This project was carried out in conjunction with the French transmission system operator Réseau de Transport d'Électricité ("**RTE**") through the company Interconexión Eléctrica Francia España ("**INELFE**"), in which Red Eléctrica S.A.U. and RTE each have a 50 per cent stake. This interconnection, deemed a high-priority interest by the European Union, has doubled the interconnection capacity of both countries, from 1,400 to 2,800

megawatts. This has in turn strengthened the security of the two electricity systems and promotes the integration of a greater volume of renewable energy, especially wind power from the Spanish system.

Red Eléctrica S.A.U., through INELFE, is currently carrying out studies prior to the construction of the new interconnections with France through the Bay of Biscay and the central Pyrenees, to increase the transmission capacity to Europe through this country and for the achievement of the European energy objectives that will allow access to sustainable, competitive and safe energy. The Bay of Biscay interconnection project was declared a "Project of Common Interest" by the European Commission and the Parliament on 14 October 2013. This project will increase the exchange capacity from 2,800 to 5,000 MW, increasing the safety, stability and quality of electricity supply between the two countries and also with the rest of Europe.

- (3) *Maintenance*: the maintenance of the equipment and systems that make up the high-voltage transmission network requires the application of strict quality controls, the use of predictive maintenance techniques, and the performance of intensive work.

As a result of the coordination between power downtime for construction and maintenance work, the quality of the facilities and use of the above-mentioned maintenance techniques, Red Eléctrica S.A.U. benefits from a high degree of availability of its electricity transmission facilities. This in turn has enabled Red Eléctrica S.A.U. to achieve the following service quality indicators in terms of security and continuity of supply as at 31 December 2019:

Quality indicators	2019(*)
Network availability index ( per cent.)	97.9
Average interrupt time (AIT) in minutes	0.101
Energy not supplied (ENS) MWh	48

Source: Red Eléctrica S.A.U. (\*) Provisional data

#### *Remuneration model*

The new regulation for electricity transmission in Spain was approved by means of Circular 5/2019, of 5 December, of the National Markets and Competition Commission in Spain ("CNMC"), establishing the methodology for the calculation of the remuneration of the electric energy transmission activity ("**Circular 5/2019**"). This new model establishes a framework for the remuneration of the electricity transmission activity, encouraging continuous improvement in management efficiency and network availability. This new model is applicable for the next regulatory period 2020-2025.

The new regulation establishes a formula for remunerating transmission assets, using a single methodology. This is based on net asset values of all assets in service at a rate indexed to the WACC (weighted average cost of capital) established by Circular 2/2019, of 12 November, establishing the methodology of calculation of the financial remuneration rate of the transmission and distribution of electric energy ("**Circular 2/2019**"), and with regulatory 6-year periods. The new model continues postponing the assets remuneration from year "n" when the asset is commissioned to the year "n+2" but it also maintains the "delay factor mechanism" introduced by Royal Decree 1047/2013 that recognizes the financial cost of this delay.

Each installation comprises a remuneration for investment and a remuneration for operation and maintenance. The model is based on benchmark unit investment costs, and unit operation and maintenance values, with a pre-established method for updates and revisions. The guidance memorandum for Circular 5/2019 and Circular 7/2019, of 5 December, of the CNMC, approving the standard installations and the benchmark unit values for or installation and maintenance by element of property plant and equipment to be used in the calculation of the remuneration of companies owners of electric energy transmission facilities ("**Circular 7/2019**") establishes that the unit investment cost remains unchanged for this new regulatory period, whereas the unit operation and maintenance cost have been updated according to the new values published in Circular 7/2019.

### *Remuneration for investments*

Investment return ( $RI_n^i$ ): the remuneration for investments is comprised of an amount of annual depreciation ( $A_n^i$ ) and the return on the capital invested ( $RF_n^i$ ):

$$RI_n^i = A_n^i + RF_n^i$$

The calculation of the remuneration for investment takes into account the financial remuneration obtained by applying the financial remuneration rate to the value of the investment that has the right to remuneration in net terms.

The value of the investment is calculated as the real value of the investment plus/minus 50 per cent of the difference between the benchmark unit value and the real value. However, this synergy in the construction of installations has a cap of 25 per cent.

The financial remuneration rate is approved by Circular 2/2019, of 12 November, establishing the methodology of calculation of the financial remuneration rate of the transmission and distribution of electric energy and is based on the WACC. The financial remuneration rate is subject to review at the end of the regulatory period. The financial remuneration rate of 5.58 per cent. has been established for the next regulatory period 2020-2025, but for 2020 the rate has been fixed in 6.003 per cent.

The asset is depreciated based on its useful life, which is 40 years for most installations.

### *Operation and maintenance costs*

Operation and maintenance costs are remunerated by applying the benchmark unit values to all installations in operation.

As described under the title "*Remuneration model*", the new operation and maintenance unit values have been established by Circular 7/2019. These operation and maintenance values have been reduced from the one established in the Order IET/2659/2015 and applied over the last regulatory period. A limitation of the 50 per cent. of the reduction has been implemented in the model, in order to share the impact of the new unit values in the remuneration.

### *End of the assets' useful life*

Once an asset reaches the end of its useful life, the remuneration will be calculated as the value of its operation and

maintenance remuneration plus a new term called REVU:

$$REVU_n^j = \mu_n^j \cdot ROM_n^j$$

$\mu_n^j$  is the coefficient for the extension of its useful life which will vary between 0.3 and 1 depending on the number of years that the useful life is extended.

### *Remuneration for Assets in operation*

The methodology approved by Circular 5/2019 applies to all installations, regardless of the date they entered into operation.

Nevertheless, for the valuation of fixed assets with the right to remuneration of installations in service, a distinction has been made between values in service before 1998, and those starting up after 1 January 1998:

- Value of assets entered into service before 1998 is calculated implicitly, based on the actual remuneration received for the investment component and an average residual life was established in 7 years from 2016. A resolution from the Directorate General of Energy Policy and Mines (*Dirección General de Política Energética y Minas*) ("**DGEPM**") of MITECO has increased in 1 year the residual life for these assets.

- Value of assets commissioned subsequent to 1998 will be measured at their replacement cost based on the benchmark unit values, and taking into account their specific useful life.

#### *Global incentive for availability of the transmission network*

Circular 5/2019 establishes incentives for the efficiency and availability of the transmission network. This global incentive can range from a maximum amount of +2.5 per cent to a minimum amount of -3.5 per cent of the O&M remuneration. The global incentive of availability of the transmission company will be calculated by comparing the availability of the transmission company in year "n- 2", with the minimum global availability weighted index required to the transmission company and the objective availability weighted index established for the regulatory period.

#### *Current remuneration of the transmission activity*

Order IET/981/2016 of 15 June 2016, recognised the sum of EUR1,681 million as remuneration for the transmission activity of Red Eléctrica S.A.U. for the year 2016. A provisional tariff for year 2017 was published in Order ETU/1976/2016 of 23 December 2016, for year 2018, in Order ETU/1282/2017 of 22 December, and for year 2019, in Order TEC/1366/2018 of 20 December. These Ministerial Orders establish that until a definitive tariff for 2017, 2018 and 2019 is approved, based on the methodology envisaged in Royal Decree 1047/2013, the remuneration for the transmission activity in both years will be equal to the tariff approved for 2016. In this regard, there is currently a discussion with the Regulator about the implementation of the remuneration model and certain criteria for determining the remuneration of the transmission activity.

For 2020, the remuneration for transmission will be calculated and approved by our National Regulatory Agency according to the methodology established in Circular 5/2019. The main changes in the new model for the regulatory period 2020-2025 are the new REVU term, the reduction in the operation and maintenance unit values and the profit-sharing methodology applied in that reduction. However, since the already mentioned discussion with the Regulator is still not solved, the remuneration for 2020 has been, once again, fixed provisionally (*Resolución de 26 de febrero de 2020, de la Comisión Nacional de los Mercados y la Competencia, por la que se establece provisionalmente la retribución de las empresas titulares de instalaciones de transporte de energía eléctrica para el ejercicio 2020*). Hence, the amount recognized for 2020 is EUR1,681 million (same as the previous years).

The transmission company receives the remuneration through a settlement methodology managed by the CNMC. According to this procedure, distributors communicate their monthly revenues from system access tariffs to the CNMC. The CNMC deducts from said revenues the relevant percentages to cover various fixed costs of the electricity system (*costes permanentes del sistema*), diversification and security-of-supply costs. These fixed costs also include sums paid by CNMC to satisfy the "specific remuneration regime" (*regimen retributivo específico*) that applies to renewable energy and other specific technologies. The resulting sum is used to meet the recognised costs of the transmission activities (in Red Eléctrica S.A.U.'s case), distribution activities, and other regulated costs.

#### ***System Operation***

Red Eléctrica S.A.U. operates in the Spanish mainland, island and non-mainland electricity systems, addressing the continuity and security of the electricity supply.

As system operator, Red Eléctrica S.A.U. aims to provide a balance between electricity output and consumption in Spain. To achieve this target, it predicts electricity demand and operates, in a coordinated manner and in real time, the electricity generation and transmission facilities, thereby ensuring that the programmed output of power stations meet actual consumer demand for electricity.

In order to improve the performance of the functions with which it is entrusted, Red Eléctrica S.A.U. as system operator, must act in accordance with the following principles which were set out in Law 54/1997, and ratified in Law 24/2013, to ensure that the system is operated with impartiality and at minimum cost to the system:

- Independence
- Non-discrimination
- Transparency



- Objectivity
- Efficiency

Power control centres are one of the basic devices used by Red Eléctrica S.A.U. to perform the functions assigned by the Electrical Sector Law as system operator. These centres coordinate and control the generation and transmission of electricity in real time.

In 2006, Red Eléctrica S.A.U. introduced a specific centre into service, to supervise and control facilities operating under the special regime (renewable energies and cogeneration). This specialised centre - the Special Regime Control Centre ("**CECRE**") - is integrated into the Electricity Control Centre ("**CECOEL**"). Its main purpose is to allow a maximum output from renewable energy sources, especially wind energy, to be safely integrated into the power system.

Law 24/2013 determines that system operation remuneration methodology will be fixed by the Government, based on services currently provided by the activity, and will be recovered through prices charged to agents participating in generation market. Such methodology may incorporate incentives to reduce system services and to improve its forecasts, in addition to achieving other goals.

Circular 4/2019 of 27 November, has established a methodology for the remuneration of the operator of the electric system ("**Circular 4/2019**") and a proposal for a price-fixing system to govern the price paid by agents intervening in the market for the services provided by the system operator. The new methodology incorporates a system for recognizing cost plus an additional margin, compensation from investments based on amortization and financial compensation (5.58 per cent.), as well as additional compensation for incentives. The regulatory parameters are established for 3 year periods, with the first being 2020-2022. The annual income for 2020 to 2022 for the activity of system operation amounts to EUR71.6 million plus an incentive remuneration of + or – 2 per cent.

## **Environmental Matters**

In 1992, the Red Eléctrica Group implemented the first environmental protection code in the Spanish electricity industry to regulate all of its activities. In 1998, it also established a formal environmental protection policy to govern all of its activities. Since October 2001, the Red Eléctrica Group uses an environmental management system, certified to the UNE-EN ISO 14001 standard, and registered under the EU Eco-Management and Audit Scheme (EMAS).

In 2004, Red Eléctrica Group became the first business group from the energy sector in Spain to obtain an environmental certification from the Spanish Normalisation and Certification Association (*Asociación Española de Normalización y Certificación*) for all of its electricity transmission activities and facilities.

The Red Eléctrica Group's commitment to operate in accordance with the most challenging requirements associated with environmental management forms an integral part of, and is reflected in, its environmental policy.

Red Eléctrica belongs to the most reputable sustainability indices, in recognition of its excellent track record in this connection and its firm commitment to transparency in its reporting to third parties. The company is a component of the following indices: Dow Jones Sustainability Index (DJSI), FTSE4Good, CDP, Euronext Vigeo Eiris, Ethibel and MSCI.

In 2018, Red Eléctrica Corporación transferred its sustainability priorities to the structure of its Board of Directors, creating the Sustainability Committee, to supervise and drive actions relating to the environment and the fight against climate change; ethical behaviour and the values associated with the development of a corporate culture that will sustain the Group's success and business model; and the social impact on the communities affected by Red Eléctrica Group's activity. Creating this committee is a voluntary step, not a legal requirement, and is consistent with the strategic significance of sustainability for the Red Eléctrica Group and the demands of the Group's stakeholders.

To the best knowledge and belief of the Issuer and the Guarantors, at the date of this Base Prospectus, the Red Eléctrica Group has no material litigation or contingencies relating to environmental protection.

Management at Red Eléctrica S.A.U. believes that it is materially compliant with all environmental laws and regulations affecting its operations. There can be no assurance, however, that new regulations will not be made, which could have an adverse impact on its future operations.

## Management

The administration body of Red Eléctrica S.A.U. is formed by a sole administrator and this position is carried out by its parent company, Red Eléctrica Corporación.

The executive officers of Red Eléctrica S.A.U. and their respective positions, as at the approval date of this Base Prospectus, are as follows:

<b>Name of Officer</b>	<b>Position</b>
Beatriz Corredor Sierra	Chairwoman of the Board of Directors
Carlos Méndez-Trelles García	General Counsel and Secretary of the Board of Directors
Fátima Rojas Cimadevila	Corporate Director of Sustainability and External Relations
Luis Villafuella Arranz	Manager of Regulation and Energy Transition Studies Area
Roberto García Merino	Chief Executive Officer
Eva Pagán Díaz	General Manager of Transmission Division
Miguel Rafael Duvison García	General Manager of System Operation Division
Ángel Luis Mahou Fernández	Corporate Director of Telecommunications and International
María Teresa Quirós Álvarez	Chief Financial Officer
José Antonio Vernia Peris	Corporate Director of Transformation and Resources
Laura de Rivera García de Leániz	Manager of Legal Services Area
Silvia Bruno de la Cruz	Chief Innovation and Technology Officer

The business address of the executive officers is: Paseo del Conde de los Gaitanes 177, 28109 Alcobendas, Madrid, Spain.

To the best knowledge and belief of the Issuer and the Guarantors, as at the date of this Base Prospectus, there are no conflicts of interest between the duties of the persons listed above to the Guarantor, and their private interests or other duties in accordance with the Spanish law.

## Overview of the Spanish Electricity Industry

The Spanish electricity industry, as with the rest of the countries in the EU, has been greatly influenced by European regulations. The publication of Directive 96/92/CE ("**Directive 96/92**") concerning common rules for the internal market in electricity, established clear objectives and a minimum criteria of liberalization as well as the introduction of levels of competence in the electricity sector.

Spain was one of the first countries to adapt its legislation to Directive 96/92 through the Electricity Act that entered into force in 1998 "**Ley 54/1997**". This act aimed to change the state of the electricity sector, from a structure based on vertically-integrated companies organized as regional monopolies, to a liberalized electricity sector, based on free competition.

The overarching changes introduced by this act were the separation of regulated activities (transmission and distribution) from those on free competition (generation and supply), and the liberalization of contracting and election of suppliers for consumers. This also included free access to transmission and distribution grids through the payment of an access tariff and the creation of the System Operator and Market Operator.

In accordance with this new regulatory framework, Red Eléctrica S.A.U. continued to pursue its transmission activity and was assigned the functions of "System Operator", resulting in the first Transmission System Operator in Europe. Later, through the transposition of Directive 2003/54/CE, through Law 17/2007, Red Eléctrica S.A.U. was designated as the sole transmission and system operator in Spain.

The "Tariff Deficit" (the deficit between regulated costs and income obtained from tariffs) was one of the most considerable challenges in the Spanish electricity sector as a result of this regulatory framework. In order to eliminate this problem, during the years 2012 and 2013 numerous changes were made to the Electricity Act of 1997 to reduce regulatory costs, and to encourage the incremental increase in income of the electricity sector. These changes precipitated the reform of electricity sector regulation, finally compiled in a new version of the Electricity Act ("**Ley 24/2013**"), which ratifies Red Eléctrica S.A.U's designation as sole transmission and system operator.

### **Regulatory bodies in the Spanish electricity industry**

In January 2019 the Royal Decree-law 1/2019 about urgent measures to adapt competencies of the CNMC to requirements derived from Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and natural gas was passed, aimed at determining a new competencies distribution between the Government and Independent Regulatory Authority, the CNMC, that respects European Union regulatory framework, so providing the CNMC the necessary independence to develop its functions.

Thus, with this new Royal Decree-Law 1/2019, the CNMC is assigned some functions previously attributed to the State General Administration, the Ministry responsible for Energy, and is also allocated some new functions related to its condition as advisory body of the Government in electrical matters.

After Royal Decree-law 1/2019, State General Administration, currently through Ministry of Ecological Transition ("**MITECO**"), remains as the main regulator of the electricity industry in Spain. Its main functions in this respect, amongst others, are establishing the basic regulations for electricity activities and to carry out the planning of electricity infrastructures, indicative for generation assets and binding for transmission facilities.

The CNMC also remains as an independent regulatory agency for the electricity sector, whose main function is, to ensure effective competition and objective transparency in electricity sector performance. For this purpose, and in order to adapt independent regulatory authority competencies attribution fixed by European Union Regulation, the Royal Decree-law 1/2019 allocates to CNMC the function of fixing the structure and prices of electricity access tariffs, the functions related with determining the remuneration of transmission, distribution and system operation activities, those corresponding to access and connection to transmission and distribution grids conditions, as well as the competence of fixing organized markets rules concerning aspects suitable to be regulated by national regulatory authority according to European Union Regulation. In addition, the Royal Decree-Law 1/2019 reinforces CNMC function of supervising transmission grid planning and development.

### **Regulation of transmission activity**

The aim of the transmission activity is to transport electricity from generation to distribution points. The transmission grid in Spain is formed by lines, transformers and other elements of 220 kV or higher voltage, as well as any international interconnections. In the Canary and Balearic Islands the voltage level is reduced to 66 kV and over.

Every 6 years, Red Eléctrica S.A.U. is required by law to propose the future needs of the system in order to guarantee security of supply and the need of new transmission infrastructure in what is called the Electricity Network Planning (*Planificación Eléctrica*). This proposal must be approved by the Ministry for the Ecological Transition and Demographic challenge (*Ministerio para la Transición Ecológica y el Reto Demográfico – MITECO*). The Plan 2015-2020 is the current Plan in force.

On the other hand, the Order TEC/212/2019 on 25 February kicked off the process of preparing the planning for the period 2021-2026.

Furthermore, under Law 24/2013, a yearly investment plan must be presented by Red Eléctrica S.A.U. and approved by the MITECO. Additional approval by the MITECO is needed in order to build, modify, use, transfer or close and decommissioning of transmission facility. Among the factors taken into consideration when granting approval are:

- i. the technical and safety conditions of the facility and the corresponding equipment;
- ii. the existence of adequate measures for environmental protection;
- iii. the appropriateness of the proposed location; and
- iv. the legal, technical and financial capability of the applicant company.

The construction, operation and maintenance of Red Eléctrica S.A.U.'s transmission facilities is remunerated through a methodology established by the National regulatory Authority (*Comisión Nacional de los Mercados y la Competencia – CNMC*), and Red Eléctrica S.A.U. receives a monthly amount through a settlement process administered by the CNMC.

This methodology experienced numerous changes during the reform of electricity sector regulation, and was finally established in Circular 5/2019 of 5 December, of the CNMC, establishing the methodology for the calculation of the remuneration of the electric energy transmission.

Additionally, Law 24/2013 states that third-party access to the Spanish transmission grid is to be managed by Red Eléctrica S.A.U. and that access may only be denied on the grounds of lack of capacity, on security grounds, regularity or quality of supply reasons, or by lack of economic efficiency and sustainability of electric system criteria. Since approval of Royal Decree-law 1/2019, the competence for setting the fees for access to the grid is attributed to CNMC instead of MITECO.

#### ***Regulation of system operator activity***

As discussed in the section entitled "*System Operation*", Law 24/2013 requires Red Eléctrica S.A.U. to perform the functions of system operator. In this capacity, Red Eléctrica S.A.U. is responsible for the technical operation of the electricity system, including the continuity and security of electricity supply and the co-ordination of generation and transmission systems.

As system operator, Red Eléctrica S.A.U. reviews the daily base operating schedule prepared by the market operator, identifying technical constraints and, eventually, the need to modify the schedule.

The system operation remuneration methodology was fixed by CNMC through Circular 4/2019 of 27 November (see *System Operation* section). This competence has been assigned to the CNMC through a modification of the Act 3/2013 of 4 June 2013 creating the CNMC.

#### ***The regulation of non-mainland electricity systems in Spain***

The peculiarities arising from the geographical location of non-mainland electricity systems, creates the need for a special regulation of these systems. Law 24/2013 refers specifically to this need.

Regarding the activities of transmission and system operations in these territories, Law 24/2013 regulates the lower voltage level required for lines, bays and transformers to be transmission facilities, and determines functions of system operators in non-mainland systems.

In order to reinforce this special regulation, 2013 saw the passing of Law 17/2013, of 29 October, for supply guarantee and enhancing competition in non-mainland territories that, among other provisions, created the possibility of assigning to the System Operator the ownership and operation of the pumping – storage facilities whose main purpose is providing supply guarantee, system security, and integration of renewable energy.

In order to comply with this law, the Chira-Soria pumping storage project in Gran Canaria, originally assigned to Endesa, was officially passed on to Red Eléctrica S.A.U. on the 17 July 2015.

In 2015, Royal Decree 738/2015 was approved, establishing the administrative, economic and legal regime that applies to pumping storage facilities owned by the System Operator, providing the principles for a transparent and stable regulatory framework for these assets. Additional changes and regulations are expected for these facilities, as there are still some provisions to be developed by the MITECO, especially regarding a specific remuneration methodology for pumping-storage facilities assigned to the System Operator.

#### ***The Internal Electricity Market***

The first approach to the realization of the internal electricity market was taken in 1996 with the publication of Directive 96/92/EC of 19 December 1996 concerning common rules for the internal market in electricity, which established the necessary steps in order to:

- i. open up the construction of new electricity generation capacity to competition;
- ii. "unbundle" the accounts for electricity generation, transmission and distribution operations;
- iii. designate a transmission network and a distribution network operator; and
- iv. introduce a system of third- party access to the network.

Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC ("**Directive 2003/54/EC**") and Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC ("**Directive 2009/72/EC**") established new regulations in order to continue with the construction of the internal electricity market. The 2003 Directive established rules on the organization and functioning of the electricity industry in Member States, and amended the rules in the 1996 Directive, which had fallen short of the goal to create a transparent, non-discriminatory and competitive internal market in electricity.

The 2009 Directive, amongst other things, provided for the creation of a European network of transmission system operators of electricity (ENTSO-E), through which transmission system operators co-operate to manage and develop a coordinated European transmission grid. Since its creation, ENTSO-E has been working to promote the realization and operation of the internal electricity market. To this end, ENTSO-E, in collaboration with the European Transmission System Operators, has been working to develop Network Codes and Guidelines, European common rules referring to security of supply, information exchange, congestion management and exchange capacity, balancing, tariff harmonization, etc.

Additionally, Regulation 2009/714/EC sets out the provisions for the electricity exchanges within the EU and regulates the procedure of designation and certification of transmission system operators (TSOs), aimed at verifying the unbundling and independent performance of TSOs, in accordance with the principles established under Article 9 of the 2009 Directive.

The certification procedure of Red Eléctrica S.A.U. was completed in February 2015 with the publication in the Official Journal of European Union of the Notification of the Spanish Government to the European Commission, communicating the official approval and designation of Red Eléctrica S.A.U. as Transmission System Operator in Spain.

One of the most recent developments regarding the internal electricity market which strongly affects Red Eléctrica S.A.U., is the explicit reference to the 10 per cent electricity interconnection target for 2020 as established in the communication published in February 2015 entitled "Achieving the 10 per cent electricity interconnection target Making Europe's electricity grid fit for 2020", and 15 per cent for 2030, in the Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action ("**Regulation (EU) 2018/1999**"). Also particularly relevant for Red Eléctrica S.A.U. , and for the Iberian Peninsula as a whole, are the conclusions of the "Lisbon Declaration" signed by Heads of State and Government from Spain, France, Portugal and the European Commission, on the occasion of the 2nd Energy Interconnections Summit held in Lisbon on the 27th July 2018 (source: [https://ec.europa.eu/info/sites/info/files/lisbon\\_declaration\\_energyinterconnections\\_final.pdf](https://ec.europa.eu/info/sites/info/files/lisbon_declaration_energyinterconnections_final.pdf)). The signatories ratified their support to the Biscay Gulf interconnection Project and formally signed the "Grant agreement" of EUR578 Million (grant by the European Commission, from the "Connecting Europe Facility" funds). The parties also renewed their support to the conclusions of the European Council of 24th October 2014 with regard to the interconnection target of 10 per cent. for 2020 and of 15 per cent. for 2030.

The 4th list of Projects of Common Interest ("**PCI**"), published in the Official Journal of the European Union (OJEU), on the 11 March 2020 (Commission Delegated Regulation (EU) 2020/387 of 31 October 2019 includes 2 new interconnection projects between the Iberian Peninsula and France, through the Atlantic Pyrenees (projects Aragón-Atlantic Pyrenees and Navarra-Landes) besides an additional interconnection project with Portugal and the Biscay Gulf project).

The allocation of funds to PCI projects are subject to the inclusion of such project in the corresponding PCI list proposed by the European Commission and approved by the European co-legislator (European Parliament and Council). The label of "PCI project" is a pre-condition which gives priority and access to special financing to interconnection projects.

## TAXATION

The following is a general description of certain Spanish, US, EU and Luxembourg 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 overview 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.

### FATCA

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. A number of jurisdictions (including Spain) 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 the date that is two years after the publication of the final regulations defining "foreign passthru payment" 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. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

### Luxembourg Taxation

*The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.*

*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 or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.*

*A holder of the Notes may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.*

#### **Withholding Tax**

All payments of interest (including accrued but unpaid) and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes, which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (i) regarding Luxembourg resident individuals, the application of the Luxembourg law of 23 December 2005, as amended, which has introduced a 20 per cent. withholding tax on savings income paid by a paying agent established in Luxembourg.

Responsibility for the 20 per cent. withholding of tax in application of the above-mentioned Luxembourg law of 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of this law and not by the Issuer.

- (ii) Pursuant to the law of 23 December 2005 as amended, Luxembourg resident individuals can opt to self declare and pay a 20 per cent. tax on savings income made by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area.

The 20 per cent. withholding tax as described above or the 20 per cent. tax are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

## **Taxation in Spain**

The following is a general description of certain Spanish tax considerations. The information provided below does not purport to be a complete overview of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof, which could be given with retroactive effect.

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Base Prospectus:

- (a) of general application, Additional Provision One of Law 10/2014, as amended, as well as RD 1065/2007 as amended by RD 1145/2011;
- (b) for individuals with tax residency in Spain who are personal income tax ("**Personal Income Tax**") taxpayers, Law 35/2006, of 28 November on Personal Income Tax and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law as amended (the "**Personal Income Tax Law**"), and Royal Decree 439/2007, of 30 March promulgating the Personal Income Tax Regulations as amended along with Law 19/1991, of 6 June on Wealth Tax as amended and Law 29/1987, of 18 December on Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are corporate income tax ("**Corporate Income Tax**" or "**CIT**") taxpayers, Law 27/2014 of 27 November on Corporate Income Tax (the "**CIT Law**"), and Royal Decree 634/2015 of 10 July promulgating the Corporate Income Tax Regulations (the "**Corporate Income Tax Regulations**"); and
- (d) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax ("**Non-Resident Income Tax**") taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law as amended (the "**NRIT Law**"), and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations as amended ("**Non-Resident Income Tax Regulations**"), along with Law 19/1991, of 6 June on Wealth Tax as amended 2014 and Law 29/1987, of 18 December on Inheritance and Gift Tax.

Whatever the nature and residence of the holder of a beneficial interest in the Notes (each, a "**Beneficial Owner**"), the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, for example exempt from transfer tax and stamp duty, in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from value added tax, in accordance with Law 37/1992, of 28 December regulating such tax.

## **1 Individuals with Tax Residency in Spain**

### **1.1 Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)**

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes would constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the Personal Income Tax Law, and should be included in each investor's taxable savings and taxed at the tax rate applicable from time to time, currently 19 per cent. for taxable income up to €6,000, 21 per cent. for taxable income between €6,001 and €50,000, and 23 per cent. for taxable income exceeding €50,000. As a general rule, both types of income are subject to a withholding tax on account at the current rate of 19 per cent.

According to Section 44.5 of RD 1065/2007, of 27 July, the Issuer will make interest payments to individual holders who are resident for tax purposes in Spain without withholding provided that the relevant information about the Notes set out in Annex I is submitted by the Fiscal Agent in a timely manner.



In addition, income obtained upon transfer, redemption or exchange of the Notes may also be paid without withholding.

Notwithstanding the above, withholding tax at the current applicable rate of 19 per cent. may have to be deducted by other entities (such as depositaries, institutions or financial entities) provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory.

In any event, individual holders may credit the withholding against their Personal Income Tax liability for the relevant fiscal year.

## **1.2 Wealth Tax (*Impuesto sobre el Patrimonio*)**

Individuals with tax residency in Spain will be subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*)). Therefore, they should take into account the value of the Notes which they hold as at 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

In accordance with article 3 of Royal Decree-Law 18/2019, of 27 December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply as from the year 2021 relieving taxpayers from formal and filing obligations in relation to tax unless such exemption is revoked.

## **1.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Inheritance and Gift Tax in accordance with the applicable Spanish regional or State rules (subject to any regional tax exemptions being available to them). The applicable effective tax rates can range between 0 per cent and 81.6 per cent subject to any specific regional rules, depending on relevant factors.

# **2 Legal Entities with Tax Residency in Spain**

## **2.1 Corporate Income Tax (*Impuesto sobre Sociedades*)**

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and would have to be included in profit and taxable income of legal entities with tax residency in Spain for Corporate Income Tax purposes in accordance with the rules for Corporate Income Tax. In accordance with Section 44.5 of RD 1065/2007, there is no obligation to withhold on income payable to Spanish CIT taxpayers. Consequently, the Issuer will not withhold on interest payments to Spanish CIT taxpayers in the terms described under "Information about the Notes in Connection with Payments" below.

The current general tax rate according to CIT Law is 25 per cent.

Income derived from the transfer of the Notes shall not be subject to withholding tax as provided by Section 61(s) of the Corporate Income Tax Regulations, to the extent that the Notes satisfy the requirements laid down by the reply to the Directorate General for Taxation's (Dirección General de Tributos) consultation, on 27 July 2004, indicating that in the case of issuances made by entities with tax residency in Spain, (as in the case of the Issuer), application of the exemption requires that the Notes be placed outside Spain in another OECD country and traded on organised markets in OECD countries.

However, in the case of Notes held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the current rate of 19 per cent., withholding that will be made by the depositary or custodian, if the Notes do not comply with the exemption requirements specified in the ruling issued by the Spanish Tax Authorities (Dirección General de Tributos) dated 27 July 2004 and require a withholding to be made.

Notwithstanding the above, amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

## **2.2 Wealth Tax (*Impuesto sobre el Patrimonio*)**

Spanish resident legal entities are not subject to Wealth Tax.

### 2.3 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Legal entities tax resident in Spain which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax and must include the market value of the Notes in their taxable income for Spanish Corporate Income Tax purposes.

## **3 Individuals and Legal Entities with no Tax Residency in Spain**

### 3.1 **Non-Resident Income Tax (*Impuesto sobre la Renta de No Residentes*)**

Income obtained by Noteholders who are Non-Resident Income Tax taxpayers, both on interest and in connection with the transfer, repayment or redemption of the Notes, whether or not through a permanent establishment, shall be considered Spanish source of income and therefore subject to taxation in Spain under the NRIT Law, without prejudice to the provisions contained in any applicable tax treaty for the avoidance of double taxation.

#### (a) *Non-Spanish resident investors acting through a permanent establishment in Spain*

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are the same as those for Spanish Corporate Income Tax taxpayers.

#### (b) *Non-Spanish resident investors not acting through a permanent establishment in Spain*

Both interest payments periodically received and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who have no tax residency in Spain, and which are Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from public debt. In relation to payments made by the Issuer in respect of the Notes, please see "*Information about the Notes in Connection with Payments*" below.

### 3.2 **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 in respect of each tax year would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent., without prejudice to any other exemption that may be applicable.

Individuals that are not resident in Spain for tax purposes but who are resident in an EU or European Economic Area Member State may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

In accordance with article 3 of Royal Decree-Law 18/2019, of 27 December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply as from the year 2021 relieving taxpayers from formal and filing obligations in relation to tax unless such exemption is revoked.

Non-Spanish resident legal entities are not subject to Wealth Tax.

### 3.3 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals not tax resident in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance and gift tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with Spanish legislation.

However, if the deceased, heir or the done are resident in an EU or European Economic Area member State, depending on the specific situation, the applicable rules will be those corresponding to the relevant autonomous regions according to the law.

Also, as a consequence of the Judgements of 19 February 2018 and 21 and 22 March 2018, the Supreme Court has declared that the application of state regulations when the deceased, heir or donee is resident outside of a Member State of the EU or the EEA violates Community law to the free movement of capital, so even in that case it would be appropriate to defend the application of regional regulations in the same cases as if the deceased, heir or donee was resident in a Member State of the EU. The General Directorate for Taxation has recently ruled in accordance with those judgements (V3151-18 and V3193-18).

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to Non-Resident Income Tax. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

#### **4 Information about the Notes in Connection with Payments**

According to the literal wording of article 44.5 of RD 1065/2007, income derived from securities originally registered with the entities that manage clearing systems located outside Spain, that are recognised by Spanish law or by the law of another OECD country (such as Euroclear or Clearstream), will be paid free of Spanish withholding tax provided that the Fiscal Agent appointed by the Issuer submits a statement with the following information:

- (a) Identification of the Notes (as applicable) in respect of which the relevant payment is made;
- (b) Date on which relevant payment is made;
- (c) Total amount of income from the Notes; and
- (d) Total amount of income corresponding to each entity that manages a clearing and settlement system for securities situated outside Spain.

For these purposes, "income" means interest and the difference, if any, between the aggregate redemption price paid upon the redemption of the Notes and the issue price of the Notes.

In particular, the Fiscal Agent must certify the information above about the Notes by means of a certificate the form of which is attached as Annex I of this Base Prospectus.

In light of the above, the Issuer and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Notes by the close of business on the Business Day immediately preceding each relevant Payment Date. If, despite these procedures, the relevant information is not received by the Issuer on each Payment Date, the Issuer will withhold tax at the then-applicable rate (as at the date of this Base Prospectus, 19 per cent.) from any payment in respect of the relevant Notes as to which the required information has not been provided. The Issuer will not pay any additional amounts with respect to any such withholding.

Accordingly, the Issuer will not be liable for any damage or loss suffered by any holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding. The procedures for providing documentation referred to in this section are set out in detail in the amended and restated fiscal agency agreement dated 4 June 2020 (the "**Fiscal Agency Agreement**") which may be inspected during normal business hours at the specified office of the Fiscal Agent. In particular, if the Fiscal Agent does not act as common depositary, the procedures described in this section will be modified in the manner described in the Fiscal Agency Agreement.

Regarding the interpretation of RD 1065/2007 and the new simplified information procedures please refer to "*Risk Factors – Spanish Tax Rules*".

## 5 The proposed European financial transactions tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

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. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, 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.

However, 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 and participating Member States may decide not to participate.

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

Please note that this is for general information purposes only and is not intended to be nor shall it be deemed to be, or constitute legal advice.

*Set out below is Annex I. The information has been presented in English only as the language of this Base Prospectus is English. The English has been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. However, only the Spanish language text of Annex I is recognised under Spanish law. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.*

**ANNEX I**  
**ANNEX TO ROYAL DECREE 1065/2007, OF 27 JULY, APPROVING THE GENERAL**  
**REGULATIONS OF THE TAX INSPECTION AND MANAGEMENT PROCEDURES AND**  
**DEVELOPING THE COMMON RULES OF THE PROCEDURES TO APPLY TAXES**

**Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes**

Mr. (name), with tax identification number (...)<sup>(1)</sup>, in the name and on behalf of (entity), with tax identification number (...)<sup>(1)</sup> and address in (...) as (function - mark as applicable):

- (a) Management Entity of the Public Debt Market in book entry form.
- (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) Fiscal Agent appointed by the issuer.

Makes the following statement, according to its own records:

1. In relation to paragraphs 3 and 4 of Article 44:

1.1 Identification of the securities.....

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).

2. In relation to paragraph 5 of Article 44.

2.1 Identification of the securities.....

2.2 Income payment date (or refund if the securities are issued at discount or are segregated) .....

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

I declare the above in ..... on the.... of ..... of ....

<sup>(1)</sup>In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of the Dealers (as defined in an amended and restated Dealer Agreement dated 4 June 2020 (the "**Dealer Agreement**")). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Dealer Agreement dated 4 June 2020 and made between the Issuer, the Guarantors and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

### United States of America

*Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. 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 and sold, and will not offer and sell, Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant tranche as determined and certified by the relevant Dealer, within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, nor its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling commission, fee or other remuneration that purchases Notes from it a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Terms used in this section have the meanings given to them by Regulation S.

### Prohibition of Sales to EEA and UK Retail Investors

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 this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) **No deposit-taking:** in relation to any Notes having 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:
  - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
  - (B) 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) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 Guarantors; and
- (c) **General compliance:** 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.

## Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, each Dealer has represented and agreed that has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## Singapore

Each Dealer has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed *that* it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

### **Kingdom of Spain**

Each Dealer and the Issuer have represented and agreed that the offers of the Notes in Spain will be directed specifically at or made to professional clients (*clientes profesionales*) as this term is defined in Article 205 of the Restated Text of the Spanish Securities Market Law approved by Legislative Royal Decree 4/2015 (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (as amended, the "**Spanish Securities Market Law**"), and Article 58 of Royal Decree 217/2008, of 15 February, and eligible counterparties (*contrapartes elegibles*) as defined in Article 207 of the Spanish Securities Market Law. The Base Prospectus shall not be registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Base Prospectus is not intended for any public offer of the Notes in Spain which is not exempted from the prospectus requirements.

### **General**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply to the best of its knowledge and belief (on reasonable grounds after making all reasonable investigations) with all applicable securities laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantors and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Base Prospectus or Drawdown Prospectus, as applicable.



## GENERAL INFORMATION

### Authorisation

- 1 The establishment of the Programme was duly authorised by resolutions of (i) the sole shareholder of the Issuer passed on 23 June 2009; (ii) the sole manager of Red Eléctrica S.A.U. passed on 23 June 2009; and (iii) the Board of Directors of Red Eléctrica Corporación passed on 28 May 2009. The authorisation of the increase of the amount of the programme was duly authorised by resolutions of (i) the sole shareholder of the Issuer passed on 20 May 2015; (ii) the administration body of Red Eléctrica de España S.A.U. passed on 20 May 2015; and (iii) the administration body of Red Eléctrica Corporación passed on 28 April 2015. The update of the Programme was duly authorised by resolutions of (i) the sole shareholder of the Issuer passed on 27 May 2020; (ii) the administration body of Red Eléctrica de España, S.A.U. passed on 28 May 2020; and (iii) the administration body of Red Eléctrica Corporación passed on 26 May 2020. The Issuer and each Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the guarantees relating to them.

### Legal and Arbitration Proceedings

- 2 To the best of the Issuer's and the Guarantors' knowledge, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantors are aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer or the Guarantors.

### Significant/Material Change

- 3 To the best of the Issuer's and the Guarantors' knowledge, save as disclosed in Risk Factors entitled "*The activities of Red Eléctrica Group are subject to extensive regulation in the jurisdictions in which the Group companies operate, and certain regulatory changes could have a material adverse effect on its business, financial condition and results of operation*" on page 9 §3 of this Base Prospectus, "*Risks associated with Red Eléctrica Group's operation, management and construction of transmission grid and telecommunications facilities*" on page 10 §1 of this Base Prospectus and "*Red Eléctrica Group's business and finances are heavily concentrated in Spain and they are influenced by macroeconomic and political conditions*" on page 11 §2-4-6 of this Base Prospectus, since 31 December 2019 there has been no material adverse change in the prospects of the Issuer or the Guarantors. To the best of the Issuer's and the Red Eléctrica S.A.U.'s knowledge, since 31 December 2019, there has been no significant change in the financial position or performance of the Issuer or Red Eléctrica S.A.U. To the best of Red Eléctrica Corporación's knowledge, since 31 March 2020, there has been no significant change in the financial position of the Group or financial performance of Red Eléctrica Corporación.

### Auditors

- 4 The Spanish language consolidated annual accounts of Red Eléctrica Corporación and its consolidated subsidiaries for the years ended 31 December 2018 and 31 December 2019, the Spanish language non-consolidated annual accounts of Red Eléctrica S.A.U. as at and for the year ended 31 December 2018 and 31 December 2019 and the Spanish language non-consolidated accounts of the Issuer for the year ended 31 December 2018 and 31 December 2019 have been audited and a report has been issued, without qualification, by KPMG Auditores, S.L. of Paseo de la Castellana, 259 C 28046 Madrid, registered with the Madrid Commercial Register under volume 11,961 and sheet M-188007, and registered with the Official Registry of Accounting Auditors (ROAC) under number S0702 (*Registro Oficial de Auditores de Cuentas*). KPMG Auditores, S.L. is a member of the *Instituto de Censores Jurados de Cuentas de España*.

### Documents on Display

- 5 Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of Deutsche Bank AG, London Branch at Winchester

House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom for 12 months from the date of this Base Prospectus:

- (a) the constitutive documents (*estatutos*) of the Issuer;
- (b) the constitutive documents (*estatutos*) of each of the Guarantors;
- (c) the English translation of the audited non-consolidated annual accounts of the Issuer as at and for each of the years ended 31 December 2018 and 31 December 2019 prepared in accordance with generally accepted accounting principles in Spain;
- (d) the English translation of the audited consolidated annual accounts of Red Eléctrica Corporación, Sociedad Anónima and its consolidated subsidiaries as at and for each of the years ended 31 December 2018 and 31 December 2019 prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- (e) the English translation of the unaudited Financial Results of Red Eléctrica Corporación, Sociedad Anónima for the three month period ended 31 March 2020;
- (f) the English translation of the audited non-consolidated annual accounts of Red Eléctrica de España, Sociedad Anónima Unipersonal as at and for each of the years ended 31 December 2018 and 31 December 2019, prepared in accordance with generally accepted accounting principles in Spain;
- (g) the terms and conditions of the Notes set out on pages 28 to 54 of the base prospectus dated 4 June 2019 relating to the Programme;
- (h) the terms and conditions of the Notes set out on pages 30 to 62 of the base prospectus dated 4 June 2018 relating to the Programme;
- (i) the terms and conditions of the Notes set out on pages 28 to 60 of the base prospectus dated 2 June 2017 relating to the Programme;
- (j) the terms and conditions of the Notes set out on pages 30 to 62 of the base prospectus dated 3 June 2016 relating to the Programme;
- (k) the terms and conditions of the Notes set out on pages 28 to 60 of the base prospectus dated 3 June 2015 relating to the Programme;
- (l) the terms and conditions of the Notes set out on pages 27 to 60 of the base prospectus dated 3 June 2014 relating to the Programme;
- (m) the terms and conditions of the Notes set out on pages 28 to 60 of the base prospectus dated 6 June 2013 relating to the Programme;
- (n) the terms and conditions of the Notes set out on pages 28 to 59 of the base prospectus dated 6 June 2012 relating to the Programme;
- (o) the terms and conditions of the Notes set out on pages 28 to 59 of the base prospectus dated 17 June 2011 relating to the Programme;
- (p) the terms and conditions of the Notes set out on pages 27 to 58 of the base prospectus dated 17 June 2010 relating to the Programme;
- (q) the Fiscal Agency Agreement;
- (r) the Deed of Guarantee;
- (s) the Deed of Covenant;
- (t) the Programme Manual (which contains the forms of the Notes in global and definitive form); and

- (u) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

This Base Prospectus will be available together with the relevant final terms of each Tranche of Notes, in electronic format, on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and the Guarantor (<https://www.ree.es/en/shareholders-and-investors/bonds/programs-and-bonds-issues>).

Copies of the documents referred to in paragraphs (a), (b), (q), (r), (s) and (t) will be available for inspection at the website of the Guarantor ([www.ree.es](http://www.ree.es))

For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on the website of the Guarantor or the CSSF does not form part of this Base Prospectus.

### **Clearing of the Notes**

- 6 The Notes have been accepted for clearance through Euroclear Bank SA/NV, of 1 Boulevard du Roi Albert II, B-120 Brussels, Belgium and Clearstream Banking S.A., of 42 Avenue J.F. Kennedy, L-1855 Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### **Ratings**

- 7 As at the date of the Base Prospectus, each of Fitch and S&P has rated the Programme A- (long-term) and F1 (short-term), and A- (long-term) and A-2 (short-term), respectively. The meaning of such ratings are as follows:

Fitch:

A- (long-term): High credit quality. 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings (The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories).

F1 (short-term): Highest Short-Term Credit Quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

S&P:

A- (long-term): An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong (Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories).

A-2 (short-term): A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.

### **Legal Entity Identifier**

- 8 The Legal Entity Identifier of the Issuer is 9598006P00EGK6U2SG18.

The Legal Entity Identifier of Red Eléctrica Corporación is 5493009HMD0C90GUV498.

The Legal Entity Identifier of Red Eléctrica S.A.U. is 54930070W8XSY31XK130.

**REGISTERED OFFICE OF THE ISSUER**

**RED ELÉCTRICA FINANCIACIONES, SOCIEDAD ANÓNIMA UNIPERSONAL**

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28109 Alcobendas (Madrid)

Spain

**REGISTERED OFFICE OF THE GUARANTORS**

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Spain

**RED ELÉCTRICA DE ESPAÑA, SOCIEDAD  
ANÓNIMA UNIPERSONAL**

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28109 Alcobendas (Madrid)

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**ARRANGER**

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**BANCO SANTANDER, S.A.**

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**CAIXABANK, S.A.**

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AG**

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United Kingdom

**FISCAL AGENT**

**DEUTSCHE BANK AG, LONDON BRANCH**

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1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**LUXEMBOURG LISTING AGENT**

**DEUTSCHE BANK LUXEMBOURG, S.A.**

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L-1115 Luxembourg  
Luxembourg

**LEGAL ADVISERS**

*To the Issuer and the Guarantors  
as to Spanish law:*

*To the Dealers as to English and  
Spanish law:*

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Spain

**CLIFFORD CHANCE, S.L.P.U.**

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28046 Madrid

Spain

**AUDITORS TO THE ISSUER AND THE GUARANTORS**

**KPMG AUDITORES, S.L.**

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28046 Madrid

Spain