Offering Circular dated 26 January 2023

RED ELÉCTRICA CORPORACIÓN, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

€500,000,000 5.5 Year Non-Call Undated Deeply Subordinated Reset Rate Securities

Issue Price 99.67 per cent.

The €500,000,000 5.5 Year Non-Call Undated Deeply Subordinated Reset Rate Securities (the "Securities") are issued by Red Eléctrica Corporación, S.A.(the "Issuer").

The Securities will bear interest on their principal amount (i) from (and including) the Issue Date to (but excluding) the First Reset Date at a rate of 4.625 per cent. per annum; and (ii) from (and including) the First Reset Date (as defined in the section headed "Terms and Conditions of the Securities" (the "Conditions")), at, in respect of each Reset Period, the relevant 5 year Swap Rate plus: (A) in respect of the period commencing on the First Reset Date to (but excluding) the First Step-up Date (as defined in the Conditions), 1.884 per cent. per annum; (B) in respect of the period commencing on the First Step-up Date to (but excluding) the Second Step-up Date (as defined in the Conditions), 2.134 per cent. per annum; and (C) from (and including) the Second Step-up Date, 2.884 per cent. per annum, all as determined by the Agent Bank (subject to the operation of Condition 3(d) (*Benchmark Replacement*)). Interest will be payable annually (except for a short first Interest Period) in arrear on each Interest Payment Date (as defined in the Conditions), commencing on 7 August 2023.

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, subject to limited exceptions, as more particularly described in Condition 4 (*Optional Interest Deferral*). Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest (as defined in the Conditions). The Issuer may pay outstanding Arrears of Interest, in whole or in part, at any time in accordance with the Conditions. Notwithstanding the foregoing, the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Arrears of Interest was first deferred, all as more particularly described in Condition 4(c) (*Mandatory Settlement of Arrears of Interest*).

The Securities will be undated securities in respect of which there is no specific maturity date and shall be redeemable (at the option of the Issuer) in whole, but not in part, on any date during the period commencing on (and including) 7 May 2028 and ending on (and including) the First Reset Date and on any Interest Payment Date thereafter, at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date (as defined in the Conditions) and any outstanding Arrears of Interest. The Issuer furthermore has the right to redeem the Securities (in whole but not in part), at any time (other than during the Relevant Period or upon any subsequent Interest Payment Date) at the Make-whole Redemption Amount (as more particularly described in Condition 5 (*Redemption and Purchase*)). In addition, upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event (each such term as defined in the Conditions), the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the prices set out, and as more particularly described, in Condition 5 (*Redemption and Purchase*).

The Securities will constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations, as defined in the Conditions) and will at all times rank *pari passu* and without any preference among themselves, as more particularly described in Condition 2 (*Status and Subordination of the Securities and Coupons*).

Payments in respect of the Securities will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature of the Kingdom of Spain, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer, subject to certain exceptions as are more fully described in Condition 7 (*Taxation*). See "*Taxation*".

Application has been made to admit the Securities to the official list of the Luxembourg Stock Exchange (the "Official List") and to trading on the Luxembourg Stock Exchange's Euro MTF Market (the "Euro MTF Market"). The Euro MTF Market is not a regulated market for the purposes of Directive 2014/65/EU (as amended, "MiFID II") of the European Parliament and of the Council on markets in financial instruments. References in this Offering Circular to the Securities being "listed" (and all related references) shall mean that the Securities have been admitted to the Official List and admitted to trading on the Euro MTF Market.

The Securities are in bearer form and in the denomination of €100,000 each. The Securities will initially be represented by a temporary global security (the "Temporary Global Security"), without interest coupons or talons, which will be deposited with a common depositary on behalf of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream, Luxembourg") on or about the Issue Date. Interests in the Temporary Global Security will be exchangeable for interests in a permanent global security (the "Permanent Global Security" and together with the Temporary Global Security, the "Global Securities") as set out in the Temporary Global Security. The Permanent Global Security will be exchangeable for definitive Securities (the "Definitive Securities") as set out in the Permanent Global Security. See "*Summary of Provisions relating to the Securities while in Global Form*".

The Securities are expected to be rated BBB by Standard & Poor's Global Ratings Europe Limited ("S&P"). A 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. S&P is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "EU CRA Regulation"). The rating S&P has given to the Programme is endorsed by S&P Global Ratings UK Limited. S&P Global Ratings UK Limited is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "UK CRA Regulation").

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular.

Joint Global Coordinators and Structuring Advisors to the Issuer

BNP PARIBAS | **Citigroup**

Joint Bookrunners

Barclays | **BBVA**

CaixaBank, S.A. | **ING**

Mediobanca | **Santander Corporate & Investment Banking**

IMPORTANT INFORMATION

This Offering Circular constitutes a prospectus for the purposes of the Luxembourg Act dated July 16, 2019 on Prospectuses for securities. This document does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129, as amended. The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular may only be used for the purposes for which it has been published.

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

The Issuer has confirmed to the Joint Bookrunners named under "*Subscription and Sale*" (as defined below) that this Offering Circular contains all information which is (in the context of the issue, offering and sale of the Securities) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Circular are honestly held or made and are not misleading in any material respect; this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the issue, offering and sale of the Securities) not misleading in any material respect; and all proper enquiries have been made to ascertain or verify the foregoing.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any of the Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The offer or sale of Securities may be restricted by law in certain jurisdictions. None of the Issuer or the Joint Bookrunners (as defined in "Subscription and Sale" below) represents that this Offering Circular may be lawfully distributed, or that the Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Bookrunners which is intended to permit a public offering of the Securities or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Securities may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Securities. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Securities in the United States, the United Kingdom, the European Economic Area, Japan, the Kingdom of Spain, Switzerland and Singapore, see "*Subscription and Sale*" below.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Bookrunners.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Securities shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that the information contained

in it or any other information supplied in connection with the Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Joint Bookrunners expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Securities or to advise any investor in the Securities of any information coming to their attention.

The Joint Bookrunners have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability (whether fiduciary, in tort or otherwise) is accepted by the Joint Bookrunners as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Securities. The Joint Bookrunners accept no liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Securities.

To the fullest extent permitted by law, none of the Joint Bookrunners accepts any responsibility for any act or omission of the Issuer, or for the contents of this Offering Circular or for any other statements made or purported to be made by any Joint Bookrunner or on their behalf in connection with the Issuer or the issue and offering of any Securities. Each of the Joint Bookrunners accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of any act or omission of the Issuer, or this Offering Circular or any such statement.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of any Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Joint Bookrunner.

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

The Joint Bookrunners make no assurances as to (i) whether the Securities will meet investor criteria and expectations with regard to environmental impact and sustainability performance for any investors, (ii) whether the use of the net proceeds will be used for Eligible Green Assets or (iii) the characteristics of the Eligible Green Assets, including their environmental and sustainability criteria.

Second-party opinions – A sustainability consulting firm was requested to issue a second-party opinion confirming that the Redeia Group Green Framework is credible and impactful and aligns with the four core components set out by the International Capital Market Association (ICMA) Green Bond Principles (GBP) (the "**Second-party Opinion**"). Such Second-party Opinion is accessible through the Issuer's website. However, any information on, or accessible through, the Issuer's website and the information in such opinions is not part of this Offering Circular and should not be relied upon in connection with making any investment decision with respect to the Securities. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion, assurance or certification for the purpose of any investment in the Securities. In addition, no assurance or representation is given by the Issuer, the Joint Bookrunners or any of their affiliates, or second-party opinion providers as to the suitability or reliability for any purpose whatsoever of any opinion, report, assurance or certification of any

third party in connection with the offering of the Securities. Any such report, assessment, opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Offering Circular.

References in this section "Important Information" to a "Joint Bookrunner" shall include such entity in its capacity as a Joint Bookrunner or Joint Global Coordinator and Structuring Agent to the Issuer as well, as applicable.

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to U.S. persons.

Unless otherwise specified or the context requires, references to "dollars", "U.S. dollars" and "U.S.$" are to United States dollars, and references to "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

In connection with the issue of the Securities, BNP Paribas (the "Stabilisation Manager") (or any person acting on behalf of the Stabilisation Manager) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities 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 Securities 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 Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person(s) acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

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

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("UK MiFIR"); and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation/Prohibition of sales to EEA retail investors – The Securities 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"). 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 MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, 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 Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs Regulation/Prohibition of sales to UK retail investors – The Securities 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 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 (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Amounts payable under the Securities are calculated by reference to the 5 year Swap Rate which itself refers to ICESWAP2/EURSFIXA, which is provided by the ICE Benchmark Administration Limited ("IBA") and the Euro Interbank Offered Rate ("EURIBOR"), which is provided by the European Money Markets Institute ("EMMI"). As at the date of this Offering Circular, the EMMI appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "EEA BMR"). The transitional provisions in Article 51 of the EEA BMR apply, such that IBA is not currently required to obtain authorisation or registration (or recognition, endorsement or equivalence).

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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Overview

This overview must be read as an introduction to this Offering Circular and any decision to invest in the Securities should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference. Words and expressions defined in the Conditions shall have the same meanings in this section.

Issuer:	Red Eléctrica Corporación, S.A.
Issuer's Legal Entity Identifier ("LEI"):	5493009HMD0C90GUV498
Description of Securities:	€500,000,000 5.5 Year Non-Call Undated Deeply Subordinated Reset Rate Securities (the "Securities"), to be issued by the Issuer on 7 February 2023 (the "Issue Date").
Joint Global Coordinators and Structuring Agents to the Issuer:	BNP Paribas and Citigroup Global Markets Europe AG
Joint Bookrunners:	Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank Ireland PLC, CaixaBank, S.A., ING Bank N.V. and Mediobanca – Banca di Credito Finanziario S.p.A.
Fiscal Agent:	Citibank Europe PLC
Issue Price:	99.67 per cent.
Maturity Date:	Undated
Interest:	The Securities will bear interest on their principal amount: (i) from (and including) the Issue Date to (but excluding) the First Reset Date at a rate of 4.625 per cent. per annum commencing on 7 August 2023; and (ii) from (and including) the First Reset Date, at, in respect of each Reset Period, the relevant 5 year Swap Rate plus: (A) in respect of the period commencing on the First Reset Date to (but excluding) the First Step-up Date, 1.884 per cent. per annum; (B) in respect of the period commencing on the First Step-up Date to (but excluding) the Second Step-up Date, 2.134 per cent. per annum; and (C) from and including the Second Step-up Date, 2.884 per cent. per annum, all as determined by the Agent Bank (subject to the operation of Condition 3(d) (*Benchmark Replacement*)), payable annually (except for a short first Interest Period) in arrear on each Interest Payment Date.

	All as more particularly described in Condition 4 (*Optional Interest Deferral*).
Interest Payment Dates:	Interest payments in respect of the Securities will be payable annually (except for a short first Interest Period) in arrear on 7 August in each year, commencing on 7 August 2023.
Status of the Securities:	The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations) and shall at all times rank *pari passu* and without any preference among themselves.
Subordination of the Securities:	Subject to mandatory provisions of Spanish applicable law, in the event of the Issuer being declared in insolvency (*concurso*) under Spanish insolvency law, the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons will rank (i) junior to the claims of holders of all Senior Obligations, (ii) *pari passu* with the claims of holders of all Parity Obligations and (iii) senior to the claims of holders of all Junior Obligations. Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off.
Optional Interest Deferral:	The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, subject to limited exceptions, as more particularly described in Condition 4 (*Optional Interest Deferral*). Non-payment of interest so deferred shall not constitute a default by the Issuer under the Securities or for any other purpose. Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest.
Optional Settlement of Arrears of Interest:	Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time upon giving not more than 14 and no less than 7 Business Days' notice to the Holders, the Fiscal Agent and the Paying Agents prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date. If amounts in respect of Deferred Interest Payments and Additional Interest Payments are paid in part, such

amounts shall be paid in accordance with the order of priority set out in Condition 4(b).

Mandatory Settlement of Arrears of Interest:

The Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any Deferred Interest Payment was first deferred.

"Mandatory Settlement Date" means the earliest of:

(i) as soon as reasonably practicable (but not later than the tenth Business Day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;

(ii) on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the interest accrued in respect of the relevant Interest Period; or

(iii) the date on which the Securities are redeemed or repaid in accordance with Condition 5 (*Redemption and Purchase*) or become due and payable in accordance with Condition 8 (*Enforcement Events and No Events of Default*).

Subject to certain exceptions, as more particularly described in Condition 4 (*Optional Interest Deferral*) a "Compulsory Arrears of Interest Settlement Event" shall have occurred if:

(i) a Dividend Declaration is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any Dividend Declaration made exclusively in Ordinary Shares); or

(ii) the Issuer or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations,

all as more particularly described in Condition 4 (*Optional Interest Deferral*).

Optional Redemption:

The Issuer may redeem the Securities in whole, but not in part, on any date during the period commencing on (and including) 7 May 2028 and ending on (and including) the First Reset Date and on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest.

The Issuer furthermore has the right to redeem the Securities (in whole but not in part), at any time (other than during the Relevant Period or upon any subsequent Interest Payment Date) at the Make-whole Redemption

Amount (as more particularly described in Condition 5 (*Redemption and Purchase*)).

In addition, upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event, the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the amounts set out, and as more particularly described, in Condition 5 (*Redemption and Purchase*).

Enforcement Events and No Events of Default:

There are no events of default in respect of the Securities. However, if an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Issuer (except for the purposes of a solvent merger, reconstruction or amalgamation) or the Issuer becomes insolvent (*en estado de insolvencia*) pursuant to article 2 of the Spanish insolvency law, any Holder of a Security, in respect of such Security and provided that such Holder does not contravene a previously adopted Extraordinary Resolution (if any) may, by written notice to the Issuer, declare that such Security and all interest then accrued but unpaid on such Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon, to the extent permitted by Spanish law.

In such case the Holder of a Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer for any amounts due in respect of the Securities, including the institution of proceedings for the declaration of insolvency (*declaración de concurso*) under Spanish insolvency law of the Issuer and/or proving and/or claiming in the winding-up, dissolution, liquidation or insolvency proceeding of the Issuer for such amount.

No remedy against the Issuer, other than as referred to in Condition 8 (*Enforcement Events and No Events of Default*) shall be available to the Holders of Securities, whether for the recovery of amounts owing in respect of the Securities or in respect of any other breach by the Issuer of any of its other obligations under or in respect of the Securities.

Additional Amounts:

Payments in respect of the Securities and the Coupons by the Issuer will be made without withholding or deduction for, or on account of, taxes of the Kingdom of Spain, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer,

subject to certain exceptions as are more fully described in Condition 7(a) (*Additional Amounts*).

Form:	The Securities will be classic global securities in bearer form and will initially be represented by a Temporary Global Security, without interest coupons or talons, which will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. Interests in the Temporary Global Security will be exchangeable for interests in a Permanent Global Security as set out in the Temporary Global Security. The Permanent Global Security will be exchangeable for Definitive Securities as set out in the Permanent Global Security. See "*Summary of Provisions relating to the Securities while in Global Form*".
Denominations:	The Securities will be issued in denominations of €100,000.
Substitution or Variation:	If at any time the Issuer determines that a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred on or after the Issue Date, then the Issuer may, subject to Condition 11(c) (*Substitution and Variation*) (without any requirement for the consent or approval of the Holders) and having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 13 (*Notices*), the Holders (which notice shall be irrevocable), at any time either (i) exchange the Securities for new securities of the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer or (ii) vary the terms of the Securities, so that after such substitution or variation the Securities remain or become, as the case may be, eligible for the same or (from the perspective of the Issuer) more favourable tax, accounting or ratings treatment than the treatment to which they were entitled prior to the relevant event occurring.
Governing Law:	The Fiscal Agency Agreement, the Securities and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law, other than the provisions of Condition 2(a) (*Status of the Securities and Coupons*) and Condition 2(b) (*Subordination of the Securities*) which are governed by and construed in accordance with the laws of the Kingdom of Spain. See Condition 16 (*Governing Law*). The due authorisation of the Securities is governed by, and construed in accordance with, the laws of the Kingdom of Spain.

Replacement Intention:

The Issuer intends (without thereby assuming any obligation) at any time that it will redeem or that it or any subsidiary of the Issuer will repurchase the Securities only to the extent that the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any subsidiary of the Issuer on or prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or such subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P, at the time of sale or issuance, an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Securities to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities), unless:

(i) *the rating assigned by S&P to the Issuer is the same as or higher than the long-term corporate credit rating assigned to the Issuer on the date when the most recent additional hybrid security was issued (excluding refinancings without net new issuance) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase, or*

(ii) *in the case of a repurchase or a redemption, taken together with other relevant repurchases or redemptions of hybrid securities of the Redeia Group, such repurchase or redemption is of less than (a) 10 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Redeia Group in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the outstanding hybrid securities of the Redeia Group in any period of 10 consecutive years provided that in each case such repurchase has no materially negative effect on the Issuer's credit profile, or*

(iii) *in the case of a repurchase or redemption, such repurchase or redemption relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Issuer's hybrid*

capital to which S&P then assigns equity content under its prevailing methodologies, or

(iv) *the Securities are redeemed pursuant to a Tax Event, a Capital Event, an Accounting Event, a Substantial Purchase Event or a Withholding Tax Event, or*

(v) *if the Securities are not assigned an "equity credit" by S&P (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase, or such redemption or repurchase occurs on or after the Reset Date falling on 7 August 2048*.

Rating: The Securities are expected to be assigned on issue a rating of BBB by S&P. A 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. S&P is established in the European Union and is registered under the EU CRA Regulation.

Listing and Admission to Trading: Application has been made for the Securities to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market.

Selling Restrictions: There are restrictions on offers of the Securities to EEA and UK retail investors and into, or to persons resident in, the United States, the UK, Japan, the Kingdom of Spain, Switzerland and Singapore. See "*Subscription and Sale*".

Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.

Use of Proceeds: The net proceeds of the issue of the Securities are estimated at €495,850,000. The net proceeds of the issue of the Securities will be used exclusively to finance and/or refinance, in whole or in part, the development, construction, installation or maintenance of new or existing projects, assets or activities that meet the eligibility requirements defined and detailed in the Green framework established by the Redeia Group See "*Use of Proceeds*".

Risk Factors: Prospective investors should carefully consider the information set out in "Risk Factors" in conjunction with the other information contained or incorporated by reference in this Offering Circular.

ISIN: XS2552369469.

Common Code: 255236946.

Documents Incorporated By Reference

The following documents are incorporated by reference in, and form part of, this Offering Circular:

(a) the English translation of the audited consolidated annual accounts of Red Eléctrica Corporación, Sociedad Anónima and its subsidiaries as at and for each of the years ended 31 December 2021 and 31 December 2020 that shall be available for viewing at:

https://www.redeia.com/sites/default/files/publication/2022/03/downloadable/CONSO_CCAA_2021_EN.pdf

https://www.redeia.com/sites/default/files/publication/2022/03/downloadable/Consolidated_Annual_Accounts_2020.pdf

(b) the published Financial Results of Red Eléctrica Corporación, Sociedad Anónima and its subsidiaries, which include the unaudited interim Consolidated Income Statement, unaudited interim Consolidated Balance Sheet and unaudited interim Consolidated Cash Flow Statement as at and for the nine-month period ended 30 September 2022 that shall be available for viewing at:

https://www.redeia.com/sites/webgrupo/files/06_ACCIONISTAS/Documentos/Hechos_relevantes/2022/20221026_HR_Financial_Results_9M22.pdf

(c) the information in relation to Alternative Performance Measures set out in the sections entitled "Alternative Performance Measures Definition" available for viewing at:

https://www.redeia.com/sites/default/files/06_ACCIONISTAS/Documentos/MAR_REE_V12_EN_DEF.pdf

(d) the information in relation to Alternative Performance Measures set out in the sections entitled "January - September 2022" available for viewing at:

https://www.redeia.com/sites/webgrupo/files/06_ACCIONISTAS/Documentos/CNMV_MAR_ENG_3T22_0.pdf

(e) the information in relation to Alternative Performance Measures set out in the sections entitled "January - December 2021" available for viewing at:

https://www.redeia.com/sites/default/files/06_ACCIONISTAS/Documentos/MAR_ENG_4T21.pdf

(f) the information in relation to Alternative Performance Measures set out in the sections entitled "January - December 2020" available for viewing at:

https://www.redeia.com/sites/default/files/06_ACCIONISTAS/Documentos/MAR_ENG_4T20.pdf

The information set out in the table below is contained in the documents incorporated by reference in paragraphs (a) to (b) above.

September 2022 Financial Results	Page reference (of the PDF document)
Consolidated Income Statement	23
Consolidated Balance Sheet	24
Consolidated Cash Flow Statement	25

2021 Consolidated Annual Accounts	Page reference (of the PDF document)
Auditor's Report	2-9
Consolidated Statement of Financial Position	11-12
Consolidated Income Statement	13
Consolidated Statement of Comprehensive Income	14
Consolidated Statement of Changes in Equity	15
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Notes to the Consolidated Annual Accounts	17-107

2020 Consolidated Annual Accounts	Page reference (of the PDF document)
Auditor's Report	2-6
Consolidated Statement of Financial Position	7-9
Consolidated Income Statement	10
Consolidated Statement of Comprehensive Income	11
Consolidated Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13-14
Notes to the Consolidated Annual Accounts	15-139

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

Any documents themselves incorporated by reference in the documents incorporated by reference into this Offering Circular shall not form part of this Offering Circular. Those parts of the documents incorporated by reference into this Offering Circular which are not specifically incorporated by reference into this Offering Circular are either not relevant for prospective investors in the Securities or the relevant information is included elsewhere in this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular are available, free of charge, from the registered office of the Issuer, from the specified offices of the Paying Agents for the time being in London and Luxembourg (at the discretion of the Paying Agents) and available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Risk Factors

Any investment in the Securities is subject to a number of risks. Prior to investing in the Securities, prospective investors should carefully consider risk factors associated with any investment in the Securities, the business of the Issuer and the industry in which it operates together with all other information contained in this Offering Circular, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Securities" below or elsewhere in this Offering Circular 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 Securities that the Issuer believes to be the most relevant to an assessment by a prospective investor of whether to consider an investment in the Securities as of the date of this Offering Circular. The risks described below are the detailed risks the Issuer actually considers specific to the Redeia 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 Redeia 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 Offering Circular before making an investment decision. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that such entity currently deems immaterial, which have not been included herein below in accordance with this Offering Circular, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Redeia Group and, if any such risk should occur, the price of the Securities may decline and investors could lose all or part of their investment.

Investors, before investing in the Securities, 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 Securities is a fit, proper and suitable investment for them in light of the information in this Offering Circular and their personal circumstances.

Risks related to the Issuer and the Redeia Group

(A) Legal and regulatory risks

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

The main activity of Red Eléctrica Corporación, Sociedad Anónima ("**Redeia**" or the "**Issuer**"), and its subsidiaries (the "**Redeia 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**") as an electricity transmission system operator ("**TSO**"). This activity and the remuneration received by it for the services it provides are subject to numerous EU and Spanish laws and regulations including, amongst others, Law 24/2013, of 26 December, of the Electricity Sector (hereinafter, "**Law 24/2013**"). As of 31 December 2021, the provision of electricity transmission services and the operation of the Spanish national electricity grid accounted for 82 per cent. (84 per cent. as of 31 December 2020) of the Redeia Group's consolidated revenues and the assets related to the provision of these services represented on that date 70 per cent. (75 per cent. as of 31 December 2020) of the Redeia Group's consolidated total assets.

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

Particularly, the impact of the military conflict in Ukraine initiated at the end of February 2022, 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 Redeia Group's business, financial position and results.

Additionally, any non-compliance by Red Eléctrica 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 face any sanctions, penalties or claims, the Redeia Group's cash flow, business, financial condition and results of operation could be materially adversely affected.

Lastly, the Redeia Group's presence in various jurisdictions increases its exposure to regulatory and interpretative changes in tax laws and regulations, which could, among other things, lead to (i) an increase in the types of tax to which the Redeia Group is subject, including in response to the demands of various political forces such as the regulation of a minimum effective tax rate introduced in the Spanish Corporate Income Tax Law and the Non-Residents Income Tax Law by Law 22/2021, of 28 December, on the General State Budget for 2022, with effects as of 1 January, 2022 (i.e. the minimum net tax liability is, generally, 15 per cent. of the tax base), (ii) changes in the calculation of tax bases, and exemptions therefrom, such as provided in the Spanish Corporate Income Tax Law (as defined herein) to limit the exemption for dividends and capital gains from domestic and foreign subsidiaries to 95 per cent., which would mean that 5 per cent. of the dividends and capital gains of Redeia Group companies in Spain will be subject to, and not exempt from corporate tax or, (iii) the creation of new taxes, like the common financial transaction tax ("**FTT**") in the proposed Tax Directive of the European Commission for the Financial Transactions Tax (which would tax the acquisitions of certain securities negotiated in markets where the Redeia Group operates), may have adverse effects on the business, financial condition and results of operations of the Redeia Group.

(B) Risks related to the Redeia Group's business activities and industry

Risks associated with the Redeia Group's operation, management and construction of transmission grid and telecommunications facilities

In its role as global operator of strategic infrastructure, the Redeia Group operates, manages and builds multiple electricity transmission and network technical facilities. One of the effects of the Russian invasion of Ukraine and the COVID-19 pandemic is the consequential slow down of some of the activities of the Redeia Group's global activities. The region in conflict is very important in terms of commodities, especially those related to energy, the development of high-value technological products and industrial processes and the agri-food chain. Moreover, the conflict is occurring at a time when, in general terms, there are low global inventories of these products, supply chains were already affected by COVID-19 and, the imposed decarbonisation agenda was forcing a gradual shift to a new energy matrix and production processes. The confluence of the above factors, if prolonged over time, increases the likelihood of a supply shock that may have a negative impact on inflation forecasts, which in turn may have adverse effects on the business, financial condition and results of operations of the Redeia Group.

The operation and management of technical electricity and telecommunications facilities is costly and the Redeia Group may not be able to continue to conduct this activity on cost – effective economic terms in the future. Furthermore, this activity is exposed, given the perils inherent to high voltage facilities, to events beyond the Redeia 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 Redeia 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 the Redeia 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 Redeia 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 Redeia Group's business prospects, financial condition and results of operations may be materially adversely affected.

The Redeia Group companies have taken out various insurance policies to cover the risks to which the companies are exposed through their activities, mainly damages that could be caused to the Redeia Group companies' facilities and possible claims that might be lodged by third parties due to the companies' activities. Nonetheless, the amounts for which the Redeia 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, regarding Red Eléctrica, its 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 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 2021, investments for development of the Spanish transmission network amounted to EUR391.0 million, compared with EUR383.1 million in 2020, and were directed at addressing supply security and stability, resolve technical restrictions, execute specific projects for international and inter-island submarine interconnections, supply the high-speed rail system and provide access for the evacuation of wind power. A variety of factors may affect the Redeia 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 the Redeia Group's reputation, business prospects, financial condition and results of operations.

The Redeia Group's business and finances are heavily concentrated in Spain and they are influenced by macroeconomic and political conditions and the negative impact of the Russian invasion of Ukraine

The operations of the Redeia Group are heavily concentrated in Spain, as a result, any adverse change in Spain's general economic and political landscape could materially adversely affect the Redeia Group's business prospects, financial condition and results of operations the Redeia Group's business performance is influenced by the economic conditions of the countries in which it operates, particularly Spain, where the Redeia Group concentrates most of its operations. Any adverse changes affecting the Spanish economy or the economy of the other countries in which the Redeia Group operates could have a negative impact on its revenues and/or increase its financing costs, circumstances that could have a material adverse effect on the Redeia Group's business, prospects, financial condition and results of operations.

The Spanish economy is particularly sensitive to economic conditions in the Eurozone and any distress in the European economic activity. The Eurozone has seen a rise of inflation, following a significant increase in energy prices and supply chain disruptions. The rising international trade tensions or any increase of political uncertainty in Spain could result in volatile capital markets or otherwise adversely affect financing conditions in Spain or the environment in which the Redeia Group operates, any of which could have a material adverse effect on the business, financial condition and results of operations of the Redeia Group.

In particular, the Eurozone economic activity may be further affected by the outbreak of the military conflict in Ukraine launched by Russia on 24 February 2022 and the geopolitical uncertainty originated by it or the potential for its scalation. As a result of the invasion, the European Union (the "**EU**"), EU member states, Canada, Japan, the United Kingdom and the United States, among others, have developed and continue to develop coordinated sanctions on Russia and Belarus and export-control measure packages. The uncertain nature, magnitude and duration of Russia's war in Ukraine and potential effects of it and of actions taken by Western and other states and multinational organisations in response thereto (including, amongst other things, sanctions, export-control measures, travel bans and asset seizures) as well as of any Russian retaliatory actions (including, amongst other things, restrictions on oil and gas exports and cyber-attacks), on the world economy and markets, have contributed to increased market volatility and uncertainty. Such geopolitical risks may have a material adverse impact on macroeconomic factors which affect the Redeia Group's business, results of operations, cash flows, financial condition and prospects. Whilst the Redeia Group has no direct exposure to Russian gas nor Russian counterparties, there can be no assurance that the Redeia Group will not be indirectly impacted by the crisis, by way of the effect of sanctions on EU economies.

Within this context, the Spanish Government has published the Royal Decree-Law 14/2022, of 1 of August 1, on economic sustainability measures in the field of transport, scholarships and study aids, as well as energy saving and efficiency measures and measures to reduce energy dependence on natural gas in order to mitigate the impact generated by the Russian invasion of Ukraine in the energy sector.

During 2022, in a context of extraordinary inflation rates in principal economies highly affected by the Russia-Ukraine conflict and the associated sanctions, which have contributed to further increases in the prices of energy, oil and other commodities, central banks have started to abandon the low interest rates environment, increasing or discussing the possibility of increasing interest rates progressively in order to address and reduce inflation, which could trigger an environment of increased risk aversion, a tightening of financial conditions globally, reduced economic growth and/or result in regional or global recessions. Inflationary pressures could further increase if the Russian invasion of Ukraine is prolonged, escalates or expands (including if additional countries become involved), if additional economic sanctions or other measures are imposed, or if volatility in commodity prices or disruptions to supply chains worsen.

Besides, the outbreak of the COVID-19 disease, which was declared a global pandemic by the World Health Organisation in March 2020, led governmental authorities around the world, and in particular those of EU member states, including Spain, to implement measures to reduce its spread, which has significantly affected the European markets where the Redeia Group operates, as well as the global economy, impacting global growth. While the actions of the central banks in response to the COVID-19 pandemic, however, allowed an overall context of favourable financing conditions and the macro-financial outlook for the global economy improved mainly as a result of vaccines having been rolled out, some vulnerabilities continue to remain. Moreover, the appearance and spread of new COVID-19 variants may result in the reintroduction of containment measures.

As of 31 October 2022, the International Monetary Fund ("**IMF**") estimates that the Spanish gross domestic product ("**GDP**") increased by 5.1% in 2021, and forecasts a 4.3% increase for 2022 and 1.2% increase for 2023. The IMF estimates that the Eurozone's real GDP increased by 5.2% in 2021 and forecasts a 3.1% increase for 2022 and 0.5% increase for 2023 (source: IMF World Economic Outlook update October 2022).

The Redeia 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 an electricity system operator and transmission network manager, one of the Red Eléctrica's main functions is to guarantee the continuity and security of the electricity supply.

Disruptions to or failures of Red Eléctrica's computer and information technology systems could cause an interruption to the Redeia Group's business, which could have a material adverse effect on its business prospects, financial condition and results of operations. In particular, Red Eléctrica'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 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 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 or any of the Redeia 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 Redeia Group's business prospects, financial condition and results of operations.

Risks associated with international and telecommunication investments and divestments

As part of its strategy, the Redeia Group may undertake both investments entailing the acquisition and/or integration of businesses in order to foster its growth strategy through inorganic growth, and/or divestments in order to realise gains derived from the growth and higher valuation of certain assets or businesses acquired by the Redeia Group or as a consequence of changes in the Redeia Group's general strategy.

In recent years, the Redeia Group has made investments and divestments in electric infrastructures in several countries and in the telecommunications sector. See "*Description of the Issuer - Investments*".

These investments and divestments inherently involve a number of risks such as those related to the existence of unforeseen contingences and the adequacy of guarantees or indemnities to cover such contingencies, claims in connection with the investments or divestments (from employees, customers or third parties), the lack of materialization of expected benefits from such investments (including the realisation of potential synergies and sales growth anticipated either in the expect amount or timeframe or costs), and lower market valuations of businesses to be divested. In addition, there are associated risks related to local laws on where the investments or divestments 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

integration of businesses within the Redeia Group. Furthermore, the necessity of a local management team, and the integration or retention of local personnel or the Redeia Group's capacity to fill the void as a result of any divestments may cause disruption to its business and operations.

If any of these risks materialise, they could materially adversely affect the Redeia 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 Redeia 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 Redeia Group's joint arrangements as of 31 December 2021 include the 50 per cent interest in Transmisora Eléctrica del Norte, S.A. ("**TEN**") held through Red Eléctrica Chile SpA. as a Joint Venture, focused on operating a 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 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; the 50 per cent interest in the Brazilian company Argo Energia Emprendimientos y Participaciones S.A. ("**Argo**"), through Red Eléctrica Brasil Holding Ltda., as a joint arrangement together with Grupo Energía Bogotá S.A E.S.P. Argo in turn owns Argo Transmisión de Energia S.A. ("**Argo I**"), Argo II Transmisión de Energia S.A. ("**Argo II**"), Argo III Transmisión de Energia S.A. ("**Argo III**") and Argo IV Transmisión de Energia S.A. ("**Argo IV**"). Accordingly, the Redeia Group has classified this joint arrangement as a joint venture, as the parties to it have rights to the net assets of such joint venture.

Due to the nature of joint arrangements, whether joint ventures or joint operations, the Redeia 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 Redeia Group. In the event that the Redeia Group is unable to maintain good relationships and adopt positive strategic decisions, the Redeia Group may lose its investment in its joint arrangements and its business prospects, financial condition, and results of operations may be materially adversely affected.

(C) Risks related to the Redeia Group's financial situation

Interest rate risk

The nature of the Redeia Group's business is inherently capital intensive and requires financing to operate and expand. The Redeia 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. Interest rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. The implementation of the anticipated reforms may result in changes to a benchmark's administration, causing it to perform differently than in the past, or to be eliminated entirely, or resulting in other consequences which cannot be predicted as at the date hereof.

The financial debt structure of the Redeia Group 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 Redeia Group's regulated assets, among other objectives. As of 31 December 2021, the Redeia Group's total gross financial debt amounted to EUR7,222 million, of which 81 per cent., EUR5,832 million, accrued interest at fixed rates. Similarly, as of 31 December 2020, the Redeia Group's total financial debt amounted to EUR6,595 million, of which 82 per cent., EUR5,408 million, accrued interest at fixed rates.

Nevertheless, any increase in the underlying reference interest rates on which the Redeia Group's financing agreements accruing interest at variable rates may impact the Redeia 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. The referred interest rate risk increase could affect not only the Redeia Group´s debt which is subject to variable interest rates, but also any future refinancing of its debt obligations.

Additionally, the Redeia 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 the Issuer or any of the Redeia 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 Redeia 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 the Redeia Group. The Redeia 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. Further, during 2021 the Redeia Group has issued notes for an amount of EUR600 million. As of 31 December 2021, the credit lines available amounted to EUR1,853 million and available cash amounted to EUR1,574 million, compared with credit lines amounting to EUR1,930 million and cash amounting to EUR482 million as of 31 December 2020. Further, as of 31 December 2021, the Redeia Group's financial debt had an average maturity of 5 years (compared to 5.3 years as of 31 December 2020).

While the Redeia 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 Redeia Group's results of operations and financial condition as it is likely that the Redeia Group would be obliged to incur in extra financial costs or, in the worst-case scenario, threaten the Redeia Group's continuity as a going concern and lead to insolvency.

Currency risk

Because the Redeia 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 Redeia Group's consolidated annual accounts (i.e., translation

risk). For instance, due to the translation effect, an appreciation of the Euro against the Redeia Group's other significant currencies would adversely affect the Redeia Group's results.

Furthermore, currency risk considers transaction risk arising on cash inflows and outflows in currencies other than the Euro.

To reduce the currency risk on issues in the US private placements market, the Redeia Group has arranged cash flow hedges through US Dollar/Euro cross-currency swaps on the principal and interest, which cover the amount and total term of the issue up to October 2035.

In order to mitigate transaction risk, in 2021 the Redeia Group companies arranged forward cash flow hedges in the form of cross currency swaps and currency forwards to hedge highly probable cash flows of certain revenue in US Dollars and Brazilian Reais and certain payment commitments in Brazilian Reais. Consequently, had the Euro strengthened or weakened by 10 per cent. 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 EUR21.6/EUR-26.3 million on 31 December 2021 (EUR2.2 million at 31 December 2020). In order to mitigate translation risk on assets located in countries whose functional currency is not the Euro, the Redeia Group finances a portion of such investments in the functional currency. The Redeia Group has also arranged hedges of net investments in US Dollars through cross-currency swaps that are in place until January 2026. Consequently, had the Euro strengthened or weakened by 10 per cent. against the currencies to which the Redeia Group is exposed at year end, the Parent's equity would have decreased or increased by approximately EUR34 million at 31 December 2021 (EUR32 million at 31 December 2020).

Risks Relating to the Securities

(A) Risks related to the structure of the Securities

The Issuer's obligations under the Securities and the Coupons are subordinated

The Issuer's obligations under the Securities will be unsecured and subordinated obligations of the Issuer and will rank junior to the claims of unsubordinated and other subordinated creditors of the Issuer, except for subordinated creditors whose claims are expressed to rank *pari passu* with, or junior to, the Securities. See Condition 2 (*Status and Subordination of the Securities and Coupons*). By virtue of such subordination, payments to a Holder of Securities will, in the event of the Issuer being declared in insolvency (*concurso*) under the Spanish Insolvency Law (as defined below), only be made after all obligations of the Issuer resulting from higher ranking claims have been satisfied. A Holder of Securities may therefore recover less than the holders of unsubordinated or other subordinated liabilities of the Issuer. Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Holder shall, by virtue of being the Holder of any Security, be deemed to have waived all such rights of set-off. Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of his investment should the Issuer become insolvent.

There are no events of default or cross default under the Securities

The Conditions do not provide for events of default or cross default allowing acceleration of the Securities if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Securities including the payment of any interest, investors will not have the right to require the early redemption of principal. Upon a payment default, the sole remedy available to the Holders for recovery of amounts owing in respect of any payment of principal or interest on the Securities will be the

institution of proceedings to enforce such payment. Notwithstanding the foregoing, in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

The Securities are undated securities

The Securities are undated securities, with no specified maturity date. The Issuer is under no obligation to redeem or repurchase the Securities at any time and the Holders have no right to require redemption of the Securities. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time and may not recover their investment in the foreseeable future.

The Issuer may redeem the Securities under certain circumstances

Holders should be aware that the Securities may be redeemed at the option of the Issuer in whole, but not in part, at the Make-whole Redemption Amount (as defined in the Conditions) on any date other than during the period from and including 7 May 2028 and ending on (and including) the First Reset Date (as defined in the Conditions) or on any Interest Payment Date (as defined in the Conditions) thereafter. The Securities may also be redeemed at their principal amount (plus any accrued and outstanding interest and any outstanding Arrears of Interest) on any date during the period commencing on (and including) 7 May 2028 and ending on (and including) the First Reset Date (as defined in the Conditions) and on any Interest Payment Date (as defined in the Conditions) thereafter.

The redemption at the option of the Issuer may affect the market value of the Securities. During any period when the Issuer may elect to redeem or is perceived to be able to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

The Securities are also subject to redemption in whole, but not in part, at the Issuer's option upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event (each as defined in Condition 17 (*Definitions*) of the Conditions). The relevant redemption amount may be less than the then current market value of the Securities.

The current IFRS-EU accounting classification of financial instruments such as the Securities as equity instruments may change, which may result in the occurrence of an Accounting Event

In June 2018, the IASB (International Accounting Standards Board) published the discussion paper DP/2018/1 on "Financial Instruments with Characteristics of Equity" (the DP/2018/1 Paper). Any final rules implemented as a result of the DP/2018/1 Paper may change the current IFRS-EU accounting classification of financial instruments such as the Securities as equity instruments and this may result in the occurrence of an Accounting Event. The implementation of any of the proposals set out in the DP/2018/1 Paper or any other similar such proposals that may be made in the future, including the extent and timing of any such implementation, if at all, is uncertain. Accordingly, no assurance can be given as to the future classification of the Securities from an accounting perspective or whether any such change may result in the occurrence of an Accounting Event, thereby providing the Issuer with the option to redeem the Securities pursuant to the Conditions. The occurrence of an Accounting Event may result in Securityholders receiving a lower than expected yield.

The Issuer has the right to defer interest payments on the Securities

The Issuer may, at its discretion, elect to defer (in whole or in part) any payment of interest on the Securities. Any such deferral of interest payment shall not constitute a default for any purpose. See Condition 4 (*Optional Interest Deferral*). Any interest in respect of the Securities the payment of which is deferred will, so long as the same remains outstanding, constitute Arrears of Interest (as defined in the Conditions). Arrears of Interest will be payable as outlined in Conditions 4(b) (*Optional Settlement of Arrears of Interest*) and 4(c) (*Mandatory Settlement of Arrears of Interest*).

While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities, as well as in other circumstances outlined in Condition 4(c) (*Mandatory Settlement of Arrears of Interest*), and in such event, the Holders are not entitled to claim immediate payment of interest so deferred. The Securities may not be redeemed unless and until all outstanding Arrears of Interest in respect of such Securities are satisfied in full, on or prior to the date set for the relevant redemption.

As a result of the interest deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest payments are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition. Investors should be aware that any deferral of interest payments or any perceived increase in the likelihood thereof may have an adverse effect on the market price of the Securities.

Substitution or variation of the Securities

There is a risk that, after the issue of the Securities, a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event may occur which would entitle the Issuer, without any requirement for the consent or approval of the Holders, to substitute or vary the Securities (including the substitution of the Securities for securities issued by a wholly-owned finance subsidiary of the Issuer resident in a tax jurisdiction other than the Kingdom of Spain), subject to certain conditions intended to protect the interests of the Holders, so that after such substitution or variation the Securities remain or become, as the case may be, eligible for the same or (from the perspective of the Issuer) more favourable tax, accounting or ratings treatment than the treatment to which they were entitled prior to the relevant event occurring. While such substitution or variation of the Securities is subject to certain conditions intended to protect the interests of the Holders (as a class) there can be no assurance that such substitution or variation will not have an adverse impact on the price of, and/or the market for, the Securities or the circumstances of individual Holders.

Further, prior to the making of any such substitution or variation, the Issuer and the Fiscal Agent shall not be obliged to have regard to the tax position of individual Holders or to the tax consequences of any such substitution or variation for individual Holders. No Holder shall be entitled to claim, whether from the Fiscal Agent, the Issuer, or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or variation upon individual Holders. Any such substitution or variation may have an adverse impact on the price of, and/or the market for, the Securities.

No limitation on issuing senior or pari passu securities or other liabilities

There is no restriction on the amount of securities or other liabilities which the Issuer may issue, incur or guarantee and which rank senior to, or pari passu with, the Securities. The issue of any such securities, the granting of any such guarantees or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on the insolvency, winding-up, liquidation or dissolution of the Issuer and/or may increase the likelihood of a deferral of Interest Payments under the Securities.

If the Issuer's financial condition were to deteriorate, the Holders could suffer direct and materially adverse consequences, including loss of interest and, if the Issuer were liquidated (whether voluntarily or not), the Holders could suffer loss of their entire investment.

Fixed rate securities have a market risk

A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the "Market Interest Rate"). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. A change of the Market Interest Rate causes the price of such security to change. If the Market Interest Rate increases, the price of such security typically falls. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases. Investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Securities and can lead to losses for the Holders if they sell the Securities.

Interest rate reset may result in a decline of yield

A Holder with a fixed interest rate that will be reset during the term of the Securities (as will be the case for the Securities on each Reset Date if not previously redeemed) is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of such securities in advance.

Any decline in the credit ratings of the Issuer may affect the market value of the Securities

The Securities have been assigned a rating by S&P. The rating granted by S&P or any other rating assigned to the Securities reflects only the view of the relevant rating agency and may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time which may adversely affect the trading price for the Securities. A credit rating is not a statement as to the likelihood of deferral of interest on the Securities. Holders have a greater risk of deferral of interest payments than persons holding other securities with similar credit ratings but no, or more limited, interest deferral provisions.

In addition, S&P, or any other rating agency may change its methodologies for rating securities with features similar to the Securities in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Securities sometimes called "notching". If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Securities.

Changes in rating methodologies may lead to the early redemption of the Securities

S&P (as defined in the Conditions) may change its rating methodology or may apply a different set of criteria after the Issue Date (due to changes in the rating previously assigned to the Issuer or to any other reasons), and as a result the Securities may no longer be eligible (or if the Securities have been partially or fully refinanced since the Issue Date and are no longer eligible for "equity credit" from such rating agency in part or in full as a result, the Securities would no longer have been eligible as a result of an amendment, clarification, change in hybrid capital methodology or change in the interpretation had they not been refinanced), in whole or in part, for the same or a higher amount of "equity credit" attributable to the Securities at the date of their issue or the period of time during which the relevant Rating Agency attributes to the Securities a particular category of "equity credit" would be shortened as compared to the period of time for which such Rating Agency did attribute to the Securities that category of "equity

credit" on the date on which such Rating Agency attributed to the Securities such category of "equity credit" for the first time, in each case, as provided in Condition 5(e) (*Redemption for Rating Reasons*).

Credit ratings in the EEA and UK must meet the requirements specified in the EU CRA Regulation and UK CRA Regulation

In general, European regulated institutions are restricted from using credit ratings for regulatory purposes in the EEA under the EU CRA Regulation, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre- 2021 ratings, provided the relevant conditions are satisfied.

EU Insolvency

From 26 June 2017, the new Regulation 2015/848, of the European Parliament and of the Council, of 20 May 2015, on insolvency proceedings (recast) (as amended, "Regulation 2015/848") is applicable to all Member States of the EU (in this section references to Member States relate to member states of the European Union excluding Denmark). This means that this regulation is applicable to all those insolvency proceedings that are initiated in a Member State, when the centre of main interest ("COMI") of the debtor is located in such countries.

Pursuant to Article 3(1) of the Regulation 2015/848 the COMI of a company is presumed to be in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption only applies if the registered office has not been moved to another Member State within the three month period prior to the request for the opening of insolvency proceedings. Furthermore, preamble 30 of Regulation 2015/848 states that "it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual centre of management and supervision and of the management of its interests is located in that other Member State." In that assessment factors such as where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established may all be relevant. A debtor's COMI is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If the COMI of a debtor is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the debtor under Regulation 2015/848 would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to Regulation 2015/848. Insolvency proceedings commenced in one Member State under Regulation 2015/848 are to be recognized in the other Member States, although territorial (secondary) insolvency proceedings may be commenced in another Member State.

If the COMI of a debtor is in one Member State under Article 3(2) of Regulation 2015/848, the courts of another Member State have jurisdiction to commence territorial (secondary) insolvency proceedings against that debtor only if such debtor has an "establishment" in the territory of such other Member State. An "establishment" (within the meaning and as defined in Article 2(10) of Regulation 2015/848) is defined as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. Accordingly, the opening of territorial (secondary) insolvency proceedings in another Member State will also be possible if the debtor had an establishment in such Member State in the three-month period prior to the request for commencement of main insolvency proceedings. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings have been opened in the Member State in which the debtor has its COMI, any proceedings opened subsequently in another Member State in which the company has an establishment shall be secondary proceedings. Where main proceedings in the Member State in which the debtor has its COMI have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the debtor has an establishment only where either: (a) insolvency proceedings cannot be opened in the Member State in which the debtor's COMI is situated under that Member State's law; or (b) the opening of territorial insolvency proceedings is requested by:

(i) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested; or

(ii) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings.

Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the lex fori concursus, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

Any judgment opening insolvency proceedings handed down by a court of a Member State which has jurisdiction pursuant to Article 3 shall be recognised in all other Member States from the moment that it becomes effective in the Member State of the opening of proceedings. This shall also apply where, on account of a debtor's capacity, insolvency proceedings cannot be brought against that debtor in other Member States.

Recognition of a main proceedings shall not preclude the opening of a secondary proceeding. The insolvency receiver appointed by a court in a Member State that has jurisdiction to open main proceedings (because the debtor's COMI is there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets. Regulation 2015/848

has created a treatment for groups of companies experiencing difficulties by the commencement of group coordination proceedings and the appointment of an insolvency practitioner in order to facilitate the effective administration of the insolvency proceedings of the group members.

Effects of EU Directive 2019/1023 on Restructuring and Insolvency

On 16 July, 2019, the Directive (EU) 2019/1023 of the European Parliament and the Council of 20 June, 2019, on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (the "EU Restructuring Directive") entered into force. The Member States were required to pass national laws to implement the directive by 17 July 2021, at the latest. As further explained below in the risk factor – *Risks arising in connection with the Spanish Insolvency Law*, the EU Restructuring Directive has already been transposed in Spain.

The EU Restructuring Directive aims to harmonize the laws and procedures of Member States concerning preventive restructurings and insolvencies, to put in place key principles for all Member States on effective preventive restructuring and second chance frameworks, and measures to make all types of insolvency procedures more efficient by reducing their length and associated costs and improving their quality. The key feature of the EU Restructuring Directive is the introduction of a preventive restructuring framework. The EU Restructuring Directive sets out minimum EU standards to be applied by the Member States (i.e., minimum harmonization). Whereas certain features of the EU Restructuring Directive need to be transposed into national legislation, the EU Restructuring Directive leaves a large degree of discretion regarding the implementation of certain other features. In particular, when implementing the EU Restructuring Directive, Member States must ensure that, under their national laws, companies will have access to a pre-insolvency restructuring framework which permits a haircut of debt and other restructuring measures on the basis of a majority vote with a majority of not more than 75% of the amount of claims in each class and where applicable a majority by numbers (meaning, for instance, that an opposing creditor can be outvoted by the majority). The EU Restructuring Directive also provides for cross-class cramdown, i.e., even if the creditors of one class voting on the restructuring plan did not consent to the restructuring plan with the required majority, the restructuring plan might still be adopted and take effect for the dissenting creditors. Further, the EU Restructuring Directive provides for a stay on enforcement, which needs to be transposed into national legislation.

The implementation of the EU Restructuring Directive into national legislation might also include priority ranking for new financing. Although the EU Restructuring Directive also foresees a number of safeguards protecting creditors from abuse and although it is not clear how exactly the EU Restructuring Directive will be implemented in individual Member States, the current domestic insolvency law of some Member States may change substantially if they lack any of the mechanisms that the EU Restructuring Directive will make mandatory. This might have considerable repercussions for the position of creditors of a Member State legal entity. The description of the current Member State domestic insolvency regimes must, therefore, be read with the understanding that they might change substantially.

Risks arising in connection with the Spanish Insolvency Law

The Spanish Insolvency Law regulates court insolvency proceedings, as opposed to out-of-court liquidation, which is only available when the debtor has sufficient assets to meet its liabilities. Holders of Securities may be affected by the content of the restructuring agreements regulated in the Spanish Insolvency Law, should these meet the necessary formalities and majority thresholds.

On August 25 2022 a law amending the Spanish Insolvency Law was approved by the Spanish parliament for the purposes of, among others, transposing the EU Restructuring Directive (*Ley 16/2022,*

de 5 de septiembre, de reforma del texto refundido de la Ley Concursal, aprobado por el Real Decreto Legislativo 1/2020, de 5 de mayo, para la transposición de la Directiva (UE) 2019/1023 del Parlamento Europeo y del Consejo, de 20 de junio de 2019, sobre marcos de reestructuración preventiva, exoneración de deudas e inhabilitaciones, y sobre medidas para aumentar la eficiencia de los procedimientos de reestructuración, insolvencia y exoneración de deudas, y por la que se modifica la Directiva (UE) 2017/1132 del Parlamento Europeo y del Consejo, sobre determinados aspectos del Derecho de sociedades (Directiva sobre reestructuración e insolvencia)), which was published in the Spanish Official Gazette on September 6 2022 and generally entered into force on September 26 2022. This new piece of legislation contemplates numerous changes to the Spanish Insolvency Law mainly with respect to pre-insolvency mechanisms, which are aimed at avoiding debtors from being declared insolvent, but also concerning insolvency proceedings.

The insolvency proceedings, which are called "concurso de acreedores" are applicable to all persons or entities (except for public entities). These proceedings may lead either to the restructuring of the business (for example the sale of a business unit or the restructuring of the debt) or to the liquidation of the assets of the debtor.

A debtor (and in the case of a company, its directors) is required to apply for insolvency proceedings when it is not able to meet its current obligations within the term of two months as from the moment that it knows that it is insolvent or as from the moment it should have known it is insolvent. The debtor is also entitled to apply for such insolvency proceedings when it expects that it will be unable to do so in within the next three months. Insolvency proceedings are available as a type of legal protection that the debtor may request in order to avoid the attachment of its assets by its creditors.

Creditors will not be able to accelerate the maturity of their credits based only in the declaration of the insolvency (*declaración de concurso*) of the debtor. Any provision to the contrary will be null and void. Furthermore, clauses of agreements which provide for the suspension or the modification of the terms and conditions of the agreement (including the ability to accelerate the maturity of the credit) in case there is a declaration of insolvency or opening of the liquidation phase shall be ineffective. The same applies if the debtor files the notice of initiation of negotiation of creditors for the implementation of a restructuring plan.

The Spanish Insolvency Law contains an express request for the creditors to file their claims, within a one-month period as from the day after the publication of the insolvency proceeding in the Spanish Official Gazzette (*Boletín Oficial del Estado*), providing documentation to justify such credits. Based on the documentation provided by the creditors and that is held by the debtor, the insolvency administration (*administración concursal*) draws up an inventory and a list of acknowledged creditors and classify them according to the categories established under law: (i) estate claims (*créditos contra la masa*), (ii) specially privileged claims (*créditos con privilegio especial*), (iii) generally privileged claims (*créditos con privilegio general*), (iv) ordinary claims (*créditos ordinarios*) and (v) subordinated claims (*créditos subordinados*):

- Estate claims are not considered part of the debtor's general debt and are payable when due according to their own terms (and, therefore, are paid before other debts under insolvency proceedings). Post-insolvency debts include, among others, (i) certain amounts of the employee payroll, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts arising from services provided by the insolvent debtor under reciprocal contracts and outstanding obligations that remain in force after insolvency proceedings are declared and deriving from obligations to return and indemnify in cases of breach of a contract by the insolvent debtor if such breach takes place after the declaration of insolvency of the debtor, (iv) those that derive from the

exercise of a clawback action within the insolvency proceedings of acts performed by the insolvent debtor and correspond to a refund of consideration received by it (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from the non-contractual liability of the insolvent debtor after the declaration of insolvency and until its conclusion (or from the non-contractual liability before the declaration of insolvency due to death or personal damages), (vi) in case of subsequent insolvency, 50 per cent of the new funds lent under a court-sanctioned restructuring plan, provided that such plan affects claims that represent at least 51 per cent of the total liabilities (or more than 60 per cent where finance is provided by specially related parties, after deducting their claims), (vii) certain debts incurred by the debtor following the declaration of insolvency, and (viii) in case of liquidation the credit rights granted to the debtor under the viability plan (*plan de viabilidad*) to support the company voluntary arrangement (the "**CVA**") including claims granted by "specially related parties" to the debtor if the maximum claims and the details of the relevant creditor are included in the CVA.

- Specially privileged claims, representing security on certain assets (basically in rem security), up to the value, calculated in accordance with the law, of the security guaranteeing them. These privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year. However, within such waiting period or while any enforcement proceedings remain suspended under the Spanish Insolvency Law, the insolvency administrators shall have the option to pay the relevant post-insolvency debts under specific payment rules. Privileged creditors are not bound by a creditors arrangement, except if they give their express support by voluntary acceding to the CVA and if certain majorities have been reached among privileged creditors In the event of liquidation, they shall be the first to collect payment against the attached assets.
- Generally privileged claims, including among others certain labour debts and certain debts with public administrations. Other debts with public administrations corresponding to tax debts and social security obligations are recognised as privileged for half their amount, and debts held by the creditor applying for the corresponding insolvency proceedings, other than subordinated claims, to the extent such application has been approved, up to a 50 per cent of the amount of such debt. New funds under a court-sanctioned restructuring plan entered into in compliance with certain requirements set forth in the Spanish Insolvency Law in the amount not admitted as post-insolvency debts will also be credits with general privileges provided that such plan effects claims that represent at least 51 per cent of the total liabilities (or more than 60 per cent where finance is provided by specially related parties, after deducting their claims). The holders of general preferential claims are not to be affected by the restructuring except if they do give their express support by voluntary acceding to the CVA or if certain majorities have been reached among privileged creditors In the event of liquidation, they are the first to collect payment against assets other than those secured by a specially privileged claim after specially privileged creditors, in the accordance with the ranking established under the Spanish Insolvency Law.

Ordinary claims (non-subordinated and non-privileged claims). They will be paid on a pro-rata basis once the estate claims and privileged claims have been paid.

Subordinated claims (thus classified by virtue of law). Subordinated debts include, among others, profit participating loans and those debts held by parties in special relationships with the debtor: in the case of an individual, his/her relatives; in the case of a legal entity, the directors, the liquidators, the proxies with general powers and any shareholders holding, directly or indirectly, more than 5 per cent (for companies

which have issued securities listed on an official secondary market) or 10 per cent (for companies which have not issued securities listed on an official secondary market) of the share capital and companies pertaining to the same group as the debtor and their common shareholders, provided that such shareholders meet the minimum shareholding requirements set forth before. Likewise, credits which have been contractually subordinated (as the Securities) are classified as subordinated credits. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights or were appointed as directors pursuant to a restructuring plan entered into in compliance with the Spanish Insolvency Law (and who have been appointed as directors) shall not be considered as being in a special relationship with the debtors, in respect of credits against the debtor, as a result of the financing grander under such restructuring plan.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of the debtor and creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorised to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labour or administrative law).

Creditors holding security in rem, that had been traditionally allowed to enforce their debts against the secured asset notwithstanding the initiation of insolvency proceedings, are also generally subject to certain restrictions in order to initiate separate enforcement proceedings (or to continue with such proceedings, if they were being carried out), and if the secured asset is deemed to be necessary for the debtor's activities, enforcement cannot be carried out outside the insolvency proceedings. In summary, enforcement by the creditor is subject to a delay of a maximum of one year if such asset is deemed to be necessary for the debtors activities in which case enforcement cannot be carried out outside the insolvency proceedings.

There are no prior transactions that automatically become void as a result of initiation of the insolvency proceedings. The insolvency administration may only challenge those transactions carried out by the debtor that could be deemed as being "detrimental" to the debtor's interests, provided that they have been carried out during the period of two years prior to the date of filing for insolvency proceedings (and between the petition date and the opening of insolvency proceedings) (. Those transactions that are executed in the ordinary course of business, according to the business of the debtor, are not subject to challenge.

Detrimental transactions by the debtor carried out during the period of two years before it files notice of negotiations with creditors can also be set aside, as well as those from that date until the opening of insolvency proceedings, provided the court has not approved a restructuring plan and opens insolvency proceedings for the debtor in the year after the pre-bankruptcy protection is no longer in effect.

Transactions taking place earlier may be rescinded subject to ordinary Spanish Civil Code based actions.

"Detrimental" does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interests. In any case, the law refers to transactions that are somehow exceptional: it is considered detrimental (as a non-rebuttable presumption) in the case of donations and early payment of unsecured obligations maturing after the insolvency declaration and detrimental is deemed to be (as a rebuttable presumption) in the case of transactions entered into with special related persons and the creation of rights in rem in order to secure existing obligations or those incurred to replace existing obligations and the cancellation of obligations secured by an in rem security interest falling due after the declaration of Insolvency; in the remaining cases, damage would have to be justified.

The agreements in relation to the Securities could be challenged only if those transactions were deemed to have cause damage, as explained above.

Holders should be aware (i) of the effects of a declaration of insolvency of the Issuer set out above, (ii) that their claims against the Issuer, as the case may be, would therefore be subordinated and (iii) subordinated creditors may not vote on an arrangement and have very limited chances of collection, according to the ranking established by law.

(B) Risks related to the Securities generally

Securities issued as "Green Bonds" may not meet investor expectations or be suitable for an investor's investment criteria

Prospective investors in the Securities must determine for themselves the relevance of information regarding the use of the net proceeds for the purpose of any investment in the Securities together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or the Joint Bookrunners 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 (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called 'EU Taxonomy') or Regulation (EU) 2020/852 as it forms part of domestic law in the United Kingdom by virtue of the EUWA).

Each prospective investor should have regard to the factors described in the Redeia Group Green Framework and the relevant information contained in this Offering Circular and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the Securities before deciding to invest. The Redeia Group Green Framework may be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Offering Circular. The Redeia Group Green Framework does not form part of, nor is incorporated by reference, in this Offering Circular.

A sustainability consulting firm was requested to issue a Second-party Opinion confirming that the Redeia Group Green Framework is credible and impactful and aligns with the four core components set out by the International Capital Market Association (ICMA) Green Bond Principles (GBP). A Second-party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Securities or the projects financed or refinanced toward an amount corresponding to the net proceeds of the issue of the Securities. A withdrawal of the Second-party Opinion may affect the value of the Securities and/or may have consequences for certain investors with portfolio mandates to invest in green or sustainable assets. Such Second-party Opinion generally is only current as of the date it is released and may be updated, suspended or withdrawn by the relevant provider(s) at any time.

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, including the Redeia Group Green Framework and the Second-party Opinion) which may or may not be made available in connection with the issue of the Securities 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 Offering Circular. Any such report, assessment, opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Joint Bookrunners or any other person to buy, sell or hold any of the Securities. 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 the Securities. At the date of this Offering

Circular, the providers of such reports, assessments, opinions and certifications are not subject to any specific oversight or regulatory or other regime.

The Securities are to be listed on the Luxembourg Green Exchange or may be 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) and no representation or assurance is given by the Issuer, the Joint Bookrunners 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. No representation or assurance is given or made by the Issuer, the Joint Bookrunners or any other person that any such listing or admission to trading will be maintained during the life of the Securities.

While it is the intention of the Issuer to apply the net proceeds of the Securities and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in the manner described herein, there can be no assurance that the Issuer 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.

Any such event or failure to apply the net proceeds of the Securities 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 Securities or give rise to any other claim of a Holder of Securities against the Issuer. The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that the Issuer is 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 Securities 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 the Securities and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Majority decisions bind all Holders

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

Change of law

The Conditions of the Securities are based on laws in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to relevant law or administrative practice after the date of this Offering Circular.

There is a limited active trading market for the Securities

The Securities are new securities which may not be widely distributed and for which there is currently a limited trading market. Accordingly, future liquidity of the Securities may be limited. If the Securities 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. Although application has been made to admit the Securities to the official list of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange's

Euro MTF Market, there is no assurance that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Securities.

The development or continued liquidity of any secondary market for the Securities will be affected by a number of factors such as general economic conditions, the financial condition, the creditworthiness of the Issuer and/or the Redeia Group, and the value of any applicable reference rate, as well as other factors such as the complexity and volatility of the reference rate, the method of calculating the return to be paid in respect of such Securities, the outstanding amount of the Securities, any redemption features of the Securities, the performance of other instruments linked to the reference rates and the level, direction and volatility of interest rates generally. Such factors also will affect the market value of the Securities. In addition, certain Securities may be designed for specific investment objectives or strategies and therefore may have a more limited secondary market and experience more price volatility than conventional debt securities.

Investors may not be able to sell Securities readily or at prices that will enable investors to realise their anticipated yield. No investor should purchase Securities unless the investor understands and is able to bear the risk that certain Securities will not be readily sellable, that the value of Securities will fluctuate over time and that such fluctuations will be significant.

Risks relating to withholding in respect of payments made by the Issuer

Pursuant to the provisions of Royal Decree 1065/2007, the Issuer is not obliged to withhold taxes in Spain on any interest paid under the Securities to any Holders, irrespective of whether such Holder is tax resident in Spain or not. The foregoing is subject to the fulfilment of the information procedure described in "Taxation" below.

The Issuer and the Paying Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Securities. The procedures may be modified, amended or supplemented to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof.

In this regard, according to Royal Decree 1065/2007, it is no longer necessary to provide an issuer with information regarding the identity and the tax residence of an investor or the amount of interest paid to it, provided that the securities (i) can be regarded as listed debt securities issued under Law 10/2014 and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state, and thus, interest paid by the Issuer under such securities will be made free of Spanish withholding tax provided that the relevant paying agent fulfils the information procedures described in "*Taxation*" below.

Accordingly, while the Securities are represented by one or more global notes, are admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, and deposited with a common depositary for Euroclear and/or Clearstream, the Securities will meet the requirements referred to in (i) and (ii) above and, consequently, payments of interest made by the Issuer to Holders should be paid free of Spanish withholding tax (subject to the fulfilment of the aforementioned information procedures).

Notwithstanding the above, in the case of Securities held by Spanish tax resident individuals (and under certain circumstances, by Spanish entities subject to Corporate Income Tax) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Securities may be subject to withholding by such depositary or custodian (currently, at the rate of 19 per cent).

If the Spanish Tax Authorities maintain a different opinion as to the application by the Issuer of withholding to payments made to Spanish tax residents (individuals and entities subject to Corporate Income Tax), the Issuer will be bound by the opinion and, with immediate effect, will make the

appropriate withholding. If this is the case, identification of Holders may be required and the procedures, if any, for the collection of relevant information will be applied by the Issuer (to the extent required) so that it can comply with its obligations under the applicable legislation as interpreted by the Spanish Tax Authorities. If procedures for the collection of the Holders' information are to apply, the Holders will be informed of such new procedures and their implications.

Holders of the Securities must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Securities. None of the Issuer, Joint Bookrunners or the Paying Agent assume any responsibility thereof.

Because the Global Securities are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

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

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

Holders of beneficial interests in the Global Securities will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Securities in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euros would decrease (a) the Investor's Currency-equivalent yield on the Securities, (b) the Investor's Currency equivalent value of the principal payable on the Securities and (c) the Investor's Currency equivalent market value of the Securities.

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

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine

whether and to what extent (a) the Securities are legal investments for it, (b) the Securities can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of the Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

Regulation and reform of benchmarks

The determination of the Subsequent Fixed Interest Rate in respect of the Securities is dependent upon the relevant 6-month EURIBOR administered by the EMMI at the relevant time (as specified in the Conditions) and the 5 Year Swap Rate appearing on the Reuters Screen Page "ICESWAP2/EURSFIXA" provided by the IBA.

The EURIBOR and other interest rates 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.

Regulation (EU) No. 2016/1011 (the EEA BMR) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "UK BMR") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EEA BMR or the UK BMR, as applicable, could have a material impact on the Securities, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EEA BMR or UK BMR, 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 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 subsequently been reformed in order to comply with the terms of the EEA BMR, 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 EURIBOR 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, or result in adverse consequences to Holders of the Securities.

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 while the Securities are outstanding, the return on the Securities and the trading market for securities based on the same benchmark.

The Conditions provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event (each as defined in the Conditions), as applicable, otherwise occurs. Such an event may be deemed to have occurred prior to the issue date of the Securities. Such fallback arrangements include 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 Securities may not achieve this objective. Any such changes may result in the Securities 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 Reset Period may result in the last observable rate of interest being used.

This may result in the effective application of a fixed rate the Securities based on the rate which was last observed on the Reset 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) in certain circumstances, 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 the Securities.

Investors should consult their own independent advisers and make their own assessment about the potential risks arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to the Securities.

Holders of the Securities will not benefit from certain rights of holders of debt securities under Spanish law.

In Spain, issuers of debt securities such as the Securities are generally required to have a syndicate of holders (*sindicato de obligacionistas*) that is represented by a commissioner (*comisario*). According to the Conditions and as permitted by Spanish law, there will be neither a syndicate of holders nor a commissioner; furthermore, Spanish law would not apply in respect of the rights of the holders vis-à-vis the Issuer. The relationship between the Issuer and the Holders of Securities will be instead governed by the Conditions and the relevant provisions in the Fiscal Agency Agreement. As a result, Holders of Securities will not benefit from: (i) any rights as a Holder of Securities arising from Article 411 of the Spanish Capital Companies Law (*Ley de Sociedades de Capital*); (ii) the constitution of a syndicate of holders; and (iii) the appointment of a commissioner (with respect to (ii) and (iii), both as regulated by Article 419 et seq. of the Spanish Capital Companies Law).

Terms and Conditions of the Securities

The following are the terms and conditions substantially in the form in which they will be endorsed on the Securities. Sentences in italics shall not form part of these terms and conditions. The issue of the Securities was authorised by a resolution of the Board of Directors of the Issuer passed on 25 October 2022. A fiscal agency agreement dated 7 February 2023 (the "Fiscal Agency Agreement") has been entered into in relation to the Securities between the Issuer, Citibank Europe PLC as fiscal agent and agent bank and the paying agents named in it. The fiscal agent, the agent bank and the paying agents for the time being are referred to below respectively as the "Fiscal Agent", the "Agent Bank" and the "Paying Agents" (which expression shall include the Fiscal Agent). The Fiscal Agency Agreement includes the form of the Securities and the coupons relating to them (the "Coupons", which expression includes, where the context so permits, talons for further coupons (the "Talons")). Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying Agents (at the discretion of the Paying Agents). The Holders of the Securities and the Holders of the Coupons (each as defined in Condition 1(b) (*Title*) below) (whether or not attached to the relevant Securities) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them. The Issuer will execute a public deed (*escritura pública*) (the "Public Deed") before a Spanish public notary on or before the Issue Date in relation to the Securities.

1 Form, Denomination and Title

(a) **Form and denomination**: The Securities are serially numbered and in bearer form in the denomination of €100,000, each with Coupons attached on issue.

(b) **Title**: Title to the Securities and Coupons passes by delivery. The holder of any Security or Coupon (a "Holder") will (except as otherwise required by law or as ordered by a court of competent jurisdiction) 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 interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the Holder.

2 Status and Subordination of the Securities and Coupons

(a) **Status of the Securities and Coupons**: The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations) and shall at all times rank *pari passu* and without any preference among themselves.

(b) **Subordination of the Securities**: Subject to mandatory provisions of Spanish applicable law, in the event of the Issuer being declared in insolvency (*concurso*) under Spanish insolvency law, the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons will rank (i) junior to the claims of holders of all Senior Obligations, (ii) *pari passu* with the claims of holders of all Parity Obligations and (iii) senior to the claims of holders of all Junior Obligations.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off.

3 Interest Payments

(a) **General**

The Securities bear interest at the Prevailing Interest Rate from (and including) 7 February 2023 2023 (the "**Issue Date**") in accordance with the provisions of this Condition 3 (*Interest Payments*).

Subject to Condition 4 (*Optional Interest Deferral*), interest shall be payable on the Securities with respect to any Interest Period annually (except for a short first Interest Period) in arrear on each Interest Payment Date in each case as provided in this Condition 3 (*Interest Payments*).

(b) **Interest Accrual**

The Securities will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 5 (*Redemption and Purchase*) or the date of any Substitution thereof pursuant to Condition 11(c) (*Substitution and Variation*) unless, upon due presentation, payment of all amounts due in respect of the Securities is not made, in which event interest shall continue to accrue in respect of unpaid amounts on the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Security shall be calculated per €100,000 in principal amount thereof (the "Calculation Amount"). The interest payable on each Security on any Interest Payment Date shall be calculated by multiplying the Prevailing Interest Rate for the Interest Period ending immediately prior to such Interest Payment Date by the Calculation Amount and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Interest in respect of any Security for any Interest Period and where it is necessary to compute an amount of interest in respect of any Security for a period which is less than a complete year, shall be calculated on the basis of the actual number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next succeeding Interest Payment Date. Notwithstanding the above, the interest in respect of any Security for the short first Interest Period shall be €2,293.49 per Calculation Amount, calculated on the basis of the actual number of days in the period from (and including) the Issue Date to (but excluding) 7 August 2023 divided by 365 days.

(c) **Prevailing Interest Rate**

Unless previously redeemed or repurchased and cancelled in accordance with these Conditions and subject to the further provisions of this Condition 3 (*Interest Payments*), the Securities will bear interest on their principal amount as follows:

(i) from (and including) the Issue Date to (but excluding) the First Reset Date, at the rate of 4.625 per cent. per annum, payable annually (except for a short first Interest Period) in arrear on each Interest Payment Date, commencing on 7 August 2023; and

(ii) from (and including) the First Reset Date, at the applicable 5 year Swap Rate in respect of the relevant Reset Period, plus:

(A) in respect of the period commencing on the First Reset Date to (but excluding) the First Step-up Date, 1.884 per cent. per annum;

(B) in respect of the period commencing on the First Step-up Date to (but excluding) the Second Step-up Date, 2.134 per cent. per annum; and

(C) from (and including) the Second Step-up Date, 2.884 per cent. per annum,

(each a "Subsequent Fixed Interest Rate"),

all as determined by the Agent Bank (subject to the operation of Condition 3(d) (*Benchmark Replacement*)), payable annually (except for a short first Interest Period) in arrear on each Interest Payment Date, commencing on 7 August 2023, subject to Condition 4 (*Optional Interest Deferral*),

and where:

"**5 year Swap Rate**" means, in respect of any Reset Period, the mid-swap rate as displayed on Reuters screen "ICESWAP2/EURSFIXA" or, if such rate is not displayed on such screen as at the relevant time, the mid-swap rate as displayed on a successor page (in each case, the "Reset Screen Page") as at 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date.

Subject to the operation of Condition 3(d) (*Benchmark Replacement*), in the event that the relevant 5 year Swap Rate does not appear on the Reset Screen Page on the relevant Reset Interest Determination Date, the 5 year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date. "Reset Reference Bank Rate" means the percentage rate determined by the Agent Bank on the basis of the 5 year Swap Rate Quotations provided by five leading swap dealers in the interbank market selected by the Issuer on the advice of a leading independent investment, merchant or commercial bank (the "Reset Reference Banks") to the Agent Bank at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date. If (a) at least three quotations are provided, the 5 year Swap Rate will be determined by the Agent Bank on the basis of the arithmetic mean (or, if only three quotations are provided, the median) of the quotations provided, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); (b) if only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided; (c) if only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided; and (d) if no quotations are provided, the Reset Reference Bank Rate for the relevant period will be equal to the last observable 5 year mid-swap rate for euro swap transactions on the Reset Screen Page, as determined by the Agent Bank.

The "**5 year Swap Rate Quotations**" means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 Day Count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of five years commencing on the relevant Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the six-month EURIBOR rate (calculated on the basis of the actual number of days elapsed and a year of 360 days)

(d) **Benchmark Replacement**

(i) *Independent Adviser:* Notwithstanding the provisions above in this Condition 3 (*Interest Payments*), if the Issuer (in consultation with the Fiscal Agent) determines that a Benchmark Event has occurred in relation to the Reference Rate when any interest rate (or any component part thereof) remains to be determined by reference to such Reference Rate, 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 3(d)(ii)) (*Benchmark Replacement*) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 3(d)(iv) (*Benchmark Replacement*)). In making such determination, the Independent Adviser appointed pursuant to this Condition 3(d) (*Benchmark Replacement*) shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Paying Agents, or the Holders for any determination made by it, pursuant to this Condition 3(d) (*Benchmark Replacement*).

If (A) the Issuer is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3(d)(i) (*Benchmark Replacement*) prior to the relevant Reset

Interest Determination Date, the 5 Year Swap Rate applicable to the immediately following Reset Period shall be equal to the last observable 5 year mid-swap rate for euro swap transactions on the Reset Screen Page, as determined by the Agent Bank. For the avoidance of doubt, any adjustment pursuant to this Condition 3(d)(i) (*Benchmark Replacement*) shall apply to the immediately following Reset Period only. Any subsequent Reset Period will be subject to the operation of this Condition 3(d) (*Benchmark Replacement*).

(ii) *Successor Rate or Alternative Rate*: If the Independent Adviser determines that:

(A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Reference Rate to determine the interest rate (or the relevant component part thereof) for all future payments of interest on the Securities subject to the subsequent operation of this Condition 3(d) (*Benchmark Replacement*) 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 and the applicable Adjustment Spread shall subsequently be used in place of the Reference Rate to determine the interest rate (or the relevant component part thereof) for all future payments of interest on the Securities, subject to the subsequent operation of this Condition 3(d) (*Benchmark Replacement*) in the event of a further Benchmark Event affecting the Alternative Rate.

(iii) *Adjustment Spread:* 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).

(iv) *Benchmark Amendments*: If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 3(d) (*Benchmark Replacement*) and the Independent Adviser determines (a) that amendments to these Conditions and/or the Fiscal Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "Benchmark Amendments") and (b) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Agent Bank and subject to giving notice thereof in accordance with Condition 3(d)(v) (*Benchmark Replacement*), without any requirement for the consent or approval of Holders, 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 Fiscal Agency Agreement and these Conditions as may be required in order to give effect to this Condition 3(d) (*Benchmark Replacement*)).

In connection with any such variation in accordance with this Condition 3(d)(iv) (*Benchmark Replacement*), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

(v) *Notices, etc.*: Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 3(d) (*Benchmark Replacement*) will be notified promptly by the Issuer to the Agent Bank, the Paying Agents and, in accordance with Condition 13 (Notices), the Holders. Such notice shall be irrevocable, binding on all parties, 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 3(d) (*Benchmark Replacement*); 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 Agent Bank, the other Paying Agents and the Holders.

Notwithstanding any other provision of this Condition 3(d) (*Benchmark Replacement*), the Agent Bank 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 3(d) (*Benchmark Replacement*), which, in the sole and reasonable opinion of the Agent Bank 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 Agent Bank or the relevant Paying Agent (as applicable) in the Fiscal Agency Agreement and/or these Conditions.

(vi) *Survival of Reference Rate*: Without prejudice to the obligations of the Issuer under this Condition 3(d) (*Benchmark Replacement*), the Reference Rate and the fallback provisions provided for in Condition 3(c) (*Prevailing Interest Rate*) will continue to apply unless and until a Benchmark Event has occurred and the Agent Bank has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments.

(vii) *No Successor Rate etc. if reduction of "equity credit"*: Notwithstanding any other provision of this Condition 3(d) (*Benchmark Replacement*), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to (i) result in a reduction of the amount of "equity credit" assigned to the Securities by any Rating Agency when compared to the "equity credit" assigned to the Securities immediately prior to the occurrence of the relevant Benchmark Event from such Rating Agency or (ii) otherwise prejudice the eligibility of the Securities for "equity credit" from any Rating Agency.

(e) **Publication of Subsequent Fixed Interest Rates**

The Issuer shall cause notice of each Subsequent Fixed Interest Rate and the corresponding amount payable per Calculation Amount determined in accordance with this Condition 3 (*Interest Payments*) and the relevant dates scheduled for payment to be given to the Fiscal Agent, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 13 (*Notices*), the Holders of the Securities and the Coupons, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

The relevant Subsequent Fixed Interest Rate and the dates scheduled for payment so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions.

(f) **Agent Bank and Reset Reference Banks**

With effect from the first Reset Interest Determination Date, the Issuer will maintain an Agent Bank and the number of Reset Reference Banks provided above where the Prevailing Interest Rate is to be calculated by reference to them. The name of the initial Agent Bank is Citibank Europe PLC and its initial specified office is 1 North Wall Quay, Dublin 1, Ireland.

The Issuer may from time to time replace the Agent Bank or any Reset Reference Bank with another leading financial institution. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Prevailing Interest Rate in respect of any Reset Period as provided in Condition 3(c) (*Prevailing Interest Rate*), the Issuer shall forthwith appoint another leading financial institution to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(g) **Determinations of Agent Bank Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 (*Interest Payments*) by the Agent Bank shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Agent Bank, the Fiscal Agent, the Paying Agents and all Holders and (in the absence of negligence, wilful default or fraud) no liability to the Holders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

4 Optional Interest Deferral

(a) **Deferral of Interest Payments**: The Issuer may, subject as provided in Condition 4(b) (*Optional Settlement of Arrears of Interest*) and Condition 4(c) (*Mandatory Settlement of Arrears of Interest*) below, elect in its sole discretion to defer (in whole or in part) any Interest Payment that is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a "Deferral Notice") of such election to the Holders in accordance with Condition 13 (*Notices*), the Fiscal Agent and the Paying Agents not more than 14 and not less than 7 Business Days prior to the relevant Interest Payment Date. Any Interest Payment that the Issuer has elected to defer pursuant to this Condition 4(a) (*Deferral of Interest Payments*) and that has not been satisfied is referred to as a "Deferred Interest Payment".

If any Interest Payment is deferred pursuant to this Condition 4(a) (*Deferral of Interest Payments*) then such Deferred Interest Payment shall itself bear interest (such further interest being an "Additional Interest Amount" and together with the Deferred Interest Payment, "Arrears of Interest"), at the relevant Prevailing Interest Rate applicable from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the date on which such Deferred Interest Payment is paid in accordance with Condition 4(b) (*Optional Settlement of Arrears of Interest*) or Condition 4(c) (*Mandatory Settlement of Arrears of Interest*), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of interest deferred pursuant to this Condition 4(a) (*Deferral of Interest Payments*) shall not constitute a default by the Issuer under the Securities or for any other purpose.

(b) **Optional Settlement of Arrears of Interest**: Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time (the "Optional Deferred Interest Settlement Date") following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 13 (*Notices*), the Fiscal Agent and the Paying Agents not more than 14 and no less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

If amounts in respect of Deferred Interest Payments and Additional Interest Amounts are paid in part:

(i) all unpaid amounts of Deferred Interest Payment shall be payable before any of the Additional Interest Amounts;

(ii) Deferred Interest Payments accrued for any period shall not be payable until full payment has been made of all Deferred Interest Payments that have accrued during any earlier period and the order of payment of the Additional Interest Amounts shall follow that of the Deferred Interest Payment to which it relates; and

(iii) the amount of Deferred Interest Payment or Additional Interest Amounts payable in respect of any of the Securities in respect of any period, shall be pro rata to the total amount of all unpaid Deferred Interest Payments or, as the case may be Additional Interest Amounts accrued on the Securities in respect of that period to the date of payment.

(c) **Mandatory Settlement of Arrears of Interest**: Notwithstanding the provisions of Condition 4(b) (*Optional Settlement of Arrears of Interest*), the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

Notice of the occurrence of any Mandatory Settlement Date shall be given to the Holders in accordance with Condition 13 (*Notices*), the Fiscal Agent and the Paying Agents not more than 14 and no less than 7 Business Days prior to the relevant Mandatory Settlement Date.

"Mandatory Settlement Date" means the earliest of:

(i) as soon as reasonably practicable (but not later than the tenth Business Day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;

(ii) on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the interest accrued in respect of the relevant Interest Period; or

(iii) the date on which the Securities are redeemed or repaid in accordance with Condition 5 (*Redemption and Purchase*) or become due and payable in accordance with Condition 8 (*Enforcement Events and No Events of Default*).

A "Compulsory Arrears of Interest Settlement Event" shall have occurred if:

(i) a Dividend Declaration is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any Dividend Declaration made exclusively in Ordinary Shares); or

(ii) the Issuer or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations,

save, in the case of (a) any such Dividend Declaration or such redemption, repurchase or acquisition that is mandatory under the terms of any such Junior Obligations and Parity Obligations; (b) any purchase of Ordinary Shares of the Issuer by or on behalf of the Issuer that is made pursuant to a buy-back program

approved under Article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse; (c) any Dividend Declaration or repurchase which is required to be validly resolved on, declared, paid or made in respect of, share option, or free share allocation plan in each case reserved for directors, officers and/or employees of the Issuer or any of its Affiliates or any associated liquidity agreements or any associated hedging transactions; (d) any purchase of Ordinary Shares of the Issuer by or on behalf of the Issuer as part of an intra-day transaction that does not result in an increase in the aggregate number of Ordinary Shares of the Issuer held by or on behalf of the Issuer as treasury shares at 8:30 a.m. Madrid time on the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred; (e) any repurchase or acquisition of Parity Obligations that is made for a consideration less than the aggregate nominal or par value of such Parity Obligations that are purchased or acquired; (f) any repurchase or acquisition of Ordinary Shares resulting from mandatory obligations or hedging of any convertible securities issued by the Issuer; or (g) any repurchase or acquisition of Ordinary Shares resulting from the settlement of existing equity derivatives after the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

"Dividend Declaration" means the authorisation by resolution of the general meeting of shareholders or the board of directors or other competent corporate body (as the case may be) of the Issuer of the payment, or the making of, a dividend or other distribution or payment (or, if no such authorisation is required, the payment, or the making of, a dividend or other distribution or payment).

A Compulsory Arrears of Interest Settlement Event shall not occur pursuant to paragraph (i) above in respect of:

(i) any pro rata optional payment of deferred or arrears of interest on any Parity Obligations which is made simultaneously with a pro rata payment of any Arrears of Interest provided that such pro rata optional payment of deferred or arrears of interest on a Parity Obligation is not proportionately more than the pro rata settlement of any such Arrears of Interest (in each case by reference to (x) the amount that such pro rata optional interest payment bears to the overall amount of deferred or arears of interest in respect of such Parity Obligations against (y) the amount that such settlement bears to the overall amount of Arrears of Interest on the Securities); and

(ii) any partial interest payment on any Parity Obligations made on a scheduled interest payment date as a result of the Issuer electing to defer in part the interest accrued in respect of the relevant interest period and scheduled to be paid on the relevant interest payment date, provided that such partial interest payment is not proportionally more than the pro rata settlement of any Arrears of Interest (in each case by reference to (x) the amount that such partial interest payment bears to the overall amount of deferred interest in respect of such Parity Obligations against (y) the amount that such settlement bears to the overall amount of Arrears of Interest on the Securities).

5 Redemption and Purchase

(a) **Final Redemption**: Subject to any early redemption described below, the Securities are undated securities with no specified maturity date. The Securities may not be redeemed at the option of the Issuer other than in accordance with Condition 5(b) (*Issuer's Call Option*), 5(c) (*Redemption for Taxation Reasons*), 5(d) (*Redemption for Accounting Reasons*), 5(e) (*Redemption for Rating Reasons*), 5(f) (*Redemption following a Substantial Purchase Event*) or 5(g) (*Redemption at the option of the Issuer at the Make-Whole Redemption Amount*).

(b) **Issuer's Call Option**: The Issuer may, by giving not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 13 (*Notices*), the Holders (which

notice shall be irrevocable), redeem the Securities in whole, but not in part, (i) on any date during the Relevant Period, or (ii) on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest.

(c) **Redemption for Taxation Reasons**: If, immediately prior to the giving of the notice referred to below, a Tax Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 13 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 5(h) (*Preconditions to Redemption*), redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, at (i) their Early Redemption Amount (in the case of a Tax Event if the Redemption Date falls before the first day of the Relevant Period) or (ii) their principal amount (in the case of (a) a Withholding Tax Event or (b) a Tax Event if the Redemption Date falls on or after the first day of the Relevant Period), together, in each case, with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

(d) **Redemption for Accounting Reasons**: If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 13 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 5(h) (*Preconditions to Redemption*), redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the first day of the Relevant Period, or (ii) at their principal amount if the Redemption Date falls on or after the first day of the Relevant Period, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

(e) **Redemption for Rating Reasons**: If, immediately prior to the giving of the notice referred to below, a Capital Event has occurred and is continuing, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 13 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 5(h) (*Preconditions to Redemption*), redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the first day of the Relevant Period, or (ii) at their principal amount if the Redemption Date falls on or after the first day of the Relevant Period, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

(f) **Redemption following a Substantial Purchase Event**

If, immediately prior to the giving of the notice referred to below, a Substantial Purchase Event has occurred, then the Issuer may, subject to having given not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 13 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 5(h) (*Preconditions to Redemption*), redeem the Securities 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 Redemption Date and any outstanding Arrears of Interest. Upon expiry of such notice, the Issuer shall redeem the Securities.

(g) **Redemption at the option of the Issuer at the Make-Whole Redemption Amount**

The Issuer may, by giving not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 13 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption (the "Make-whole Redemption Date"), redeem the Securities in whole, but not in part, at any time (other than during the Relevant Period or on any subsequent Interest Payment Date) at the Make-whole Redemption Amount.

Any such notice of the redemption of the Securities may, at the Issuer's discretion, be subject to one or more conditions precedent, in which case such notice shall state that, in the Issuer's discretion, the Make-whole Redemption Date may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the Make-whole Redemption Date, or by the Make-whole Redemption Date so delayed. The Issuer shall notify the Fiscal Agent, the Paying Agents and, in accordance with Condition 13 (*Notices*), the Holders of any delay to the Make-whole Redemption Date or rescindment of the notice of the redemption of the Securities (as applicable).

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5(g) (*Redemption at the option of the Issuer at the Make-Whole Redemption Amount*) by the Agent Bank shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Agent Bank, the Fiscal Agent, the Paying Agents, and all Holders and (in the absence of negligence, wilful default or fraud) no liability to the Holders shall attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(h) **Preconditions to Redemption:**

Prior to serving any notice of redemption pursuant to this Condition 5 (*Redemption and Purchase*) (other than Conditions 5(b) (*Issuer's Call Option*) and 5(g) (*Redemption at the option of the Issuer at the Make-Whole Redemption Amount*)), the Issuer shall,

(i) deliver to the Fiscal Agent a certificate signed by an authorised officer of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied;

(ii) in the case of a Tax Event or Withholding Tax Event deliver to the Fiscal Agent an opinion of independent legal or other tax advisers to the effect set out in paragraph (i) above;

(iii) in the case of an Accounting Event, deliver to the Fiscal Agent the relevant letter or report from the relevant accountancy firm; and

(iv) in the case of a Capital Event, deliver to the Fiscal Agent the relevant confirmation from the relevant Rating Agency.

Any such certificate, opinion, letter, report or confirmation referred to in paragraphs (i) to (iv) above shall, absent manifest error, be final and binding on all parties.

(i) **Purchase**: The Issuer and its subsidiaries may at any time purchase Securities in the open market or otherwise at any price (provided that, if they should be cancelled pursuant to this Condition 5(i) (*Purchase*), they are purchased together with all unmatured Coupons and all unexchanged Talons relating to them). The Securities so purchased may be held or re-sold or, at the option of the relevant purchaser, surrendered to the Fiscal Agent for cancellation, but while held by or on behalf of the Issuer or any such subsidiary, shall not entitle the holder to vote at any meetings of the Holders of Securities and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the

Holders of Securities or for the purposes of Condition 11 (*Meetings of Holders of Securities and Modification, Substitution and Variation*).

(j) **Cancellation**: All Securities so redeemed and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or re-sold.

6 Payments

(a) **Method of Payment**: Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Securities or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by transfer to a euro account maintained by the payee with a bank in city in which banks have access to the TARGET System. Payments of interest due in respect of any Security other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Security.

(b) **Payments subject to fiscal laws**: All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) **Unmatured Coupons**: Upon the due date for redemption of any Security, unmatured Coupons relating to such Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(d) **Exchange of Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9 (*Prescription*)).

(e) **Payments on business days**: A Security or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a euro account, a day that is a Business Day). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this Condition 6 (*Payments*) falling after the due date. In this Condition "business day" means a day on which commercial banks and foreign exchange markets settle payments and are open in the relevant city.

(f) **Paying Agents**: The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that they will maintain (i) a Fiscal Agent, and (ii) a Paying Agent (which may be the Fiscal Agent) having specified offices in London or an alternative European city (as the Issuer may select). Notice of any change in the Paying Agents or their specified offices will promptly be given to the Holders in accordance with Condition 13 (*Notices*).

7 Taxation

(a) **Additional Amounts**: All payments of principal and interest in respect of the Securities and the Coupons by or on behalf of the Issuer 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 shall pay such additional amounts ("Additional Amounts") as will result in receipt by the Holders 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 Additional Amounts shall be payable in respect of any Security 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 Security 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 Security 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 does not receive in a timely manner certain information about the Securities of such Holder as it is required by the applicable Spanish tax laws and regulations, including a duly executed and completed certificate, pursuant to Law 10/2014 of 26 June, and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011; or

(iv) presented for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the thirtieth such day.

(b) **FATCA**: Notwithstanding any other provision herein, any amounts to be paid by Issuer on the Securities will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986 ("FATCA") (or any amended or successor version of such sections that is substantively comparable and not materially more onerous to comply with), any regulations promulgated thereunder, and any official interpretations thereof or any agreements entered into in connection with the implementation thereof, and the Issuer will not be required to pay Additional Amounts on account of any FATCA deduction or withholding.

(c) **Definitions**: References in these Conditions to (i) "Principal" shall be deemed to include all amounts in the nature of principal payable pursuant to Condition 6 (*Payments*) or any amendment or supplement to it; (ii) "interest" shall be deemed to include all Arrears of Interest and all other amounts payable pursuant to Condition 3 (*Interest Payments*) or any amendment or supplement to it; and (iii) "principal" and/or "interest" shall be deemed to include any Additional Amounts. In addition, the reference to Spanish taxing jurisdiction shall include not only the powers to tax that are attributed to the Spanish state, but also those ones attributed to its political subdivisions.

(d) **Substitute taxing jurisdiction**: If, pursuant to the Issuer's option under Condition 11(c) (*Substitution and Variation*), the Securities are exchanged for new securities of any wholly-owned direct or indirect finance subsidiary of the Issuer that is subject to any taxing jurisdiction other than Spain, references in these Conditions to Spain shall be construed as references to the Spain and/or such other jurisdiction.

8 Enforcement Events and No Events of Default

There are no events of default in respect of the Securities.

However, if an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Issuer (except for the purposes of a solvent merger, reconstruction or amalgamation), or the Issuer becomes insolvent (*en estado de insolvencia*) pursuant to article 2 of the Spanish insolvency law, any Holder of a Security, in respect of such Security and provided that such Holder does not contravene a previously adopted Extraordinary Resolution (if any) may, by written notice to the Issuer, declare that such Security and all interest then accrued but unpaid on such Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon, to the extent permitted by Spanish law.

In such case the Holder of a Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer for any amounts due in respect of the Securities, including the institution of proceedings for the declaration of insolvency (*declaración de concurso*) under Spanish insolvency law of the Issuer and/or proving and/or claiming in the winding-up, dissolution, liquidation or insolvency proceeding of the Issuer for such amount.

Each Holder may, at its discretion and without further notice, institute such proceedings as it may think fit to enforce any term or condition binding on the Issuer under the Securities but in no event shall the Issuer by the virtue of such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

No remedy against the Issuer, other than as referred to in this Condition 8 (*Enforcement Events and No Events of Default*) shall be available to the Holders, whether for the recovery of amounts owing in respect of the Securities or in respect of any other breach by the Issuer of any of its other obligations under or in respect of the Securities.

9 Prescription

Claims in respect of principal and interest or any other amount will become void unless presentation for payment is made as required by Condition 6 (*Payments*) within a period of 10 years in the case of principal (or any other amount in the nature of principal) and five years in the case of interest (or any other amount in the nature of interest, including Arrears of Interest) from the appropriate Relevant Date.

10 Replacement of Securities and Coupons

If any Security or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent (and, if the Securities 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 Securities or Coupons must be surrendered before replacements will be issued. In case any such lost, stolen, mutilated, defaced or destroyed Coupon has become or is about to become due and payable, the Issuer in its discretion may, instead of delivering replacements therefore, pay such Coupon when due.

11 Meetings of Holders of Securities and Modification, Substitution and Variation

(a) **Meetings of Holders of Securities**: The Fiscal Agency Agreement contains provisions for convening meetings of Holders of Securities to consider matters relating to the Securities, including the modification of any of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement). Such a meeting may be convened

by the Issuer and shall be convened by it upon the request in writing of Holders of Securities holding not less than one-tenth of the aggregate principal amount of the outstanding Securities. The quorum for any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the outstanding Securities, or at any adjourned meeting, two or more persons being or representing Holders of Securities whatever the principal amount of the Securities held or represented, provided however, that Reserved Matters (as defined in the Fiscal Agency Agreement) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one quarter of the aggregate principal amount of the outstanding Securities. Any Extraordinary Resolution duly passed shall be binding on Holders of Securities and on all Holders of Coupons, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders of not less than 90 per cent. of the aggregate principal amount of the outstanding Securities 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 Holders of Securities.

(b) **Modification**: The Securities, these Conditions and the Deed of Covenant may be amended without the consent of the Holders of Securities to correct a manifest error or in accordance with Condition 3(d) (*Benchmark Replacement*).

In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Holders of Securities, to any such modification unless, in the sole opinion of the Issuer (i) it is of a formal, minor or technical nature; (ii) it is made to correct a manifest error; or (iii) it is not materially prejudicial to the interests of the Holders of Securities.

(c) **Substitution and Variation**: If at any time after the Issue Date, the Issuer determines that a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred, the Issuer may, as an alternative to an early redemption of the Securities, on any applicable Interest Payment Date, without the consent of the Holders, (i) exchange the Securities (the "Exchanged Securities") into new securities of the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer (a "Substitute Issuer"), or (ii) vary the terms of the Securities (the "Varied Securities"), so that in either case (A) in the case of a Tax Event, in respect of the Issuer's (or Substitute Issuer's) obligation to make any payment of interest under the Exchanged Securities or Varied Securities, the Issuer or the Substitute Issuer (as the case may be) is entitled to claim a deduction or a higher deduction (as the case may be) in respect of interest paid when computing its tax liabilities in Spain or in the taxing jurisdiction of the Substitute Issuer (as the case may be), as compared with the entitlement (in the case of the Issuer) after the occurrence of the relevant Tax Event, (B) in the case of a Withholding Tax Event, in making any payments in respect of the Exchanged Securities or Varied Securities, the Issuer or the Substitute Issuer are not required to pay a greater amount of Additional Amounts in respect of the Exchanged Securities or Varied Securities, (C) in the case of an Accounting Event, the aggregate nominal amount of the Exchanged Securities or Varied Securities (as the case may be) is recorded as "equity" pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of preparing the annual, semi-annual or quarterly consolidated financial information of the Issuer, or (D) in the case of a Capital Event, the aggregate nominal amount of the Exchanged Securities or Varied Securities (as the case may be) is assigned "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) by the relevant Rating Agency that is equal to or greater than that which was assigned to the Securities on the Issue Date (or, if "equity credit" is not assigned to the Securities by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time).

Any such exchange or variation shall be subject to the following conditions:

(i) the Issuer giving not less than 10 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 13 (*Notices*), the Holders;

(ii) the Issuer complying with the rules of any stock exchange (or any other relevant authority) on which the Securities are for the time being admitted to trading, and (for so long as the rules of such exchange require) the publication of any appropriate supplement, listing particulars or offering circular in connection therewith, and the Exchanged Securities or Varied Securities continue to be admitted to trading on the same stock exchange as the Securities if they were admitted to trading immediately prior to the relevant exchange or variation;

(iii) the Exchanged Securities or Varied Securities shall: (A) rank and (save in the case of a direct issue by the Issuer) benefit from a guarantee that ranks in relation to the obligations of the Issuer under such securities and/or such guarantee (as the case may be), at least pari passu with the ranking of the Securities prior to the exchange or variation and (B) benefit from the same or more favourable interest rates and the same Interest Payment Dates, the same First Reset Date and early redemption rights (provided that the relevant exchange or variation may not itself trigger any early redemption right), the same rights to accrued interest or Arrears of Interest and any other amounts payable under the Securities which, in each case, has accrued to the Holders and has not been paid, the same rights to principal and interest, and, if publicly rated by S&P immediately prior to such exchange or variation, at least the same credit rating immediately after such exchange or variation by S&P, as compared with the relevant rating(s) immediately prior to such exchange or variation (as determined by the Issuer or Substitute Issuer using reasonable measures available to it including discussions with S&P to the extent practicable) (C) not contain terms providing for the mandatory deferral of interest and (D) not contain terms providing for loss absorption through principal write-down or conversion to shares;

(iv) the preconditions to redemption set out in Condition 5(h) (*Preconditions to Redemption*) having been satisfied and the terms of the exchange or variation (in the sole opinion of the Issuer or Substitute Issuer, as the case may be) not being prejudicial to the interests of the Holders, including compliance with (iii) above, as certified to the benefit of the Holders by an authorised officer of the Issuer, having consulted with an independent investment bank of international standing, and any such certificate shall, absent fraud or manifest error, be final and binding on all parties. However, a change in the governing law of the provisions of Condition 2(b) (*Subordination of the Securities*) to the laws of the jurisdiction of incorporation of the Substitute Issuer, in connection with any substitution pursuant to Condition 11(c) (*Substitution and Variation*), shall be deemed not to be prejudicial to the interests of the Holders and, if the jurisdiction of incorporation of the Substitute is not Spain, Condition 2(b) (*Subordination of the Securities*) shall be modified so as to reflect a substantially equivalent ranking for Holders which, in the opinion of the Issuer and the Substitute, would have applied had there been no substitution; and

(v) the issue of opinions of independent legal advisers of recognised standing addressed to the Fiscal Agent (copies of which shall be made available to the Holders at the specified offices of the Fiscal Agent during usual office hours) for the benefit of the Holders from one or more international law firms of good reputation selected by the Issuer and confirming (x) that the Issuer has capacity to assume all rights, duties and obligations under the Exchanged Securities or Varied Securities (as the case may be) and has obtained all necessary corporate or governmental authorisation to assume all such rights and obligations and (y) the legality, validity and enforceability of the Exchanged Securities or Varied Securities.

12 Further Issues

The Issuer may from time to time without the consent of the Holders create and issue further securities either having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Securities) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities.

13 Notices

Notices to Holders of Securities will be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed and/or admitted to trading. So long as the Securities are listed on the Official List of the Luxembourg Stock Exchange, notices shall be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any such notice shall be deemed to have been validly given on the date of the first such publication or, if published more than once, on the first date on which publication is made.

14 Substitution of the Issuer

(a) The Issuer, or any previous substituted company may at any time, without the consent of the Holders, substitute for the Issuer any company that is a wholly-owned direct or indirect subsidiary of the Issuer (the "Substitute") upon notice by the Issuer and the Substitute to be given in accordance with Condition 13 (*Notices*) and to the Luxembourg Stock Exchange, provided that:

(i) no payment in respect of the Securities is at the relevant time overdue;

(ii) the Substitute shall, by means of a deed poll:

a. agree to be bound by these Conditions, the Securities, 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;

b. warrant and represent (A) that the Substitute has obtained all necessary governmental and regulatory approvals and consents necessary for such substitution and for the performance by the Substitute 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 Substitute are valid and binding in accordance with their respective terms and enforceable by each Holder of the Securities; and

c. 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 14 (*Substitution of the Issuer*) 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);

(iii) the obligations of the Substitute under the Deed Poll, the Securities and the Deed of Covenant shall be unconditionally and irrevocably guaranteed by the Issuer (the "Guarantor") by means of the Deed Poll (the "Guarantee");

(iv) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Securities and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of the Guarantor have been taken, fulfilled and done and are in full force and effect;

(v) the Substitute shall have become party to the Fiscal Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;

(vi) the delivery by the Issuer to the Fiscal Agent of an opinion of independent legal advisers of recognised standing to the effect that:

a. the Deed Poll constitutes legal, valid, binding and enforceable obligations of the Substitute;

b. the Securities constitute legal, valid, binding and enforceable obligations of the Substitute; and

c. the Guarantee constitutes legal, valid, binding and enforceable obligations of the Guarantor in respect of all sums from time to time payable by the Substitute in respect of the Securities;

(vii) each listing authority or stock exchange (if any) on which the Securities are then listed shall have confirmed that, following the proposed substitution of the Substitute, the Securities will continue to be admitted to listing by such listing authority or stock exchange;

(viii) each Rating Agency has confirmed that upon such substitution becoming effective the Securities will either still be eligible for the same, or a higher amount of, "equity credit" (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as is attributed to the Securities on the date immediately prior to such substitution or such eligibility or attribution will not be adversely affected;

(ix) the Substitute (if incorporated in a jurisdiction other than England) shall have appointed an agent to receive, for and on its behalf, service of process in any Proceedings (as defined in Condition 17 (Definitions)) in England;

(x) two directors of the Issuer or two directors of the Substitute shall have certified to the Fiscal Agent that, following consultation with an independent investment bank of international repute, an independent financial adviser with appropriate expertise or independent counsel of recognised standing, the Issuer or, as the case may be, the Substitute has concluded that such substitution (A) will not result in the Substitute having an entitlement, as at the date such substitution becomes effective, to redeem the Securities as a result of a Tax Event, a Capital Event, an Accounting Event, a Substantial Purchase Event or a Withholding Tax Event and (B) will not result in the terms of the Securities immediately following such substitution being materially less favourable to holders than the terms of the Securities immediately prior to such substitution; and

(xi) the Issuer shall have given at least 14 days' prior notice of such substitution to the Holders, stating that copies, or, pending execution, the agreed text, of all documents in relation to the substitution

that are referred to above, or that might otherwise reasonably be regarded as material to Holders, shall be available for inspection at the specified office of each of the Paying Agents.

(b) Upon the execution of such documents and compliance with the requirements stated in this Condition 14 (*Substitution of the Issuer*), the Substitute will be deemed to be named in these Conditions, the Securities 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 14 (*Substitution of the Issuer*)) and the Securities 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 Securities, and Coupons to the Issuer will, unless the context otherwise requires, be references to the Substitute and the Issuer shall be released from its obligations under the Securities and under the Fiscal Agency Agreement.

(c) After a substitution pursuant to this Condition 14(a) (*Substitution of the Issuer*), the Substitute may, without the consent of any Holder, effect a further substitution. All of the provisions specified in Conditions 14(a) (*Substitution of the Issuer*) and 14(b) (*Substitution of the Issuer*) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substitute.

(d) After a substitution pursuant to Conditions 14(a) (*Substitution of the Issuer*) or 14(c) (*Substitution of the Issuer*) any Substitute may, without the consent of any Holder, reverse the substitution, *mutatis mutandis*.

(e) In the event of a substitution pursuant to this Condition 14 (*Substitution of the Issuer*), the governing law of Condition 2(b) (*Subordination of the Securities*) shall be amended to the governing law of the jurisdiction of incorporation of the Substitute and, if the jurisdiction of incorporation of the Substitute is not Spain, Condition 2(b) (*Subordination of the Securities*) shall be modified so as to reflect a substantially equivalent ranking for Holders which, in the opinion of the Issuer and the Substitute, would have applied had there been no substitution.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law

(a) **Governing Law**: The Fiscal Agency Agreement, the Securities and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law, other than the provisions of Condition 2(a) (*Status of the Securities and Coupons*) and Condition 2(b) (*Subordination of the Securities*) which are governed by and construed in accordance with the laws of the Kingdom of Spain. The due authorisation of the Securities is governed by, and construed in accordance with, the laws of the Kingdom of Spain.

(b) **Jurisdiction**: The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with the Securities and/or Coupons (including a dispute relating to the existence, validity or termination of the Securities and/or Coupons or any non-contractual obligation arising out of or in connection with the Securities and/or Coupons) or the consequences of their nullity ("Proceedings").

(c) **Appropriate forum:** The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Proceedings and, accordingly, that it will not argue to the contrary.

(d) **Agent for Service of Process**: 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 8th Floor, 100 Bishopsgate, London EC2N 4AG. 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 Holder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent promptly appoint a further person in England to accept service of process on its behalf. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

17 Definitions

In these Conditions:

"30/360 Day Count" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period (such number of days being calculated on the basis of a 360 day year consisting of 12 months of 30 days each), divided by 360;

"5 year Swap Rate" has the meaning given to it in Condition 3(c) (*Prevailing Interest*);

"5 year Swap Rate Quotations" has the meaning given to it in Condition 3(c) (*Prevailing Interest*);

an "Accounting Event" shall be deemed to occur if the Issuer has received, and notified the Holders in accordance with Condition 13 (*Notices*) that it has so received, a letter or report of a recognised accountancy firm of international standing, stating that, as a result of a change in the accounting principles or rules or methodology (or in each case the interpretation or application thereof) after the Issue Date (the earlier of such date that the aforementioned change is officially announced in respect of IFRS-EU or officially adopted or put into practice, the "Accounting Event Adoption Date"), the Securities may not or may no longer be recorded as "equity" pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of preparing the annual, semi-annual or quarterly consolidated financial information of the Issuer. The Accounting Event shall be deemed to have occurred on the Accounting Event Adoption Date notwithstanding any later effective date. The period during which the Issuer may notify the redemption of the Securities as a result of the occurrence of an Accounting Event shall start on (and include) the Accounting Event Adoption Date. For the avoidance of doubt, such period shall include any transitional period between the Accounting Event Adoption Date and the date on which it comes into effect;

"Additional Amounts" has the meaning given to it in Condition 7(a) (*Additional Amounts*);

"Adjustment Spread" means either (x) a spread (which may be positive, negative or zero) or (y) a formula or methodology for calculating a spread, in each 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:

(i) 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

(ii) (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 the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate;

(iii) (if Independent Adviser determines that no such spread is customarily applied), 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

(iv) (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);

"Affiliates" means an entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Issuer;

"Alternative Rate" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 3(d)(ii) (*Benchmark Replacement*) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate period and in euros;

"Arrears of Interest" has the meaning given to it in Condition 4(a) (*Deferral of Interest Payments*);

"Benchmark Amendments" has the meaning given to it in Condition 3(d)(iv) (*Benchmark Replacement*);

"Benchmark Event" means:

(i) the relevant Reference Rate has ceased to be published as a result of such benchmark ceasing to be calculated or administered; or

(ii) 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

(iii) 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

(iv) 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 either generally, or in respect of the Securities; or

(v) 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 or will, by a specified future date (the "Specified Future Date") no longer representative of its relevant underlying market; or

(vi) it has or will, by a specified date within the following six months, become unlawful for the Agent Bank, any Paying Agent or other party to calculate any payments due to be made to any Holder using the relevant Reference Rate (as applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii), (iv) or (v) 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;

"business day" has the meaning given to it in Condition 6(e) (*Payments on business days*);

"Business Day" means a day, other than a Saturday, Sunday or public holiday, on which the Target System is operating;

"Calculation Amount" has the meaning given to it in Condition 3(b) (*Interest Accrual*);

"Calculation Date" means the third business day preceding the Make-whole Redemption Date;

a "Capital Event" shall be deemed to occur if the Issuer has, either (i) directly or (ii) via publication by such Rating Agency, received, and notified the Holders in accordance with Condition 13 (*Notices*) that it has so received, confirmation from any Rating Agency that, due to any amendment to, clarification of, or change in the assessment criteria under its hybrid capital methodology or a change in the interpretation thereof, in each case occurring or becoming effective after the Issue Date, the Securities will no longer be eligible (or if the Securities have been partially or fully refinanced since the Issue Date and are no longer eligible for "equity credit" from such Rating Agency in part or in full as a result, the Securities would no longer have been eligible as a result of such amendment, clarification, change in hybrid capital methodology or change in the interpretation had they not been refinanced), in whole or in part, for the same or a higher amount of "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) attributed to the Securities at the Issue Date (or, if "equity credit" is not assigned to the Securities by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time) or if the period of time during which the relevant Rating Agency attributes to the Securities a particular category of "equity credit" would be shortened as compared to the period of time for which such Rating Agency did attribute to the Securities that category of "equity credit" on the date on which such Rating Agency attributed to the Securities such category of "equity credit" for the first time;

"Compulsory Arrears of Interest Settlement Event" has the meaning given to it in Condition 4(c) (*Mandatory Settlement of Arrears of Interest*);

"Condition" means the terms and conditions of the Securities;

"Deferral Notice" has the meaning given to it in Condition 4(a) (*Deferral of Interest Payments*);

"Deferred Interest Payment" has the meaning given to it in Condition 4(a) (*Deferral of Interest Payments*);

"Dividend Declaration" has the meaning given to it in Condition 4(c) (*Mandatory Settlement of Arrears of Interest*);

"Early Redemption Amount" means in respect of a redemption of the Securities following the occurrence of a Tax Event, an Accounting Event or a Capital Event, 101 per cent. of the principal amount of such Securities;

"First Reset Date" means 7 August 2028;

"First Step-Up Date" means 7 August 2033;

"Further Securities" means any Securities issued pursuant to Condition 12 (*Further Issues*) and forming a single series with the outstanding Securities;

"Holder" has the meaning given to it in Condition 1(b) (*Title*);

"IASB" means the International Accounting Standards Board;

"IFRS-EU" means International Financial Reporting Standards, as adopted by the European Union;

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser experienced in international debt capital markets, in each case appointed by the Issuer at its own expense under Condition 3(d) (*Benchmark Replacement*);

"Interest Payment" means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the relevant Coupon for the relevant Interest Period in accordance with Condition 3 (*Interest Payments*);

"Interest Payment Date" means 7 August in each year;

"Interest Period" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"Issue Date" means 7 February 2023;

"Junior Obligations" means all obligations of the Issuer, issued or incurred directly or indirectly by it, which rank or are expressed to rank junior to the Securities, including Ordinary Shares of the Issuer and any other shares (*acciones*) in the capital of the Issuer (and, if divided into classes, each class thereof);

"Make-whole Redemption Amount" means the sum of: (a) the higher of (x) 100 per cent. of the principal amount outstanding of the Securities to be redeemed and (y) the sum of the then present values of the remaining scheduled payments of principal and interest on such Securities up to and discounted from: (A) 7 May 2028, if the relevant Make-whole Redemption Date occurs prior to 7 May 2028 or (B) thereafter on the next succeeding Interest Payment Date, if the relevant Make-whole Redemption Date occurs after the First Reset Date to such Make-whole Redemption Date in each case on an annual basis at the greater of (A) the Make-whole Redemption Rate plus a Make-whole Redemption Margin, and (B) 0 (zero); and (b) any interest accrued but not paid on the Securities (including any Arrears of Interest) to, but excluding, the Make-whole Redemption Date, as determined by the Quotation Agent and as notified on the Calculation Date by the Quotation Agent to the Issuer and the Paying Agent;

"Make-whole Redemption Date" has the meaning ascribed to such term in Condition 5(h) (*Preconditions to Redemption*);

"Make-whole Redemption Margin" means:

(i) 0.40 per cent. if the relevant Make-whole Redemption Date occurs prior to the First Step-up Date,

(ii) 0.45 per cent. if the relevant Make-whole Redemption Date occurs on or after the First Step-up Date but prior to the Second Step-up Date, or

(iii) 0.50 per cent. if the relevant Make-whole Redemption Date occurs on or after the Second Step-up Date;

"Make-whole Redemption Rate" means (i) the mid-market yield to maturity of the Reference Security which appears on the Relevant Make-whole Screen Page on the third business day preceding the Make-whole Redemption Date at 11:00 a.m. (CET) or (ii) to the extent that the mid-market yield to maturity does not appear on the Relevant Make Whole Screen Page at such time, the average of the number of quotations given by the Reference Dealers of the mid-market yield to maturity of the Reference Security on the third business day preceding the Make-whole Redemption Date at or around 11:00 a.m. (CET);

"Mandatory Settlement Date" has the meaning given to it in Condition 4(c) (*Mandatory Settlement of Arrears of Interest*);

"Ordinary Shares" means ordinary shares in the capital of the Issuer, having on the Issue Date a nominal amount of €0.50 each;

"Parity Obligations" means any and all present or future series of preferred securities (*participaciones preferentes*) issued directly by the Issuer or indirectly through a wholly-owned subsidiary with the guarantee of

the Issuer in accordance with the First Additional Provision of Law 10/2014, obligations equivalent to preferred securities (*participaciones preferentes*) issued directly to the Issuer or indirectly through a wholly-owned subsidiary with the guarantee of the Issuer (whether issued under the First Additional Provision of Law 10/2014 or any other law or regulation of Spain or of any other jurisdiction) and obligations of the Issuer, issued directly by it or indirectly through a wholly-owned subsidiary with the guarantee of the Issuer, which rank or are expressed to rank *pari passu* with the Securities;

"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;

"Prevailing Interest Rate" means the rate of interest payable on the Securities applicable from time to time pursuant to Condition 3 (*Interest Payments*);

"Proceedings" has the meaning given to it in Condition 16(b) (*Jurisdiction*);

"Quotation Agent" means the agent to be appointed by the Issuer if required for the determination of the Make-whole Redemption Amount;

"Rating Agency" means S&P;

"Redemption Date" means the date fixed for redemption of the Securities pursuant to Condition 5 (*Redemption and Purchase*);

"Reference Dealers" means each of the four banks (that may include the Joint Bookrunners) selected by the Quotation Agent which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues;

"Reference Rate" means the originally-specified benchmark or screen rate (as applicable) used to determine the interest rate (or any component part thereof) on the Securities;

"Reference Security" means DBR 0.5% due 15 February 2028 (ISIN: DE0001102440). If a Reference Security is no longer outstanding, a Similar Security will be chosen by the Quotation Agent at 11:00 a.m. (CET) on the Calculation Date, quoted in writing by the Quotation Agent to the Issuer and published in accordance with Condition 13 (*Notices*);

"Relevant Date" means (i) in respect of any payment other than a sum to be paid by the Issuer in a winding-up or administration of the Issuer the date on which such payment first becomes due and payable, but if the full amount of moneys payable on such date has not been received by the Fiscal Agent on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders of Securities in accordance with Condition 13 (*Notices*) and (ii) in respect of a sum to be paid by the Issuer in a winding-up or administration of the Issuer the date that is one day prior to the date on which an order is made or a resolution is passed for the winding-up, or in the case of an administration, one day prior to the date on which any dividend is distributed;

"Relevant Make-whole Screen Page" means Bloomberg screen page "PXGE" (or any successor or replacement page, section or other part of the information service), or such other page, section or other part as may replace it on the 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 the mid-market yield to maturity for the Reference Security;

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

(i) the European Commission, 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

(ii) 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;

"Relevant Period" means the period commencing on (and including) 7 May 2028 and ending on (and including) the First Reset Date;

"Reset Date" means the First Reset Date and each date falling on the fifth anniversary thereafter;

"Reset Interest Determination Date" means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of the relevant Reset Period;

"Reset Period" means each period from and including the First Reset Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date;

"Reset Reference Banks" has the meaning given to it in Condition 3(c) (*Prevailing Interest Rate*);

"Reset Reference Bank Rate" has the meaning given to it in Condition 3(c) (*Prevailing Interest Rate*);

"Reset Screen Page" has the meaning given to it in Condition 3(c) (*Prevailing Interest Rate*);

"S&P" means S&P Global Ratings Europe Limited;

"Second Step-up Date" means 7 August 2048;

"Senior Obligations" means all obligations of the Issuer, including subordinated obligations of the Issuer according to Spanish insolvency law, other than Parity Obligations and Junior Obligations;

"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;

a "Substantial Purchase Event" shall be deemed to have occurred if at least 75 per cent. of the aggregate principal amount of the Securities originally issued (which for these purposes shall include any Further Securities) is purchased by or on behalf of the Issuer or any subsidiary of the Issuer (and in each case is cancelled in accordance with Condition 5(j) (*Cancellation*));

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

"Target System" 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, or any successor thereof;

a “Tax Event” shall be deemed to have occurred if, as a result of a Tax Law Change, in respect of the Issuer’s obligation to make any payment under the Securities (including any Interest Payment) on the next following Interest Payment Date, the Issuer would no longer be entitled to claim a deduction in respect of computing its tax liabilities in Spain, or such entitlement is materially reduced;

For the avoidance of doubt, a Tax Event shall not occur if any payments under the Securities by the Issuer are not deductible in whole or in part for Spanish corporate income tax purposes solely as a result of general tax deductibility limits set forth by Articles 16 and 63 of Law 27/2014 dated 27 November, on Corporate Income Tax as at 26 January 2023;

“Tax Law Change” means a change in or proposed change in, or amendment to, or proposed amendment to, the laws or regulations of Spain or any political subdivision or any authority thereof or therein having power to tax, including, without limitation, any treaty to which Spain is a party, or any change in the official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretations thereof that differs from the previously generally accepted position in relation to similar transactions, which change, amendment or interpretation becomes or would become, effective after 26 January 2023;

“Taxing Authority” has the meaning given to it in Condition 7(a) (*Additional Amounts*); and

a “Withholding Tax Event” shall be deemed to occur if (a) as a result of a Tax Law Change, in making any payments in respect of the Securities the Issuer has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts in respect of the Securities that cannot be avoided by the Issuer taking measures reasonably available to it or (b) a person into which the Issuer is merged or to whom it has conveyed, transferred or leased all or substantially all of its assets and who has been substituted in place of the Issuer as principal debtor under the Securities is required to pay Additional Amounts in respect of the Securities and such obligation cannot be avoided by such person taking reasonable measures available to it, unless the sole purpose of such a merger, conveyance, transfer or lease would be to permit the Issuer to redeem the Securities.

Summary of Provisions relating to the Securities while in Global Form

The Temporary Global Security and the Permanent Global Security contain provisions which apply to the Securities while they are in global form, some of which modify the effect of the Conditions set out in this document. The following is a summary of certain of those provisions:

1 Exchange

The Temporary Global Security is exchangeable, in whole or in part, for interests in the Permanent Global Security on or after a date which is expected to be 19 March 2023, upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Security. The Permanent Global Security is exchangeable in whole but not, except as provided in the next paragraph, in part (free of charge to the holder) for the Definitive Securities described below (i) if the Permanent Global Security is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) if principal in respect of any Securities is not paid when due and payable. Thereupon, the holder may give notice to the Fiscal Agent of its intention to exchange the Permanent Global Security for Definitive Securities on or after the Exchange Date specified in the notice.

If principal in respect of any Securities is not paid when due and payable the holder of the Permanent Global Security may, by notice to the Fiscal Agent, require the exchange of a specified principal amount of the Permanent Global Security (which may be equal to or (provided that, if the Permanent Global Security is held by or on behalf of a clearing system, that clearing system agrees) less than the outstanding principal amount of Securities represented thereby) for Definitive Securities on or after the Exchange Date (as defined below) specified in such notice.

On or after any Exchange Date the holder of the Permanent Global Security may surrender the Permanent Global Security or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for the Permanent Global Security, or on endorsement in respect of the part thereof to be exchanged, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Securities (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Security), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Fiscal Agency Agreement. On exchange in full of the Permanent Global Security, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Securities.

“Exchange Date” means a day falling not less than 60 days or, in the case of exchange pursuant to (ii) above, 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which the relevant clearing system is located.

2 Payments

No payment will be made on the Temporary Global Security unless exchange for an interest in the Permanent Global Security is improperly withheld or refused. Payments of principal, premium and interest in respect of Securities represented by the Permanent Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of the Permanent Global Security to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Holders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to each Permanent Global Security, which endorsement will be *prima facie* evidence that such payment has been

made in respect of the Securities. For the purpose of any payments made in respect of a Permanent Global Security, Condition 6(e) (*Payments on business days*) shall not apply, and all such payments shall be made on a day on which the TARGET System is open.

3 Notices

So long as the Securities are represented by the Permanent Global Security and the Permanent Global Security is held on behalf of a clearing system, notices to Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions except that, so long as the Securities are listed on the Official List of the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

4 Prescription

Claims against the Issuer in respect of principal, interest or any other amount on the Securities while the Securities are represented by the Permanent Global Security will become void unless presented for payment within a period of 10 years in the case of principal or any other amount in the nature of principal) and five years in the case of interest (or any other amount in the nature of interest, including Arrears of Interest (as defined in Condition 5(a) (*Final Redemption*)) from the appropriate Relevant Date (as defined in Condition 17 (*Definitions*)).

5 Meetings

The holder of the Permanent Global Security shall (unless the Permanent Global Security represents only one Security) be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, as having one vote in respect of each €100,000 in principal amount of Securities.

6 Purchase and Cancellation

Cancellation of any Security, to be cancelled in accordance with the Conditions following its purchase, will be effected by reduction in the principal amount of the Permanent Global Security.

7 Accountholders

For so long as any of the Securities is represented by a Global Security and such Global Security is held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such principal amount of such Securities for all purposes (including but not limited to, for the purposes of any quorum requirements of meetings of the Holders and giving notice to the Issuer pursuant to the Conditions) other than with respect to payment of principal and interest on such principal amount of such Securities, for which purpose the bearer of the relevant Global Security shall be treated as the holder of such principal amount of such Securities in accordance with and subject to the terms of the relevant Global Security and the expression "Holder" and related expressions shall be construed accordingly.

8 Electronic Consent and Written Resolution

While any Global Security is held on behalf of a relevant Clearing System, then:

(i) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Securities outstanding (an "Electronic Consent" as defined in the Fiscal Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Holders duly convened and held, and shall be binding on all Holders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and

(ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the clearing systems with entitlements to such Global Security and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "relevant clearing system") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Holders of Securities and Holders of Coupons, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Securities is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Description of the Issuer

Introduction

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

As parent company of the Redeia Group (described below), the Issuer is listed on the Spanish stock market (Madrid, Barcelona, Bilbao and Valencia Stock Exchanges) with ISIN ES017309302 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 Redeia, with a 20 per cent stake as at 31 December 2021.

Redeia's share capital as at 31 December 2021 is EUR 270,540,000.

The Redeia Group's website is www.redeia.com. For the avoidance of doubt, unless specifically incorporated by reference into this Offering Circular, information contained on the website does not form part of this Offering Circular.

No recent events relating to Issuer that are important for evaluating its solvency have occurred.

Business Overview

The Issuer'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 that are necessary for or enable its fulfilment, provided that they comply with the law.

Background

Red Eléctrica was established for an indefinite time on 29 January 1985, under Law 49/1984, of 26 December 1984. At the time, Red Eléctrica 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 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 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, including changes to its articles of association and a restructuring of the company.

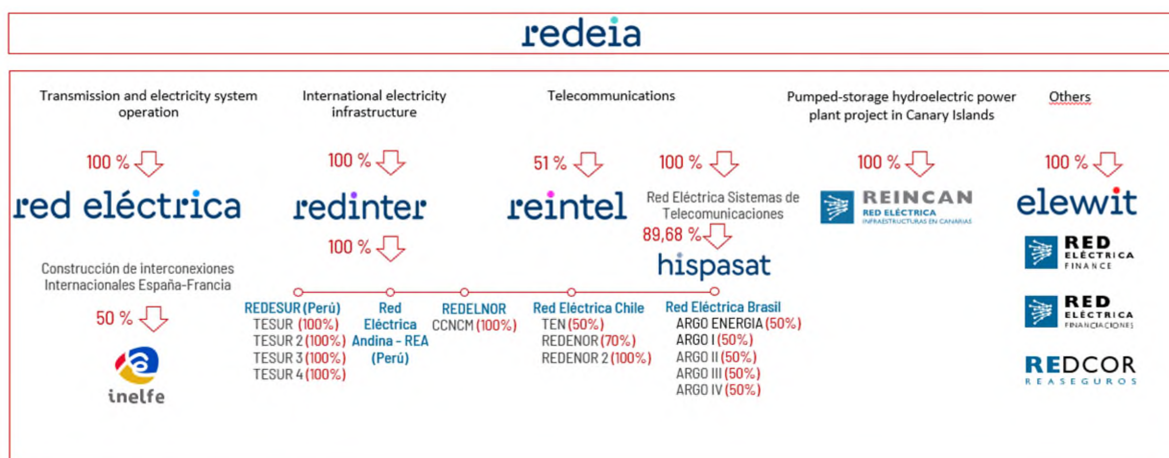
Red Eléctrica's organisational structure was transformed into a holding structure to establish transparency and clear division between different regulated activities in Spain, such as the electricity system's transmission and operation.

In order to comply with Law 17/2007's requirements, on 1 July 2008, Red Eléctrica 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. The corporate head offices and properties not involved in the regulated activities, and any shareholdings in other entities not transferred to Red Eléctrica remain under the parent company, Redeia, owner of 100 per cent of Red Eléctrica'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, Redeia's current corporate name and structure.

The Redeia Group

As of date of this Offering Circular, the simplified corporate structure of the Redeia Group is as follows:



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

Business

The Redeia Group conducts its business and operations across three main divisions: (i) Management and operation of domestic electricity infrastructure; (ii) Management and operation of international electricity infrastructure; and (iii) Telecommunications.

(i) Management and operation of domestic electricity infrastructure

The Redeia 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 as TSO of the Spanish electricity system 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 Redeia Group, through Red Eléctrica, 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 Redeia 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 wholly-owned subsidiary of Redeia, incorporated on 17 September 2015.

In addition, Red Eléctrica 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, that will increase the electricity exchange capacity between the two countries.

(ii) Management and operation of international electricity infrastructure

The Redeia Group's international business has been conducted through Red Eléctrica Internacional, S.A.U. ("**REDINTER**") and international operations have been concentrated in Peru, Chile and Brazil, with a minor presence in Portugal.

The start-up of operations in Peru, Chile and Brazil is the outcome of an ongoing analysis of business opportunities, and meets the Redeia Group's criterion of undertaking investments in countries with a favourable economic situation and a stable regulatory framework that ensures an appropriate return on the investments. See the section entitled "Investments – International Transmission Investments".

(iii) Telecommunications

The Redeia Group also provides telecommunications services to third parties through Red Eléctrica Infraestructuras de Telecomunicación, S.A. ("**REINTEL**"). In 2018, Redeia incorporated Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. ("**RESTEL**") whose main corporate purpose is the acquisition, holding, management and administration of securities, being the most relevant investment the acquisition of the Spanish satellite operator Hispasat, S.A. ("**Hispasat**") at the end of 2019. See the section entitled "*Investments – Telecommunication Investments*" below.

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

In 2019, Redeia incorporated Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. ("**ELEWIT**") to foster technological innovation. Since its incorporation, the Redeia Group has strengthened its

position, under the Elewit brand, as the Redeia Group's tech platform and transformation engine. ELEWIT drives innovation, entrepreneurship and technological development, which are the cornerstones of sustainability against a changing backdrop in both the energy and telecommunication sectors. Through ELEWIT, the Redeia Group harnesses the potential of technology to further the Redeia Group's business and activity, as well as to explore new value-added business segments.

In 2021, the Redeia Group generated revenues of EUR 1,953.0 million, representing a 1.65 per cent decrease compared to the previous year (EUR 1,985.8 million in 2020) and achieved a consolidated profit for the year attributable to Redeia of EUR 680.6 million, representing a 9.56 per cent increase compared to the previous year (EUR 621.2 million in 2020).

Investments

Investment Plan

In February 2021, the Redeia Group approved the 2021-2025 Strategic Plan. The new strategy includes an investment plan of approximately EUR 4,400 million, of which EUR 3,350 million will be allocated to the transmission network and storage in Spain, promoting the energy transition, EUR 225 million will be allocated to international business, EUR 735 million will be allocated to telecommunications and EUR 92 million will be invested in other areas.

Transmission network investments in Spain

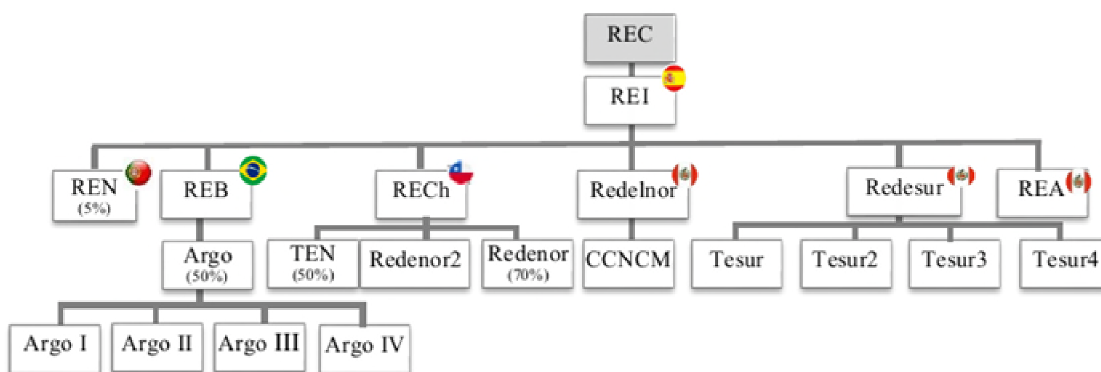
Investments on transmission activities will be directed mainly towards improving the security of supply and creating a sustainable energy model.

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 Redeia 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 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.

International Transmission Investments

The international business of the Redeia Group is developed through REDINTER, which manages international investments in transmission infrastructure and promotes new business opportunities internationally. The following table provides a simplified overview of the Redeia Group's management of electric infrastructure in international business:



Activity in Peru

In Peru, REDINTER holds a direct 100 per cent interest in the capital of the Peruvian companies Red Eléctrica Andina, S.A.C. ("**REA**") and Red Eléctrica del Sur, S.A. ("**REDESUR**") and Red Eléctrica del Norte Perú, S.A.C. ("**REDELNOR**"). 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 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.

The Redeia Group operates electricity transmission infrastructure under a 30-year concession. It is the main transmission agent in the south of Peru and since 2019, following REDELNOR's acquisition of Concesionaria Línea de Transmisión CCNMC S.A.C. ("**CCNCM**"), it has also operated in the north of the country. The network spans a total of 1,686 km of transmission lines, of which 1,558 km are in commercial operation and 128 km are under construction.

In 2021, the management excellence of REDESUR, TESUR, TESUR2, TESUR3 and CCNCM, which all manage electricity transmission infrastructure on a commercial operation basis, enabled them to offer an energy transmission service with maximum availability, while supporting development in their operating environment.

The project awarded to TESUR4 in 2018 is at the construction stage, the Environmental Impact Assessment ("**EIA**") having been approved in March 2021. The project is rolling out as envisaged and is scheduled to be completed and come into service in 2022.

As regards to REA, it continues to provide maintenance services for the concessions under operation of REDESUR, TESUR, TESUR2, TESUR3 and CCNMC and is also tasked with the supervision and site management for the TESUR4 works. REA also carries out installation maintenance and site supervision for other clients, positioning it among the benchmark companies for such services in the south of Peru.

Activity in Chile

Red Eléctrica Internacional holds a 100 per cent interest in the share capital of Red Eléctrica Chile SpA ("**RE Chile**"), incorporated in November 2015 and its main activity is the acquisition, possession, administration, direction and management of the shares that the Redeia 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 Energia Chile, a subsidiary of Grupo ENGIE. 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**"). Overall, RE Chile operates 1,749 km of transmission lines, of which 1,491 km are in commercial operation and 258 km are under construction.

TEN operates the 500 kV Changos - Cumbre - Nueva Cardones axis, which forms part of the National Transmission System, as well as the 220 kV Mejillones - Changos dedicated line. In 2021, TEN reported an availability factor for its facilities of 99.92%, surpassing prior years' availability.

REDENOR has continued its construction of the transmission facilities in northern Chile, awarded in 2017. In 2020 the first stage of the project entered service (Nuevo Pozo Almonte 220 kV substation), and at year end the availability of the facilities stood at 100%. REDENOR has also forged ahead with Stage 2 of the project, which involves the construction of 258 km of 220 kV power lines and is scheduled for completion in 2022.

REDENOR2 reported an availability factor for its transmission facilities of 99.92% in 2021 and the Seccionadora Centinela substation entered service in 2021.

Regarding the legal framework governing the electricity transmission business in Chile, one of the most relevant processes carried out during 2021, which got underway in 2019, is the National Value Assessment for the 2020-2023 period, conducted by the National Energy Commission ("**CNE**") in Chile. Pursuant to Chilean Law 20,936, a review must be conducted every four years to determine the annual remuneration for transmission assets, including both local transmission networks and the national transmission grid. The review of the useful life of installed facilities and the discount rate was completed in 2019, whereas the task of determining the investment values, and the annual cost of operation and maintenance, had yet to be concluded in 2021. In August 2021, the CNE published the Final Technical Report ("**FTR**") reducing the return on investment. Subsequently, on 12 January 2022, the Expert Panel published its decision regarding the discrepancies presented to the CNE in view of the FTR on the transmission valuation process for the 2020-2023 period. The CNE will apply this decision when publishing its Definitive Technical Report on the valuation. In 2021, therefore, the Redeia Group recognised its Chilean subsidiaries' revenue based on its best estimate of the final figures to be approved in the aforementioned process.

Activity in Brazil

On 25 March 2020, Red Eléctrica Internacional, through Red Eléctrica Brasil ("**REBR**") and the Colombian company Grupo Energía Bogotá S.A. ESP acquired a 50 per cent interest in the share capital of Brazilian holding company Argo Energía Empreendimentos e Participaçoes S.A. ("**Argo Energía**"), owner of three electric transmission concessions in Brazil for a period of 30 years totalling 1,430 km of high voltage circuit (500 kV and 230 kV) and eleven electricity substations. The acquisition and commencement of operations of Argo Energía has marked the Redeia Group's penetration of the Brazilian market.

Argo I operates 1,110 km of 500 kV power lines and five substations in the northeast of Brazil. Argo II is a project to expand a substation in the state of Minas Gerais. Synchronous condenser 2 (SC2) came into service in 2021, while Synchronous condenser 1 (SC1) has entered into service in 2022. Argo III operates 320 km of 230 kV power lines and five substations in the state of Rondônia. The final stage of the project came into service in 2021 (the Jaru substation and the Colectora Porto Velho substation).

On 3 November 2021, Argo entered into a share sale-purchase agreement with Rialma Administração e Participações S.A. to acquire shares representing 100% of the share capital of Rialma Transmissora de Energia III S.A., subject to certain conditions being met and to the regulatory authorities approving the acquisition. On 31 January 2022, the conditions precedent have been fulfilled and the acquisition of the ordinary registered shares has thus been completed. Accordingly, the acquiree has changed its name to "Argo IV Transmissão de Energia S.A.". Argo IV is a project to expand two substations and 313 km of 500 kV power lines in the states of de Ceará, Piauí and Pernambuco that entered into service in 2021.

On 30 July 2022, Argo Energía and Grupo Energía Bogotá reached an agreement with the investment fund Brasil Energia FIP to acquire 100% of the shares of five transmission lines in Brazil for BRL 4,318 million (equivalent to EUR 815 million as at the date of the agreement). On 30 November 2022, after obtaining all

required authorisations from the regulator Agência Nacional de Energia Elétrica (ANEEL), the Brazilian competition authority, the Administrative Council for Economic Defence (CADE), and the main funders of the concessions, the parties have concluded the process of acquiring the totality of the ordinary shares of the five concessions.

The acquisition has been carried out through the joint investment of Argo Energía (62.5%) and Grupo Energía Bogotá (37.5%) and represents an investment for Redeia of approximately EUR 200 million corresponding to the 50 per cent stake in Argo.

The five concessions are in commercial operation and total 2,416 km of 500 kV and 230 kV transmission lines and 20 substations. The estimated tariff revenues for 2022 (in accordance with RAP 2021/2022) amount to BRL 706 million (approximately 133 million euros as at the date of the agreement) and the estimated EBITDA for 2022 (in accordance with RAP 2021/2022) is BRL 647 million (approximately 122 million euros as at the date of the agreement).

Telecommunication Investments

The Redeia Group's telecommunications business is addressed by three main business lines, the optic fibre business, the satellite business and the 5G business.

Optic fibre business

The Redeia Group provides telecommunications services to third party telecommunications operators through REINTEL, primarily by leasing dark backbone fibre, both from electric power transmission infrastructure and railway networks, subject to the applicable telecommunications sector legislation.

REINTEL also provides maintenance services for fibre optic cables and telecommunications equipment. The company currently operates a fibre-optic network of more than 52,000 km of cables deployed on the electricity transmission network and the railway network, ensuring wholesale transparent access and equal conditions to telecommunication operators. The company is the successful tenderer for a period of 20 years ending in 2034 for the right of use and operation of the fibre optic network, not dedicated to the railway business and other associated elements, owned by Adif - High Speed.

In addition, on 16 December 2021 Redeia announced the agreement with Kohlberg Kravis Roberts & Co. L.P. ("**KKR**"), through its subsidiary Rudolph Bidco S.À.R.L., for the sale of a minority stake of 49% in REINTEL. On 29 June 2022, the sale was completed, after obtaining the appropriate authorizations to which the sale was conditioned, for an amount of EUR 995.6 million.

Satellite Business

On 27 February 2018 Redeia, as sole shareholder, incorporated Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. ("**RESTEL**") whose main corporate purpose is the acquisition, holding, management and administration of securities. On 3 October 2019, RESTEL acquired 89.68 per cent of Abertis' stake in Hispasat. The other Hispasat shareholders are Sociedad Estatal de Participaciones Industriales (SEPI), with a 7.41% interest, and the Centro para el Desarrollo Tecnológico Industrial, E.P.E., which holds 2.91%.

Hispasat's principal activity consists of leasing spatial capacity and providing managed services for video and broadband data through the operation and commercial exploitation of its fleet of satellites in orbit and the related ground segment, primarily in Spain, Brazil, Peru and Mexico.

In light of the situation created by the COVID-19 pandemic and the current state of the telecommunications sector, Redeia Group's Strategic Plan for the 2021-2025 period aims at the objective of repositioning Hispasat from an infrastructure operator to a satellite services operator. 2021 saw the consolidation of certain trends that had already surfaced in the market, such as the verticalisation of satellite operators, which continue to evolve towards a service provider role in certain segments and/or geographical areas. In line with such strategic

repositioning, Hispasat completed the acquisition in Peru, in 2021 of the signal management and transmission business in the satellite audio-visual sphere, thus enabling the company to position itself as a leading provider of wholesale video services in South America. In addition, backhaul projects have continued to be rolled out, with Hispasat taking on the role of turnkey service provider and offering comprehensive projects in the fields of tele education and telemedicine to Latin America governments.

On 21 March 2022, Hispasat reached an agreement to acquire 100% of Axess Networks Solutions Holding, S.L.U. ("**Axess**"), a transaction that values Axess's equity at USD 96 million. Axess is a telecommunications company specialised in satellite services and solutions for the corporate market (telcos and large companies) and administrations. It has presence in Latam (Colombia, Mexico, Peru, Ecuador and Chile) and EMEA (mainly Africa and the Middle East). The acquisition forms part of the actions defined in Redeia Group's Strategic Plan, which aims to make Hispasat a provider of satellite solutions and services in its target markets. On 9 August 2022, after obtaining all necessary approvals and fulfilling the conditions precedent, the parties proceeded to complete the closing of the transaction. Axess's estimated EBITDA for 2022 amounts to USD 17.2 million, representing an estimated company valuation multiple of 7.2.

5G business

The Redeia Group's Strategic Plan envisages, among other initiatives, the development of new opportunities associated with the roll-out of 5G networks, a process in which the Redeia Group will be a significant player. The development of these activities will be centralized through the company RESTEL. 5G mobile communication technology is not only revolutionary for telecommunications services, but also for production and economic processes, where its speed, immediacy and capacity to connect thousands of devices simultaneously come into play.

In 2021 an enterprise-wide project was carried out within the Redeia Group, which served to assess the Redeia Group's infrastructure in terms of its capacity to host 5G network equipment. In addition, the value proposal for such networks was defined and both the operating and commercial models were designed, with a view to bringing the networks into commercial operation.

Management of electric infrastructure in Spain

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

Transmission

Red Eléctrica owns the majority of the Spanish transmission network, consisting of over 44,000 km of high voltage lines, over 6,000 substation bays, and over 93,000 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, and was confirmed by new Law 24/2013.

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

(1) *Planning*: Red Eléctrica'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 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 activities. Additionally, increasing and expanding these interconnections is one of the principal objectives of EU energy policy.

(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 benefits from a high degree of availability of its electricity transmission facilities. This in turn has enabled Red Eléctrica to achieve the following service quality indicators in terms of security and continuity of supply as at 31 December 2021:

Quality indicators	**2021(*)**
Network availability index (per cent)	98.48
Average interrupt time (AIT) in minutes	0.41
Energy not supplied (ENS) MWh	187.09

**Source: Red Eléctrica*

Remuneration model

The current 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 model establishes a framework for the remuneration of the electricity transmission activity, encouraging continuous improvement in management efficiency and network availability. This model is applicable for the current regulatory period 2020-2025.

The 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.

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. 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 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^j_n): the remuneration for investments is comprised of an amount of annual depreciation (A^j_n) and the return on the capital invested (RF^j_n):

$$RI^j_n: = A^j_n + RF^j_n$$

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 12.5 per cent The model postpones the assets remuneration from year "n-2" when the asset is commissioned to the year "n" but a "delay factor mechanism" recognises the financial cost of this delay added to the value of the investment.

The financial remuneration rate is approved by Circular 2/2019 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 current regulatory period 2020-2025, but for 2020 that the rate was fixed in 6.003 per cent.

The asset is depreciated based on its regulatory 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 for the current regulatory period 2020-2025. 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.

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 January 1, 2016. A resolution from the Directorate General of Energy Policy and Mines (*Dirección General de Politica Energética y Minas*) ("**DGEPM**") of MITERD (as defined below) 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.

End of the assets' useful life

Once an asset reaches the end of its regulatory useful life, the remuneration will be calculated (from 1 January 2024) as the value of its operation and maintenance remuneration plus a new term called REVU:

$$REVU^{j}_{n} = \mu^{j}_{n} \cdot ROM^{j}_{n}$$

μ^{j}_{n} 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 regulatory useful life is extended.

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

In 2019, Royal Decree-Law 1/2019 was passed, aimed at determining a new competencies distribution between the Government and Independent Regulatory Authority, the CNMC. Until 2019, the responsibility for setting the remuneration model for the transmission activity (Royal Decree 1047/2013) and setting regulated annual revenues was held by the MITERD. As of the year 2020, the responsibility for setting the remuneration model (Circular 5/2019) and setting regulated annual revenues lies on the CNMC.

Until the end of 2022, regulated annual revenues from the transmission activity had been set provisionally for the years 2016 – 2022 (MITERD 2016-2019 and CNMC 2020-2022). In December 2022, the MITERD approved the Orden TED/1343/2022, establishing the final remuneration for the electricity transmission activity for the period 2016 – 2019. The definitive revenues for the year 2020-2023 will be established by CNMC in the following months.

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" (*régimen 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 case), distribution activities, and other regulated costs.

System Operation

Red Eléctrica 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 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 perform the functions with which it is entrusted, Red Eléctrica as system operator, must act in accordance with the following principles set out in Law 54/1997, and ratified in Law 24/2013:

- Independence

- Transparency
- Objectivity
- Economic efficiency

Power control centres are one of the basic elements used by Red Eléctrica 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 designed, put in place and started the operation of the Special Regime Control Centre ("**CECRE**") in order to integrate the maximum amount of generation from renewable energy sources into the electricity system, whilst ensuring quality levels and security of supply. This centre is integrated into the Electricity Control Centre ("**CECOEL**") responsible for the coordinated operation and real-time monitoring of the generation and transmission facilities of the national electricity system.

Circular 4/2019 of 27 November, has established a methodology for the remuneration of the operator of the electric system ("**Circular 4/2019**") sets out for the first time the methodology for the remuneration of the system operator and a price-fixing system to govern the price to be paid by agents intervening in the market for the services provided by the system operator in order to finance it. The methodology, based on a revenue cap scheme, includes a base remuneration which comprises a remuneration for investment based on amortization and financial compensation and a remuneration for operation and maintenance with an additional margin. Besides this base remuneration, the methodology includes a term for incentives and a term called regulatory account, which consist on an fixed amount of money to develop new obligations due to new regulation.

The regulatory parameters are established for 3 year periods. After the first period (2020-2022), the second period is now starting (2023-2025). The system operator remuneration for 2023 was approved in December 2022 by the Resolution of 15 December 2022 of CNMC.

Management

The members of the Board of Directors of the Issuer and their positions, as at the approval date of this Offering Circular, are as follows:

Name of Director	Position on Board
Ms. Beatriz Corredor Sierra	Chairperson
Mr. Roberto Garcia Merino	Chief Executive Officer
Ms. Mercedes Real Rodrigálvarez*	Member - Nominee (SEPI)
Mr. Ricardo Garcia Herrera	Member - Nominee (SEPI)
Ms. Esther Maria Rituerto Martinez	Member - Nominee (SEPI)
Ms. Carmen Gómez de Barreda Tous de Monsalve	Member - Independent
Ms. Socorro Fernández Larrea	Member - Independent
Mr. Antonio Gómez Ciria	Member - Independent
Mr. José Juan Ruiz Gómez	Member - Independent
Mr. Marcos Vaquer Caballeria	Member - Independent

Ms. Elisenda Malaret Garcia	Member - Independent
Mr. José Maria Abad Hernández	Member - Independent

The above table lists all officers and there are no additional executive officers in Redeia.

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

Additionally, Mr. Carlos Méndez-Trelles Garcia holds the office of General Counsel and Non-Director Secretary of the Board of Directors and Mr. Fernando Frías Montejo of Deputy General Counsel and Deputy Non-Director Secretary of the Board of Directors.

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

The directors of the Issuer have no principal activities performed by them outside the Issuer where these are significant with respect to Issuer.

Credit Rating

The following table contains the credit ratings that the Issuer has been assigned at the approval date of this Offering Circular for the long and short term by the credit ratings agencies Fitch Ratings España, S.A.U. and S&P Global Ratings Europe Limited.

Rating Agency	Long-term	Short-term	Outlook	Latest date of review of rating
Fitch Ratings España, S.A.U.	A-	F1	Stable	14 October 2022
S&P	A-	A-2	Stable	26 April 2022

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 EU CRA Regulation.

Recent developments

Conflict between Russia and Ukraine

The electricity sector is being influenced by the tense situation in the wholesale market since the end of 2021, which has been exacerbated by the war between Russia and Ukraine. This situation has forced the EU to take measures to try to mitigate its effects. In Spain, (i) the Royal Decree Law 6/2022, which passed urgent measures within the framework of the "National Plan to respond to the economic and social consequences of the war in Ukraine", facilitates the acceleration of investment in renewable energy and envisages setting a maximum price for natural gas, which is the main factor responsible for high electricity prices; in this context, the Redeia Group participates in the development of the national transmission grid that allows the integration of new generation from renewable sources, which should result in greater energy independence for Spain and a progressive reduction in the cost per kWh for Spanish households and companies as the weight of renewable generation increases; and (ii) the Royal Decree Law 14/2022, establishes measures for savings, energy efficiency and reduction of energy dependence. Among the measures affecting Redeia is the limitation to 15 days for the report from the Spanish Markets and Competition Commission (CNMC) on the authorisation for transmission

facilities and the positive administrative silence, or the processing of unique facilities in parallel to the termination of their resolution of its singularity.

Change in commercial name

On 7 June 2022, the Group Red Eléctrica announced the launch of the new commercial brand name "Redeia" in relation to the Redeia Group. The legal names of the entities forming part of the Redeia Group however remain unchanged.

In relation with this change, Red Eléctrica Internacional, S.A.U.'s commercial name has also been replaced by "**REDINTER**".

Environmental Matters

In 1992, the Redeia 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 Redeia 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, Redeia 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 Redeia 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, Redeia 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 Redeia Group's success and business model; and the social impact on the communities affected by the Redeia 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 Redeia Group and the demands of the Redeia Group's stakeholders.

In evidence of the Redeia Group's commitment to environmental matters, the Redeia Group companies incurred total ordinary expenses of EUR 23,421 thousand in protecting and improving the environment (EUR 23,702 thousand in 2020), essentially due to the implementation of environmental initiatives aimed at protecting biodiversity, fire prevention, landscape integration, climate change, and prevention of pollution. In 2021 a total expense of EUR 3,498 thousand (EUR 5,448 thousand in 2020) was incurred on environmental issues associated with investment projects (including environmental impact studies, environmental oversight of work, and the adoption of preventive, corrective and accompanying measures).To the best knowledge and belief of the Issuer, at the date of this Offering Circular, the Redeia Group has no material litigation or contingencies relating to environmental protection.

Management at Red Eléctrica 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.

Law 7/2021, of 20 May, on climate change and energetic transition entitles the Spanish government to request Red Eléctrica as TSO to prepare a decarbonization strategy for this activity in the context of the Decarbonization Strategy for Spain 2050, once the relevant regulation establishing the criteria to prepare said strategy is approved.

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 continued to pursue its transmission activity and was assigned the functions of "System Operator", resulting in the first Transmission System Operator (TSO) in Europe. Later, through the transposition of Directive 2003/54/CE, through Law 17/2007, Red Eléctrica 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 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 ("**Royal Decree-Law 1/2019**") 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 Royal Decree-Law 1/2019, the CNMC was assigned some functions previously attributed to the State General Administration, the Ministry responsible for Energy, and was 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 and the Demographic Challenge ("**MITERD**"), 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. Among others, the CNMC has the responsibility of fixing the structure and prices of electricity access tariffs, the functions related with determining the remuneration of transmission, distribution and system operation activities and those corresponding to access and connection to transmission and distribution grid conditions. In addition, the Royal Decree-Law 1/2019 also 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 on this matter is reduced to 66 kV and over.

Every 6 years, Red Eléctrica 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. Following such proposal, the Ministry for the Ecological Transition and Demographic challenge (*Ministerio para la Transición Ecológica y el Reto Demográfico – MITERD*) elaborates the Electricity Network Planning (*Planificación Eléctrica*). Such proposal must be approved by the Spanish Government, prior submission to the Spanish National Parliament. The Plan 2021-2026 was approved by the Spanish Council of Ministers on 22 March 2022, with an investment of more than EUR 6,964 million. The goal of this new Plan is to deploy the relevant transmission network that guarantees high levels of quality in the supply of electricity and to help Spain progress to have a carbo-free energy model and fight against climate change.

Furthermore, under Law 24/2013, a yearly investment plan must be presented by Red Eléctrica and approved by the MITERD. Additional approval by the MITERD 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 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 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 the above-mentioned Circular 5/2019.

Additionally, Law 24/2013 states that third-party access to the Spanish transmission grid is to be managed by Red Eléctrica 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 MITERD.

Regulation of system operator activity

As discussed in the section entitled "*System Operation*", Law 24/2013 requires Red Eléctrica to perform the functions of system operator. In this capacity, Red Eléctrica 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 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).

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, transformers and other elements 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 guarantee of supply, 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 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. In December 2022, the MITERD approved the remuneration model and the remuneration parameters of the Chira-Soria pumping storage project. The remuneration parameters are: investment income (amortisation and financial remuneration), O&M (fixed and variable) and remuneration associated with the construction phase, incentives related to renewable energy integration and water treatment. The remuneration model was established in December 2022 by the Order TED/1243/2022. It is expected to be approved throughout the year 2022.

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 (TSOs) of electricity (ENTSO-E), through which transmission system operators (TSOs) 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 (TSOs), has been working to develop Network Codes and Guidelines, European common rules referring to security of supply, information exchange, capacity allocation and congestion management, balancing, 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 was completed in February 2015 with the publication in the Official Journal of European Union (OJEU) of the Notification of the Spanish Government to the European Commission, communicating the official approval and designation of Red Eléctrica as Transmission System Operator (TSO) in Spain.

From a regulatory European perspective, 2019 was of particular relevance due to the completion of a comprehensive update of the European Union's energy policy framework to facilitate the transition towards a cleaner energy system, and to deliver on the Paris Agreement commitments for reducing greenhouse gas emissions. This new regulatory framework, the so-called "*Clean energy for all Europeans package*" included, among other measures, a new Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, repealing Regulation (EC) nº 714/2009, and a new Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity repealing Directive 2009/72/EC.

Of particular relevance for the achievement of the internal electricity market, which strongly affects Red Eléctrica and the Spanish power system, is also the approval of 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, which explicitly refers to the 15 per cent interconnection target for 2030. In this regard, also particularly relevant for Red Eléctrica, 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), where 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). On such occasion, 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.

In compliance with the provisions set out in the above-mentioned Regulation (EU) 2018/1999, Spain published its National Integrated Energy Plan 2021-2030 (PNIEC). This document stresses the importance of achieving

the interconnection target and states the Government's purpose of raising the interconnection capacity with Portugal to 3.000 MW through a new interconnection and up to 8.000 MW with France through 3 new interconnections.

In this direction, the 5th list of Projects of Common Interest ("**PCI**"), adopted by European Commission on 19 November 2021 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 finally approved by the European co-legislator (European Parliament and Council). The label of "PCI project" is not only a pre-condition for those projects to be eligible for funding from the Connecting Europe Facility (CEF), but it also allows the PCI projects to benefit from a streamlined permitting process.

Use of Proceeds

The net proceeds of the issue of the Securities are estimated at €495,850,000.

An amount equal to the net proceeds of the issue of the Securities will be used exclusively by the Issuer to finance and/or refinance, in whole or in part, the development, construction, installation or maintenance of new or existing projects, assets or activities that meet the eligibility requirements ("**Eligible Green Assets**") defined and detailed in the Redeia Group Green framework (the "**Green Framework**"). The eligible green assets will fall under the eligible categories defined and detailed in the Green Framework established by the Redeia Group.

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

The Redeia Group will make and keep readily available reporting on the allocation of amounts equal to the net proceeds to the Eligible Green Assets portfolio and on the impact of the Eligible Green Assets portfolio after a year from the issuance of the Securities, which will be renewed annually until full allocation of the amount equal to the net proceeds or the redemption of the Securities. Further information on such reporting is set out in the Redeia Group Green Framework.

The Redeia Group Green Framework is available at https://www.redeia.com/en/shareholders-and-investors/bonds/green-framework. The Second-party Opinion is available at https://www.redeia.com/sites/default/files/06_ACCIONISTAS/Documentos/Red_Electrica_Group_Green_Finance_Framework_Second_Party_Opinion.pdf.

The Redeia Group Green Framework and the Second-party Opinion are not, nor shall they be deemed to be, incorporated in and/or form part of this Offering Circular.

Taxation

The following is a general description of certain tax considerations relating to the Securities. It does not purport to be a complete analysis of all tax considerations relating to the Securities, whether in the Kingdom of Spain or elsewhere. Prospective purchasers of Securities should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Securities and receiving payments of interest, principal and/or other amounts under the Securities and the consequences of such actions under the tax laws of those countries. This summary is based upon the law (unpublished caselaw not included) as in effect on the date of this Offering Circular and it does not take into account any developments or amendments thereof after such date, whether or not such developments or amendments have retroactive effect. The language of this Offering Circular is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of this Offering Circular.

The Spanish Financial Transaction Tax ("FTT")

On 16 January 2021, the Spanish Law 5/2020, of 15 October, on the Financial Transaction Tax (*Ley 5/2020, de 15 de octubre, del Impuesto sobre las Transacciones Financieras*) entered into force. The FTT only applies on the acquisition of shares of certain Spanish companies, so the Securities should not be affected by such tax.

Prospective investors of the Securities are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act ("FATCA")

Whilst the Securities are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, S.A. (together, the "ICSDs"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Securities by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive securities will only be printed in remote circumstances.

Taxation in the Kingdom of Spain

For the purpose of this section, any reference to Spain shall be interpreted as a reference made to (i) the Spanish territory (excluding the Basque Country and Navarre); or (ii) the tax laws passed by the Spanish Parliament or the Spanish Government.

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 Spain and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect.

The information provided below is not intended to be, nor should it be construed to be, legal or tax advice, and does not address all the tax consequences applicable to all categories of investors, some of which (such as look through entities or holders of the Securities by reason of employment) may be subject to special rules. This taxation summary solely addresses the principal Spanish tax consequences of the acquisition, ownership and disposal of Securities issued by the Issuer after the date hereof. It does not consider every aspect of taxation that may be relevant to a particular holder of Securities under special circumstances or who is subject to special

treatment under applicable law or to the special tax regimes applicable in the Basque Country and Navarre (*Territorios Forales*). Such tax regimes are not covered by this Spanish tax section.

Where in this summary English terms and expressions are used to refer to Spanish concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Spanish concepts under Spanish tax laws. This summary assumes that each transaction with respect to the Securities is at arm's length.

This overview is based on the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date. References in this section to investors or holders include the beneficial owners of the Securities, where applicable.

Any prospective investors should consult their own tax advisers who can provide them with personalised advice based on their particular circumstances. Likewise, investors should consider the legislative changes which could occur in the future.

1. Introduction

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

(i) of general application, Additional Provision One of Law 10/2014, of 26 June, on supervision and solvency of credit entities ("**Law 10/2014**") and Royal Decree 1065/2007 of 27 July ("**Royal Decree 1065/2007**"), as amended;

(ii) for individuals resident for tax purposes in Spain which are subject to the Personal Income Tax ("**PIT**"), Law 35/2006, of 28 November, on PIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, as amended (the "**PIT Law**"), and Royal Decree 439/2007, of 30 March, passing the PIT Regulations, as amended, along with Law 19/1991, of 6 June, on Net Wealth Tax, as amended, and along with Law 29/1987, of 18 December, on the Inheritance and Gift Tax, as amended;

(iii) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax ("**CIT**"), Law 27/2014, of 27 November, governing the CIT, and Royal Decree 634/2015, of 10 July, passing the CIT Regulations ("**CIT Regulations**"), as amended; and

(iv) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law (the "**NRIT Law**"), as amended and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident 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, as amended.

Whatever the nature and residence of the holder of a beneficial interest in the Securities, the acquisition and transfer of Securities will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax, Stamp Duty and Value Added Tax, in accordance with article 314 of Royal Legislative Decree 4/2015, of 23 October, promulgating the Consolidated Text of the Spanish Securities Market Law.

2. Individuals with Tax Residency in Spain

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

Individuals with tax residency in Spain are subject to PIT on a worldwide basis. Accordingly, income obtained from the Securities will be taxed in Spain when obtained by persons that are considered resident in Spain for

tax purposes. The fact that a Spanish company pays interest under the Securities will not lead an individual or entity being considered tax-resident in Spain.

Both interest payments periodically received, and income derived from the transfer, redemption or exchange of the Securities constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the PIT Law, and therefore must be included in the investor's PIT savings taxable base pursuant to the provisions of the aforementioned law and taxed at a flat rate of 19 per cent. on the first €6,000, 21 per cent. for taxable income between €6,000.01 and €50,000, 23 per cent. for taxable income between €50,000.01 and €200,000 and 26 per cent. for taxable income exceeding €200,000.

As a general rule, both types of income are subject to a withholding tax on account at the rate of 19 per cent.

However, according to Section 44.5 of Royal Decree 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 Securities set out in Annex I is submitted by the Paying Agentin a timely manner. Nevertheless, Spanish withholding tax at the applicable rate (currently, 19 per cent.) may have to be deducted by other entities (such as depositaries or financial entities), provided that such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory.

The Issuer understands that, according to Royal Decree 1065/2007, it has no obligation to withhold any tax amount for interest paid on the Securities corresponding to investors who are individuals with tax residency in Spain provided that the information procedures (which do not require identification of the investors are complied with, the Securities are admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and deposited with a common depositary for Euroclear and/or Clearstream.

The amounts withheld, if any, may be credited by the relevant investors against their final PIT liability for the relevant tax year and may be refundable pursuant to Section 103 of the PIT Law.

Regarding the interpretation of Royal Decree 1065/2007 and the information procedures, please refer to section *"Taxation in the Kingdom of Spain—Disclosure of Information in Connection with the Securities*" below.

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

Net Wealth Tax may be levied in Spain on resident individuals, on a worldwide basis. The actual collection of this tax depends on the regulations of each Autonomous Community. Thus, investors should consult their tax advisers according to the particulars of their situation.

Individuals with tax residency in Spain are subject to Net Wealth Tax to the extent that their net wealth exceeds €700,000 generally, although this threshold may be different depending on the relevant Autonomous Community. Therefore, they should take into account the value of the Securities which they hold on 31 December each year, the applicable rates ranging between 0.2 per cent. and 3.5 per cent. although the final tax rates vary depending on any applicable regional tax laws. Some reductions may also apply.

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

Individuals who are resident in Spain for tax purposes who acquire ownership or other rights over any Securities by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The applicable tax rates currently range between 7.65 per cent. and 81.6 per cent. depending on a number of factors. Some tax benefits could reduce the effective tax rate.

3. Legal Entities with Tax Residency in Spain

3.1 Corporate Income Tax (*Impuesto sobre Sociedades*)

Legal entities with tax residency in Spain are subject to CIT on a worldwide basis.

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Securities constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and must be included in the profit and taxable income of legal entities with tax residency in Spain and will be subject to CIT at the current general rate of 25 per cent. following the CIT rules.

However, in the case of Securities held by a Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest and income deriving from the transfer may be subject to withholding tax at the current rate of 19 per cent. Such withholding may be made by the depositary or custodian if the Securities 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 (that is, placement of the Securities outside of Spain in another OECD country and admission to listing of the Securities on an organised market in an OECD country other than Spain). The amounts withheld, if any, may be credited by the relevant investors against their final CIT liability.

Notwithstanding the above, according to Royal Decree 1065/2007, in the case of listed debt instruments issued under Law 10/2014 and initially registered in a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state, interest paid to investors should be paid free of Spanish withholding tax provided that certain information procedures have been fulfilled. These procedures are described in "*Taxation in the Kingdom of Spain—Disclosure of Information in Connection with the Securities*" below.

The Issuer considers that, pursuant to Royal Decree 1065/2007, it has no obligation to withhold any tax on interest paid on the Securities in respect of investors who are Spanish CIT taxpayers, provided that the information procedures are complied with, the Securities are admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and deposited with a common depositary for Euroclear and/or Clearstream.

Regarding the interpretation of Royal Decree 1065/2007 and the information procedures, please refer to section "*Taxation in the Kingdom of Spain—Disclosure of Information in Connection with the Securities*" below.

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

Legal entities who are resident in Spain for tax purposes are not subject to Net Wealth Tax.

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

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

4. Individuals and Legal Entities with no Tax Residency in Spain

4.1 Non Resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

(a) With permanent establishment in Spain

Ownership of the Securities 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 Securities 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 Securities are, generally, the same as those previously set out for Spanish CIT taxpayers. See "*Taxation in the Kingdom of Spain—Legal Entities with Tax Residency in Spain—Corporate Income Tax (Impuesto sobre Sociedades*)".

(b) With no permanent establishment in Spain

Both interest payments periodically received and income deriving from the transfer, redemption or repayment of the Securities, obtained by individuals or legal entities who have no tax residency either in Spain, being NRIT taxpayers with no permanent establishment in such territories, are exempt from such NRIT and also from withholding tax on account of NRIT provided certain requirements are met.

In order for such exemption to apply, it is necessary to comply with the information procedures, in the manner detailed under *"Taxation in the Kingdom of Spain—Disclosure of Information in Connection with the Securities*" as set out in Article 44 of Royal Decree 1065/2007.

4.2 Net Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals who are resident in a country with which Spain has entered into a double tax treaty in relation to Net Wealth Tax would generally not be subject to such tax. Otherwise, individuals not resident in Spain for tax purposes whose Spain-based properties and rights are mainly located in Spain, (or that can be exercised within the Spanish territory) and exceed €700,000 will be subject to Net Wealth Tax, the applicable rates ranging between 0.2 per cent. and 3.5 per cent. However, as long as the income derived from the Securities is exempted from NRIT, any non-resident individuals holding the Securities at the tax accrual date will be exempted from Net Wealth Tax in respect of such holding.

Holders not resident in Spain for tax purposes may be entitled to apply the specific regulation of the Autonomous Community where their most valuable assets are located and which trigger this Spanish Net Wealth Tax due to the fact that they are located or are to be exercised or must be fulfilled within the Spanish territory. As such, prospective investors should consult their tax advisers.

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

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

Individuals who do not have tax residency in Spain and acquire ownership or other rights over the Securities 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. In the absence of such treaty between the individual's country of residence and Spain, the individual will be subject to Inheritance and Gift tax in accordance with the Spanish legislation, to the extent that rights deriving from the debt securities are located or can be executed within Spanish territory.

Generally, non-Spanish tax resident individuals are subject to Spanish Inheritance and Gift Tax according to the rules set forth in the state legislation. However, if the deceased or the donee is not resident in Spain for tax purposes, the applicable rules will be those corresponding to the relevant Autonomous Communities where the assets and rights with more value are situated. As such, prospective investors should consult their tax advisers.

The tax rate, after applying all relevant factors, ranges between 7.65 per cent. and 81.6 per cent depending on the applicable autonomous laws. Some tax benefits could reduce the effective tax rate.

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

Obligation to inform the Spanish Tax Authorities of the Ownership of the Securities

With effect as from 1 January 2013, Law 7/2012, of 29 October, as implemented by Royal Decree 1558/2012, of 15 November, introduced annual reporting obligations applicable to Spanish residents (i.e. individuals, legal entities, permanent establishments in Spain of non-resident entities) in relation to certain foreign assets or rights.

Consequently, if the Securities are deposited with or placed in the custody of a non-Spanish entity, Holders who are resident in Spain will be obliged, if certain thresholds are met as described below, to declare before the Spanish Tax Authorities, between 1 January and 31 March, the ownership of the Securities held on 31 December of the immediately preceding year (e.g. to declare between 1 January 2022 and 31 March 2022 the Securities held on 31 December 2021).

This obligation would only need to be complied with if certain thresholds are met: specifically, if the only rights/assets held abroad are the Securities, this obligation would only apply if the value of the Securities together with other qualifying assets held on 31 December exceeds €50,000 (with the corresponding valuation to be made in accordance with Wealth Tax rules). If this threshold is met, a declaration would only be required in subsequent years if the value of the Securities together with other qualifying assets increases by more than €20,000 as against the declaration made previously. Similarly, cancellation or extinguishment of the ownership of the Securities before 31 December should be declared if such ownership was reported in previous declarations.

Disclosure of Information in Connection with the Securities

In accordance with section 5 of Article 44 of Royal Decree 1065/2007 and provided that the Securities issued by the Issuer are initially registered for clearance and settlement in Euroclear and Clearstream Luxembourg, the Paying Agent designated by the Issuer would be obliged to provide the Issuer with a declaration (the form of which is attached as Annex I), which should include the following information:

(i) description of the Securities (and date of payment of the interest income derived from such Securities);

(ii) total amount of interest derived from the Securities; and

(iii) total amount of interest allocated to each non-Spanish clearing and settlement entity involved.

According to section 6 of Article 44 of Royal Decree 1065/2007, the relevant declaration will have to be provided to the Issuer on the business day immediately preceding each Interest Payment Date.

In the event that the Paying Agent designated by the Issuer were to fail to provide the information detailed above, according to section 7 of Article 44 of Royal Decree 1065/2007, the Issuer or the Paying Agent acting on its behalf would be required to withhold tax from any payment in connection with the Securities as to which the required information has not been provided, at the general withholding tax rate (currently, 19%).

If, before the 10th day of the month following the month in which the interest is payable, the Paying Agent designated by the Issuer submits such information, the Issuer or the Paying Agent acting on its behalf would refund the amounts withheld.

Notwithstanding the foregoing, the Issuer has agreed that in the event that withholding tax were required by law, the Issuer would pay such additional amounts as may be necessary such that a holder would receive the same amount that he would have received in the absence of any such withholding or deduction, except as provided in "*Terms and Conditions of the Securities. 7. Taxation*".

In the event that the current applicable procedures were to be modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, the Issuer would inform the holders of such information procedures and of their implications, as the Issuer may be required to apply withholding tax on interest payments under the Securities if the holders were not to comply with such information procedures.

Set out below is Annex I. This Offering Circular is drawn up in the English language. In case there is any discrepancy between the English text and the Spanish text, the English text stands approved for the purposes of approval under the Prospectus Regulation.

Any foreign language text included in this Offering Circular is for convenience purposes only and does not form part of this Offering Circular.

ANNEX I

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

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

Don (nombre), con número de identificación fiscal ( )(1), en nombre y representación de (entidad declarante), con número de identificación fiscal ( )(1) y domicilio en ( ) en calidad de (marcar la letra que proceda):

Mr (name), with tax identification number ( )(1), in the name and on behalf of (entity), with tax identification number ( )(1) and address in ( ) as (function – mark as applicable):

(a) **Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**

(a) Management Entity of the Public Debt Market in book entry form.

(b) **Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**

(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.

(c) **Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**

(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.

(d) **Agente de pagos designado por el emisor.**

(d) Paying Agent appointed by the issuer.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

1 **En relación con los apartados 3 y 4 del artículo 44:**

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

1.1 **Identificación de los valores………………………………………………**

1.1 Identification of the securities ………………………………………………

1.2 **Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**

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

1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados) ……………………………………

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 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora …………………

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 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).

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 En relación con el apartado 5 del artículo 44.

2 In relation to paragraph 5 of Article 44.

2.1 Identificación de los valores ……………………………………………………

2.1 Identification of the securities…………………………………………………..

2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados) ………………………………………………………………

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

2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados ………………………………………………

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

2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.

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

2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.

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

2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.

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

Lo que declaro en………………a … de………………de …

I declare the above in …………… on the … of …………… of …

[1] **En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia**

[1] 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

Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank Ireland PLC, CaixaBank, S.A., ING Bank N.V., and Mediobanca – Banca di Credito Finanziario S.p.A. (together with BNP Paribas and Citigroup Global Markets Europe AG, the "Joint Bookrunners") have, pursuant to a Subscription Agreement dated 26 January 2023, agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Securities at 100 per cent. of their principal amount less certain commissions. In addition, the Issuer has agreed to reimburse the Joint Bookrunners for certain of their expenses, and has agreed to indemnify the Joint Bookrunners against certain liabilities in connection with the issue of the Securities. The Subscription Agreement entitles BNP Paribas and Citigroup Global Markets Europe AG, on behalf of the Joint Bookrunners, to terminate it in certain circumstances prior to payment being made to the Issuer.

General

Neither the Issuer nor any Joint Bookrunner has made any representation that any action will be taken in any jurisdiction by the Joint Bookrunners or the Issuer that would permit a public offering of the Securities, or possession or distribution of this Offering Circular (in preliminary or final form) in any country or jurisdiction where action for that purpose is required. Each Joint Bookrunner has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes this Offering Circular (in preliminary or final form), in all cases at its own expense unless agreed otherwise.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the EEA. 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 Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United States

The Securities 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 except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Joint Bookrunner has represented, warranted and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities during the

distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Prohibition of Sales to UK Retail Investors

Each Joint Bookrunner has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the UK. 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 (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Additional United Kingdom regulatory restrictions

Each Joint Bookrunner has represented, warranted and undertaken to the Issuer that:

(a) 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 Financial Services and Markets Act, as amended (the "FSMA") received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

The Kingdom of Spain

Neither the Securities nor this Offering Circular (in preliminary or final form) and its contents have been approved or registered in the administrative registries of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Securities may not be offered, sold, distributed or re-sold in the Kingdom of Spain except (i) in circumstances which do not require the registration of a prospectus in the Kingdom of Spain in accordance with the Prospectus Regulation; or (ii) without complying with all legal and regulatory requirements under Spanish securities laws. The Securities shall only be directed specifically at, or made to, professional clients (*clientes profesionales*) as defined in Article 205 of the Spanish Securities Law approved by legislative Royal Decree 4/2015, of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (the "**Securities Market Law**") and Article 58 of Royal Decree 217/2008 of 15 February (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión*) and eligible counterparties (*contrapartes elegibles*) as defined in Article 207 of the Spanish Securities Market Law.

Japan

The Securities 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**"). Accordingly, each Joint Bookrunner has represented and

agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, 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.

Singapore

Each Joint Bookrunner has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Bookrunner has represented, warranted and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities 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 Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, 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 2001 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 Securities 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 Securities pursuant to an offer made under Section 275 of the SFA except:

(i) 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)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification – In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

Each Joint Bookrunner has represented, warranted and agreed that it has not publicly offered, sold, advertised or otherwise made available and will not publicly offer, sell, advertise or otherwise make available any Securities which are the subject of the offering contemplated by this Offering Circular, directly or indirectly, in or into Switzerland within the meaning of the Swiss Financial Services Act of 15 June 2018, as amended ("**FinSA**"), except to any investor that qualifies as a professional client within the meaning of the FinSA.

The Securities have not been and will not be listed or admitted to trading on any trading venue in Switzerland. and neither this Offering Circular nor any other offering or marketing material relating to the Securities constitutes a prospectus pursuant to the FinSA.

Each Joint Bookrunner has represented, warranted and agreed that neither this Offering Circular nor any other offering or marketing material relating to the Securities may be distributed or otherwise made publicly available in Switzerland, except to any investor that qualifies as a professional client within the meaning of the FinSA.

General Information

1. Application has been made for the Securities to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market.

2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Securities.

3. The issue of the Securities was duly authorised by the resolution of the Board of Directors of the Issuer dated 25 October 2022 following the delegation of powers approved by resolutions dated 14 May 2020 of the General Shareholders' Meeting of the Issuer under item eight of the agenda.

4. There has been no significant change in the financial position or financial performance of the Issuer or the Redeia Group since 30 September 2022 and there has been no material adverse change in the prospects of the Issuer or the Redeia Group since 31 December 2021.

5. Neither the Issuer nor any other member of the Redeia Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Redeia Group.

6. Each Security and Coupon will bear the following legend: "*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 U.S. Internal Revenue Code of 1986*".

7. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The International Securities Identification Number (ISIN) for the Securities is XS2552369469 and the Common Code is 255236946.

8. So long as the Securities are listed on the Official List and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), in hard copy from the registered office of the Issuer and from the specified offices of the Paying Agents (at the discretion of the Paying Agents):

    a. the Fiscal Agency Agreement (which includes the form of the Global Securities, the definitive Securities, the Coupons, the Receipts and the Talons) and the Deed of Covenant;

    b. the by-laws (*estatutos*) of each of the Issuer (with English translations);

    c. an English translation of KPMG Auditores, S.L.'s audit report and the audited consolidated annual accounts and consolidated directors' report of the Issuer for each of the years ended 31 December 2021 and 2020;

    d. the published Financial Results which include the unaudited interim Consolidated Income Statement, unaudited interim Consolidated Balance Sheet and unaudited interim Consolidated Cash Flow Statement of the Issuer for the nine-month period ended 30 September 2022; and

    e. a copy of this Offering Circular together with any Supplement to this Offering Circular.

    This Offering Circular is available for viewing at the Luxembourg Stock Exchange at www.bourse.lu and www.redeia.com. Any website mentioned in this Offering Circular shall not form part of this Offering Circular.

9. KPMG Auditores, S.L. has audited the Spanish language consolidated annual accounts as at and for each of the years ended 31 December 2021 and 2020 of the Issuer prepared in accordance with International Financial Reporting Standards as adopted by European Union (IFRS-EU), issuing audit reports without qualification.

10. KPMG Auditores, S.L. (independent auditors) located at Paseo de la Castellana 259C, 28046 Madrid, Spain, and registered in the Official Registry of Accounting Auditors (*Registro Oficial de Auditores de Cuentas*), was re-elected as the independent auditor of the Issuer (i) for the year 2020, pursuant to the resolution of the shareholders' meeting of the Issuer held on 14 May 2020; and (ii) for the years 2021 and 2022, pursuant to the resolution of the shareholders' meeting of the Issuer held on 29 June 2021. KPMG Auditores, S.L. does not have any material interest in the Issuer.

11. Certain of the Joint Bookrunners 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 and/or their affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph, the term "affiliates" also includes parent companies.

12. From (and including) the Issue Date to (but excluding) the First Reset Date, the yield on the Securities will be 4.700 per cent. per annum. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

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