



Red Eléctrica Corporación, S.A.
(incorporated with limited liability under
the laws of the Kingdom of Spain)

EUR 400,000,000 0.875 per cent. Notes due April 2025

The issue price of the EUR 400,000,000 0.875 per cent. Notes due April 2025 (the "**Notes**") of Red Eléctrica Corporación, S.A. (the "**Issuer**") is 99.606 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 14 April 2025. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Kingdom of Spain. The Notes may also be redeemed at the option of the Issuer, in whole or in part, at the Make Whole Redemption Price before 15 January 2025 or at their principal amount in the event of a Substantial Purchase Event or at the Residual Maturity Call Option Redemption Date. See "*Terms and Conditions of the Notes—Redemption and Purchase*".

The Notes will bear interest from 14 April 2020 at the rate of 0.875 per cent. per annum payable annually in arrear on 14 April in each year commencing on 2021.

Payments on the Notes will be made in Euros without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under "*Terms and Conditions of the Notes—Taxation*".

This Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") as a prospectus for the purpose of giving information with regard to the issue of the Notes. In accordance with Article 6(4) of the Law dated 16 July 2019, by approving this Prospectus, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the Issuer. The CSSF has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus nor as an endorsement of the quality of any Notes. Investors should make their own assessment as to the suitability of investing in such Notes. Applications have been made for the Notes to be admitted to listing on the official list and trading on the Luxembourg Stock Exchange's regulated market. The Notes are to be traded in a regulated market only or a segment thereof to which only qualified investors have access.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended, the "**Securities Act**") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Lead Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in bearer form and in the denomination of EUR 100,000 each. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around 14 April 2020 (the "**Closing Date**") with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the

denomination of EUR 100,000 each and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*".

The Notes will be rated BBB+ by Fitch Ratings Limited ("**Fitch**") and BBB+ by S&P Global Ratings Europe Limited ("**Standard & Poor's**").

Fitch and Standard & Poor's are established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). As such, Standard & Poor's and Fitch are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Banca IMI

Banco Santander

Barclays

BBVA

Citigroup

6 April 2020

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IMPORTANT NOTICES

This Prospectus constitutes a prospectus for the purposes of Article 6 of the Prospectus Regulation and Article 6.3 of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

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

The Issuer has confirmed to the Joint Lead Managers named under "*Subscription and Sale*" below (the "**Joint Lead Managers**") that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) 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 Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus or any responsibility for the acts or omissions of the Issuer or any other person (other than the relevant Joint Lead Manager) in connection with the issue and offering of the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

The Joint Lead Managers will not regard any actual or prospective holders of Notes (whether or not a recipient of this Prospectus) as their client in relation to the offering described in this Prospectus and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for providing the services in relation to the offering described in this Prospectus or any transaction or arrangements referred to herein.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*" and "*Selling Restrictions*".

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

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

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

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

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

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

RISK FACTORS

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

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

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

Risks Related to the Issuer

Risks Related to Red Eléctrica's Business and Industry

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

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

Any material changes to this extensive regulatory framework and to the remuneration system may adversely affect Red Eléctrica and the Red Eléctrica 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 Group's cash flow, business, financial condition and results of operation could be materially adversely affected.

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

In its condition of global operator of strategic infrastructure, the Red Eléctrica Group operates, manages and builds multiple electricity transmission and network technical facilities.

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

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

Additionally, Red Eléctrica's 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 2019, investments for development of the Spanish transmission network amounted to EUR396.4 million, compared with EUR378.2 million in 2018. A variety of factors may affect Red Eléctrica Group's capacity to build new facilities including, but not limited to, delays in obtaining regulatory approvals or environmental permits; shortages or changes in the price of equipment, supplies or labour; opposition from local groups, political groups or other stakeholders; adverse meteorological conditions, natural disasters, accidents or other unforeseen incidents which could delay completion of facilities.

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

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

Red Eléctrica Group's operations are heavily concentrated in Spain as the revenues obtained by Red Eléctrica represent, as of 31 December 2019, 90 per cent. of the Group's consolidated revenues (93 per cent. as of 31 December 2018) and 76 per cent. of its total assets (85 per cent. as of 31 December 2018). As a result, any adverse change in Spain's general economic and political conjuncture or any other factor affecting the electricity transmission industry could materially adversely affect Red Eléctrica Group's business prospects, financial condition, results of operations.

The Red Eléctrica Group's business performance is influenced by the economic conditions of the countries in which it operates and, in particular, those of Spain. In recent years, Spain has made relevant efforts to control the public deficit and correct the country's economic imbalances and growth has resumed supported by external demand as well as higher domestic demand, reflecting improved financial conditions and rising confidence. The International Monetary Fund forecasts a growth of the gross domestic product in Spain of 1.6 per cent. in 2020 and 1.6 per cent. in 2021 (source: IMF, World Economic Outlook update January 2020). However, any adverse changes affecting the Spanish economy could have a negative impact on the Group's consolidated revenues and increase the Red Eléctrica Group's consolidated financing costs, circumstances which could have a material adverse effect on the business, prospects, financial condition and results of operations of the Red Eléctrica Group.

The Spanish economy is particularly sensitive to economic conditions in the Eurozone, the main market for Spanish goods and services exports. Any decline in the European economic activity could have an adverse effect on Spanish economic growth. The International Monetary Fund has estimated that growth in the Eurozone is set to moderate to an estimated 1.3 per cent. in 2020 (from 1.4 per cent. previously envisaged) and 1.4 per cent. in 2021 (source: IMF, World Economic Outlook update January 2020).

The Spanish economy faces additional challenges derived from domestic developments such as the recent formation of government on 3 December 2019 and the swearing-in as President of Mr. Pedro Sánchez Pérez-Castejón on 7 January 2020 through a coalition formed by seven political parties and the political instability in the region of Catalonia related to social and political movements pushing for the region's secession from Spain that resulted in the imprisonment of a series of elected representatives and a period of violent protests in Barcelona. Such uncertainty may slow the pace of reforms, enactment of laws, regulations and policies, or impact economic growth in Spain in general and in Catalonia in particular. Additionally, external factors such as the geopolitical uncertainty originated by, amongst other, the exit of the United Kingdom from the European Union on 31 January 2020, the rising international trade tensions between the US and China, volatility in commodity prices, the growing spread of the Coronavirus, or negative market reactions to central bank policies, may affect the growth of the Spanish economy. Continued political uncertainty could negatively affect Spain's economic growth, which, in turn, could have a material adverse effect on the Group's business prospects, financial condition and results of operations.

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

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

Disruptions or failures of Red Eléctrica's computer and information technology systems could cause an interruption to its business, which could have a material adverse effect on its business prospects, financial condition and results of operations. In particular, Red Eléctrica's 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 Group companies suffers a breach in its cyber security or other failure of its information technology systems, it could have a material adverse effect on the Group's business prospects, financial condition and results of operations.

Risks associated with international and telecommunication investments

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

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

– *Investments – International Transmission Investments and Telecommunication Investments*") of assets in addition to risks related to the necessity of a local management team or the integration or retention of local personnel.

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

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

Risks associated to the Issuer's position as guarantor of its subsidiaries

As of 31 December 2019, the Issuer has guaranteed jointly and severally together with Red Eléctrica a private issuance of bonds in the US amounting to 430 million US dollars by Red Eléctrica Financiaciones S.A.U.; a Euro Medium Term Note Programme of up to EUR5,000 million by Red Eléctrica Financiaciones S.A.U. (being EUR3,640 million the outstanding amount of the bonds currently issued as of the date of this Prospectus); a promissory note issuance under the Euro Commercial Paper Programme for an amount up to EUR1,000 million by Red Eléctrica Financiaciones S.A.U. Furthermore, as of 31 December 2019 the Group had extended bank guarantees to third parties in relation to its normal business operations, amounting to EUR233.83 million (EUR194.98 million as of 31 December 2018).

In the event that Red Eléctrica Financiaciones, S.A.U., or any of the other guaranteed Group companies, is unable to meet its debt payment obligations under security issuances or otherwise, the Issuer and Red Eléctrica may be obliged to satisfy any pending amounts, which, in turn, may derive in the loss of material assets and have a negative effect on its business prospects, financial condition, and results of operations.

Risks associated to Joint Ventures and Operations

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

Furthermore, on 22 November 2019, Red Eléctrica Internacional and the Colombian company Grupo Energía Bogotá S.A. ESP reached an agreement to jointly and equally acquire 100 per cent. of the shares in Argo Energia Empreendimentos e Participações S.A. ("**Argo Energia**") owner of three electric transmission concessions in Brazil. The 50 per cent. interest in Argo Energia will be held through Red Eléctrica Brasil as a Joint Venture. Final implementation of the acquisition of Argo is conditioned upon authorisation from Brazil's regulatory agency, ANEEL, and competition authority, CADE.

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

Risks associated with the Issuer's condition as a holding company.

The Issuer, in its condition of 'holding company', conducts its operations and business through its subsidiaries that wholly own the Group's assets and, therefore, depends on the profits and cash flows of its subsidiaries and on their ability to operate profitably and distribute dividends. The inability the Issuer's subsidiaries to meet their debt-servicing obligations pursuant to restrictive under financing agreements, joint venture agreements or other arrangements could impact the amount of dividends or other distributions received from the Issuer's subsidiaries and have a material adverse effect on the Group's business prospects, results of operations, financial condition and cash-flows.

The payment of dividends and other distributions on equity by the Issuer's subsidiaries depend on the laws and regulations in force in the jurisdictions in which the Group companies operate and, if allowed, such distributions may be subject to different tax rates that, in turn, may result in incremental tax costs. The political and economic situation of the countries in which the Group operates poses difficulties in the ascertainment and foreseeability of any changes in their respective applicable laws and regulations in respect of the distribution and repatriation of dividends. In addition, each subsidiary's ability to pay dividends and the withholding tax rate to which dividend distributions are subject depends on the laws and regulations of the jurisdictions in which they are located and from the double-tax or similar treaties in force between the country in which said subsidiary operates and Spain, where the Issuer is domiciled.

Any limitation on the ability of the Issuer's subsidiaries to pay dividends or make other distributions could limit its ability to structure and effectively carry out investments or acquisitions that may be beneficial to the Red Eléctrica Group's business, its ability to pay dividends, or to otherwise fund and conduct its business, to its own discretion.

Financial Risks

Interest rate risk

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

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

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

Liquidity risk

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

EUR535 million, long-term credit lines amounting to EUR1,291 million and cash amounting to EUR767 million as of 31 December 2018.

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

Currency risk

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

Consequently, had the Euro strengthened or weakened by 10 per cent. against the currencies to which the Group is exposed at year end, the Parent's equity would have decreased or increased by approximately EUR 14 million at 31 December 2019 (EUR 7 million at 31 December 2018).

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

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

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

Risks Relating to the Notes

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

There is no active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic

conditions and the financial condition of the Issuer. Although application has been made for the Notes to be admitted to the official list and trading on the Luxembourg Stock Exchange's regulated market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

The Notes may be redeemed prior to maturity

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

In addition the Conditions provide that the Notes are redeemable at the Issuer's option in certain other circumstances and accordingly the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

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

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

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

Risks in relation to legislation

Spanish Tax Rules

The Issuer considers that, pursuant to the provisions of the Royal Decree 1065/2007 ("**RD 1065/2007**"), as amended, it is not obliged to withhold taxes in Spain on any interest paid on the Notes to any Noteholder, irrespective of whether such Noteholder is tax resident in Spain. The foregoing is subject to the Fiscal Agent complying with certain information procedures described in "*Taxation—Taxation in Spain—Information about the Notes in connection with Payments*" below.

The Issuer and the Fiscal Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Notes. The procedures may be modified, amended or supplemented to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof. Under RD 1065/2007, as amended, 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 in order for the Issuer to make payments free from Spanish withholding tax, provided that the securities: (i) are regarded as listed debt securities issued under Law 10/2014 of 26 June 2014 on the management, supervision and solvency of credit institutions; and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another Organisation for Economic Co-operation and Development ("**OECD**") member state. The Issuer expects that the Notes will

meet the requirements referred to in (i) and (ii) above and that, consequently, payments made by the Issuer to Noteholders should be paid free of Spanish withholding tax, provided the Fiscal Agent complies with the procedural requirements referred to above. In the event a payment in respect of the Notes is subject to Spanish withholding tax, the Issuer will pay the relevant Noteholder such additional amounts as may be necessary in order that the net amount received by such Noteholder after such withholding equals the sum of the respective amounts of principal and interest, if any, which would otherwise have been receivable in respect of the Notes in the absence of such withholding.

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 (*Impuesto sobre Sociedades*)), the Issuer will be bound by the opinion and, with immediate effect, will make the appropriate withholding. If this is the case, identification of Noteholders 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 Noteholders information are to apply, the Noteholders will be informed of such new procedures and their implications.

Notwithstanding the above, in the case of Notes 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 Notes may be subject to withholding by such depositary or custodian at the current rate of 19 per cent. and the Issuer may not be required to pay the relevant Noteholder additional amounts (as described above, please see "*Terms and Conditions of the Notes — Taxation*").

In particular, with regard to Spanish entities subject to Corporate Income Tax, withholding could be made if it is concluded that the Notes do not comply with the relevant exemption requirements and those specified in the ruling issued by the Spanish Tax Authorities (*Dirección General de Tributos*) dated 27 July 2004 are deemed included among such requirements. According to said 2004 ruling, application of the exemption requires that, in addition to being traded on an organized market in an OECD country, the Notes are placed outside Spain in another OECD country. In the event that it was determined that the exemption from withholding tax on payments to Spanish corporate Noteholders does not apply to any of the Notes on the basis that they were placed, totally or partially, in Spain, the Issuer would be required to make a withholding at the applicable rate, and no additional amounts will be payable by the Issuer in such circumstances as set out above.

Noteholders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. None of the Issuer, the Joint Lead Managers, the Fiscal Agent or any clearing system (including Euroclear and Clearstream Luxembourg) assume any responsibility therefor.

The procedure described in this Prospectus for the provision of information required by Spanish laws and regulations is an overview only and is subject to further clarification from the Spanish tax authorities regarding the interpretation and application of such laws and regulations. None of the Issuer or the Joint Lead Managers, assumes any responsibility therefor.

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this overview.

The Issuer:	Red Eléctrica Corporación, S.A. (the " Issuer ") incorporated as a limited liability company (<i>sociedad anónima</i>) in the Kingdom of Spain.
Joint Lead Managers:	Banca IMI S.p.A. Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank Ireland PLC and Citigroup Global Markets Limited
The Notes:	EUR 400,000,000 0.875 per cent. Notes due April 2025.
Issue Price:	99.606 per cent. of the principal amount of the Notes.
Issue Date:	Expected to be on or about 14 April 2020.
Use of Proceeds:	The net proceeds from the issue of Notes will be used for the Issuer's general corporate purposes.
Interest:	The Notes will bear interest from 14 April 2020 at a rate of 0.875 per cent. per annum payable annually in arrear on 14 April in each year commencing 2021.
Status:	<p>The payment obligations of the Issuer pursuant to the Notes constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 3 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer and in the event of insolvency (<i>concurso</i>) of the Issuer (and unless they qualify as subordinated claims (<i>créditos subordinados</i>) under Article 92 of Spanish Insolvency Law 22/2003 (<i>Ley Concursal</i>) of 9 July (Law 22/2003 or the Insolvency Law) or equivalent legal provision which replaces it in the future and subject to any legal and statutory exceptions and subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise)) will rank <i>pari passu</i> and without any preference among themselves and <i>pari passu</i> with all other outstanding unsecured and unsubordinated claims against the Issuer, present and future.</p>

*In the event of insolvency (*concurso*) of the Issuer, under the Insolvency Law, claims relating to the Notes (which are not subordinated pursuant to article 92 of the Insolvency Law) will be ordinary claims (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary claims rank below claims against the insolvency estate (*créditos contra la masa*) and claims with special privilege (*créditos con privilegio especial*) or general privilege (*créditos con privilegio general*). Ordinary claims rank above subordinated claims and the rights of shareholders. Interest on the Notes accrued but unpaid as at the commencement of any insolvency proceeding (*concurso*) relating to the Issuer under Spanish law shall thereupon constitute subordinated obligations of the Issuer ranking below its unsecured and unsubordinated obligations. Under Spanish law, accrual of interest on the Notes shall be suspended from the date of any declaration of insolvency.*

Form and Denomination:	<p>The Notes will be issued in bearer form in the denomination of EUR100,000 and will initially be in the form of a Temporary Global Note, to be deposited on or around 14 April 2020 with a common safekeeper for Euroclear Bank SA/NV (Euroclear) and Clearstream Banking, S.A., Luxembourg (Clearstream, Luxembourg). The Temporary Global Note will be exchangeable for a Permanent Global Note, which is exchangeable in whole, but not in part, for Definitive Notes, in limited circumstances.</p> <p>The Temporary Global Note and the Permanent Global Note are to be issued in new global note form (NGN).</p>
Final Redemption:	14 April 2025.
Optional Redemption:	<p>The Notes may be redeemed before their stated maturity at the option of the Issuer, whether in whole or in part, as further described in Condition 5(c) (<i>Redemption at the Option of the Issuer</i>). In such case, the Notes will be redeemed at the Make Whole Redemption Price, plus accrued interest (if any).</p> <p>The Notes may also be redeemed or purchased at the option of the Issuer in the event of a Substantial Purchase Event in accordance with Condition 5(e) (<i>Redemption following a Substantial Purchase Event</i>).</p>
Tax Redemption:	Except as described above, early redemption will only be permitted for tax reasons as described in Condition 5(b) (<i>Redemption and Purchase - Redemption for tax reasons</i>).
Residual Maturity Call Option:	The Issuer may (subject as set out in Condition 5(f) (<i>Residual Maturity Call Option</i>)), on giving not less than 15 nor more than 30 days' notice to the Noteholders, redeem the Notes, in whole but not in part, at their principal amount together with any accrued and unpaid interest up to (but excluding) the date fixed for redemption, which shall be no earlier than three months before the Maturity Date.
Negative Pledge:	The Notes will have the benefit of a negative pledge provision as described in Condition 3 (<i>Negative Pledge</i>).
Cross Default:	The Notes will have the benefit of a cross default as described in Condition 8 (<i>Events of Default</i>).
Rating:	<p>The Notes are expected to be rated BBB+ and BBB+ by Fitch and Standard & Poor's.</p> <p>In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA or in the UK and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA or in the UK but is endorsed by a credit rating agency established in the EEA or in the UK and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA or in the UK which is certified under the CRA Regulation.</p>
Withholding Tax:	Under Spanish Law 10/2014 and Royal Decree 1065/2007, income obtained in respect of the Notes will not be subject to withholding tax in Spain, provided that the Fiscal Agent provides the Issuer with certain information relating to the Notes, in a timely manner. See " <i>Taxation – Taxation in the Kingdom of Spain – Information</i>

about the Notes in Connection with Payments". If the Fiscal Agent fails to provide the Issuer with the required information described under "*Taxation — Taxation in the Kingdom of Spain — Information about the Notes in Connection with Payments*", the Issuer may be required to withhold tax (as at the date of this Prospectus, at a rate of 19 per cent.) on payments made in respect of the Notes and no additional amounts will be payable in respect of any amounts withheld.

Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. The formalities relating to the issuance of the Notes and Condition 2 (<i>Status</i>) and any non-contractual obligations arising out of or in connection with Condition 2 (<i>Status</i>) are governed by Spanish law.
Listing and Trading:	An application has been made for the Notes to be admitted to listing on the official list and trading on the Luxembourg Stock Exchange's regulated market.
Clearing Systems:	Euroclear and Clearstream, Luxembourg
ISIN:	XS2154441120
Common Code:	215444112
Selling Restrictions:	See " <i>Subscription and Sale</i> ".
Risk Factors:	Investing in the Notes involves risks. See " <i>Risk Factors</i> ".

DOCUMENTS INCORPORATED BY REFERENCE

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

(1) the English translation of the audited consolidated annual accounts of Red Eléctrica Corporación, S.A. and its subsidiaries as at and for the year ended 31 December 2019 that shall be available for viewing at:

https://www.ree.es/sites/default/files/downloadable/CONSO_CCAA_En.pdf; and

(2) the English translation of the audited consolidated annual accounts of Red Eléctrica Corporación, S.A. and its subsidiaries as at and for the year ended 31 December 2018 that shall be available for viewing at:

https://www.ree.es/sites/default/files/downloadable/CCAA_ingles.pdf.

Each document incorporated herein by reference is only as of the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of the Group, as the case may be, since the date thereof or that the information contained therein is current as of any time subsequent to its date.

Any documents incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, the information contained on the corporate website of the Issuer does not form part of this Prospectus.

For ease of reference, the tables below set out the relevant page references for the English translations of the consolidated primary financial statements, the notes to the consolidated annual accounts and the Auditors' reports for the years ended December 2018 and December 2019 for the Issuer as set out in the respective annual reports. Any information not listed in the cross-reference table but included in the documents incorporated by reference is given for information purposes only and is considered as additional information and is not required by the relevant schedules of Commission Delegated Regulation EU) 2019/980:

Red Eléctrica Corporación, S.A.

Consolidated Annual Accounts Year ended 31 December 2019

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Red Eléctrica Corporación, S.A.

Consolidated Annual Accounts Year ended 31 December 2018

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English translations

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

TERMS AND CONDITIONS OF THE NOTES

The EUR 400,000,000 0.875 per cent. Notes due April 2025 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 13 (*Further issues*) and forming a single series therewith) of Red Eléctrica Corporación, S.A. (the "**Issuer**") are the subject of a fiscal agency agreement dated 14 April 2020 (as amended or supplemented from time to time, the "**Fiscal Agency Agreement**") between the Issuer, Citibank Europe PLC as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them. Copies of the Fiscal Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Fiscal Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination and Title**

The Notes are serially numbered and in bearer form in the denomination of EUR100,000 with Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

2. **Status**

The Notes constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer which (unless they qualify as subordinated credits under Article 92 of Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the "**Insolvency Law**")) in the event of the insolvency (*concurso*) of the Issuer will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, and in particular, save for such payment obligations that are preferred by law under Articles 84, 90 and 91 of the Insolvency Law.

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

3. **Negative Pledge**

So long as any Note remains outstanding the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (i) at the same time or prior thereto securing the Notes equally and rateably therewith, or (ii) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

In these Conditions:

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

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

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

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

"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;

"Relevant Indebtedness" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market); and

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

4. **Interest**

The Notes will bear interest from 14 April 2020 (the **"Issue Date"**) at the rate of 0.875 per cent. per annum, (the **"Rate of Interest"**) payable in arrear on 14 April in each year (each, an **"Interest Payment Date"**), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be EUR 875 in respect of each Note of EUR100,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount, where:

"Calculation Amount" means EUR100,000;

"Day Count Fraction" 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, divided by the number of days in the Regular Period in which the relevant period falls; and

"Regular Period" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

5. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 14 April 2025 (the "**Maturity Date**"), subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if:
 - (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 14 April 2020; and
 - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

- (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

- (c) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer in whole or, in part on any Interest Payment Date (each a "**Call Settlement Date**") at an amount equal to the higher of:
 - (i) 100 per cent. of the principal amount of such Notes; and
 - (ii) the sum of present values of the principal amount outstanding of the Notes to be redeemed and interest thereon to maturity (exclusive of interest accrued to the Call Settlement Date) calculated at the Rate of Interest discounted to the Call Settlement Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Bond Rate (as defined below) plus the Redemption Margin (the "**Make Whole Redemption Price**"), *provided however that* if a Call Settlement Date occurs

on or after 14 January 2025 the amount at which the Notes may be redeemed will be equal to 100 per cent of the principal amount of the Notes,

plus (in either case) accrued interest to (but excluding) the relevant Call Settlement Date.

The Issuer shall give not less than 30 nor more than 60 days' notice of the exercise of the option specified in this Condition 5(c) to the Noteholders (which notice shall be irrevocable, but may (at the option of the Issuer) be conditional on one or more conditions precedent being satisfied, or waived by the Issuer, and shall oblige the Issuer to redeem the Notes specified in such notice on the relevant Call Settlement Date subject to the fulfilment or waiver of such conditions precedent).

Where:

"**business day**" has the meaning given to that term in Condition 6(f) (*Payments on business days*);

"**DA Selected Bond**" means the government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the Remaining Term of the Notes, that would be utilised, at the time of selection and in accordance with customary financial practice, in determining the redemption price of corporate debt securities denominated in the same currency as the Notes and with a comparable remaining maturity to the Remaining Term of the Notes;

"**Determination Agent**" means an independent adviser, investment bank or financial institution of recognised standing selected by the Issuer;

"**Quotation Time**" means 11.00 a.m. Frankfurt time;

"**Reference Bond**" means DBR 0.500% February 2025 or if this is no longer outstanding on the relevant Reference Date, the DA Selected Bond;

"**Reference Bond Price**" means, with respect to the Reference Date, (i) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (ii) if fewer than five such Reference Government Bond Dealer Quotations are received, the arithmetic average of all such quotations;

"**Reference Bond Rate**" means, with respect to any Reference Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) for the Remaining Term or interpolated yield for the Remaining Term (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Reference Date;

"**Reference Date**" means the date falling three London business days prior to the Call Settlement Date;

"**Reference Government Bond Dealer**" means each of five banks selected by the Issuer (following, where practicable, consultation with the Determination Agent, if applicable), or their affiliates, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues;

"**Reference Government Bond Dealer Quotations**" means, with respect to each Reference Government Bond Dealer and the Reference Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its principal amount) at the Quotation Time on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer;

"**Redemption Margin**" means 0.25; and

"Remaining Term" means the term to maturity.

- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 5(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 5(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed.
- (e) *Redemption following a Substantial Purchase Event:* If a Substantial Purchase Event (as defined below) has occurred, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (*Notices*), redeem or purchase (or procure the purchase of), at its option, the Notes in whole, but not in part, in accordance with these Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the date of redemption or purchase.

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

A "**Substantial Purchase Event**" shall be deemed to have occurred if at least 80 per cent. of the aggregate principal amount of the Notes originally issued (which for these purposes shall include any further Notes issued subsequently) is purchased by the Issuer or any of its Subsidiaries (and in each case is cancelled in accordance with Condition 5(i)).

- (f) *Residual Maturity Call Option:* The Issuer may, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall specify the date fixed for redemption (the "**Residual Maturity Call Option Redemption Date**")), at its option, redeem the Notes, in whole but not in part, at their principal amount together with any accrued and unpaid interest up to (but excluding) the date fixed for redemption, which shall be no earlier than three months before the Maturity Date.

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

- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption at the option of the Issuer*) above.
- (h) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.
- (i) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them may be cancelled or may be resold, at the option of the Issuer or the relevant Subsidiary.

6. **Payments**

- (a) *Principal:* Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.

- (b) *Interest:* Payments of interest shall, subject to paragraph (g) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *Interpretation:* In these Conditions:
- "**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;
- "**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;
- and
- "**TARGET System**" means the TARGET2 system.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes 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 Noteholders or Couponholders in respect of such payments.
- (e) *Deduction for unmatured Coupons:* If a Note is presented without all unmatured Coupons relating thereto, then:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
- (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

- (f) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means, with respect to place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET System is open.
- (g) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (h) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.

7. **Taxation**

All payments of principal and interest in respect of the Notes 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 thereof 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 as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (a) presented for payment by, or on behalf of, a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of the holder having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
- (b) 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
- (c) 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 Notes of such holder as it is required by the applicable Spanish tax laws and regulations, including a duly executed and completed certificate from the Fiscal Agent, pursuant to Law 10/2014 of 26 June, and any implementing legislation or regulation (for example, Royal Decree 1065/2007, of 27 July); or
- (d) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Kingdom of Spain, references in these Conditions to the Kingdom of Spain shall be construed as references to the Kingdom of Spain and/or such other jurisdiction.

8. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within fourteen days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within twenty one days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof to the Issuer; or
- (c) **Cross-default**:
 - (i) any Relevant Indebtedness of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Relevant Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
 - (iii) the Issuer fails to pay when due any amount payable by it under any Guarantee of any Relevant Indebtedness,

provided that the amount of Relevant Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds EUR50,000,000 (or its equivalent in any other currency or currencies); or
- (d) *Enforcement proceedings*: a distress, attachment, execution, or other legal process is levied, enforced or sued out, on or against all or a material part of the property, assets or revenues of the Issuer and is not discharged or stayed within 90 days; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer; or
- (f) *Insolvency etc*: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made), (iii) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

- (g) *Winding up etc*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (h) *Analogous event*: any event occurs which under the laws of the Kingdom of Spain has an analogous effect to any of the events referred to in paragraphs (d) to (g) above (including, but not limited to, any suspension of payments or bankruptcy (*concurso de acreedores*)); or
- (i) *Failure to take action etc*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Kingdom of Spain is not taken, fulfilled or done; or
- (j) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

9. **Prescription**

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

10. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. **Paying Agents**

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

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain a fiscal agent.

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

12. **Meetings of Noteholders; Modification**

- (a) *Meetings of Noteholders*: The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders

holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

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

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. 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 Noteholders to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13. **Further Issues**

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

14. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London and in Europe (which is expected to be the *Financial Times*) or published on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu/>), or, in either case if such publication is not practicable, in a leading English language daily newspaper having general circulation in London and in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

15. **Currency Indemnity**

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

currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

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

16. **Governing Law and Jurisdiction**

- (a) *Governing law:* Save as described below, the Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. The formalities relating to the issuance of the Notes, Condition 2 (*Status*) and any non-contractual obligations arising out of or in connection with Condition 2 (*Status*) are governed by Spanish law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute regarding any non-contractual obligation arising out of or in connection with the Notes).
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *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 Fifth Floor, 100 Wood Street, London EC2V 7EX, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

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

The Notes are intended to be held in a manner which would allow Eurosystème eligibility - that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystème monetary policy and intra-day credit operations by the Eurosystème either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystème eligibility criteria.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of EUR 100,000 each at the request of the bearer of the Permanent Global Note if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

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

If:

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

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant dated 14 April 2020 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

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

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

Payments on business days: In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note "**business day**" means any day on which the TARGET System is open.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 5(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount at their discretion).

Notices: Notwithstanding Condition 14 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Electronic Consent and Written Resolution: While any Global Note is held on behalf of a clearing system, then:

- (a) 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 Notes 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 a special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Fiscal Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by (a) accountholders in the clearing system with entitlements to such Global Note or Global Note Certificate and/or, where (b) 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 Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, 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 Notes is clearly identified together with the amount of such holding. Neither the Fiscal Agent nor the Issuer shall 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.

USE OF PROCEEDS

The net proceeds from the issue of Notes will be used for the Issuer's general corporate purposes. The estimated net amount of the proceeds is EUR 396,494,000.

DESCRIPTION OF THE ISSUER

Introduction

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

The Issuer is registered with the Mercantile Registry (*Registro Mercantil*) of Madrid, Spain, under Volume 214, Book 191, Folio 38, Section 3, Page 62853, 1st registration entry and operates under Spanish Law. The Issuer 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 Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, Spain, and its telephone number is + 34 91 650 20 12.

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

The Issuer's share capital as of the date of this Prospectus is EUR270,540,000.

The Issuer's website is www.ree.es. For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website does not form part of this Prospectus.

No recent events relating to the 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 which are necessary for or enable its fulfilment, provided that they comply with the law.

Background

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

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

Law 17/2007 came into force on 6 July 2007 and modified the Electrical Sector Law in accordance with European regulations ("**Law 17/2007**"). Red Eléctrica de España'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 de España, including changes to its company articles of association and a restructuring of the company.

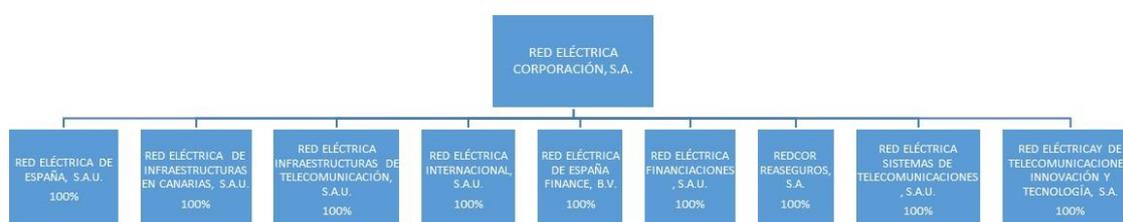
Red Eléctrica de España's organisational structure was transformed into a holding structure to establish transparency and clear division between different regulated activities in Spain, such as the electricity system's transmission and operation.

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

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

The Red Eléctrica Group

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



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

Business

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

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

The Red Eléctrica Group's principal activity is electricity transmission, system operation and management of the transmission network for the Spanish electricity system. These regulated activities are carried out through Red Eléctrica S.A.U. as TSO of the Spanish electricity system and, as of 31 December 2019, they represented 90 per cent. of the Group's total revenues (93 per cent. as of 31 December 2018) and they are described below in a specific section "Management of electric infrastructure in Spain".

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

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

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

(ii) *Telecommunications Business*

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

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

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

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

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

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

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

Investments

Investment Plan

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

Transmission network investments in Spain

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

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

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

Telecommunication Investments

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

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

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

International Transmission Investments

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

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

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

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

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

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

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

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

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

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

The transaction price to be paid by Red Eléctrica Internacional is R\$1,775 billion (approximately EUR382 million at the exchange rate of 22 November 2019), subject to some adjustments depending on the timing for final completion for the acquisition. Final implementation of the acquisition is conditioned upon authorisation from Brazil's regulatory agency, ANEEL, and competition authority, CADE.

Management

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

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

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

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

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

The business address of the members of the Board of Directors is Paseo Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, Spain. As at the date of this Prospectus and other than as disclosed herein, 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 the Issuer.

Issuer's Credit rating

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

Rating Agency	Long-term	Short-term	Outlook	Latest date of review of rating
Fitch Ratings España, S.A.U.	A-	F1	Stable	6 June 2019
S&P	A-	A-2	Stable	21 May 2019

Management of electric infrastructure in Spain

As mentioned above, the main activity of the Group comprises electricity transmission, system operation and management of the transmission network for the Spanish Electricity System, carried out through Red Eléctrica de España, S.A.U. ("**Red Eléctrica S.A.U.**")

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

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

Transmission

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

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

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

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

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

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

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

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

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

Quality indicators	2019(*)
Network availability index (per cent.)	97.9
Average interrupt time (AIT) in minutes	0.101

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

Remuneration model

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

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

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

Remuneration for investments

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

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

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

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

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

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

Operation and maintenance costs

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

As described under the title "*Remuneration model*", the new operation and maintenance unit values have been established by Circular 7/2019. These operation and maintenance values have been reduced from the

one established in the Order IET/2659/2015 and applied over the last regulatory period. A limitation of the 50 per cent. of the reduction has been implemented in the model, in order to share the impact of the new unit values in the remuneration.

End of the assets' useful life

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

maintenance remuneration plus a new term called REVU:

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

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

Remuneration for Assets in operation

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

Nevertheless, for the valuation of fixed assets with the right to remuneration of installations in service, a distinction

has been made between values in service before 1998, and those starting up after 1 January 1998:

- Value of assets entered into service before 1998 is calculated implicitly, based on the actual remuneration received for the investment component and an average residual life was established in 7 years from 2016. A resolution from the Directorate General of Energy Policy and Mines (*Dirección General de Política Energética y Minas*) ("**DGPEM**") of MITECO has increased in 1 year the residual life for these assets.
- Value of assets commissioned subsequent to 1998 will be measured at their replacement cost based on the benchmark unit values, and taking into account their specific useful life.

Global incentive for availability of the transmission network

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

Current remuneration of the transmission activity

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

For 2020, the remuneration for transmission will be calculated and approved by our National Regulatory Agency according to the methodology established in Circular 5/2019. The main changes in the new model for the regulatory period 2020-2025 are the new REVU term, the reduction in the operation and maintenance unit values and the profit-sharing methodology applied in that reduction. However, since the already mentioned discussion with the Regulator is still not solved, the remuneration for 2020 has been, once again, fixed provisionally (*Resolución de 26 de febrero de 2020, de la Comisión Nacional de los*

Mercados y la Competencia, por la que se establece provisionalmente la retribución de las empresas titulares de instalaciones de transporte de energía eléctrica para el ejercicio 2020). Hence, the amount recognized for 2020 is EUR1,681 million (same as the previous years).

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

System Operation

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

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

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

- Independence
- Non-discrimination
- Transparency
- Objectivity
- Efficiency

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

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

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

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

Environmental Matters

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

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

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

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

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

At the date of this Prospectus, the Red Eléctrica Group has no material litigation or contingencies relating to environmental protection.

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

Overview of the Spanish Electricity Industry

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

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

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

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

The "Tariff Deficit" (the deficit between regulated costs and income obtained from tariffs) was one of the most considerable challenges in the Spanish electricity sector as a result of this regulatory framework. In

order to eliminate this problem, during the years 2012 and 2013 numerous changes were made to the Electricity Act of 1997 to reduce regulatory costs, and to encourage the incremental increase in income of the electricity sector. These changes precipitated the reform of electricity sector regulation, finally compiled in a new version of the Electricity Act ("**Ley 24/2013**"), which ratifies Red Eléctrica's designation as sole transmission and system operator.

Regulatory bodies in the Spanish electricity industry

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

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

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

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

Regulation of transmission activity

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

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

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

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

- i. the technical and safety conditions of the facility and the corresponding equipment;
- ii. the existence of adequate measures for environmental protection;
- iii. the appropriateness of the proposed location; and

iv. the legal, technical and financial capability of the applicant company.

The construction, operation and maintenance of Red Eléctrica's 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 Circular 5/2019 of 5 December, of the CNMC, establishing the methodology for the calculation of the remuneration of the electric energy transmission.

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

Regulation of system operator activity

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

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

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

The regulation of non-mainland electricity systems in Spain

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

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

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

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

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

The Internal Electricity Market

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

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

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

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

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

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

One of the most recent developments regarding the internal electricity market which strongly affects Red Eléctrica S.A.U., is the explicit reference to the 10 per cent electricity interconnection target for 2020 as established in the communication published in February 2015 entitled "Achieving the 10 per cent electricity interconnection target Making Europe's electricity grid fit for 2020", and 15 per cent for 2030, in the Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action ("**Regulation (EU) 2018/1999**"). Also particularly relevant for Red Eléctrica de España, 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). The signatories ratified their support to the Biscay Gulf interconnection Project and formally signed the "Grant agreement" of EUR578 Million (grant by the European Commission, from the "Connecting Europe Facility" funds). The parties also renewed their support to the conclusions of the European Council of 24th October 2014 with regard to the interconnection target of 10 per cent. for 2020 and of 15 per cent. for 2030.

The 3rd list of Projects of Common Interest ("**PCI**"), published in the Official Journal of the European Union (OJEU), on the 6 April 2018, which includes 2 new interconnection projects between the Iberian Peninsula and France, through the Atlantic Pyrenees (projects Aragón-Atlantic Pyrenees and Navarra-Landes) in Commission Delegated Regulation (EU) 2018/540 of 23 November 2017. These two projects (along with an additional interconnection project with Portugal and the Biscay Gulf project) were also included as PCI projects under the 4th PCI list published by the European Commission in October 2019. This list has been recently (February 2020) ratified by the Plenary of the European Parliament and is still pending the final ratification from the Council of the European Union. Once approved, the 4th list of PCI will be published in the Official Journal of the European Union (OJEU).

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

TAXATION

The tax laws of the investor's jurisdiction and of the Issuer's jurisdiction might have an impact on the income received from the Notes. The following is a general description of certain Spanish, US and EU tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This overview is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment". Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

Taxation in Spain

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

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

- (a) of general application, Additional Provision One of Law 10/2014, of 26 June on the management, supervision and solvency of credit institutions ("**Law 10/2014**"), as well as Royal Decree 1065/2007, of 27 July establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules, as amended ("**Royal Decree 1065/2007**");
- (b) for individuals with tax residency in Spain who are personal income tax ("**Personal Income Tax**") taxpayers, Law 35/2006, of 28 November on Personal Income Tax and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law as amended (the "**Personal Income Tax Law**"), and Royal Decree 439/2007, of 30 March promulgating the Personal Income Tax Regulations as amended along with Law 19/1991, of 6 June on Wealth Tax as amended and Law 29/1987, of 18 December on Inheritance and Gift Tax;

- (c) for legal entities resident for tax purposes in Spain which are corporate income tax ("**Corporate Income Tax**" or "**CIT**") taxpayers, Law 27/2014 of 27 November on Corporate Income Tax (the "**CIT Law**"), and Royal Decree 634/2015 of 10 July promulgating the Corporate Income Tax Regulations (the "**Corporate Income Tax Regulations**"); and
- (d) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax ("**Non-Resident Income Tax**") taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law as amended (the "**NRIT Law**"), and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations as amended ("**Non-Resident Income Tax Regulations**"), along with Law 19/1991, of 6 June on Wealth Tax as amended 2014 and Law 29/1987, of 18 December on Inheritance and Gift Tax.

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

1 Individuals with Tax Residency in Spain

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

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes would constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the Personal Income Tax Law, and should be included in each investor's taxable savings and taxed at the tax rate applicable from time to time, currently 19 per cent. for taxable income up to EUR6,000, 21 per cent. for taxable income between EUR6,000.01 and EUR50,000, and 23 per cent. for taxable income exceeding EUR50,000. As a general rule, both types of income are subject to a withholding tax on account at the current rate of 19 per cent.

According to Section 44.5 of RD 1065/2007, of 27 July, the Issuer will make interest payments to individual holders who are resident for tax purposes in Spain without withholding provided that the relevant information about the Notes set out in Annex I is submitted by the Fiscal Agent in a timely manner. In addition, income obtained upon transfer, redemption or exchange of the Notes may also be paid without withholding.

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

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

1.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals with tax residency in Spain would be subject to Wealth Tax to the extent that their net worth exceeds EUR700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*)). Therefore, they should take into account the value of the Notes which they hold as at 31 December in each year, the applicable marginal rates ranging between 0.2 per cent. and 2.5 per cent.

In accordance with article 3 of Royal Decree-Law 18/2019, of 27 December, a full exemption (*bonificación del 100 per cent.*) on Wealth Tax will apply in 2021 and therefore, Spanish individual holders will be released from formal and filing obligations in relation to this Wealth Tax, unless the exemption is revoked in the future.

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

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

2 Legal Entities with Tax Residency in Spain

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

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

The current general tax rate according to CIT Law is 25 per cent. However, this general rate will not be applicable to all CIT taxpayers and, for instance, it will not apply to banking institutions (which will be taxed at the rate of 30 per cent.).

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

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

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

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

Spanish resident legal entities are not subject to Wealth Tax.

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

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

3 Individuals and Legal Entities with no Tax Residency in Spain

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

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

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

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

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

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

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

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

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed EUR700,000 in respect of each tax year would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent., without prejudice to any other exemption that may be applicable.

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

In accordance with article 3 of Royal Decree-Law 18/2019, of 27 December, a full exemption (*bonificación del 100 per cent.*) on Wealth Tax will apply in 2021 unless such tax credit is revoked. Non-Spanish resident legal entities are not subject to Wealth Tax.

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

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

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

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

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

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

4 Information about the Notes in Connection with Payments

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

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

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

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

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

Accordingly, the Issuer will not be liable for any damage or loss suffered by any holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding. The procedures for providing documentation referred to in this section are set out in detail in the fiscal agency agreement dated 14 April 2020 (the "**Fiscal Agency Agreement**") which may be inspected during normal business hours at the specified office of the Fiscal Agent.

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

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

5 The proposed European financial transactions tax

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

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary' market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and participating Member States may decide not to participate.

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

6 The proposed Spanish financial transactions tax

On 18 February 2020, the Spanish Council of Ministers approved a draft bill (the "**Draft Bill**"), the purpose of which is to implement a Spanish financial transactions tax (the "**Spanish FTT**").

According to the Draft Bill, it is proposed that a Spanish FTT, at a rate of 0.2 per cent., applies to certain acquisitions of listed shares issued by Spanish companies whose market capitalisation exceeds EUR1 billion, regardless of the jurisdiction of residence of the parties involved in the transaction.

If the Draft Bill was finally approved in its current terms through the legislative procedure, the Spanish FTT would not apply in relation to an issue of Notes under the Programme. Prospective holders of the Notes are advised to seek their own professional advice in relation to the Spanish FTT.

Set out below is Annex I. The information has been presented in English only as the language of this Prospectus is English. The English has been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. However, only the Spanish language text of Annex I is recognised under Spanish law. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only. The CSSF has not reviewed nor approved the Spanish language parts.

ANNEX I

The translation into English of this certificate is for information only and, in the case of discrepancy with the Spanish language version, such Spanish version will prevail. The CSSF has not reviewed nor approved the Spanish language parts.

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 approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as passed by Royal Decree 1065/2007, of 27 July.

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):

(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) Fiscal 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.

3. 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 ena dede

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**
- (2) 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

Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank Ireland PLC and Citigroup Global Markets Limited (the "**Joint Lead Managers**") have, in a subscription agreement dated 6 April 2020 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes on the Issuer Date. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

Prohibition of Sales to EEA and UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area or 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 (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
- (b) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes 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 Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

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

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

Kingdom of Spain

Each Joint Lead Manager has represented and agreed that the Notes may only be offered or sold in Spain to professional clients (*clientes profesionales*) as defined in Article 205 of the Restated Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of 23 October 2015 (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (the "**Spanish Securities Market Law**") and Article 58 of Royal Decree 217/2008, of 15 February (*Real Decreto 217/2008, de 15 de febrero, sobre el regimen jurídico de las empresas de servicios de inversion y de las demás entidades que prestan servicios de inversion y por el que se modifica parcialmente el Reglamento de la Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva, aprobado por Real Decreto 1209/2005, de 4 de noviembre*) and eligible counterparties (*contrapartes elegibles*) as defined in Article 207 of the Spanish Securities Market Law, and in accordance with the provisions of the Spanish Securities Market Law and further developing legislation.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation. Each Joint Lead Manager has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time) and any other applicable laws and regulations;
- (ii) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply to the best of its knowledge (on reasonable grounds after making all reasonable investigations) and belief with all applicable securities laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any offering material relating to the Notes. Other persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the notes, in all cases at their own expense.

In addition to the applications described in this Prospectus, the Issuer may, on or after the date of this Prospectus, make applications for one or more further certificates of approval under Article 25 of the Prospectus Regulation to the competent authority in any Member State.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 25 February 2020.

Legal and Arbitration Proceedings

2. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries.

Significant/Material Change

3. Since 31 December 2019 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries nor any significant change in the financial position or performance of the Issuer or the Issuer and its Subsidiaries. Since 31 December 2019 there has been no significant change in the financial performance of the Group.

Auditors

4. The Spanish language consolidated annual accounts of the Issuer for each of the years ended 31 December 2018 and 31 December 2019 have been audited and the respective reports have been issued, without qualification, by KPMG Auditores, S.L. of Paseo de la Castellana, 259 C 28046 Madrid, registered with the Madrid Commercial Register under volume 11,961 and sheet M-188007, and registered with the Official Registry of Accounting Auditors (ROAC) under number S0702 (*Registro Oficial de Auditores de Cuentas*). KPMG Auditores, S.L. is a member of the *Instituto de Censores Jurados de Cuentas de España*.

Validity of the Prospectus and Prospectus Supplements

5. This Prospectus is valid for twelve months. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Prospectus after the admission to trading of the Notes. The obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when a prospectus is no longer valid.

Documents on Display

6. Copies of the following documents (together with English translations thereof) may be inspected at the Issuer's website at www.ree.es for 12 months from the date of this Prospectus:
 - (a) the By-laws (*estatutos*) of the Issuer;
 - (b) 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 2018 and 31 December 2019 prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
 - (c) the Fiscal Agency Agreement and the Deed of Covenant.

This Prospectus will be available, in electronic format, on the website of the Luxembourg Stock Exchange (www.bourse.lu) and the Issuer (www.ree.es).

For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website of the Issuer or the CSSF does not form part of this Prospectus.

Yield

7. On the basis of the issue price of the Notes of 100 per cent. of their principal amount, the yield of the Notes is 0.956 per cent.

ISIN and Common Code

8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS2154441120 and the common code is 215444112.

Listing

9. This Prospectus has been approved by the CSSF as competent authority under the Prospectus Regulation. The CSSF has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, and such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II. The Notes may also be admitted to trading on any other European regulated market or multilateral trading facility as may be agreed by Red Eléctrica Corporación, S.A.

Ratings

10. The Notes will be rated BBB+ by Fitch and BBB+ by Standard & Poor's.

In accordance with Fitch's ratings definitions, a rating of "BBB+" indicates that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

In accordance with Standard & Poor's ratings definitions, a rating of "BBB+" indicates adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.

Stabilisation

11. In connection with the issue of the Notes, Banco Santander, S.A. (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail.

However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council.

Expenses related to the admission to trading

12. For informative purposes only, an approximate estimate of the expenses payable by the Issuer in relation to the admission to trading is EUR4,700.

The Legal Entity Identifier

13. The Legal Entity Identifier (LEI) code of the Issuer is 5493009HMD0C90GUV498.

Conflicts of Interest

14. Certain of the Joint Lead Managers have engaged, and may in the future engage, in investment banking and/or commercial banking transactions (including, without limitation, the provision of loan facilities) with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited

to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

15. In addition, in the ordinary course of their business activities, the Joint Lead Managers 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 and its affiliates. Certain of the Joint Lead Managers of their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Lead Managers 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.

REGISTERED OFFICE OF THE ISSUER

RED ELÉCTRICA CORPORACIÓN, SOCIEDAD ANÓNIMA

Paseo del Conde de los Gaitanes, 177
28109 Alcobendas (Madrid)
Spain

JOINT LEAD MANAGERS

Banca IMI S.p.A.

Largo Mattioli, 3
20121 Milano
Italy

Banco Bilbao Vizcaya Argentaria, S.A.

Calle Saucedo 28,
Edificio Asia
Madrid 28050
Spain

Banco Santander, S.A.

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Edificio Magdalena, Planta 1
28027, Madrid
Spain

Barclays Bank Ireland PLC

One Molesworth Street
Dublin 2
DO2RF29
Ireland

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

FISCAL AGENT

Citibank Europe PLC

1, North Wall Quay
Dublin 1, Ireland

LUXEMBOURG LISTING AND PAYING AGENT

Banque Internationale à Luxembourg, société anonyme

69 route d'Esch
L-2953 Luxembourg
(Grand Duchy of Luxembourg)

LEGAL ADVISERS

To the Issuer as to Spanish law:

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Spain

To the Joint Lead Managers as to English and

Spanish law:

CLIFFORD CHANCE, S.L.P.U.

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AUDITORS TO THE ISSUER

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