NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U.

(incorporated with limited liability under the Kingdom of Spain)

€2,000,000,000
Euro Medium Term Note Programme

unconditionally and irrevocably, jointly and severally, guaranteed by

NED ESPAÑA DISTRIBUCIÓN GAS, S.A.U. and
NED SUMINISTRO GLP, S.A.U.

(incorporated with limited liability under the laws of the Kingdom of Spain)

Under the Euro Medium Term Note Programme (the "**Programme**"), NorteGas Energía Distribución, S.A.U. (formerly Naturgas Energía Distribución, S.A.U.) (the "**Issuer**" or "**NED**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**") unconditionally and irrevocably, jointly and severally, guaranteed (the "**Guarantee of the Notes**") by each of NED España Distribución Gas, S.A.U. (formerly EDP España Distribución Gas, S.A.U.) and NED Suministro GLP, S.A.U. (formerly Naturgas Suministro GLP, S.A.U.) (each, a "**Guarantor**" and, together, the "**Guarantors**" and, together with the Issuer, the "**Group**"). The aggregate nominal amount of Notes outstanding will not at any time exceed €2,000,000,000 (or the equivalent in other currencies).

This Offering Circular constitutes a base listing particulars and has been approved by the Irish Stock Exchange plc (the "**Irish Stock Exchange**"). Application will be made to the Irish Stock Exchange for the admission of Notes issued under the Programme during the period of twelve months after the date hereof to listing on the official list (the "**Official List**") and to trading on the Global Exchange Market of the Irish Stock Exchange (the "**Global Exchange Market**"), which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for purposes of Directive 2004/39/EC on Markets in Financial Instruments (the "**Markets in Financial Instruments Directive**"). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

This Offering Circular does not comprise (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) (the "FSMA") or (ii) an Offering Circular for the purposes of the Prospectus Directive (as defined herein). This Offering Circular has been prepared solely with regard to Notes that are (i) not to be admitted to listing or trading on any regulated market for the purposes of the Markets in Financial Instruments Directive and (ii) not to be offered to the public in a Relevant Member State (as defined herein) (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive (as defined herein)).

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**") or a permanent global note in bearer form (the "**Permanent Global Note**") in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Pricing Supplement, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary' for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Pricing Supplement, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Tranche of Notes in registered form ("**Registered Notes**") will initially be represented by a global registered note (the "**Global Registered Notes**") and will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

The Programme is expected to be rated, and the Notes are, on issue, expected to be rated BBB- by Standard & Poor's Credit Market Services Europe Limited. Standard & Poor's Credit Market Services Europe Limited is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). Standard & Poor's Credit Market Services Europe Limited appears on the latest update of the list of registered credit rating agencies (as of 12 September 2017) on the ESMA website http://www.esma.europa.eu.

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.

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

Arranger

J.P. Morgan

Dealers

BNP PARIBAS	**Crédit Agricole CIB**	**ING**
J.P. Morgan		**Santander Global Corporate Banking**

12 September 2017

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IMPORTANT NOTICES

Each of the Issuer and the Guarantors accepts responsibility for the information contained in this Offering Circular and the Pricing Supplement (as defined below) for each Tranche of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular and the Pricing Supplement for each Tranche of Notes issued under the Programme is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called the pricing supplement (the "**Pricing Supplement**") or in a separate offering circular specific to such Tranche (the "**Drawdown Offering Circular**").

This Offering Circular must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Pricing Supplement, must be read and construed together with the relevant Pricing Supplement. In the case of a Tranche of Notes which is the subject of a Drawdown Offering Circular, each reference in this Offering Circular to information being specified or identified in the relevant Pricing Supplement shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular unless the context requires otherwise.

Each of the Issuer and the Guarantors has confirmed to the Dealers named under "*Subscription and Sale"* below that this Offering Circular contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the Guarantee of the Notes) material (including all such information as is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and rights attaching to the Notes and the Guarantee of the Notes); that such information is true and accurate in all material respects and is not misleading in any material respect in light of the circumstances then subsisting; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect in light of the circumstances under which they were made; that this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the Guarantee of the Notes) not misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

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

Except for the Issuer and the Guarantors, no other party has separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular and none of them makes any representation or warranty, express or implied, or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular or for any other statement, made or purported to be made by a Dealer or on its behalf in connection with the Issuer, the Guarantors, or the issue and offering of the Notes. Each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantors since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. None of the Dealers undertakes to review the financial condition or affairs of the Issuer or the Guarantors during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers.

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

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

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed €2,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

In this Offering Circular, unless otherwise specified, references to a "Member State" are references to a Member State of the European Economic Area and references to "€" or "euro" are to the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Union, as amended from time to time.

Certain figures included in this Offering Circular 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.

This Offering Circular has been prepared on the basis that any offer of the Notes in any Member State of the European Economic Area (the "**EEA**") (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes which are the subject of an offering contemplated in this Offering Circular as completed by Pricing Supplement in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer, any Guarantor or any Dealer has authorised, nor do they authorise, the making of any offer of the Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

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

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to the Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Pricing Supplement. A list of rating agencies registered under the CRA Regulation can be found at http://www.esma.europa.eu. A rating is not a recommendation to buy or sell or hold the Notes and may be subject to suspension, change or withdrawal by the assigning rating agency.

In connection with the issue of any Tranche of Notes, a Dealer or Dealers (if any) acting as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) may over allot the 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, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.

OFFERING CIRCULAR SUPPLEMENT

Each of the Issuer and the Guarantors has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Offering Circular which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Offering Circular is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantors, and the rights attaching to the Notes, the Issuer shall prepare a supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

OVERVIEW

The following general description of the Programme does not purport to be complete and is taken from, and is in its entirety qualified by, the remainder of this Offering Circular and, in relation to the Conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this overview of the Programme.

Issuer:	NorteGas Energía Distribución, S.A.U.
Guarantors:	NED España Distribución Gas, S.A.U. and NED Suministro GLP, S.A.U.
Risk Factors:	Investing in the Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantors to fulfil their respective obligations under the Notes are discussed under "*Risk Factors"* below.
Arranger:	J.P. Morgan Securities plc.
Dealers:	Banco Santander, S.A., BNP Paribas, Credit Agricole Corporate and Investment Bank, ING Bank N.V. and J.P. Morgan Securities plc, and any other Dealer appointed from time to time by the Issuer and the Guarantors either generally in respect of the Programme or in relation to a particular Tranche of Notes only.
Fiscal Agent and Paying Agent:	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent:	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Listing Agent:	Maples and Calder.
Listing and Trading:	Application will be made for the Notes issued under the Programme to be admitted to the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer and as specified in the relevant Pricing Supplement.
Initial Programme Amount:	Up to €2,000,000,000 (or its equivalent in other currencies) aggregate principal amount of the Notes outstanding and guaranteed at any one time. The Issuer and the Guarantors may increase the initial Programme amount in accordance with the terms of the Dealer Agreement.
Issuance in Series:	The Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Forms of Notes:	The Notes may be issued in bearer form or in registered form.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Pricing Supplement, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Pricing Supplement, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes.

If TEFRA D (as defined below) is specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Each Tranche of Notes represented by a Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Currencies:

The Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Status of the Notes and the Guarantee of the Notes:

The Notes will constitute direct, general, unconditional, unsubordinated and (without prejudice to Condition 5 (*Negative Pledge)*) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Guarantee of the Notes will constitute direct, general, unconditional, unsubordinated and (without prejudice to Condition 5 *(Negative Pledge)* unsecured obligations of the Guarantors which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Notes will further have the benefit of a deed of subordination dated 27 July 2017 in respect of certain shareholder debt between the Issuer and

	its indirect parent, Nature Investments S.à r.l, until such shareholder debt has been extinguished.
Issue Price:	The Notes may be issued at any price as specified in the relevant Pricing Supplement. The price and amount of the Notes to be issued under the Programme will be determined by the Issuer, the Guarantors and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. In the case of Zero Coupon Notes the amount to be paid up by investors will be at least €100,000 (or its equivalent in other currencies).
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuers or the relevant currency. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer. No money market instruments having a maturity at the date of issue of less than 12 months will be offered to the public or admitted to trading on a regulated market under this Offering Circular.
Redemption:	The Notes may be redeemable at par or at such other Redemption Amount as may be specified in the Conditions or relevant Pricing Supplement provided that such amount shall be at least 100% of the nominal value of the Notes.
Optional Redemption:	If so specified in the Pricing Supplement, the Notes may be redeemed prior to their stated maturity at the option of the Issuer in accordance with Condition 10(c) *(Redemption at the option of the Issuer),* Condition 10(h) *(Clean-up call option)* or Condition 10(i) *(Pre-maturity call option)* and/or the Noteholders in accordance with Condition 10(e) *(Redemption on sale of assets),* Condition 10(f) *(Redemption on loss of licence)* or Condition 10(g) *(Redemption on change of control).*
Tax Redemption:	Except as described above, early redemption will only be permitted for tax reasons as described in Condition 10(b) *(Redemption for tax reasons).*
Interest:	The Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes:	Fixed rate interest will bear interest in accordance with Condition 6 *(Fixed Rate Note Provisions).*
Floating Rate Notes:	Floating Rate Notes will bear interest in accordance with Condition 7 *(Floating Rate Note Provisions).*

Zero Coupon Notes:	Zero Coupon Notes will be payable in accordance with Condition 9 *(Zero Coupon Note Provisions)*.
Denominations:	No Notes may be issued under the Programme which (a) have a minimum denomination of less than €100,000 (or the equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, the Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5 *(Negative Pledge)*.
Cross Default:	The Notes will have the benefit of a cross default as described in Condition 14(c) *(Cross Default)*.
Taxation:	All payments in respect of the Notes will be made free and clear of withholding taxes, unless the withholding is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer or, as the case may be, the Guarantors, subject to certain exceptions as are more fully described in Condition 13 *(Taxation)*.
Governing Law:	English law.
Enforcement of Notes in Global Form:	In the case of Notes represented by the Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated on or around 12 September 2017, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Ratings:	Upon issuance, the Notes are expected to be rated BBB- by Standard & Poor's Credit Market Services Europe Limited. Standard & Poor's Credit Market Services Europe Limited are established in the EEA and registered under the CRA Regulation. Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to the Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Pricing Supplement.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, the Kingdom of Spain and Japan see *"Subscription and Sale"* below. The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended. The Notes will be issued in compliance with U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the United States Internal Revenue Code of 1986, as amended, (the ("**Code**"))

("**TEFRA D**") unless (i) the relevant Pricing Supplement states that Notes are issued in compliance with U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) ("**TEFRA C**") or (ii) the Notes are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

RISK FACTORS

The Issuer and the Guarantors believe that the following factors may affect their ability to fulfil their obligations under the Notes and the Guarantee of the Notes. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantors are in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Guarantors believe may be material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below.

The Issuer and the Guarantors believe that the factors described below represent the principal risks inherent in investing in the Notes issued under the Programme, but the Issuer and the Guarantors may be unable to pay interest, principal or other amounts on or in connection with any Notes or the Guarantee of the Notes (as the case may be) for other reasons and neither the Issuer nor the Guarantors represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Risks related to the Group

Risks relating to changes in regulation

The Group is engaged in the distribution of natural gas and liquefied petroleum gas ("**LPG**"), which is a regulated activity. Spanish, European and regional regulations determine the scope of the business undertaken by the Group and the remuneration scheme applicable to the distribution of natural gas and LPG. Consequently, the Group's business, prospects, financial position and operating results could be materially adversely affected by changes in laws, regulations or regulatory policies that apply to its business such as: (i) changes in the current remuneration scheme or in some of the variables used to determine the remuneration scheme for the distribution of natural gas and LPG; (ii) liberalisation of the distribution of natural gas and LPG markets in Spain or their associated services; (iii) amendments to the current exclusivity granted in favour of respective distributors of natural gas with respect to specific activities within specific geographical zones, which also gives them, in certain cases, preferential treatment with respect to the neighbouring geographical zones; (iv) changes concerning whether licences, approval, concessions or agreements to operate ("**Approvals**") are granted or renewed or whether there have been any breaches of their respective terms; (v) the imposition of additional obligations; (vi) the creation of new taxes that may increase the price of natural gas and LPG and adversely affect its demand; and (vii) other decisions relating to the impact of general economic conditions, climate change and levels of permitted revenues in relation to proposed business development activities.

In addition, the Group's ability to undertake specific projects is subject to it being able to obtain the relevant Approvals. Further, it should be noted that many of the Group's Approvals are subject to the fulfilment of certain commitments which, if not met, can lead to sanctions, a reduction in remuneration, revocation of the Approvals and enforcement of any guarantees provided, which could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Risks relating to changes in the regulated remuneration scheme applicable to the Group

In Spain, the main source of income for a company engaged in the distribution of natural gas is the regulated remuneration defined and settled by the regulators as part of the periodical system of costs settlements. Regulated remuneration constituted 99% of the Group's total revenue as of 31 December 2016. According to the current regulatory framework the purpose of this payment is to enable distributors of natural gas to recover their investment, pay the costs of running and maintaining the distribution system and earn a reasonable return. The annual amounts to be paid to each such distribution company are set out in accordance with the rules laid down, *inter alia*, in the 1998 Hydrocarbon Sector Law amended by Law 8/2015, Royal Decree 949/2001, of 3 August, and Law 18/2014, of 15 October, and related and implementing regulations.

The regulated remuneration for each natural gas distribution company is determined every year by the Ministry of Energy, Tourism and Digital Agenda (*Ministerio de Energía, Turismo y Agenda Digital*) ("**MINETAD**"). As of 2002, the regulated remuneration for each year has been based on the previous year's regulated remuneration. A parametric formula, which is stipulated in the regulations, is used to determine the regulated remuneration applying fixed parameters. This formula was updated in the second half of 2014 by Law 18/2014 and reduced the remuneration for natural gas distribution by approximately €110 million, with an estimated annualised effect

on the Group of approximately €9 million. Factors taken into account when calculating the regulated remuneration include, increases or reductions in (i) the number of connection points (and whether these are located in recently gasified areas) and (ii) the volume of gas distributed compared to the preceding year.

Further, the prices applicable to the LPG supply through pipelines are also regulated and calculated according to a formula approved by Ministerial Order of 16 July 1998, as amended by Order ITC/3292/2008.

In addition to this regulated remuneration relating to gas distribution and LPG supply, gas distribution companies in Spain, including the Group, also receive income from ancillary services. The prices of some of these services are also regulated by the national or regional governments. For example, the activation and maintenance of connection points, the rental of meters and the inspection and construction of new supply lines or connection points are all sources of other regulated revenues. These ancillary services represent 13% of the Group's total revenues for the year ended 31 December 2016. If the prices that the distribution companies are able to charge for these ancillary activities were changed or were not sufficient to cover all the costs, this could directly adversely affect the income received or the profitability of such natural gas and LPG distributors, such as the Group.

Out of 2016 Revenues of €201m, 99% are regulated. Any change in the regulated remuneration scheme or in the prices for ancillary services, as described above or otherwise, could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Risks relating to changes in the parameters used for the current regulated remuneration formula

As explained, regulated remuneration of gas distribution is annually determined by the MINETAD according to a parametric formula established by Law 18/2014 and using the relevant parameters approved by the Spanish Government for regulatory periods of six years.

The Spanish Government may decide to review these remuneration parameters for the next regulatory period (or after three years following their approval in the event of significant fluctuations of regulated income and costs). The Government has a margin of discretion to set the new values and may decide to, for instance, no longer incentivise the gasification of new municipalities. Nonetheless, any parameters approved by the Government shall be proportionate and compliant with the rest of principles applicable to regulated remuneration in Spain.

If the current parameters are reviewed, distributors of natural gas, like the Group, could see smaller-than-expected increases or even decreases in their revenues which could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Uncertain macroeconomic climate could affect the Group's financial position

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

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

A breach of the Group's authorisations could expose the Group to the risk of losing such authorisations

If a distribution company does not comply with its commitments and does not extend its distribution network in the manner described in its authorisations, its authorisations may be left without effect. This means that if the Group does not make an investment included in its authorisation application, it will not be under any obligation to carry it out, but the authorisation may be revoked (so that another company could be authorised to construct distribution facilities in the area). Furthermore, the Group posts a bond in the amount of 2% of the budget of the proposed project, and the relevant public administrative body may retain such bond pursuant to the terms of the authorisation. The Group is currently in compliance with the obligations and conditions imposed for all of the Group's preliminary authorisations, and no administrative procedures have been commenced to revoke or to declare null and void any of the Group's authorisations due to breaches of the obligations and conditions imposed. Should any authorisations be revoked or declared null and void, the loss of such authorisation may have a material adverse effect on the Group's business, financial position, results of operations and prospects.

The Group has been in the past and could in the future be required to partially finance a tariff imbalance in the Spanish natural gas system

The regulated remuneration is paid to distributors through a settlement process that takes into consideration revenues and costs in the Spanish natural gas system. If there are no sufficient revenues to cover the remuneration of regulated activities (and the other regulated costs), a tariff deficit in the gas system appears.

As a consequence of costs exceeding revenues, tariff deficits have been generated in the Spanish natural gas system. This has in the past created situations in which the Group has not received its full regulated remuneration for the relevant calendar year, although deficits were in each case paid in the subsequent year or postponed to following years.

The accumulated deficit up to and including 31 December 2014 has been officially quantified as €1,025,052,945.66 by means of the 2014 final settlement resolution adopted by the Spanish Competition and Markets Authority (*Comisión Nacional de los Mercados y la Competencia*) ("**CNMC**") on 24 November 2016.

Law 18/2014 has expressly recognised the right of those companies which funded this aggregated deficit (until the end of 2014) to recover the portion that they "financed", plus an interest rated, through the different annual settlements over the following 15 year (ending on 24 November 2031); and Order ETU/1977/2016 has approved the amount to be paid each year to the relevant company, plus the applicable interest rate.

As of 2015, two kinds of deficits may arise: (i) a short-term deficit resulting from monthly settlements (i.e. a deficit resulting from an imbalance between costs and revenues shown in a given monthly settlement); and (ii) a deficit resulting from the annual settlement (i.e. if the short-term deficit is not solved prior to the end of a given year, the annual deficit would appear).

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

As the new rules have only been recently implemented, and despite those rules having been designed with the aim of reducing imbalances, there remains a risk that imbalances will be generated. Indeed, if the imbalances are generated below these thresholds, all regulated participants in the Spanish natural gas system (including the Group) shall contribute (in proportion to the regulated remuneration to which they are entitled) to temporarily fund such imbalance. These contributions are credited in favour of the relevant companies to be paid over the following five years.

The accumulated deficit in 2015 has been officially quantified as €27,231,873.55 by means of the 2015 final settlement resolution adopted by the CNMC on 24 November 2016. Order ETU/1977/2016 has also approved the allocation of this deficit among the gas distribution companies in Spain, which are to be paid on a monthly basis, increased by the applicable interest rate, over five years.

Notwithstanding this, the Group has recorded a €67.66 million receivable in respect of the accumulated deficit as of 31 December 2016 , €63.17 million of which is recorded as a long-term receivable to be received over 15 years, and €4.49 million of which has been recorded as a short-term receivable.

Moreover, in response to a large imbalance, the regulator could choose to adversely change regulations governing remuneration that the Group receives, and such adverse change in regulations could reduce the remuneration that the Group receives. As such, if imbalances in the Spanish natural gas system develop, it could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

By way of example, although not directly relevant to the Group, in the context of legislative measures adopted in relation to tariff deficit, Royal Decree Law 13/2014 established urgent measures in relation to the natural gas sector. It terminated the concession for operating the Castor natural gas underground storage facility and the relevant facilities to be put in hibernation. As a result Enagas Transporte, S.A.U. shall pay €1,350 million to the holder of the concession, as recognition for the investments made related to the research and exploration works undertaken to operate the Castor natural gas underground storage facility. This amount will be collected from the gas system over a period of 30 years and paid to Enagas Transporte, S.A.U. starting from the first settlement of the gas system corresponding to the revenues accrued from 1 January 2016. In addition, Enagas Transporte, S.A.U. are in charge of the operation and maintenance of these facilities during its hibernation. The maintenance, operation and other costs established in the Royal Decree Law 13/2014 will also be collected from the gas system and paid to Enagas Transporte, S.A.U through the gas system's settlements corresponding to the monthly billing.

Risks related to taxation in Spain and the Bizkaia territory

The Group is subject to many different forms of national, regional and local taxation, both direct and indirect, including, but not limited to, income tax, withholding tax, value added tax, sales tax and other payroll taxes. Tax laws and administration criteria are not a clear-cut area, are subject to changes and often require the Group to make subjective interpretations. In this respect, as a result of any future tax inspection , additional taxes could be identified, which could lead to a substantial increase in the Group's tax obligations (including any accrued interest and penalties), either as a result of the relevant tax payment being levied directly on the Group or as a result of the Group becoming liable for tax as a secondary obligor due to a primary obligor's failure to pay. Economic instability and difficult economic conditions in Spain have resulted in a decline in tax revenue obtained by the Spanish public administration, which has resulted in the past and may result in the future in higher effective tax rates. Eventually, an increase of our tax burden may have to be passed on to our customers.

Spanish and Bizkaia tax legislation may restrict the deductibility, for Spanish tax purposes, of all or a portion of the interest on our indebtedness, thus reducing the cash flow available to service our indebtedness.

Bizkaia (Basque Country)

As a general rule, Basque Country companies resident in Bizkaia can deduct with no limitations the interest arising from non-related parties' debt, the related parties' debt being limited to a 3:1 debt to equity thin capitalisation ratio, and subject to compliance with transfer pricing rules.

Common territory

The Spanish Corporate Income Tax Law, contains a general limitation on the deductibility of certain net financial expenses incurred by a Spanish Corporate Income Tax taxpayer (or by the Corporate Income Tax consolidated group to which such entity belongs) exceeding the 30% of its annual operating profit (defined as the EBITDA subject to certain adjustments); a €1 million will be deductible in any case. Deductible interest after the application of the aforementioned limitations will be referred hereto as the "*Maximum Threshold*".

The apportionment of non-deducted interest in a given fiscal year, may be deducted in the following fiscal years, subject to the Maximum Threshold in each subsequent fiscal year. If the amount of net financial expenses in a given fiscal year is below the Maximum Threshold, the difference between the net financial expenses deducted in that year and the Maximum Threshold may increase such Maximum Threshold in the immediate subsequent 5 years. As of 31 December 2016, the Group has zero deferred tax asset related to non-deductible financial expenses.

The impact of the above rules on the Group's ability to deduct interest paid on indebtedness could increase the Group's tax burden and therefore negatively impact the Group's business, financial position, results of operation and prospects.

Risks relating to Spanish withholding tax in Notes issued by NED

NED considers that, pursuant to the provisions of Foral Decree 205/2008 and Royal Decree 1065/2007, it is not obliged to withhold taxes in Spain on any interest paid under the Notes to any Noteholder, irrespective of whether such Noteholder is tax resident in Spain or not. The foregoing is subject to the fulfilment of certain information procedures described in "*Taxation in Spain - Disclosure of Information in Connection with the Notes*" below.

In this regard, according to Foral Decree 205/2008 and Royal Decree 1065/2007, any interest paid by NED under securities that (i) can be regarded as listed debt securities issued under Law 10/2014 2014 of 26 June, on organization, supervision and solvency of credit institutions ("**Law 10/2014**") and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state, will be made free of Spanish withholding tax provided that the relevant paying agent fulfils the information procedures described in "*Taxation in Spain - Disclosure of Information in Connection with the Notes*" below. NED considers that the Notes meet the requirements referred to in (i) and (ii) above and that, consequently, payments made by NED to Noteholders should be paid free of Spanish withholding tax (subject to the fulfilment of the aforementioned information procedures).

It is expected that the paying agent will follow certain procedures to facilitate the timely provision by the paying agent to the Issuer of a duly executed and completed Payment Statement in connection with each payment of income under the Notes. If such procedures are not followed, however, the Issuer will make the relevant Spanish withholding tax at the applicable rate (currently 19%) from any income payment in respect of the Notes. Such procedures may be revised from time to time in accordance with changes in the applicable Spanish laws and regulations or administrative interpretations thereof.

Prospective investors should note that none of the Issuer nor the paying agent will be liable for any damage or loss suffered by any Noteholder who would otherwise be entitled to an exemption from Spanish withholding tax because these procedures prove ineffective. Moreover, the Issuer will not pay any additional amounts with respect to any such Spanish withholding tax. Therefore, to the extent a payment of income in respect of the Notes is not exempt from Spanish withholding tax, including due to any failure by the paying agent to deliver a duly executed and completed Payment Statement, beneficial owners may have to apply directly to the Spanish tax authorities for any refund to which they may be entitled.

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 (19%.).

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 Issuer, any Guarantor or any Dealer, or the Agent assume any responsibility thereof.

Application of Law 10/2014 to Notes issued by NED

Foral Law 1/2012, of 29 February (applicable in the territory of Bizkaia) which establishes a special tax regime identical to that set forth under Law 13/1985, of 25 May, formerly applicable in the Spanish common territory and repealed by Law 10/2014, has not yet been amended so as to reflect, for the territory of Bizkaia, identical provisions to those set forth under Law 10/2014.

However, it should be noted that according to Law 12/2002 of 23 May of the Economic Arrangement with the territory of the Basque Country (i) withholding tax rates applicable to capital income in the Foral territories should be identical to those applicable in the common territory; and (ii) the legislation applicable in the common territory should also be applicable to the Foral territories, as long as the relevant Foral territory has not passed the corresponding legislation.

On the basis of the above, NED is of the opinion that Law 10/2014 should be applicable to the Notes issued by it and consequently:

(i) the Notes issued by NED would benefit from the application of Law 10/2014, irrespective of the use given to the net proceeds of the issue of the Notes (i.e., there is no need for the net proceeds to be deposited with its parent company);

(ii) NED is not obliged to withhold taxes in Spain on any interest paid under the Notes to any Noteholder, irrespective of whether such Noteholder is tax resident in Spain; and

(iii) information procedures to be fulfilled for the Notes to benefit from the application of Law 10/2014 are those stated under Article 55 of Foral Decree 205/2008 in accordance with Article 44 of Royal Decree 1065/2007 (the annex of which serves as a form for the Declaration to be made by the Agent in the absence of a specific annex provided for under Foral Decree 205/2008).

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

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

(i) the possibility of an adverse economic environment, which would negatively affect the performance of the Group's businesses;

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

(iii) failure to obtain regulatory approval or licences necessary for expansion of the business;

(iv) volatility in the demand for natural gas or the failure to correctly estimate projected natural gas demand over coming years;

(v) natural gas price evolution compared to other energy sources (LPG, gasoil);

(vi) technological improvements in other energy sources, as well as regulatory changes in favour of other energy sources; and

(vii) loss of market share in respect of periodical inspections of gas delivery facilities following the removal of the exclusivity previously held by gas distribution companies in respect of these inspection services ("**Loss of Inspection Services Exclusivity**") (see further below).

Law 8/2015 of 21 May, amending Law 34/1998 of the hydrocarbon sector (the "**Hydrocarbon Sector Law**") and certain tax and non-tax measures in connection with the exploration, research and exploitation of hydrocarbons was enacted in May 2015 ("**Law 8/2015**"). Law 8/2015 modifies several provisions of the Hydrocarbon Sector Law, including, *inter alia*, certain provisions affecting the gas distribution business. None of these provisions are expected to have a direct impact on the Group's activity or performance, save for the Loss of Inspection Services Exclusivity. Going forward other licensed entities (natural gas installation companies) shall also be entitled to render such services. The income derived from the aforementioned inspection services represented 4.3% of the Group's aggregate revenue during the financial year ended 31 December 2016. Although the Group considers that it is, in all material respects, in compliance with the laws governing its activities, it is subject to a complex set of laws. If the competent public or private sector bodies were to interpret or apply such laws in a manner contrary to the Group's interpretation of them, such compliance could be questioned or challenged and, if any non-compliance were to be alleged or proven, it could have a material adverse effect on the Group's subsidies, business, financial position, results of operations and prospects.

Risk associated with LPG connection points acquisition

During 2016, the Group completed the acquisition of approximately 82,761 LPG piped propane connection points and approximately 300km of gas distribution network within the Group's distribution area for a purchase price of €116 million. Risks associated with this investment include:

(i) technological improvements in other energy sources;

(ii) changes in LPG regulation, and in particular the regulated formula for the maximum price calculation for purchases and sales of LPG;

(iii) customer conversion (as it requires authorisation from official organisations and city councils as well as the legal analysis of current LPG supply contracts);

(iv) risks resulting from the operation of the LPG distribution network; and

(v) risk arising from non-payment by any customer.

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

Risks associated with changes in gas demand and connection points

Achieving growth in the Group's business is closely linked to growth in the actual number of connection points, which in turn is correlated with gas demand in the Group's designated territory. Demand for gas, compared with other forms of energy, in particular for heating domestic and other properties, is a driver for new connection points as well as for retention of existing connection points in the Group's designated territory. Additionally, growth in the number of connection points and in demand for natural gas is a direct component of the parametric formula determining the Group's regulated remuneration (see "*Remuneration scheme and other regulated revenues*"). Growth in connection points and trends in gas demand depend on a series of factors beyond the Group's control. These factors include, among others, the development of the electricity sector, the development of alternative energies, the price of natural gas in comparison to other energies, the general economic situation in Spain, international crisis, climate change, the availability of capacity for international imports of natural gas and environmental legislation.

Also, the demand for natural gas is closely related to climate. In peninsular Spain, both the electricity and gas systems are winter peak systems, which means that, generally, demand is higher during the cold weather months and lower during the warm weather months. A significant portion of the demand for natural gas in the cold weather months is related to the production of heating. The revenues and operating results of the Group from the distribution of natural gas could be affected by periods of unseasonably warm weather during these months. For example, compared to historical average winter temperatures of 6.5° C between December and February, unusually mild weather was experienced in 2013-2014, with average temperatures of 7.5° C between December 2013 and February 2014 and 2015-2016 with average temperatures of 8.2º C between December 2015 and February 2016 (source: Bloomberg).

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

The Group's remuneration is determined annually by MINETAD based, among other factors, on the number of connection points and the growth in demand for natural gas. Therefore, if the connection points or demand for natural gas in the area where the Group operates do not increase at the foreseen rate, the Group's revenues and strategic plan could be affected, which could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Risk due to geographic concentration of the distribution activity

The Group distributes natural gas exclusively in the autonomous regions of Asturias, Cantabria and the Basque Country. Therefore, all sources of revenue come from operations in a limited geographic area. Thus, due to the fact that the increase of revenues of the Group depends, among other factors, on the increase in the number of connection points and on the demand for natural gas, the Group is concentrating its risk in the economic, demographic and urban development growth of three regions. Moreover, in the event of a catastrophe, natural disaster, adverse weather conditions, criminal or terrorist acts or other events or conditions affecting the regions, the Group could be severely impacted as we do not benefit from geographic diversity. If the regions do not

experience growth, or if they suffer from any such event or condition, it could result in a material adverse effect on the Group's business, financial position, results of operations and prospects.

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

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

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

Operational and financial risks associated with network separation from EDP Group

On 27 July 2017, NED entered into a transitional services agreement with EDP Iberia, S.L.U. (together with its subsidiaries from time to time, the "**EDP Group**") pursuant to which the latter is providing certain services to the Group for it to be able to operate on a standalone basis and independently from the EDP Group (the "**TSA**"). Therefore, the Group relies on the services provided by EDP Iberia, S.L.U. under the TSA. The TSA provides that EDP Iberia, S.L.U. may terminate the agreement in case of material breach by the Group. If EDP Iberia, S.L.U. terminates the TSA or defaults in the performance of its obligations thereunder, the Group may be unable to contract with a substitute service provider on similar terms or at all, and the costs of substituting EDP Iberia, S.L.U. may be substantial. In addition, in light of EDP Iberia, S.L.U.'s familiarity with the Group's assets and business, a substitute service provider may not be able to provide the same level of service. If the Group cannot locate a service provider that is able to provide it with services substantially similar to those provided by EDP Iberia, S.L.U. under the TSA on similar terms, it would likely have a material adverse effect on the Group's business, financial position, results of operations and prospects.

In addition, the operation of the Group's business activities is still dependent on information technology ("**IT**") systems of the EDP Group. Such IT systems are vulnerable to a number of problems such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centres and computer viruses. IT systems need regular upgrading; the EDP Group may not implement necessary up-grades on a timely basis or at all and upgrades may not function as anticipated. Furthermore, failure to protect the IT systems from cyber-attacks could result in the loss of sensitive information for the Group, which could result in reputational damage, litigation and remediation costs. A major disruption to the IT systems could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Risk of making investments not contemplated in the investment plan

Spanish regulation of the natural gas sector provides that in order to satisfy demand for natural gas, if there is a request from a consumer in a specific area covered by an authorisation, the distribution company holding such authorisation is obliged to expand its gas network to satisfy such demand under the "connection point regime". In such cases, distribution companies assume all the costs involved in tendering the first six metres of extension in the service line from the distribution network and the remainder of the service line length may be, subject to the discretion of the distribution company, paid by the <4bar customer at a unit price per metre set by regulation. For >4bar customers, there is not a regulated price.

If the Group is required to develop a project in the circumstances set out above, such investment might not be as profitable as others available to the Group and could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Environmental and health and safety risks

Aspects of the Group's activities are potentially dangerous, such as the construction, operation and maintenance of gas distribution networks and ancillary installations or the LPG tanks. In addition, there may be other aspects of its operations that are not currently regarded or proven to have adverse effects but that could become so, such as contaminated land, gas emissions (for example, effects on cloud formations with consequences for wild species and habitats) or problems relating to the pipes used to transport natural gas (for example, the discovery of asbestos). The Group is also increasingly subject to regulation in relation to climate change and to laws and regulations relating to pollution, the protection of the environment and the use and disposal of hazardous substances and waste materials. This exposes the Group to costs and liabilities relating to its operations and properties, including those inherited from predecessor bodies or bodies formerly owned by it and sites used for the disposal of its waste. The cost of any future environmental remediation obligation is often inherently difficult to estimate and uncertainties can include the extent of contamination, the appropriate corrective actions and the Group's share of the liability.

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

Risks resulting from the operation of the gas distribution network

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

In the course of all of the Group's business activities, direct or indirect losses may also be caused by inadequate internal processes including inaccurate meter readings. For example, differences between the reported incoming gas in the Group's network and the gas that the Group has allocated to suppliers according to its meter readings, above the 1% maximum permitted leakages <4bar ("*mermas*"), could lead to a negative settlement. Such negative settlement could require the Group to compensate the supplier for the gas that it has introduced into the Group's network and that has not been allocated to such supplier, which in turn would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Furthermore, the Group may suffer a major network failure or interruption due to import restrictions, pipeline ruptures, lack of international supply or otherwise, or may not be able to carry out critical non-network operations. Operational performance could be materially adversely effected by a failure to maintain the health of the system or network, inadequate forecasting of demand or inadequate record keeping or failure of information systems and supporting technology.

This could cause the Group to fail to meet agreed standards of service or incentive and reliability targets or be in breach of its Approvals or any other regulatory requirement or contractual obligation. Further, even incidents that do not amount to a breach could result in adverse regulatory and financial consequences and affect the Group's financial position and operating results or harm the Group's reputation.

Risk assumed by a distribution company in case of non-payment by a natural gas supplier

The main source of revenue for a company that distributes natural gas (such as the Group) is the regulated remuneration that is (i) defined by MINETAD and (ii) settled in compliance with the instructions given by the CNMC at monthly settlements between the parties in the gas system (of which the Group is one).

Distribution companies' regulated remuneration is defined through operation of this monthly settlement. Every month, the CNMC settles the regulated revenues and regulated costs of all agents which carry out activities in the gas system. In the monthly settlement process, the CNMC determines the proportional share of the annual payment for that month and will compare that amount with the monthly amount already invoiced by the relevant distribution company for tolls charged to the suppliers of natural gas who have a regulated TPA contract to access the distribution network.

If the tolls and charges invoiced by a distribution company are higher than its regulated remuneration for that month, the distribution company must pay the difference to the gas system, and the CNMC will instruct how such excess amount shall be paid to other companies engaged in regulated activities. Conversely, if the monthly regulated remuneration is higher than the amounts invoiced to natural gas suppliers as tolls and charges, the distribution company must receive the difference from the gas system through the instructions issued by the CNMC to other companies engaged in regulated activities (provided that the revenues of the gas system are sufficient to cover all costs for that month, including the regulated remuneration; otherwise, a short-term deficit will arise).

The gas system and the regulations consider the amounts invoiced to suppliers of natural gas as revenue for the distribution company regardless of whether or not such amounts have been collected. Therefore, the risk of non-payment of the amounts invoiced as tolls to suppliers of natural gas is borne by the distribution company (and the suppliers of natural gas bear the risk of non-payment from end customers that are invoiced by such suppliers).

Moreover, because the Group receives substantially all of its regulated remuneration from mainly four natural gas suppliers, non-payment by even one supply company could have a material adverse effect on the Group's business, financial position, results of operations and prospects. To avoid this risk, the Royal Decree 984/2015 has developed a guarantee system that covers part of the non-payments.

In case of non-payment, a distribution company may suspend the access contract of the relevant supplier of natural gas 10 days after the date on which a formal demand (*requerimiento fehaciente*) of payment was served. This means that during a certain period of time, the risk of non-payment is borne by the distribution companies. Any such non-payment could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Insurance

The Group seeks to maintain insurance coverage on all its key property and liability exposures in the international insurance market. No assurance can be given that the insurance coverage acquired by the Group provides adequate or sufficient coverage for all events or incidents. The international insurance market is volatile and therefore there can be no guarantee that existing coverage will remain available or will be available at commercially acceptable rates.

Interest rate risk

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

Liquidity and availability of funding risks

The Issuer intends to access the long-term capital markets to refinance the Group's existing €1.3bn term loan facilities through one or more issues of Notes under this Programme. The Group's refinancing strategy also includes a revolving credit facility being available in order to facilitate the Group's access to liquidity. Certain of the Dealers have participations in the Group's existing term loan facilities that are expected to be repaid as part of the refinancing.

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

Litigation

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

As of the date of this Offering Circular there are no pending or threatened governmental, legal or arbitration proceedings against or affecting the Group which may have, or have had during the 12 months prior to the date hereof, individually or in the aggregate, a significant effect on the financial position or profitability of the Group and, to the best knowledge of the Group, no such actions, suits or proceedings are threatened or contemplated.

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

While the ability of employees, contractors or trade unions to strike is limited by regulation and agreements and is subject to the maintenance of minimum service levels, the Group can give no assurance that there will not be labour-related actions in the future, including strikes or threats of strikes. The Group has only experienced two general labour stoppages since its incorporation. The first was a strike on 29 March 2012, and the second was a strike on 14 November 2012. Both were country-wide. As of the date of this Offering Circular, there have not been any strikes affecting the Group specifically, and the Group is not aware of any material labour dispute, other than disputes within the normal course of business. Nonetheless, the threat of strikes or work stoppages can result and could result in disruptions and increased costs. Such disputes and resulting disruption and costs could have a material adverse effect on the Group's business and results of operations.

Risks relating to the Notes

The Notes may be redeemed prior to maturity

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

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. This Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on the other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Calculation Agent

The Issuer may appoint a Dealer as Calculation Agent in respect of an issue of Notes under the Programme. In such a case the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Notes issued at a substantial discount or premium

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

Regulation and reform of "benchmarks", including LIBOR, EURIBOR and other interest rate, foreign exchange rate and other types of benchmarks

The London Inter-Bank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate, foreign exchange rate and other types of indices which are deemed to be "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on any Notes linked to such a "benchmark".

Key international proposals for reform of "benchmarks" include IOSCO's Principles for Financial Market Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the EU Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "Benchmark Regulation").

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability as well as the quality and transparency of benchmark design and methodologies. A review published by IOSCO in February 2015 of the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, with widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the Benchmark Regulation. The Benchmark Regulation entered into force on the day following its publication in the Official Journal of the EU on 29 June 2016. It will apply 18 months after it enters into force (subject to certain transitional provisions). This regulation requires ESMA to draft regulatory and implementing technical standards (RTS/ITS) specifying the detail of the requirements to deliver final drafts to the European Commission by 1 April 2017. ESMA issued a discussion paper on 15 February 2016 consulting on its detailed proposals for these technical standards. On 27 May 2016 ESMA issued a consultation paper on its draft technical advice and on 29 September 2016 ESMA issued a consultation paper on its draft technical standards. On 10 November 2016, ESMA also published its technical advice to the European Commission on important aspects of future role of benchmarks under the Benchmark Regulation.

The Benchmark Regulation will apply to "contributors", "administrators" and "users" of "benchmarks" in the EU, and will, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to have satisfied certain "equivalence" conditions in its local jurisdiction, to be "recognised" by the authorities of a Member State pending an equivalence decision or to be "endorsed" for such purpose by an EU competent authority) and to comply with requirements in relation to the administration of "benchmarks" and (ii) ban the use of "benchmarks" of unauthorised administrators. The scope of the Benchmark Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, will apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in certain financial instruments (securities or OTC derivatives listed on an EU regulated market, EU multilateral trading facility (MTF), EU organised trading facility (OTF) or "systematic internaliser"), certain financial contracts and investment funds. Different types of "benchmark" are subject to more or less stringent requirements, and in particular a lighter touch regime will apply where a "benchmark" is not based on interest rates or commodities and the total average value of financial instruments, financial contracts or investment funds referring to a benchmark over the past six months is less than €50bn, subject to further conditions.

The Benchmark Regulation could have a material impact on Notes linked to a "benchmark" rate or index, including in any of the following circumstances:

(i) a rate or index which is a "benchmark" could not be used as such if its administrator does not obtain authorisation or is based in a non-EU jurisdiction which (subject to applicable transitional provisions) does not satisfy the "equivalence" conditions, is not "recognised" pending such a decision and is not "endorsed" for such purpose. In such event, depending on the particular "benchmark" and the applicable terms of the Notes, the Notes could be de-listed, adjusted, redeemed prior to maturity or otherwise impacted; and

(ii) the methodology or other terms of the "benchmark" could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes, including Calculation Agent determination of the rate or level in its discretion.

Any of the international, national or other proposals for reform or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". The disappearance of a "benchmark" or changes in the manner of administration of a "benchmark" could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the Calculation Agent, delisting or other consequence in relation to Notes linked to such "benchmark". Any such consequence could have a material adverse effect on the value of and return on any such Notes.[1]

Risks related to Notes generally

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

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

[1] Subject to LW review.

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

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

The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or a common safekeeper, as applicable, for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. 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.

Modification, waiver and substitution

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

Denominations

In relation to any issue of Notes which have a denomination consisting of the minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of the minimum specified denomination (or its equivalent). In such a case a Holder of Notes who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and may need to purchase a principal amount of Notes such that its holding amounts to the minimum specified denomination.

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

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk and interest rate risk:

There may not be an active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there may not be an 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 applications may be made for the Notes to be admitted to the Official List of the Irish Stock Exchange and traded on the Global Exchange Market, there is no assurance that such applications 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.

Exchange rate risks and exchange controls

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

Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Fixed Rate Notes are subject to interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors which may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

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

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Offering Circular:

1. the audited consolidated annual accounts (including the auditor's report thereon and notes thereto and the consolidated directors' report) of the Issuer[2] in respect of the four months ended 30 April 2017 (following the change of financial year end date by the Issuer and the Guarantors from 31 December 2016 to 30 April 2017);

2. the audited annual accounts (including the auditor's report thereon and notes thereto and the directors' report) of the Issuer in respect of the four months ended 30 April 2017 (following the change of financial year end date by the Issuer and the Guarantors from 31 December 2016 to 30 April 2017);

3. an English translation of the audited annual accounts (including an English translation of the auditor's report thereon and notes thereto and the directors' report) of each Guarantor in respect of the four months ended 30 April 2017 (following the change of financial year end date by the Issuer and the Guarantors from 31 December 2016 to 30 April 2017);

4. an English translation of the audited consolidated annual accounts (including an English translation of the auditor's report thereon and notes thereto and the consolidated directors' report) of the Issuer in respect of the year ended 31 December 2016;

5. an English translation of the audited annual accounts (including an English translation of the auditor's report thereon and notes thereto and the directors' report) of the Issuer and each Guarantor in respect of the year ended 31 December 2016; and

6. an English translation of the audited annual accounts (including an English translation of the auditor's report thereon and notes thereto and the directors' report) of the Issuer in respect of the year ended 31 December 2015.

The annual consolidated and individual accounts of the Issuer and the annual accounts of each Guarantor for the dates indicated above have been prepared in accordance with Generally Accepted Accounting Principles in Spain ("**Spanish GAAP**") regulated under Royal Decree 1514/2007 of 16 November 2007 as amended by Royal Decree 1159/2010 of 17 September 2010 ("**Royal Decree 1514/2007**").

Copies of the documents specified above as containing information incorporated by reference in this Offering Circular may be inspected, free of charge, at the registered office of the Issuer at calle General Concha 20, 48010 Bilbao, Spain, and at the specified office of the Paying Agent. Any information contained in any of the documents specified above which is not incorporated by reference in this Offering Circular is either not relevant to investors or is covered elsewhere in this Offering Circular.

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[2] The latest consolidated equity position for NED does not currently reflect the fair value of the Guarantors' assets as illustrated in their individual audited accounts. The shareholders intend to merge the acquiring vehicle with NED through a downstream merger, and once the purchase price allocation exercise has been carried out this will allow for all of the Group's assets to be shown at fair value and in turn this will also have an impact on the consolidated equity position of the company (see "*Description of the Issuer and The Guarantors - Recent acquisition of the Issuer by the Sponsors and Potential Merger of BidCo and the Issuer*"). Both these steps are expected to occur in 2017.

PRICING SUPPLEMENT AND DRAWDOWN OFFERING CIRCULAR

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

Any information relating to the Notes which is not included in this Offering Circular and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained in the relevant Pricing Supplement or in a Drawdown Offering Circular.

For a Tranche of Notes which is the subject of Pricing Supplement, that Pricing Supplement will, for the purposes of that Tranche only, complete this Offering Circular and must be read in conjunction with this Offering Circular. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Pricing Supplement are the Conditions described in the relevant Pricing Supplement as supplemented to the extent described in the relevant Pricing Supplement.

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

Each Drawdown Offering Circular will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the Guarantors and the relevant Notes or (2) by a registration document containing the necessary information relating to the Issuer and the Guarantors, a securities note containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Bearer Notes will initially be either a Temporary Global Note, without interest coupons, or a Permanent Global Note, without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in NGN form, as specified in the relevant Pricing Supplement, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Pricing Supplement, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

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

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether TEFRA C or TEFRA D is applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither TEFRA C nor TEFRA D is applicable.

Temporary Global Note exchangeable for Permanent Global Note

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

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

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and

(ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

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

If:

(a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

(a) on the expiry of such period of notice as may be specified in the Pricing Supplement; or

(b) at any time, if so specified in the Pricing Supplement; or

(c) if the Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

  (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

  (ii) any of the circumstances described in Condition 14 *(Events of Default)* occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by 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 duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or

(c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer 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 the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date ((c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that TEFRA C is applicable or that neither TEFRA C nor TEFRA D is applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that TEFRA D is applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier

than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

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

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver 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 Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(b) at any time, if so specified in the relevant Pricing Supplement; or

(c) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

  (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

  (ii) any of the circumstances described in Condition 14 *(Events of Default)* occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by 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 duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not

been made to the bearer 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 ((b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

In relation to any issue of Notes which are specified in the Pricing Supplement as Global Notes exchangeable for Definitive Notes in circumstances other than in the limited circumstances specified in the relevant Global Note, such Notes may only be issued in denominations equal to, or greater than, EUR100,000 (or equivalent) and multiples thereof.

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to the Notes

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

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

Legend concerning United States persons

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

> "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Registered Notes

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Registered Note**"), in each case as specified in the relevant Pricing Supplement.

In a press release dated 22 October 2008, *"Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations",* the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the NSS would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations"* of the Eurosystem, subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Global Registered Note will either be: (a) in the case of a Note which is not to be held under the NSS, registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary and will be exchangeable in accordance with its terms; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Pricing Supplement specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Pricing Supplement specifies the form of Notes as being "Global Registered Note exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Registered Note which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(b) at any time, if so specified in the relevant Pricing Supplement; or

(c) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Global Registered Note ", then if either of the following events occurs:

    (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or

    (ii) any of the circumstances described in Condition 14 *(Events of Default)* occurs.

Whenever the Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Note; or

(b) any of the Notes represented by a Global Registered 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 holder of the Global Registered Note in accordance with the terms of the Global Registered Note on the due date for payment,

then the Global Registered Note (including the obligation to deliver Individual Note Certificates) 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 holder of the Global Registered Note will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a

Global Registered Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Note became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

In relation to any issue of Notes which are specified in the Pricing Supplement as Global Registered Note Certificates exchangeable for individual Note Certificates in circumstances other than in the limited circumstances specified in the relevant Global Registered Note Certificate, such Notes may only be issued in denominations equal to, or greater than, EUR100,000 (or equivalent) and multiples thereof.

Conditions applicable to the Notes

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

The Conditions applicable to any Global Registered Note will differ from those Conditions which would apply to the Note were it in definitive form to the extent described under *"Summary of Provisions Relating to the Notes while in Global Form'* below.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1. INTRODUCTION

(a) **Programme**

NorteGas Energía Distribución, S.A.U. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €2,000,000,000 in aggregate principal amount of notes (the "**Notes**") which are the subject of an unconditional and irrevocable guarantee (the "**Guarantee of the Notes**"), by each of NED España Distribución Gas, S.A.U. and NED Suministro GLP, S.A.U. (each a "**Guarantor**" and, together the "**Guarantors**").

(b) **Pricing Supplement**

Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a pricing supplement (the "**Pricing Supplement**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) **Agency Agreement**

The Notes are the subject of a fiscal agency agreement dated on or around 12 September 2017, as amended, supplemented and/or restated from time to time, (the "**Agency Agreement**") between the Issuer, the Guarantors, The Bank of New York Mellon, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), 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) and the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

(d) **Deed of Guarantee**

The Notes are the subject of a deed of guarantee originally dated on or around 12 September 2017, as amended, supplemented and/or restated from time to time, (the "**Deed of Guarantee**") entered into by the Guarantors.

(e) **Deed of Covenant**

The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"), each with the benefit of a deed of covenant originally dated on or around 12 September 2017, as amended, supplemented and/or restated from time to time, (the "**Deed of Covenant**") entered into by the Issuer.

(f) **The Notes**

All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing at the registered office of the Issuer (calle General Concha 20, 48010 Bilbao, Spain) and copies may be obtained from the website of the Irish Stock Exchange (*www.ise.ie*).

(g) **Public Deed of Issuance**

The Issuer will execute a public deed (*escritura pública*) (the "**Public Deed of Issuance**") before a Spanish Notary Public in relation to the Notes on or prior to the Issue Date of the Notes. The Public Deed of Issuance will contain, among other information, the terms and conditions of the Notes.

(h) **Summaries**

Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. INTERPRETATION

(a) **Definitions**

In these Conditions the following expressions have the following meanings:

"**Accountants' Report**" means a report of the Reporting Accountants stating whether the amounts included in the calculation of the Adjusted EBITDA and the amount as included in the Directors' Report have been accurately extracted from the accounting records of the Issuer and whether the Disposal Percentage or, as the case may be, the Loss of Relevant Licence Percentage included in the Directors' Report has been correctly calculated pursuant to an engagement letter to be entered into by the Reporting Accountants, the Issuer and the Guarantors at the relevant time. The Issuer and the Guarantors shall use reasonable endeavours to procure that there shall at the relevant time be Reporting Accountants who have entered into an engagement letter with the Issuer and the Guarantors.

"**Accounting Principles**" means generally accepted accounting principles in the Kingdom of Spain;

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

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

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

"**Adjusted EBITDA**", means the profit for the year before income tax, net finance costs, share of (loss)/profit of equity accounted investees, amortisation and depreciation and any items the Group considers not related to the business of the Group, in accordance with Spanish GAAP by reference to the Relevant Accounts;

"**BidCo**" means Nature Gasned XXI S.L.U..

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

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

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

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

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

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

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

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

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

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

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

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

where:

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

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

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

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

where:

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

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

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

"**Directors' Report**" means a report prepared and signed by two directors of the Issuer and made available to Noteholders in accordance with Condition 20 (*Notices*) setting out the Adjusted EBITDA and the Disposal Percentage (in each case in relation to the relevant Disposed Assets) or, as the case may be, the Loss of Relevant Licence Percentage (in each case in relation to the Loss of Relevant Licence) and stating any assumptions which the directors of the Issuer or the Guarantors have employed in determining the Adjusted EBITDA, Disposal Percentage or Loss of Relevant Licence Percentage;

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

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

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the relevant Pricing Supplement;

"**Group**" means the Issuer and the Guarantors;

"**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;

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

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

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

(a) moneys borrowed;

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

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

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with Accounting Principles, be treated as a finance or capital lease;

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

(f) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) classified as borrowings under the Accounting Principles;

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account to the extent such amount has become due but unpaid);

(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution, in each case in respect of indebtedness of a type referred to in paragraphs (a) to (g) above; and

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

but excluding in each case:

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

(ii) any such amounts constituting subordinated debt.

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

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

"**Interest Determination Date**" has the meaning given in the relevant Pricing Supplement;

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

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

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

"**Issue Date**" has the meaning given in the relevant Pricing Supplement;

"**Law 10/2014**" means Law 10/2014 of 26 June 2014, on regulation, supervision and solvency of credit entities (*Ley 10/2014, de 26 de junio, de ordenación, supervision y solvencia de entidades de crédito*);

"**Make-Whole Amount**" has the meaning given to it in Condition 10(c) (*Redemption at the Option of the Issuer*);

"**Margin**" has the meaning given in the relevant Pricing Supplement;

"**Material Subsidiary**" means any direct or indirect Subsidiary of the Issuer that, together with its subsidiaries (i) for the most recent financial year of the Issuer, accounted for more than 10 per cent. of the consolidated revenues of the Issuer, (ii) as of the end of such financial year, was owner of either more than 10 per cent. of the consolidated assets of the Issuer or (iii) is the owner of any asset or assets that are material to the Issuer and its Subsidiaries, taken as a whole;

"**Maturity Date**" has the meaning given in the relevant Pricing Supplement;

"**Maximum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Minimum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

"**Optional Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Date**" has the meaning given in the relevant Pricing Supplement;

"**Payment Business Day**" means:

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

(i) a TARGET Settlement Day and a day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

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

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

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

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

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

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that** in relation to euro, it means a city in which banks have access to TARGET2;

"**Public Announcement**" means an announcement by the Issuer and the Guarantors of the occurrence of a Restructuring Event, or as the case may be, Loss of Relevant Licence or Change of Control Event, published in accordance with Condition 20 (*Notices*);

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

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

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

"**Rated Securities**" means the Notes, if and for so long as they shall have an effective rating from a Rating Agency and otherwise any Rateable Debt which is rated by a Rating Agency;

"**Rating Agency**" means any of (i) Fitch Ratings Limited (ii) Moody's Investors Service Limited (iii) Standard & Poor's Credit Market Services Europe Limited or (iv) any other rating agency of

international standing and (in each case) their respective affiliates and successors and "**Rating Agencies**" shall be construed accordingly;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount, or the Early Termination Amount, or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

"**Reference Banks**" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Issuer (or an independent investment bank, commercial bank or stockbroker appointed by the Issuer) in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" means LIBOR, LIBID, LIMEAN or EURIBOR or, if one or more of the aforementioned reference rates are not available, such generally-accepted floating rate benchmark for the relevant currency as may be specified in the relevant Pricing Supplement;

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

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

"**Relevant Accounts**" means the most recent annual audited financial accounts of the Issuer;

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

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

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

"**Relevant Time**" has the meaning given in the relevant Pricing Supplement;

"**Reporting Accountants**" means the auditors of the Issuer (but not acting in their capacity as auditors) or such other firm of accountants as may be nominated by the Issuer;

"**Reserved Matter**" means any proposal (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the

nominal amount of the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee of the Notes;

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

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

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

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Subsidiary**" means, at any particular time, a company which is then directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer and/or one or more of its Subsidiaries. For a company to be "controlled" by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company.

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

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

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

"**Total Assets**" means the Group's total assets as measured by the Issuer's most recent audited consolidated annual accounts; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement.

(b) **Interpretation**

In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement, Deed of Covenant or the Deed of Guarantee shall be construed as a reference to the Agency Agreement, Deed of Covenant or the Deed of Guarantee, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. FORM, DENOMINATION, TITLE AND TRANSFER

(a) Bearer Notes

Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination. The minimum Specified Denomination shall be €100,000 (or its equivalent in another currency as at the date of issue of the relevant Bearer Notes).

(b) Title to Bearer Notes

Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) Registered Notes

Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement. The minimum Specified Denomination shall be €100,000 (or its equivalent in another currency as at the date of issue of the relevant Registered Notes).

(d) Title to Registered Notes

The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) Ownership

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, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) Transfers of Registered Notes

Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) **Registration and delivery of Note Certificate**

Within three business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) **No charge**

The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) **Closed periods**

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) **Regulations concerning transfers and registration**

All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. STATUS AND GUARANTEE

(a) **Status of the Notes**

The Notes constitute direct, general, unconditional, unsubordinated and (without prejudice to Condition 5 (*Negative Pledge*) unsecured obligations of the Issuer and in the event of insolvency (*concurso*) of the Issuer (unless they qualify as subordinated debts under Article 92 of Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the "**Spanish Insolvency Law**") or equivalent legal provision which replaces it in the future) will rank *pari passu* without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer.

The Notes will further have the benefit of a deed of subordination dated 27 July 2017, as amended and restated, in respect of certain shareholder debt between the Issuer and its indirect parent, Nature Investments S.à r.l, until such shareholder debt has been extinguished.

(b) **Guarantee of the Notes; Status of the Guarantees**

The Guarantors have in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes and Coupons. This Guarantee of the Notes constitutes direct, general, unconditional, unsubordinated and (without prejudice to Condition 5 (*Negative Pledge*)) unsecured obligations of the Guarantors which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantors and in the event of insolvency (*concurso*) of the Guarantors (unless they qualify as subordinated debts under Article 92 of the Spanish Insolvency Law or equivalent legal provision which replaces it in the future) will rank pari passu without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Guarantors.

In the event of insolvency (concurso) of the Issuer or a Guarantor, under the Spanish Insolvency Law, claims relating to the Notes or the Deed of Guarantee (which are not subordinated pursuant to Article 92 of the Spanish Insolvency Law) will be ordinary debts (créditos ordinarios) as defined in the Spanish Insolvency Law. Ordinary debts rank below debts against the insolvency state (créditos contra la masa) and debts with a privilege (créditos privilegiados). Ordinary debts rank above subordinated debts 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 as from the date of any declaration of insolvency (concurso).

5. NEGATIVE PLEDGE

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantors will, and the Issuer and the Guarantors will ensure that none of their respective Subsidiaries will, create or permit to subsist any mortgage, charge, lien, pledge or other Security Interest, upon the whole or any part of their present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

For the purposes of this provision:

"**Relevant Indebtedness**" means any Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer or a Guarantor, as applicable.

6. FIXED RATE NOTE PROVISIONS

(a) Application

This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) Accrual of interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments − Bearer Notes*) and Condition 12 (*Payments − Registered Notes*)). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after that on which the Fiscal Agent has notified the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

(c) **Fixed Coupon Amount**

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) **Calculation of interest amount**

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. FLOATING RATE NOTE PROVISIONS

(a) **Application**

This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) **Accrual of interest**

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments − Bearer Notes*) and Condition 12 (*Payments − Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after that on which the Fiscal Agent has notified the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

(c) **Screen Rate Determination**

If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable:

(A) the Issuer (or an independent investment bank, commercial bank or stockbroker appointed by the Issuer) will request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) the Calculation Agent will determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer (or an independent investment bank, commercial bank or stockbroker appointed by the Issuer), at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

(d) **ISDA Determination**

If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.

(e) **Maximum or Minimum Rate of Interest**

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) **Calculation of Interest Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) **Calculation of other amounts**

If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.

(h) **Publication**

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(i) **Notifications etc**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantors, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. STEP-UP RATE OF INTEREST

If this Condition 8 (*Step-up rate of interest*) is specified as applicable in the relevant Pricing Supplement, the Rate of Interest shall be subject to adjustment by the amount specified in such relevant Pricing Supplement in the event of a Step-up Rating Change (if any) (a "**Step-up Margin**") or a subsequent Step-down Rating Change (if any), as the case may be, in accordance with the following provisions in respect of those Notes ("**Applicable Notes**").

For any Interest Period commencing on or after the first Interest Payment Date immediately following the date of a Step-Up Rating Change, if any, the Rate of Interest shall be increased by the Step-up Margin specified in the relevant Pricing Supplement.

In the event that a Step-down Rating Change occurs after the date of a Step-up Rating Change (or on the same date but subsequent thereto), then for any Interest Period commencing on the first Interest Payment Date following the date of such Step-down Rating Change, the Rate of Interest shall be the Rate of Interest as specified in the relevant Pricing Supplement.

The Issuer shall use all reasonable efforts to obtain or maintain credit ratings for Applicable Notes issued, or to be issued, by it from at least one Rating Agency. In the event that Applicable Notes are not rated by at least one Rating Agency, a Step-up Rating Change will be deemed to have occurred on such date and shall continue until the Notes are rated at least Baa3 or BBB- (or the equivalent ratings) by at least one Rating Agency, on the date of occurrence of which a Step-down Rating Change will be deemed to have occurred.

The Issuer shall cause each Rating Change (if any) and the applicable Rate of Interest to be notified to the Principal Paying Agent and any stock exchange on which the relevant Notes are for the time being listed and the Noteholders (in accordance with Condition 20 (*Notices*)) as soon as practicable after such Rating Change.

For the purposes of this Condition 8 (*Step-up rate of interest*):

"**Rating Change**" means a Step-up Rating Change and/or a Step-down Rating Change;

"**Step-down Rating Change**" means, subject as provided above in relation to a deemed Step-down Rating Change, the first public announcement after a Step-up Rating Change by a Rating Agency of an increase in, or confirmation of, the rating, solicited by the Issuer, of the Notes issued, or to be issued, by the Issuer to at least Baa3 or BBB- (or the equivalent ratings). For the avoidance of doubt, any further increases in the credit rating of the Notes issued, or to be issued, by the Issuer above Baa3 or BBB- (or the equivalent ratings) shall not constitute a Step-down Rating Change; and

"**Step-up Rating Change**" means, subject as provided above in relation to a deemed Step-up Rating Change, the first public announcement by a Rating Agency of a decrease in the rating, solicited by the Issuer, of the Notes issued, or to be issued, by the Issuer to below Baa3 or BBB- (or the equivalent ratings). For the avoidance of doubt, any further decrease in the credit rating of the Notes issued, or to be issued, by the Issuer below all not constitute a Step-up Rating Change.

9. ZERO COUPON NOTE PROVISIONS

(a) Application

This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) Late payment on Zero Coupon Notes

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. REDEMPTION AND PURCHASE

(a) Scheduled redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount (which may be par or such other fixed amount as agreed by the Issuer and the relevant Dealer(s) and as specified in the published Pricing Supplement) on the Maturity Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments - Registered Notes*), as applicable.

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Pricing Supplement as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

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

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (1) a Guarantor has or (if a demand was made under the Guarantee of the Notes) shall become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) or a Guarantor has or will become obliged to make any such withholding or deduction from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and (2) such obligation cannot be avoided by the relevant Guarantor 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 or the relevant Guarantor 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 procure that there is made available to Noteholders (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the relevant Guarantor has or will become obliged to pay such additional amounts or (as the case may be) the relevant Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) Redemption at the option of the Issuer

If Call Option is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Pricing Supplement to the Noteholders in accordance with Condition 20 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement.

If Make-Whole Amount is specified in the applicable Pricing Supplement as the Optional Redemption Amount, the Optional Redemption Amount shall be an amount calculated by the Issuer, a Dealer appointed by the Issuer or a Financial Adviser equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed or (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 10(c) (*Redemption at the option of the Issuer*):

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

"**Financial Adviser**" means a financial adviser selected by the Issuer;

"**Redemption Margin**" shall be as set out in the applicable Pricing Supplement;

"**Reference Bond**" shall be as set out in the applicable Pricing Supplement or the FA Selected Bond;

"**Reference Bond Price**" means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Calculation Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

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

"**Reference Date**" will be set out in the relevant notice of redemption;

"**Reference Government Bond Dealer**" means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

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

"**Remaining Term Interest**" means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition 10(c) (*Redemption at the option of the Issuer*).

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 10(c) (*Redemption at the option of the Issuer*) by the Calculation Agent, the Issuer, a Dealer appointed by the Issuer or a Financial Adviser, shall (in the absence of negligence, wilful default or bad faith) be binding on the Issuer, the Agents and all Noteholders and Couponholders.

(d) **Partial redemption**

If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount shall in no event be greater than the maximum or be less than the minimum so specified.

(e) **Redemption on sale of assets**

If so specified in the relevant Pricing Supplement, if at any time while the Notes remain outstanding, a Restructuring Event occurs, the Issuer and the Guarantors shall make a Public Announcement as soon as reasonably practicable and if, within the Restructuring Period, either:

(i) (if at the time that the Restructuring Event occurs there are Rated Securities outstanding) a Rating Downgrade in respect of the Restructuring Event occurs; or

(ii) (if at the time that the Restructuring Event occurs there are no Rated Securities outstanding) a Negative Rating Event in respect of the Restructuring Event occurs,

(the Restructuring Event and Rating Downgrade or the Restructuring Event and Negative Rating Event, as the case may be, occurring within the Restructuring Period, together called a "**Restructuring Put Event**"),

then, unless the Issuer shall have previously given a notice under Condition 10(b) (R*edemption for tax reasons*), Condition 10(c) (R*edemption at the option of the Issuer*) in respect of a redemption in whole, but not in part*,* Condition 10(f) (*Redemption on loss of licence*) or Condition 10(g) (*Redemption on change of control*), the holder of each Note will have the option upon the giving of a Put Option Notice (as defined below) to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) such Note on the date which is seven days after the expiry of the Restructuring Put Period (as defined below) (the "**Restructuring Put Date"**) at its principal amount together with accrued interest to the Restructuring Put Date.

Promptly upon the Issuer and/or the Guarantors becoming aware that a Restructuring Put Event has occurred, the Issuer and/or the Guarantors shall give notice (a "**Restructuring Put Event Notice"**) to the Noteholders in accordance with Condition 20 (*Notices*) specifying the nature of the Restructuring Put Event and the procedure as set out below for exercising the option in this Condition 10(e).

The Issuer shall, forthwith upon becoming aware of the occurrence of the Restructuring Event provide Noteholders with (i) the relevant Directors' Report and (ii) to the extent permitted by the terms of the engagement letter between the Issuer and the Reporting Accountants, the Accountants' Report in accordance with Condition 20 (*Notices*). The Directors' Report and the Accountants' Report shall, in the absence of manifest error, be conclusive and binding on the Issuer and the Noteholders.

For the purposes of this Condition 10(e):

"**Disposal Percentage**" means, in relation to a sale, transfer, lease or other disposal or dispossession of any Disposed Assets, the ratio of (a) the aggregate Adjusted EBITDA associated with such Disposed Assets to (b) the Adjusted EBITDA, expressed as a percentage;

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

a "**Negative Rating Event**" shall be deemed to have occurred if either (a) the Issuer and/or the Guarantors do not, either prior to or not later than 21 days after the relevant Restructuring Event, seek, and thereafter throughout the Restructuring Period use all reasonable endeavours to obtain, a rating of the Notes or any other unsecured and unsubordinated debt of the Issuer having an initial maturity of five years or more ("**Rateable Debt**") from a Rating Agency or (b) if the Issuer and/or the Guarantors do so seek and use such endeavours, it is unable to obtain such a rating of the Notes of at least BBB- or Baa3 (or their respective equivalents for the time being) within 21 days after the relevant Restructuring Event;

a "**Rating Downgrade**" shall be deemed to have occurred in respect of the Restructuring Event if the then current rating assigned to the Rated Securities by any Rating Agency is withdrawn or reduced from at least BBB- or Baa3 (or their respective equivalents for the time being) to a rating below BBB- or Baa3 (or their respective equivalents for the time being) or, if a Rating Agency shall already have rated the Rated Securities below BBB- or Baa3 (or their respective equivalents for the time being), the rating is lowered one full rating category; provided that a Rating Downgrade otherwise arising by virtue of a particular withdrawal or reduction in rating shall not be deemed to have occurred in respect of a particular Restructuring Event unless the Rating Agency making the withdrawal or reduction in rating announces or publicly confirms within the Restructuring Period that the withdrawal or reduction was the result of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Restructuring Event (whether or not the applicable Restructuring Event shall have occurred at the time of the Rating Downgrade);

a "**Restructuring Event**" shall be deemed to have occurred at any time (whether or not approved by the board of directors of any member of the Group) that the sum of all (if any) Disposal Percentages for the Group within any period of 36 consecutive months, with the first such period commencing on the date on which agreement is reached to issue the first Tranche of the Notes, is greater than 35 per cent.;

"**Restructuring Period**" means:

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

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

(or, in the case of either (i) or (ii) above, such longer period in which the Rated Securities (or Notes, if there are no Rated Securities) are under consideration (such consideration having been announced publicly within the first mentioned 90 day period) for rating review or, as the case may be, rating by a Rating Agency),

In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not more than 30 days after Restructuring Put Event Notice is delivered by the Issuer or the Guarantors (the

"**Restructuring Put Period**") deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; provided, however, that if, prior to the end of the Restructuring Put Period any such Note becomes immediately due and payable or, upon due presentation of any such Note in accordance with this Condition 10(e), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(f) **Redemption on loss of licence**

If so specified in the relevant Pricing Supplement, if at any time whilst any of the Notes remain outstanding, a Material Licence Event occurs, the Issuer and the Guarantors shall make a Public Announcement as soon as reasonably practicable and if, within the Material Licence Period, either:

(i) (if at the time that the Material Licence Event occurs there are Rated Securities outstanding) a Rating Downgrade in respect of the Material Licence Event occurs; or

(ii) (if at the time that the Material Licence Event occurs there are no Rated Securities outstanding) a Negative Rating Event in respect of the Material Licence Event occurs,

(the Material Licence Event and Rating Downgrade or the Material Licence Event and Negative Rating Event, as the case may be, occurring within the Material Licence Period, together called a "**Material Licence Put Event**"),

then, unless the Issuer shall have previously given a notice under Condition 10(b) (R*edemption for tax reasons*), Condition 10(c) (R*edemption at the option of the Issuer*) in respect of a redemption in whole, but not in part, Condition 10(e) (*Redemption on sale of assets*) or Condition 10(g) (*Redemption on change of control*), the holder of each Note will have the option upon the giving of a Put Option Notice (as defined below) to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) such Note on the date which is seven days after the expiry of the Material Licence Put Period (as defined below) (the "**Material Licence Put Date**") at its principal amount together with accrued interest to the Material Licence Put Date.

Promptly upon the Issuer and/or the Guarantors becoming aware that a Material Licence Put Event has occurred, the Issuer and/or the Guarantors shall give notice (a "**Material Licence Put Event Notice**") to the Noteholders in accordance with Condition 20 (*Notices*) specifying the nature of the Material Licence Put Event and the procedure as set out below for exercising the option in this Condition 10(f).

The Issuer shall, forthwith upon becoming aware of the occurrence of the Material Licence Event provide Noteholders with (i) the relevant Directors' Report and (ii) to the extent permitted by the terms of the engagement letter between the Issuer and the Reporting Accountants, the Accountants' Report in accordance with Condition 20 (*Notices*). The Directors' Report and the Accountants' Report shall, in the absence of manifest error, be conclusive and binding on the Issuer and the Noteholders.

For the purposes of this Condition 10(f):

"**Relevant Licence**" means, from time to time, any licence(s) or other authorisation(s) granted to the Issuer or the Guarantors which means that the activity of natural gas distribution cannot be carried on by the Issuer or the Guarantors without such licence, exemption, permission or other authorisation;

"**Loss of Relevant Licence**" means:

(i) the revocation or termination of any Relevant Licence as a result of a final decision from the relevant administration that cannot be appealed in an administrative proceeding provided that

the enforceability of such final decision is not preventatively suspended within a judicial proceeding, without such Relevant Licence being replaced, renewed or extended; or

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

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

a "**Material Licence Event**" shall be deemed to have occurred at any time (whether or not approved by the board of directors of any member of the Group) that the sum of all (if any) Loss of Relevant Licence Percentages for the Group within any period of 36 consecutive months, with the first such period commencing on the date on which agreement is reached to issue the first Tranche of the Notes, is greater than 35 per cent.;

"**Material Licence Period**" means:

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

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

(or, in the case of either (i) or (ii) above, such longer period in which the Rated Securities (or Notes, if there are no Rated Securities) are under consideration (such consideration having been announced publicly within the first mentioned 90 day period) for rating review or, as the case may be, rating by a Rating Agency);

a "**Negative Rating Event**" shall be deemed to have occurred if either (a) the Issuer and/or the Guarantors do not, either prior to or not later than 21 days after the relevant Material Licence Event, seek, and thereafter throughout the Material Licence Period use all reasonable endeavours to obtain, a rating of the Notes or any other unsecured and unsubordinated debt of the Issuer having an initial maturity of five years or more ("**Rateable Debt**") from a Rating Agency or (b) if the Issuer and/or the Guarantors do so seek and use such endeavours, it is unable to obtain such a rating of the Notes of at least BBB- or Baa3 (or their respective equivalents for the time being) within 21 days after the relevant Material Licence Event;

"**Rating Downgrade**" shall be deemed to have occurred in respect of the Material Licence Event if the then current rating assigned to the Rated Securities by any Rating Agency is withdrawn or reduced from at least BBB- or Baa3 (or their respective equivalents for the time being) to a rating below BBB- or Baa3 (or their respective equivalents for the time being) or, if a Rating Agency shall already have rated the Rated Securities below BBB- or Baa3 (or their respective equivalents for the time being), the rating is lowered one full rating category; provided that a Rating Downgrade otherwise arising by virtue of a particular withdrawal or reduction in rating shall not be deemed to have occurred in respect of a particular Material Licence Event unless the Rating Agency making the withdrawal or reduction in rating announces or publicly confirms within the Material Licence Period that the withdrawal or reduction was the result of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Material Licence Event (whether or not the applicable Material Licence Event shall have occurred at the time of the Rating Downgrade);

In order to exercise the option contained in this Condition 10(f), the Holder of a Note must, not more than 30 days after Material Licence Put Event Notice is delivered by the Issuer or the Guarantors (the "**Material Licence Put Period**") deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put

Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(f), may be withdrawn; provided, however, that if, prior to the end of the Material Licence Put Period any such Note becomes immediately due and payable or, upon due presentation of any such Note in accordance with this Condition 10(f), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(f), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(g) **Redemption on change of control**

If so specified in the relevant Pricing Supplement, at any time whilst any of the Notes remain outstanding, a Change of Control Event occurs, the Issuer and/or the Guarantors shall make a Public Announcement as soon as reasonably practicable and if, within the Change of Control Period, either:

(i) (if at the time that the Change of Control Event occurs there are Rated Securities outstanding) a Rating Downgrade in respect of the Change of Control Event occurs; or

(ii) (if at the time that the Change of Control Event occurs there are no Rated Securities outstanding) a Negative Rating Event in respect of the Change of Control Event occurs,

(the Change of Control Event and Rating Downgrade or the Change of Control Event and Negative Rating Event, as the case may be, occurring within the Change of Control Period, together called a "**Change of Control Put Event**"), then, unless the Issuer shall have previously given a notice under Condition 10(b) (R*edemption for tax reasons*), Condition 10(c) (R*edemption at the option of the Issuer*) in respect of a redemption in whole, but not in part, Condition 10(e) (*Redemption on Sale of Assets*) or Condition 10(f) (*Redemption on loss of licence*), the holder of each Note will have the option upon the giving of a Put Option Notice (as defined below) to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) such Note on the date which is seven days after the expiry of the Change of Control Put Period (as defined below) (the "**Change of Control Put Date**") at its principal amount together with accrued interest to the Change of Control Put Date.

Promptly upon the Issuer and/or the Guarantors becoming aware that a Change of Control Put Event has occurred, the Issuer and/or the Guarantors shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 20 (*Notices*) specifying the nature of the Change of Control Put Event and the procedure as set out below for exercising the option in this Condition 10(g).

For the purposes of this Condition 10(g):

"**Affiliated Fund**" means, in relation to any person, any Fund which is advised by, or the assets of which are managed (either solely or predominantly) from time to time by, that person, that person's Sponsor Affiliates, or the general partner, trustee, nominee, manager or investment adviser of any of them, or any other person who directly or indirectly controls, is controlled by or is under common control with such manager or investment adviser;

"**Change of Control Event**" means:

(A) in relation to any Guarantor, the Issuer ceases to control that Guarantor; and/or

(B) in relation to the Issuer, the Sponsors or the Permitted Transferees (collectively) cease to control the Issuer.

"**Change of Control Period**" means:

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

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

(or, in the case of either (i) or (ii) above, such longer period in which the Rated Securities (or Notes, if there are no Rated Securities) are under consideration (such consideration having been announced publicly within the first mentioned 90 day period) for rating review or, as the case may be, rating by a Rating Agency);

"**collectively**" means, in respect of the Sponsors or the Permitted Transferees, any collection of Sponsors (or any Sponsor individually) and any collection of Permitted Transferees (or any Permitted Transferee individually) from time to time, which may or may not include all persons which are Sponsors or Permitted Transferees;

"**control**" means where a person (or persons acting in concert) has direct or indirect control of:

(i) the affairs of the entity in issue by giving direction with respect to the management, operation and policies of the entity in issue with which the directors (or other equivalent officers of the entity in issue) are obliged to comply; or

(ii) the power to cast, or control the casting of, 50 per cent. or more of the total voting rights conferred by all the issued shares in the capital of the entity in issue which are ordinarily exercisable at a general meeting; or

(iii) the power to appoint or remove all, or the majority of, the board of directors (or other equivalent officers) of the entity in issue (in each case whether pursuant to relevant constitutional documents, contracts or otherwise);

"**Fund**" means any co-investment vehicle, unit trust, investment trust, investment company, limited partnership, general partnership or other collective investment scheme, investment professional (as defined in Article 19(5)(d) of the Financial Services and Markets Act (Financial Promotion) Order 2005), high net worth company, unincorporated association or high value trust (as defined in Article 49(2)(a) to (c) of the Financial Services and Markets Act (Financial Promotion) Order 2005), pension fund, insurance company, authorised person under the Financial Services and Markets Act 2000 or any body corporate or other entity, in each case the assets of which are managed professionally for investment purposes;

a "**Negative Rating Event**" shall be deemed to have occurred if either (a) the Issuer and/or the Guarantors do not, either prior to or not later than 21 days after the relevant Change of Control Event, seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Notes or any other unsecured and unsubordinated debt of the Issuer having an initial maturity of five years or more ("**Rateable Debt**") from a Rating Agency or (b) if the Issuer and/or the Guarantors do so seek and use such endeavours, it is unable to obtain such a rating of the Notes of at least BBB- or Baa3 (or their respective equivalents for the time being) within 21 days after the relevant Change of Control Event;

"**Permitted Transferee**" means:

(A) a Sponsor Affiliate or any investment vehicle sponsored, managed or advised by the investment adviser which sponsors, manages or advises the Sponsor or a Sponsor Affiliate (but excluding any portfolio company in which the Sponsors or such Sponsor Affiliates hold an investment or interest); and

(B) any funds (including pension funds), collective investment vehicle, separate accounts or pooled or co-mingled fund, other investor or limited partnerships (or any person directly controlled by any of the foregoing) for whom a Sponsor or a Sponsor Affiliate or the investment adviser which sponsors, manages or advises the Sponsor or a Sponsor Affiliate acts

as a *bona fide* trustee, agent, general partner, investment adviser, manager, responsible entity or principal;

"**Proprietary Interest**" means any legal, beneficial or other proprietary interest of any kind whatsoever held by a Sponsor in or to any Shareholder Instrument or any right to control the voting or other rights attributable to any Shareholder Instrument, disregarding any conditions or restrictions to which the exercise of any right attributed to such interest may be subject. For the avoidance of doubt, a Proprietary Interest will not include any indirect interest in a Shareholder Instrument (i.e. an interest in an entity or partnership that holds Shareholder Instruments);

a "**Rating Downgrade**" shall be deemed to have occurred in respect of the Change of Control Event if the then current rating assigned to the Rated Securities by any Rating Agency is withdrawn or reduced from at least BBB- or Baa3 (or their respective equivalents for the time being) to a rating below BBB- or Baa3 (or their respective equivalents for the time being) or, if a Rating Agency shall already have rated the Rated Securities below BBB- or Baa3 (or their respective equivalents for the time being), the rating is lowered one full rating category; provided that a Rating Downgrade otherwise arising by virtue of a particular withdrawal or reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control Event unless the Rating Agency making the withdrawal or reduction in rating announces or publicly confirms within the Change of Control Period that the withdrawal or reduction was due to the identity of the person or group of persons acting in concert that control, or would control (as the case may be), the Issuer or the relevant Guarantor following the applicable Change of Control Event (whether or not the applicable Change of Control Event shall have occurred at the time of the Rating Downgrade);

"**Shareholder Instrument**" means:

(i) any instrument, document or security granting a right of subscription for, or conversion into, any share capital of (a) any member of the Group or (b) any Subsidiaries of any member of the Group; and

(ii) any instrument evidencing indebtedness (whether or not interest bearing) issued by any (a) any member of the Group or (b) any Subsidiaries of any member of the Group, in conjunction with and/or stapled to, any issue of share capital of (A) any member of the Group or (B) any Subsidiaries of any member of the Group, or an instrument carrying rights to subscribe for or convert into the share capital of (x) any member of the Group or (y) any Subsidiaries of any member of the Group, but excludes any debt instrument or warrants issued to investors or lenders who are not Sponsors;

"**Sponsor Affiliate**" means with respect to any person from time to time:

(i) any other person (a "**Relevant Party**") who or which, directly or indirectly, controls or is controlled by, or is under common control with, the first noted person, which shall include, for the avoidance of doubt:

(A) any person in which the first noted person holds, directly or indirectly, 100 per cent. of the participating equity or any person which, together with its Sponsor Affiliates, holds, 100 per cent. of the participating equity of the first noted person; and

(B) any other person who holds a Proprietary Interest in a Shareholder Instrument(s) to the extent that it became a holder of such a Proprietary Interest by virtue of an *in specie* distribution on a solvent winding up of the first person (and to the extent that this Relevant Party directly or indirectly controls or is controlled by, or is under common control with, the first noted person as a result of its holding of such Proprietary Interest);

(ii) any Affiliated Fund or any Subsidiary of such Affiliated Fund; and

(iii) a trustee of the beneficial interest:

(A) of such person; or

(B) of any Relevant Party or Affiliated Fund or any Subsidiary of such Affiliated Fund; and

"**Sponsors**" means:

(i) IIF Int'l Nature Investments S.à r.l.;

(ii) Hanover Investments (Luxembourg), S.A.;

(iii) Swiss Life GIO II EUR Holding S.à r.l.; and

(iv) Covalis Capital Luxembourg S.à r.l.,

and, in each case, their Sponsor Affiliates from time to time.

In order to exercise the option contained in this Condition 10(g), the Holder of a Note must, not more than 30 days after Change of Control Put Event Notice is delivered by the Issuer or the Guarantors (the "**Change of Control Put Period**") deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(g), may be withdrawn; provided, however, that if, prior to the end of the Change of Control Put Period any such Note becomes immediately due and payable or, upon due presentation of any such Note in accordance with this Condition 10(g), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(g), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(h) **Clean-up call option**

If Clean-up Call Option is specified as being applicable in the applicable Pricing Supplement, where the aggregate principal amount of the outstanding Notes is equal to or less than 20 per cent. of the Aggregate Nominal Amount of the Notes (following redemption(s) and/or purchases by or on behalf of the Issuer, the Guarantors or any of their respective Subsidiaries pursuant to this Condition 10, or otherwise), the Issuer may at any time, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 20 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not part) of the Notes then outstanding on the date specified in such notice at 100 per cent. of the principal amount outstanding of the Notes, together, if appropriate, with interest accrued to (but excluding) the specified date for redemption.

(i) **Pre-maturity call option**

If Pre-Maturity Call Option is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 20 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption, which shall be no earlier than the date falling three months prior to the Maturity Date), redeem all (but not part) of the Notes then outstanding on the date specified in such notice at 100 per cent. of the principal amount outstanding of the Notes, together, if appropriate, with interest accrued to (but excluding) the specified date for redemption.

(j) **No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (i) above.

(k) **Early redemption of Zero Coupon Notes**

Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(k) or, if none is so specified, a Day Count Fraction of 30E/360.

(l) *Purchase:* The Issuer, the Guarantors or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

(m) *Cancellation:* All Notes so redeemed or purchased by the Issuer, the Guarantors or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. PAYMENTS - BEARER NOTES

This Condition 11 is only applicable to Bearer Notes.

(a) **Principal**

Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(b) **Interest**

Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) **Payments in New York City**

Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is permitted by applicable United States law without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Deductions for unmatured Coupons**

If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

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

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

(iii) **Unmatured Coupons void**

If the relevant Pricing Supplement specifies that this Condition 11(iii) is applicable or that the Floating Rate Note Provisions the Issuer, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (R*edemption for tax reasons*), Condition 10(c) (R*edemption at the option of the Issuer*), Condition 10(e) (*Redemption on Sale of Assets*) Condition 10(f) (*Redemption on loss of licence*), Condition 10(g) (*Redemption on change of control*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(iv) **Payments on business days**

If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(v) **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 Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(vi) **Partial payments**

If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(vii) **Exchange of Talons**

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

(viii) **Payments subject to laws**

Save as provided in Condition 13 (*Taxation*), payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or the Guarantors or its/their respective Agents agree to be subject and neither the Issuer nor the Guarantors will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

12. PAYMENTS - REGISTERED NOTES

This Condition 12 is only applicable to Registered Notes.

(a) **Principal**

Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) **Interest**

Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) **Payments on business days**

Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with Condition 13 (*Taxation*) arriving after the due date for payment or being lost in the mail.

(d) **Partial payments**

If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(e) **Record date**

Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

(f) **Payments subject to fiscal laws**

Save as provided in Condition 13 (*Taxation*), payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or the Guarantors or its/their respective Agents agree to be subject and neither the Issuer nor the Guarantors will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commission or expenses shall be charged to the Noteholders in respect of such payments.

13. TAXATION

(a) **Gross up**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantors shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain, or any political subdivision or authority thereof or therein having the power to tax unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantors shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) any taxes that would not have been so imposed if the Noteholder or the Couponholder of a Note or Coupon had made a declaration of non-residence or any other claim or filing for exemption to which it is entitled (provided that (x) such declaration of non-residence or other claim or filing for exemption is required by applicable law, regulation, administrative practice or treaty of the Kingdom of Spain as a precondition to exemption from the requirement to deduct or withhold all or a part of such taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law of the Kingdom of Spain, the relevant Noteholder or Couponholder at that time has been notified by the Issuer or the Guarantors or any other person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made), but, in each case, only to the extent the Noteholder or Couponholder is legally eligible to make such declaration or other claim or filing;

(iii) if the Issuer or (as the case may be) the Guarantors do not receive in a timely manner certain information required by the applicable Spanish Tax laws and regulations, including a duly executed and completed certificate from the Paying Agent, pursuant to Law 10/2014, and Royal Decree 1065/2007 of July 27, as amended by Royal Decree 1145/2011 of July 29, and any implementing legislation or regulation; or

(iv) where the relevant Note or Coupon or Note Certificate is presented or surrendered 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 or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer or the Guarantors will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer, nor the Guarantors, nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

(b) **Taxing jurisdiction**

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

14. EVENTS OF DEFAULT

If any of the following events occurs (each an "**Event of Default**"):

(a) **Non-Payment**

default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes;

(b) **Breach of other obligations**

the Issuer or a Guarantors does not perform or comply with any one or more of its other obligations under the Notes or the Deed of Guarantee which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder;

(c) **Cross default**

(i) any Indebtedness of the Issuer or the Guarantors is not paid when due or, as the case may be, within the any applicable grace period.

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

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

No Event of Default will occur under this provision if the aggregate amount of Indebtedness or commitment for Indebtedness falling within paragraphs (a) to (c) above is not greater than the higher of €25,000,000 or 1.5 per cent. of the Total Assets (or its equivalent in any other currency or currencies);

(d) **Enforcement proceedings**

a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or the Guarantors or any of their respective Material Subsidiaries and is not discharged or stayed within 90 days;

(e) **Unsatisfied judgment**

one or more judgment(s) or order(s) for the payment of any amount in an amount in excess of €25,000,000 is rendered against the Issuer, the Guarantors or any of their respective Material Subsidiaries (if any) and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment;

(f) **Security enforced**

a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any material part of the undertaking, assets and revenues of the Issuer, the Guarantors or any of their respective Material Subsidiaries;

(g) **Insolvency etc.**

(i) the Issuer, the Guarantors or any of their respective Material Subsidiaries (if any) becomes insolvent, is adjudicated bankrupt (or applies for an order of bankruptcy) or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantors or any of their respective Material Subsidiaries (if any) or of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantors or any of their respective Material Subsidiaries (if any) is appointed (or application for any such appointment is made and not dismissed within 90 days), (iii) the Issuer, the Guarantors or any of their respective Material Subsidiaries (if any) 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, the Guarantors or any of their respective Material Subsidiaries (if any) ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Guarantor or a Material Subsidiary of a Guarantors, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent);

(h) **Winding up etc.**

an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantors or any of their respective Material Subsidiaries (if any) (otherwise than, in the case of a Guarantor or a Material Subsidiary of a Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent);

(i) **Unlawfulness**

it is or will become unlawful for the Issuer or the Guarantors to perform or comply with any one or more of its obligations under or in respect of the Notes or the Deed of Guarantee;

(j) **Failure to Take Action etc.**

any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantors lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes and the Deed of Guarantee, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Deed of Guarantee admissible in evidence in the courts of England and the Kingdom of Spain is not taken, fulfilled or done;

(k) **Analogous Event**

any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of paragraphs (d) to (g) above including, but not limited to, in the case of the Guarantors, any suspension of payments or bankruptcy (*concurso de acreedores*);

(l) **Guarantee of the Notes**

the Guarantee of the Notes is not (or is claimed by any of the Guarantors not to be) in full force and effect; or

(m) **Nationalisation**

any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or the Guarantors or any of their respective Material Subsidiaries;

then any Note may, by written notice addressed by the Holder thereof to the Issuer and the Guarantors and delivered to the Issuer and the Guarantors, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

15. PRESCRIPTION

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. REPLACEMENT OF NOTES AND COUPONS

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

17. AGENTS

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

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

(a) the Issuer and the Guarantors shall at all times maintain a paying agent, a fiscal agent and a registrar; and

(b) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer and the Guarantors shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantors shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

18. MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any provision of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum at any meeting convened to consider an Extraordinary Resolution will be two or more Persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of Reserved Matters, in which case the necessary quorum will be two or more Persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders (whether present or not).

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the nominal amount of the Notes outstanding shall for all purposes be valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. 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.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) Deemed Consent by Noteholders

By acquiring the Notes, each Noteholder:

(i) consents to the intended merger of the Issuer and BidCo; and

(ii) waives all and any rights, howsoever arising, including by contract or statute, to object to such merger.

This consent and waiver of rights is valid as if it was passed unanimously at a meeting of Noteholders.

(c) Modification of Agency Agreement

The Issuer and the Guarantors shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of, or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

19. 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.

20. NOTICES

(a) **Bearer Notes**

Notices to the Holders of Bearer Notes shall be valid if published on the website of the Irish Stock Exchange (*www.ise.ie*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) **Registered Notes**

Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and, if the Registered Notes are admitted to trading on the Irish Stock Exchange and it is a requirement of applicable law or regulations, notices to Noteholders will be published on the website of the Irish Stock Exchange (*www.ise.ie*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

21. 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, 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.

22. ROUNDING

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

23. PROVISION OF INFORMATION WHILST THE NOTES ARE HELD IN DEFINITIVE FORM.

Whilst the Notes are held in definitive form, within thirty Business Days of receipt of a written request by the Issuer (or its duly authorised agent or delegate), Noteholders and Couponholders shall supply to the Issuer such forms, documentation and other information relating to its status under any applicable Information Reporting Regime as the Issuer (or its duly authorised agent or delegate) reasonably requests for the purposes of the Issuer's compliance with such Information Reporting Regime; provided, however, that no Noteholder or Couponholder shall be required to provide any forms, documentation or other information pursuant to this Condition 23 to the extent that: (i) any such form, documentation or other information (or the information required to be provided on such form or documentation) is not reasonably available to such Noteholder or Couponholder and cannot be

obtained by such Noteholder or Couponholder using reasonable efforts, or (ii) doing so would or might in the reasonable opinion of such Noteholder or Couponholder constitute a breach of any applicable (a) law or regulation; (b) fiduciary duty; or (c) duty of confidentiality. The Issuer (and its duly authorised agents and delegates) shall be permitted to disclose the forms, documentation and other information to any taxation or other governmental authority.

For the purposes of this Condition 23:

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended from time to time;

"**Common Reporting Standard**" means the common standard on reporting and due diligence for financial account information developed by the Organisation for Economic Co-operation and Development, bilateral and multilateral competent authority agreements, and treaties facilitating the implementation thereof, and any law implementing any such common standard, competent authority agreement, intergovernmental agreement, or treaty, in each case, as amended from time to time;

"**Directive on Administrative Cooperation**" means Council Directive 2011/16/EU on administrative cooperation in the field of taxation and any law implementing such Council Directive, as amended from time to time;

"**FATCA**" means Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, any law implementing an intergovernmental approach thereto, in each case, as amended from time to time, and an agreement described in Section 1471(b) of the Code; and

"**Information Reporting Regime**" means the Common Reporting Standard, the Directive on Administrative Cooperation and FATCA.

24. GOVERNING LAW AND JURISDICTION

(a) Governing law

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law, save that Condition 4 (*Status and Guarantee*) shall be governed, and shall be construed, in accordance with 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 any non-contractual obligation arising out of or in connection with the Notes).

(c) Appropriate forum

Each of the Issuer and the Guarantors 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) Rights of the Noteholders to take proceedings outside England

Condition 24(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 24 (*Governing law and Jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) Service of process

Each of the Issuer and the Guarantors 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 Hackwood Secretaries Limited at One Silk Street, London, EC2Y 8HQ, United Kingdom, 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.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of Notes will be in the following form, duly completed to reflect the particular terms of the relevant Notes and their issue.

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

Pricing Supplement dated [●]

NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U.
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Unconditionally and irrevocably guaranteed by

NED ESPAÑA DISTRIBUCIÓN GAS, S.A.U.

and

NED SUMINISTRO GLP, S.A.U.

under the

€[●]
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [●] 2017 [and the supplement to the Offering Circular dated [●]] which [together] constitute[s] an offering circular (the "**Offering Circular**"). This document constitutes the Pricing Supplement of the Notes described herein for the purposes of the Global Exchange Market Listing and Admission to Trading Rules for Debt Securities and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular [as so supplemented]. The Offering Circular [and the supplement to the Offering Circular] [is] [are] available for viewing [at [●]] [and] during normal business hours at [●] [and copies may be obtained from [●]]. The Offering Circular [and the supplement to the Offering Circular] [has/have] been published on the website of the Irish Stock Exchange at http://www.ise.ie/.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [[●]] [[●]] which are incorporated by reference in the Offering Circular dated [●] 2017. This document constitutes the Pricing Supplement of the Notes described herein for the purposes of the Global Exchange Market Listing and Admission to Trading Rules for Debt Securities ("**GEM Rules**") and must be read in conjunction with the Offering Circular dated [●] 2017 [and the supplement(s) to it dated [●]], which [together] constitute[s] base listing particulars for the purposes of the GEM Rules (the Offering Circular), save in respect of the Conditions which are extracted from the Offering Circular dated [●]. Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement, the Offering Circular [and the supplement(s) dated [●]]. The Offering Circular has been published at http://www.ise.ie/.]

1.	(i)	Series:	[●]
	(ii)	Tranche:	[●]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	[The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [currency] [aggregate nominal amount] [interest basis] Guaranteed Notes due [maturity date] issued on [issue date] on [[●]/the Issue Date/the exchange of the Temporary Global Note for the Permanent Global Note, as referred to in paragraph [●] below [which is expected to occur on or about [●]]]/[Not applicable]
2.	Specified Currency or Currencies:		[●]
3.	Aggregate Nominal Amount:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
4.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
5.	(i)	Specified Denominations:	[●]
	(ii)	Calculation Amount:	[●]
6.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
7.	Maturity Date:		[[●]/(for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
8.	Interest Basis:		[[●] per cent. Fixed Rate]
	(As referred to under Conditions 6 or 7)		[[LIBOR]/[LIBID]/[LIMEAN]/[EURIBOR][●] +/– [●] per cent. Floating Rate]
			[Zero Coupon]
			(See paragraph [11/12/13] below)
9.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount.
			(further particulars specified below)
10.	Put/Call Options: (As referred to under Condition 10)		[Call Option] [Redemption on sale of assets Put] [Redemption on loss of licence Put] [Redemption on change of control Put] [Clean-up Call Option]

			[Pre-Maturity Call Option] (further particulars specified below)
11.	[Date of Board approval for issuance of Notes]:		[●]/[Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12.	**Fixed Rate Note Provisions** (As referred to under Condition 6)		[Applicable]/[Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Rate(s) of Interest:	[●] per cent. per annum payable [annually]/[semi-annually]/[quarterly] in arrear
	(ii)	Interest Payment Date(s):	[●] in each year
	(iii)	Fixed Coupon Amount(s):	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]]/[Not Applicable]
	(v)	Day Count Fraction: (As referred to under Condition 2(a))	[Actual/Actual (ICMA)][Actual]/[Actual ISDA]] [Actual/365 (Fixed)] [Actual/360] [30/360] [30E/360] [Eurobond basis] [30E/360 (ISDA)]
	(vi)	Interest Determination Dates:	[[●] in each year]/[Not Applicable]
13.	**Floating Rate Note Provisions** (As referred to under Condition 7)		[Applicable]/[Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Interest Period(s):	[●]
	(ii)	Specified Period:	[●]
	(iii)	Specified Interest Payment Dates:	[●]/[Not Applicable]
	(iv)	First Interest Payment Date:	[●]
	(v)	Business Day Convention: (As referred to under Condition 2(a))	[Floating Rate Convention]/[Following Business Day Convention]/[Modified Following Business Day Convention]/[Preceding Business Day Convention]
	(vi)	Additional Business Centre(s): (As referred to under Condition 2(a))	[●]/[Not Applicable]
	(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination]/[ISDA Determination]

	(As referred to under Conditions 7(c) or 7(d))	
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[●]/[Not Applicable]
(ix)	Screen Rate Determination:	
(As referred to under Condition 7(c))		
•	Reference Rate:	[[[●] month LIBOR]/[LIBID]/[LIMEAN]/[EURIBOR][●]]
•	Interest Determination Date(s):	[●]
•	Relevant Screen Page:	[●]
•	Relevant Time:	[●]
•	Relevant Financial Centre:	[●]
•	Reference Bank(s):	[●]/[Not Applicable]
(x)	ISDA Determination:	
(As referred to under Condition 7(d))		
•	Floating Rate Option:	[●]
•	Designated Maturity:	[●]
•	Reset Date:	[●]
(xi)	Margin(s):	[+/-][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction:	[Actual/Actual (ICMA)][Actual]/[Actual ISDA)] [Actual/365 (Fixed)]
	(As referred to under Condition 2(a))	[Actual/360] [30/360] [30E/360] [Eurobond basis] [30E/360 (ISDA)]
14.	**Zero Coupon Note Provisions**	[Applicable]/[Not Applicable]
	(As referred to under Condition 9)	(*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Accrual Yield:	[●] per cent. per annum
(ii)	Reference Price:	[●]
(iii)	Day Count fraction:	[Actual/Actual (ICMA)][Actual]/[Actual ISDA)] [Actual/365 (Fixed)]

	(As referred to under Condition 2(a))	[Actual/360] [30/360] [30E/360] [Eurobond basis] [30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

15.	**Call Option**		[Applicable]/[Not Applicable] [*If not applicable, delete the remaining subparagraphs of this paragraph*]
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note:	[[●] per Calculation Amount]/[Make-Whole Amount]
	(iii)	If redeemable in part:	
	(a)	Minimum Redemption Amount:	[[●] per Calculation Amount]/[Not Applicable]
	(b)	Maximum Redemption Amount	[[●] per Calculation Amount]/[Not Applicable]
	(iv)	Notice periods:	
	(a)	Minimum notice period:	[[●] days]
	(b)	Maximum notice period:	[[●] days]
	(v)	Redemption Margin:	[●]
	(vi)	Reference Bond:	[●]/[Not Applicable]
	(vi)	Quotation Time:	[●]/[Not Applicable]
16.	**Final Redemption Amount of each Note**		[●] per Calculation Amount
17.	**Early Redemption Amount** Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):		[●] per Calculation Amount
18.	**Early Termination Amount**		[[●] per Calculation Amount]/[Not Applicable]
19.	**Redemption Amount** (if different from the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount, or the		[[●] per Calculation Amount]/[Not Applicable]

Early Termination Amount)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20..	**Form of Notes:**	**[Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]] **[Registered Notes**: [Global Registered Note exchangeable for Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Registered Note] [Global Registered Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS)).]]]
21.	New Global Note:	[Yes]/[No]
22.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable]/[●]
23.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made]/[No.]
24.	Consolidation provisions:	[Not Applicable]/[The provisions [in Condition 19 (*Further Issues*)] applies]

DISTRIBUTION

25.	Total commission and concession:	[●] per cent. of the Aggregate Nominal Amount
26.	TEFRA:	[TEFRA C]/[TEFRA D]/[TEFRA not applicable]
27.	Stabilising Manager(s) (if any):	[●]/[Not Applicable]
28.	Prohibition of Sales to EEA Retail Investors:	[Applicable]/[Not Applicable]

Signed on behalf of NorteGas Energía Distribución, S.A.U.:

By: .....
Duly authorised

Signed on behalf of NED España Distribución Gas, S.A.U.:

By: .....
Duly authorised

Signed on behalf of NED Suministro GLP, S.A.U.:

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing:	[Irish Stock Exchange]/[Other]
(ii)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Global Exchange Market of the Irish Stock Exchange]/[●] with effect from [●]]/[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Global Exchange Market of the Irish Stock Exchange]/[●] with effect from [●]]/[Not Applicable].
(iii)	Estimate of total expenses related to admission to trading	[●]

2. **RATINGS:**

Ratings:	[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]: [Standard & Poor's Credit Market Services Europe Limited: [●]] [*Other Rating Agencies*: [●]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

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

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

4. **YIELD**

Indication of yield:	[●]/[Not Applicable]

5. **OPERATIONAL INFORMATION**

ISIN:	[●]
Common Code:	[●]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification	[●]/[Not Applicable] [*Name(s), numbers and address(es)*]

number(s):	
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]
Name of Calculation Agent, if different from the Fiscal Agent:	[●]/[Not Applicable]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No][Not Applicable] [*Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][include this text for registered notes] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.*] [*No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][include this text for registered notes] note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.*]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

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

In relation to any Tranche of Notes represented by a Global Registered Note, references in the Conditions to "Noteholder" are references to the person in whose name such Global Registered Note is for the time being registered in the Register which, for so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

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

Conditions applicable to Global Notes

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

Payments: All payments in respect of the Global Note or Global Registered Note which, according to the Conditions, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered 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 (i) Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg and (ii) global Registered Note, the Issuer shall procure that if such Note is held under the NSS, the payment is entered into *pro rata* in the records of Euroclear and Clearstream Luxembourg.

Payment Business Day: In the case of a Global Note, or a Global Registered Note, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 10(e) *(Redemption on sale of assets),* Condition 10(f) *(Redemption on loss of licence)* or Condition 10(g) *(Redemption on change of control)* the bearer of the Permanent Global Note or the holder of a Global Registered Note must, within the period

specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) *(Redemption at the option of the Issuer)* in relation to some only of the Notes, the Permanent Global Note or Global Registered 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 20 *(Notices),* while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 *(Notices)* on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Global Exchange Market and it is a requirement of applicable law or regulations, such notices shall also be published on the website of the Irish Stock Exchange *(www.ise.ie).*

Provision of Information: While all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depositary or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, Condition 23 *(Provision of Information)* shall not apply to such Notes.

GUARANTEE OF THE NOTES

The following is the Guarantee of the Notes executed by the Guarantor on 12 September 2017:

THIS DEED OF GUARANTEE is made on 12 September 2017

BY

(1) **NED ESPAÑA DISTRIBUCIÓN GAS, S.A.U.** and **NED SUMINISTRO GLP, S.A.U.** (each a "**Guarantor**" and together, the "**Guarantors**")

IN FAVOUR OF

(2) **THE NOTEHOLDERS** (as defined in the Offering Circular described below); and

(3) **THE ACCOUNTHOLDERS** (as defined in the Deed of Covenant described below) (together with the Noteholders, the "**Beneficiaries**").

WHEREAS

(A) NorteGas Energía Distribución, S.A.U. (the "**Issuer**") and the Guarantors have established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of notes (the "**Notes**"), in connection with which they have entered into a dealer agreement dated on or around 12 September 2017 as amended, supplemented and/or restated from time to time (the "**Dealer Agreement**") and a fiscal agency agreement dated on or around 12 September 2017 as amended, supplemented and/or restated from time to time (the "**Agency Agreement**") and the Issuer has executed a deed of covenant dated on or around 12 September 2017 (the "**Deed of Covenant**").

(B) The Issuer will make an application to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for Notes issued under the Programme to be admitted to listing on the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange. Notes may also be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

(C) In connection with the Programme, the Issuer and the Guarantors have prepared an offering circular dated on or around 12 September 2017 (as updated and supplemented from time to time) (the "**Offering Circular**") which has been approved by the Irish Stock Exchange as base listing particulars issued in compliance with the Global Exchange Market Listing and Admission to Trading Rules for Debt Securities.

(D) Notes issued under the Programme may be issued pursuant to the Offering Circular describing the Programme and Pricing Supplement describing the terms of the particular Tranche of Notes.

(E) Each of the Guarantors has agreed to unconditionally and irrevocably and jointly and severally guarantee the payment of all sums expressed to be payable from time to time by the Issuer to Noteholders in respect of the Notes and to Accountholders in respect of the Deed of Covenant.

NOW THIS DEED OF GUARANTEE WITNESSES as follows:

1. INTERPRETATION

1.1 Definitions

All terms and expressions which have defined meanings in the Offering Circular, the Dealer Agreement, the Agency Agreement or the Deed of Covenant shall have the same meanings in this Deed of Guarantee except where the context requires otherwise or unless otherwise stated.

1.2 Clauses

Any reference in this Deed of Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

1.3 Other agreements

All references in this Deed of Guarantee to an agreement, instrument or other document (including the Offering Circular, the Dealer Agreement, the Agency Agreement and the Deed of Covenant) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, restated, extended, replaced or novated from time to time. In addition, in the context of any particular Tranche of Notes, each reference in this Deed of Guarantee to the Offering Circular shall be construed as a reference to the Offering Circular as completed by the relevant Pricing Supplement.

1.4 Legislation

Any reference in this Deed of Guarantee to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

1.5 Headings

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Deed of Guarantee.

1.6 Benefit of Deed of Guarantee

Any Notes issued under the Programme on or after the date of this Deed of Guarantee shall have the benefit of this Deed of Guarantee but shall not have the benefit of any subsequent guarantee relating to the Programme (unless expressly so provided in any such subsequent guarantee).

2. GUARANTEE AND INDEMNITY

2.1 Guarantee

Each of the Guarantors hereby unconditionally and irrevocably and jointly and severally guarantees:

2.1.1 *The Notes:* to each Noteholder the due and punctual payment of all sums from time to time payable by the Issuer in respect of the relevant Note (without regard to the limitations on recourse of Noteholders against the Issuer contained in Condition 4(a) *(Status of the Notes))* as and when the same become due and payable and accordingly undertakes to pay to such Noteholder, in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of such Note, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Note and which the Issuer has failed to pay; and

2.1.2 *The Direct Rights:* to each Accountholder the due and punctual payment of all sums from time to time payable by the Issuer to such Accountholder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Accountholder, in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Notes, any and every sum or sums which the Issuer is at any time liable to pay to such Accountholder in respect of the Notes (without regard to the limitations on recourse of Noteholders against the Issuer contained in Condition 4(a) *(Status of the Notes))* and which the Issuer has failed to pay.

This Deed of Guarantee will come into effect immediately following the issuance of the first Series of Notes under the Programme.

2.2 Indemnity

Each of the Guarantors irrevocably and unconditionally agrees as a primary obligation to jointly and severally indemnify each of the Beneficiaries from time to time (without regard to the limitations on recourse of Noteholders against the Issuer contained in Condition 4(a) *(Status of the Notes))* from and against any loss, liability or cost incurred by such Beneficiary as a result of any of the obligations of the Issuer under or pursuant to any Note, the Deed of Covenant or any provision thereof being or becoming void, voidable, unenforceable or ineffective for any reason whatsoever, whether or not known to such Beneficiary or any other person, the amount of such loss being the amount which such Beneficiary would otherwise have been entitled to recover from the Issuer. Any amount payable

pursuant to this indemnity shall be payable in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Notes. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Guarantee and shall give rise to a separate and independent cause of action.

3. COMPLIANCE WITH THE CONDITIONS

Each of the Guarantors jointly and severally covenants in favour of each Beneficiary that it will duly perform and comply with the obligations expressed to be undertaken by it in the Conditions.

4. PRESERVATION OF RIGHTS

4.1 Principal obligors

The obligations of each Guarantor hereunder shall be deemed to be undertaken as a principal obligor and not merely as surety.

4.2 Continuing obligations

The obligations of each Guarantor contained herein shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under or in respect of any Note or the Deed of Covenant and shall continue in full force and effect for so long as the Programme remains in effect and thereafter until all sums due from the Issuer in respect of the Notes and under the Deed of Covenant have been paid, and all other actual or contingent obligations of the Issuer thereunder or in respect thereof have been satisfied, in full (and without regard to the limitations on recourse of Noteholders against the Issuer contained in Condition 4(a) *(Status of the Notes))*.

4.3 Obligations not discharged

Neither the obligations of either Guarantor herein contained nor the rights, powers and remedies conferred upon the Beneficiaries by this Deed of Guarantee or by law shall be discharged, impaired or otherwise affected by:

4.3.1 *Winding up:* the winding up, dissolution, administration, re-organisation or moratorium of the Issuer or any change in its status, function, control or ownership;

4.3.2 *Illegality:* any of the obligations of the Issuer under or in respect of any Note or the Deed of Covenant being or becoming illegal, invalid, unenforceable or ineffective in any respect;

4.3.3 *Indulgence:* time or other indulgence (including for the avoidance of doubt, any composition) being granted or agreed to be granted to the Issuer in respect of any of its obligations under or in respect of any Note or the Deed of Covenant;

4.3.4 *Amendment:* any amendment, novation, supplement, extension, (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature) or replacement, waiver or release of, any obligation of the Issuer under or in respect of any Note or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof including without limitation any change in the purposes for which the proceeds of the issue of any Note are to be applied and any extension of or any increase of the obligations of the Issuer in respect of any Note or the addition of any new obligations for the Issuer under the Deed of Covenant; or

4.3.5 *Analogous events:* any other act, event or omission which, but for this sub-clause, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by either Guarantor herein or any of the rights, powers or remedies conferred upon the Beneficiaries or any of them by this Deed of Guarantee or by law.

4.4 Settlement conditional

Any settlement or discharge between the Guarantors and the Beneficiaries or any of them shall be conditional upon no payment to the Beneficiaries or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Beneficiaries shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantors subsequently as if such settlement or discharge had not occurred.

4.5 Exercise of Rights

No Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Guarantee or by law:

4.5.1 *Demand:* to make any demand of the Issuer, save for the presentation of the relevant Note;

4.5.2 *Take action:* to take any action or obtain judgment in any court against the Issuer; or

4.5.3 *Claim or proof:* to make or file any claim or proof in a winding up or dissolution of the Issuer,

and (save as aforesaid) each of the Guarantors hereby expressly waive presentment, demand, protest and notice of dishonour in respect of any Note.

4.6 Deferral of Guarantor's rights

Each of the Guarantors agree that, so long as any sums are or may be owed by the Issuer in respect of any Note or under the Deed of Covenant or the Issuer is under any other actual or contingent obligation thereunder or in respect thereof, neither Guarantor will exercise any rights which it may at any time have by reason of the performance by it of its obligations hereunder:

4.6.1 *Indemnity:* to be indemnified by the Issuer;

4.6.2 *Contribution:* to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of any Note or the Deed of Covenant; or

4.6.3 *Subrogation:* to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of any Beneficiary against the Issuer in respect of amounts paid by it under this Deed of Guarantee or any security enjoyed in connection with any Note or the Deed of Covenant by any Beneficiary.

Each of the Guarantors further agrees that the recourse against the Issuer for the enforcement of its credit rights arising as a result of the enforcement of their obligations under this Deed (for any loss they may incur), will be limited to any amount that may be received by the Issuer in respect of the On-Loan Agreements entered into between the Issuer and the Guarantors to the extent not used by the Issuer for payments under the Notes plus the Issuer's share capital, from time to time.

4.7 *Pari passu*

Each of the Guarantors undertakes that its obligations hereunder will constitute its direct, general, unconditional, unsubordinated and (without prejudice to Condition 5 *(Negative Pledge)* unsecured obligations which in the event of insolvency (*concurso*) of the Guarantors (unless they qualify as subordinated debts under Article 92 of Law 22/2003 (*Ley Concursal*) dated 9 July 2003 or equivalent legal provision which replaces it in the future) will rank pari passu without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Guarantors.

4.8 Deposit of Deed of Guarantee

This Deed of Guarantee shall be deposited with and held by the Fiscal Agent for so long as the Programme remains in effect and thereafter until all the obligations of the Issuer under or in respect of the Notes and Deed of Covenant (without regard to the limitations on recourse of Noteholders against

the Issuer contained in Condition 4(a) *(Status of the Notes))* have been discharged in full. Each Guarantor hereby acknowledges the right of every Beneficiary to the production of this Deed of Guarantee.

5. STAMP DUTIES

Each Guarantor jointly and severally undertakes to pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which are payable upon or in connection with the execution and delivery of this Deed of Guarantee, and shall indemnify each Beneficiary against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs as a result or arising out of or in relation to any failure to pay or delay in paying any of the same.

6. BENEFIT OF DEED OF GUARANTEE

6.1 Deed poll

This Deed of Guarantee shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.

6.2 Benefit

This Deed of Guarantee shall enure to the benefit of each Beneficiary and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Deed of Guarantee against the Guarantors.

6.3 Assignment; Merger of Guarantors

Neither Guarantor shall be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder. Notwithstanding the foregoing sentence, the Guarantors may, without the consent of the Noteholders or Couponholders, effect a merger at any time pursuant to Law 3/2009, dated 3 April, on Corporate Structure Modifications (Ley *3/2009, de 3 de abril, sobre modificaciones estructurales de las sociedades mercantiles)* (the "Law") whereby, pursuant to Article 23 of the Law, all assets, liabilities, and obligations of the Guarantors including but not limited to the obligations of the Guarantors under this Deed of Guarantee will be assumed by such merged entity. Following any such merger, reference herein to the Guarantors herein shall be deemed to be references to such merged entity. Each Beneficiary shall be entitled to assign all or any of its rights and benefits hereunder.

7. PARTIAL INVALIDITY

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

8. NOTICES

8.1 Address for notices

All notices and other communications to the Guarantors hereunder shall be made in writing (by letter or fax) and shall be sent to the Guarantors at:

NED España Distribución Gas, S.A.U.
Plaza de la Gesta 2
33007 Oviedo
Spain
Spain
Fax: +34 94 424 38 09
Attention: The Directors

NED Suministro GLP, S.A.U.
calle General Concha 20

48010 Bilbao
Spain
Fax: +34 94 424 38 09
Attention: The Directors

or to such other address or fax number or for the attention of such other person or department as either Guarantor has notified to the relevant Noteholders in the manner prescribed for the giving of notices in connection with the relevant Notes.

8.2 Effectiveness

Every notice or other communication sent in accordance with Clause 8.1 *(Address for notices)* shall be effective upon receipt by a Guarantor; *provided that* any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of such Guarantor.

9. CURRENCY INDEMNITY

If any sum due from a Guarantor under this Deed of Guarantee 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 this Deed of Guarantee or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against a Guarantor, (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 this Deed of Guarantee, each Guarantor shall jointly and severally indemnify each Beneficiary on demand 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 Beneficiary 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 from the other obligations under this Deed of Guarantee and shall give rise to a separate and independent cause of action.

10. LAW AND JURISDICTION

10.1 Governing law

This Deed of Guarantee and any non-contractual obligations arising out of or in connection with it are governed by English law.

10.2 English courts

The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute"), arising out of or in connection with this Deed of Guarantee (including a dispute relating to the existence, validity or termination of this Deed of Guarantee or any non-contractual obligation arising out of or in connection with this Deed of Guarantee) or the consequences of its nullity.

10.3 Appropriate forum

Each of the Guarantors 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.

10.4 Rights of the Beneficiaries to take proceedings outside England

Clause 10.2 *(English courts)* is for the benefit of the Beneficiaries only. As a result, nothing in this Clause 10 *(Law and Jurisdiction)* prevents the Beneficiaries from taking proceedings relating to a Dispute ("Proceedings") in any other courts with jurisdiction. To the extent allowed by law, the Beneficiaries may take concurrent Proceedings in any number of jurisdictions.

10.5 Service of process

Each of the Guarantors 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 Hackwood Secretaries Limited at One Silk Street, London, EC2Y 8HQ, United Kingdom, or to such other person with an address in England or Wales and/or at such other address in England or Wales as either Guarantor may specify by notice in writing to the Beneficiaries. Nothing in this paragraph shall affect the right of any Beneficiary to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

11. MODIFICATION

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to Notes, including the modification of any provision of this Deed of Guarantee. Any such modification may be made by supplemental deed poll if sanctioned by an Extraordinary Resolution and shall be binding on all Beneficiaries.

12. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement except and to the extent (if any) that this Agreement expressly provides for such Act to apply to any of its terms.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be used for general corporate purposes, including (amongst other things) refinancing the Group's existing €1.3bn term loan facilities. Certain of the Dealers have participations in the Group's existing term loan facilities that are expected to be repaid as part of the refinancing.

DESCRIPTION OF THE ISSUER AND THE GUARANTORS

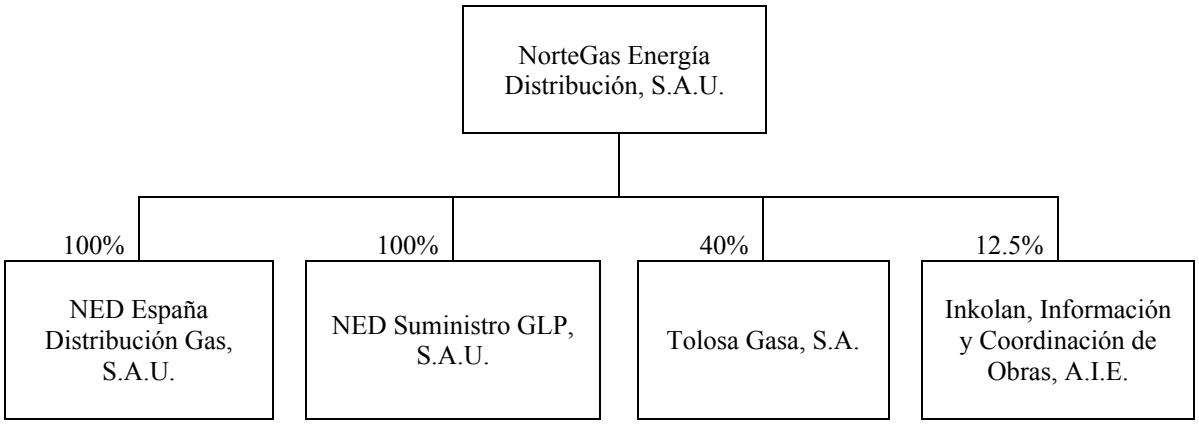
*The financial data presented in this Offering Circular, in addition to the financial performance measures established by Spanish GAAP, contains certain alternative performance measures (such as EBITDA) ("**APMs**") that are presented for the purposes of a better understanding of the Group's financial performance as these are used by the Group when making operational or strategic decisions. These APMs are not required by, and are not presented in accordance with, Spanish GAAP. Such measures should not be considered in isolation or as a substitute for Profit for the year or Results from Operating Activities as determined in accordance with Spanish GAAP. In addition, APMs may not be comparable to similarly titled measures used by other companies.*

Description of the Group

General Information

The Group comprises a natural gas and liquefied petroleum gas ("**LPG**") distribution business in the autonomous regions of Asturias, Cantabria and the Basque Country owned and operated by NorteGas Energía Distribución, S.A.U. ("**NED**" or the "**Issuer**"), together with its wholly-owned subsidiaries, NED España Distribución Gas, S.A.U. and NED Suministro GLP, S.A.U. (the "**Group**"). NED also holds minority interests in Tolosa Gasa, S.A. and Inkolan, Información y Coordinación de Obras, A.I.E.

The diagram below represents the Group:



NorteGas Energía Distribución, S.A.U. (formerly Naturgas Energía Distribución, S.A.U.) is a Spanish public limited liability company (*sociedad anónima*) subject to Spanish Companies Law (*Ley de Sociedades de Capital*), and was incorporated on 31 December 2003 for an indefinite period. It is registered with the Mercantile Registry (*Registro Mercantil*) of Vizcaya at volume 4368, folio 168 and page BI-38453, and its tax registration number is A95292223. The registered address of NED is at calle General Concha 20, 48010 Bilbao, Spain with the telephone number +34946140020.

NED España Distribución Gas, S.A.U. (formerly EDP España Distribución Gas, S.A.U.) is a Spanish public limited liability company (*sociedad anónima*) subject to Spanish Companies Law (*Ley de Sociedades de Capital*), and was incorporated on 4 November 2016 for an indefinite period. It is registered with the Mercantile Registry (*Registro Mercantil*) of Vizcaya at volume 4223, folio 188 and page AS-50440, and its tax registration number is A74417759. The registered address of NED España Distribución Gas, S.A.U. is at Plaza de la Gesta 2, 33007 Oviedo, Spain with the telephone number +34946140020.

NED Suministro GLP, S.A.U. (formerly Naturgas Suministro GLP, S.A.U.) is a Spanish public limited liability company (*sociedad anónima*) subject to Spanish Companies Law (*Ley de Sociedades de Capital*), and was incorporated on 29 November 2016 for an indefinite period. It is registered with the Mercantile Registry (*Registro Mercantil*) of Vizcaya at volume 5656, folio 72 and page BI-68973, and its tax registration number is A95864492. The registered address of NED Suministro GLP, S.A.U. is at calle General Concha 20, 48010 Bilbao, Spain with the telephone number +34946140020.

Share capital and shareholders

NED's share capital is €100,000,000 divided into 1,000,000 standard registered shares, each having a par value of €100, forming a single class. NED is wholly-owned by Nature Gasned XXI, S.L.U.

NED España Distribución Gas, S.A.U.'s share capital is €60,000,000 divided into 6,000,000 standard registered shares, each having a par value of €10, forming a single class. NED España Distribución Gas, S.A.U. is wholly-owned by NED.

NED Suministro GLP, S.A.U.'s share capital is €2,000,000 divided into 200,000 standard registered shares, each having a par value of €10, forming a single class. NED Suministro GLP, S.A.U. is wholly-owned by NED.

Nature Gasned XXI, S.L.U. is a Spanish public limited liability company (*sociedad limitada*) subject to the Spanish Companies Law (*Ley de Sociedades de Capital*), that was incorporated on 31 March 2017 for an indefinite period. It is registered with the Mercantile Registry (*Registro Mercantil*) of Vizcaya at volume 5689, folio 49 and page number BI-69656, and its tax registration number is B95878849. The registered address of Nature Gasned XXI, S.L.U. is at calle General Concha 20, 48010, Bilbao, Spain with the telephone number +34946140020. The corporate purpose of Nature Gasned XXI, S.L.U. is the holding and financing of activities. Its primary asset is its shareholding in NED. Nature Gasned XXI, S.L.U. is indirectly controlled by a consortium of investors formed by IIF Int'l Nature Investment S.à r.l., Hanover Investments (Luxembourg), S.A., Swiss Life GIO II EUR Holding S.à r.l. and Covalis Capital Luxembourg S.à r.l.

Business

Overview

The business of the Group comprises of the distribution of natural gas and the distribution and supply of LPG to customers in 383 municipalities in the autonomous regions of Asturias, Cantabria and the Basque Country. The Group owns the corresponding gas distribution network assets reaching its customers. The Group is responsible, amongst other things, for the development, ownership, maintenance and operation of the distribution network and for installations. The Group's network consists of 8,101 km of pipelines with a pressure of, equal to or less than 16 bar. 99% of the Group's pipelines are made of polyethylene and steel and have an estimated technical life of over 50 years. 1% of the Group's pipelines are made of grey iron or ductil cast iron, and there is a replacement programme in place to replace these with steel or polyethylene.

With 1,008,181[3] connection points as at the date of this Offering Circular, the Group is the second largest natural gas distribution company in Spain (by number of connection points).

For further information regarding the Spanish natural gas supply chain, see the section "*Overview of the Spanish Natural Gas and LPG Sector*" below.

Recent acquisition of the Issuer by the Sponsors and Potential Merger of BidCo and the Issuer

Acquisition

On 27 July 2017, the Issuer was acquired by Nature Gasned XXI S.L.U. ("**BidCo**") (a financing vehicle backed by the Sponsors) from EDP. The Acquisition was financed by two term loans amounting to a total of €1.3 billion, which the Issuer intends to refinance by way of proceeds raised pursuant to this Programme, and a €100 million revolving credit facility.

Merger

In order to create efficiencies in the Group, it is the intention that BidCo and the Issuer will merge in the coming months. Pursuant to Law 3/2009, of 4 April, on Corporate Restructuring (*Ley de Modificaciones Estructurales*), for a period of one month from the date of announcement of a merger, creditors are entitled to submit their opposition to that merger. To ensure that Noteholders are (i) aware of the intended merger and (ii) consent to the merger upon subscription to the Notes, Condition 18(b) (*Deemed Consents by Noteholders*) provides for: (i) an

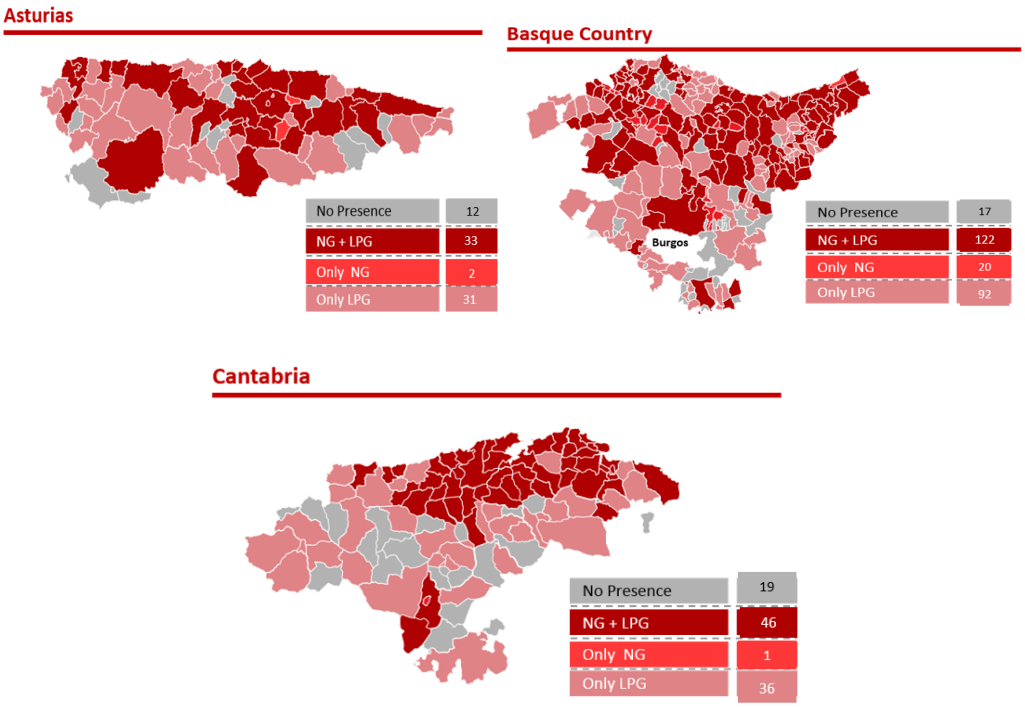
[3] Data at April 2017 includes approximately 926,346 gas natural connection points and approximately 82,761 LPG connection points.

automatic consent to the intended merger of the Issuer and BidCo by each Noteholder; and (ii) waiver of all and any rights, howsoever arising, including by contract or statute, to object to such merger. This consent and waiver of rights is valid as if it was passed unanimously at a meeting of Noteholders.

Distribution network activities

The Group's principal activity is the distribution of natural gas and the distribution and supply of LPG to end customers. In order to carry out its activities, the Group has to obtain operating licences for each geographical area in which it aims to distribute natural gas and LPG.

The Group currently operates in 383 municipalities in the autonomous regions of Asturias, Cantabria and the Basque Country, and has obtained the relevant authorisation for each of them. The Group's distribution network is shown in the following maps:



Source: NorteGas Data at April 2017

Distribution network activities

The principal activity of the Group is the distribution of natural gas to end customers however it is also responsible for a series of other related services such as the rental of metering equipment and internal service pipe work or gas riser, which connects the service line to each supply key of a building (*instalaciones receptoras comunes*) ("**IRC**"), the construction of connections, service lines and IRCs, inspections and installation maintenance.

99.2% of the Group's 2016 year-end revenues are regulated and 0.8% are non-regulated. The table below provides a brief explanation of the Group's services and a breakdown of the percentage of the Group's revenues that each of the services provided represents, for the year ended 31 December 2016.

Services	Description	Percentage of revenues as at 31 December 2016
Regulated		
Remuneration	Remuneration based on the parametric formula	84.1%
Inspections and installation maintenance	According to Royal Decree 919/2006, all natural gas delivery installation facilities must be inspected every 5 years. According to the Law 8/2015 this activity was opened to competition, so that a customer can request a third party to inspect their installation facilities. The distributors remain as a subsidiary inspector in case the customer does not assume their inspection obligations under the free regime. The distributors also assume the inspection management services at a regulated price which is currently under review. The inspection maximum tariffs depend on the type of recipient facilities, i.e. supply keys (IRI) for individual recipient facilities, or IRC (internal service pipe work or gas riser, which connects the service line to each supply key of a building) for mutual recipient facilities. The inspection tariffs are set by regional governments.	4.3%
Meter Rents	Generally, distributors rent meter equipment out to consumers (alternatively meter equipment can be owned by the customer or by a third party agent) Tariffs depend on the type of meter equipment rented.	7.2%
Connection points *(acometidas)*	According to Royal Decree 1434/2002, distributors have the right to charge an activation royalty for each new connection point or for extensions of an existing connection point.	0.6%
Activation of connection points *(derechos de alta, derechos de enganche, verificaciones y reinicios),*	According to Royal Decree 1434/2002, distributors have the right to charge a service line royalty for each connection point connected to a service line at the moment the connection point is activated.	1.1%
LPG Revenues	According to a formula approved by a Ministerial Order of 16th July 1998, as amended by order ITC/3292/2008.	2.0%
Non-regulated		
IRC Rents	According to the Hydrocarbon Sector Law, distributors have the right (but not the obligation) to encourage the construction of IRCs, in order to facilitate the end consumers' access to gas. For the IRCs owned by the distribution company, rental prices are based on a non-regulated tariff set by the company, in accordance with bilateral agreements. These tariffs must be approved by the applicable regional government.	0.5%
Others	Fee received by the distributor for services provided in-house (e.g. change of a gas meter) Revenues depend on the number of clients and prices set freely by the company for each service.	0.2%

For further detail on what these activities entail and the remuneration thereunder see section "*Overview of the Spanish Natural and LPG Gas Sector – Other regulated revenues*".

Selected operational information

The table below is a summary of selected operational information of the Group as at 31 December 2016.

	As of 31 December 2016
Total Connection Points	1,008,181
Distribution of Gas (GWh)	27,023
Distribution Network (km)	8,101
Municipalities	383

99.93% of the Group's natural gas connection points are with non-industrial customers which receive 30% of the gas that the Group distributes. The remainder of the Group's connection points are with industrial customers, which receive 62% of the gas that the Group distributes and 8% is related to non-remunerated connection points. For the year ended 31 December 2016, the top 10 non-industrial clients by industry (based on volume) were as follows:

Industrial sector	Proportion of gas volume distributed
Paper	26%
Chemical	5%
Steel, metal	33%
Power plants	13%
Glass	18%
Food industry	5%

Selected financial information

The table below is a summary of selected financial information of the Issuer for the year ended 31 December 2015 and of the Group for the year ended 31 December 2016. Note that the audited 2016 figures do not include the full impact of the LPG assets, which were acquired during 2016 by the Issuer and transferred during the second half of 2016 and the first quarter of 2017 to its wholly-owned subsidiary NED Suministro GLP, S.A.U.

	For the year ended 31 December	
	2015	2016
	(millions of euro)	
Revenue from regulated activities	201.4	199.6
Revenue from other activities	1.4	1.5
Total revenues	202.8	201.1[4]
EBITDA[(1)]	285.9	159.4
Results from operating activities	194.5[5]	66.7[4]

[4] 2016 figures are obtained from the English translation of the 2016 NED audited consolidated annual accounts.

[5] 2015 figures are obtained from the comparative figures included in the English translation of the 2016 NED audited consolidated annual accounts as some 2015 figures were restated due to changes in accounting rules in 2016.

	For the four-month period ended 30 April[6]		
	30 April 2017 [7]	**30 April 2017 Segment Natural Gas[7]**	**30 April 2017 Segment LPG[7]**
		(millions of euro)	
Revenues	82.1	69.3	12.8
EBITDA(1)	60.5	55.9	4.6
Results from operating activities	33.5	31.9	1.6

(1) EBITDA

Is calculated as Profit for the year (as defined in the annual accounts for the Issuer for the years ended 31 December 2015 (non-consolidated), 31 December 2016 (consolidated) and 30 April 2017 (consolidated)) after adding back income tax, net finance results and depreciation and amortization. EBITDA is included here because the Group believes that this and other similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. EBITDA may not be comparable to other similarly titled measures of other companies and has limitations as analytical tool and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under Spanish GAAP. EBITDA is not a measure of performance or liquidity under Spanish GAAP and should not be considered as an alternative to results from operating activities or profit for the year or any other performance measure derived in accordance with Spanish GAAP or as alternative to cash flow from operating, investing or financing activities.

The reconciliation of EBITDA to results from operating activities for the year is as follows:

	For the year ended 31 December	
	2015[8]	**2016[9]**
	(millions of euro)	
Results from operating activities	194.5	66.7
Amortisation and depreciation	-91.4	-92.7
EBITDA	285.9	159.4
Gains on disposal of fixed assets[10]	125.4	-
EBITDA before special item	160.5	159.4

[6] Numbers in this table have been rounded and therefore do not contain the same number of decimal places as those contained in the April 2017 NED audited consolidated accounts.

[7] Amounts obtained from April 2017 NED audited consolidated accounts. Segmental information included in Note 26.

[8] 2015 figures obtained from the comparative figures included in the English translation of the 2016 NED audited consolidated annual accounts as some 2015 figures were restated due to changes in accounting rules in 2016.

[9] 2016 figures are obtained from the English translation of the 2016 NED audited consolidated annual accounts.

[10] Gains on disposal of fixed assets in 2015 (€125.4 million) correspond to proceeds from the sale of Gas Energía Distribución Murcia, S.A. and the physical gas distribution assets located outside the autonomous regions of Asturias, Cantabria and the Basque Country, which the Group considers outside their normal business.

	For the four-month period ended 30 April[11]		
	30 April 2017[12]	**30 April 2017 Segment Natural Gas[12]**	**30 April 2017 Segment LPG[12]**
		(millions of euro)	
Results from operating activities	33.5	31.9	1.6
Amortisation and depreciation	-27.0	-24.0	-3.0
EBITDA	60.5	55.9	4.6
Gains on disposal of fixed assets[13]			
EBITDA before special item	60.5	55.9	4.6

See "*Risk Factors – Risks related to changes in tax regulations*" for a description of the tax measures affecting the Group.

Recent acquisitions and disposals by the Issuer

In January 2015, the Issuer sold its stake in Gas Energía Distribución Murcia, S.A. to Redexis Gas, S.A., and in June 2015 the Issuer further sold to Redexis Gas S.A. certain assets related to its gas distribution business located in Cataluña, Extremadura, Madrid, Murcia and Castilla y León.

Subsequently in 2016 the Issuer agreed to acquire from Repsol Butano, S.A. approximately 82,761 piped propane connection points and approximately 300km of gas distribution network held by Repsol Butano, S.A. in the autonomous regions of Asturias, Cantabria and the Basque Country.

Environmental Matters

The Group's operations are subject to the environmental protection laws and regulations of the European Union, Spain and any other countries in which the Group operates or is located.

Insurance

In line with industry practice, the Group maintains insurance which provides cover against a number of risks arising in connection with the Group's operations, including property damage, fire and third party liability, in certain instances.

Employees

As of 31 July 2017, following the carve-out from EDP, the Group's workforce totalled 242.

The Group has experienced two general labour stoppages since its incorporation. The first strike was on 29 March 2012 and the second strike on 14 November 2012, both of which had a country-wide effect. As of the date of this Offering Circular, there have not been any strikes impacting the Group specifically and the Group is not aware of any material labour dispute, other than disputes within the normal course of business.

[11] Numbers in this table have been rounded and therefore do not contain the same number of decimal places as those contained in the April 2017 NED audited consolidated accounts.

[12] Amounts obtained from April 2017 NED audited consolidated accounts. Segmental information included in Note 26.

[13] Gains on disposal of fixed assets in 2015 (€125.4 million) correspond to proceeds from the sale of Gas Energía Distribución Murcia, S.A. and the physical gas distribution assets located outside the autonomous regions of Asturias, Cantabria and the Basque Country, which the Group considers outside their normal business.

Litigation

There are no pending or threatened governmental, legal or arbitration proceedings against or affecting the Group which may have, or have had during the 12 months prior to the date hereof, individually or in the aggregate, a significant effect on the financial position or profitability of the Group and, to the best of the knowledge of the Group, no such actions, suits or proceedings are threatened or contemplated.

Management

NED

As at the date of this Offering Circular, the members of the board of directors of NED, their position on the board and their principal activities outside the Group, where these are significant, are the following:

Name of Director / Name of director	Position on Board	Date of first appointment	Principal activities outside the Group
Alejandro Legarda Zaragüeta	Chairman	27 July 2017	Mr. Legarda is an experienced manager in the infrastructure sector. Outside of his Executive Director role at Nortegas Energía Distribución, Mr. Legarda is Board member at Construcciones y Auxiliar de Ferrocarriles (CAF), leading Spanish transport infrastructure company.
John Edmund Lynch	Member	27 July 2017	Mr. John Lynch is an Investment Principal at the Infrastructure Investments Group in J.P. Morgan Asset Management. His principal activities outside of his Non-Executive Director role of Nortegas Energía Distribución include advising institutional investors regarding investments in OECD based infrastructure assets, including advising on the origination and ongoing management of such investments. Within this role Mr Lynch also serves as a Non-Executive Director on the board of ENW Ltd and affiliates.
Sara Murtadha Jaffar Sulaiman	Member	27 July 2017	Ms. Sara Sulaiman is an Investment Principal at the Infrastructure Investments Group in J.P. Morgan Asset Management. Her principal activities outside of her Non-Executive Director role of Nortegas Energía Distribución include advising institutional investors regarding investments in OECD based infrastructure assets, including advising on the origination and ongoing management of such investments. Within this role Ms Sulaiman does not currently have a Non-Executive Director role on the boards of any such investments, but may do so in the in future.
Mark William Mathieson	Member	27 July 2017	Mr. Mathieson is an experienced manager in the renewable energy sector. Outside of his Non-Executive Director role Nortegas Energía Distribución, Mr. Mathieson was until recently Chief Executive Officer at Green Highlands Renewables Ltd since 2015 and transformed the company into the largest owner and operator of hydro-electric

			schemes outside the Big 6 energy companies. He is also Non-Executive Director of Winder Power Holding Ltd, a leading UK manufacturer of power and distribution transformers and generator equipment.
Patrick Rene Georges Meunier	Member	27 July 2017	Mr. Meunier is an economic consultant authorized by the relevant Luxembourg authorities and Certified Director of various registered Luxembourg Funds. Outside of his Non-Executive Director role of Nortegas Energía Distribución, Mr. Meunier is a Controlling Shareholder and Managing Director of "Agir Luxembourg SA", actively involved in issues related to funds, securitization vehicles, taxes and general management.
Louis Denis Patrick Houbert	Member	27 July 2017	Mr. Houbert is a Lawyer at Marseilles' and Luxemburg Bar specialising in corporate and M&A. Outside of his Non-Executive Director role Nortegas Energía Distribución, Mr. Houbert is Board Member of several investment funds in Luxembourg, actively involved in transactions on infrastructure investments and related legal and financing issues. He is also General Counselor of a major French digital TV middleware solutions provider.
Michel Marcel Vareika	Member	27 July 2017	Mr. Vareika is an experienced Managing Director of financial institutions. Outside of his Non-Executive Director role Nortegas Energía Distribución, Mr. Vareika is an Independent Certified Director of numerous companies, ILA Certified (Institut Luxembourgeois des Administrateurs) since June 2013 & INSEAD Certified since July 2014, with direct responsibility for total assets exceeding €30bn.
Ahmed Ateeq Mohamed Khalaf Almazrouei	Member	27 July 2017	H.E. Ahmed Ateeq Mohamed Khalaf Almazrouei is the Executive Director of Abu Dhabi Investment Council's Global Infrastructure and Natural Resources Department and the Global Special Situations Department.
Arnold Louis Spruit	Member	27 July 2017	Mr Spruit is a finance manager with experience in fund and asset management. Outside of his Non-Executive Director role at Nortegas Energía Distribución, Mr. Spruit is an Independent Director for a portfolio of companies and funds in Luxembourg and Jersey and Chairman of the Board at Governance.io – Gears SA, fintech company in Luxembourg and the Netherlands.
Emmanuel Lejay	Member	27 July 2017	Mr. Lejay is an Executive Director in Swiss Life Asset Management's Infrastructure Investments team. His principal activities

			outside of his Non-Executive Director role at Nortegas Energía Distribución include the origination and ongoing management of infrastructure investments in Europe and North America. Within this role, Mr Lejay also represents Swiss Life Asset Management as a Non-Executive Director on the boards of some of Swiss Life Asset Management's other infrastructure investments.
Toby James Mitchell	Member	27 July 2017	Mr. Mitchell is a financial manager with extensive experience in fund and asset management. Outside of his Non-Executive Director role at Nortegas Energía Distribución, Mr.Mitchell is Chief Operating Officer at Covalis Capital LLC, global investment firm focused on the utilities, infrastructure and commodities sectors
Massimo Adelmo Lucio Rossini	Member	27 July 2017	Mr. Rossini is a manager with extensive experience in infrastructure sector. Outside of his Non-Executive Director role at Nortegas Energía Distribución, Mr. Rossini is CEO at Nortegas Energía Distribución and member of the board of NED España Distribución Gas and NED Suministro GLP.
Francisco Javier Contreras Garcia	Member	8 September 2017	Mr. Contreras is a senior executive with extensive experience in the pharmaceutical and energy infrastructure sectors, including natural gas distribution networks. Outside of his Non-Executive Director role at Nortegas Energía Distribución, Mr. Contreras currently holds senior management responsibilities in a global developer of renewable energy infrastructures.

There are no potential conflicts of interest between any duties owed by the members of the Board of Directors to NED and their respective private interests or duties.

The business address of the members of the board of directors of NED is at calle General Concha 20, 48010 Bilbao, Spain.

NED España Distribución Gas, S.A.U.

As at the date of this Offering Circular, the joint directors of NED España Distribución Gas, S.A.U., their position and their principal activities outside the Group, where these are significant, are the following:

Name of Director / Name of director	Position on Board	Date of first appointment	Principal activities outside the Group
Massimo Adelmo Lucio Rossini	Member	27 July 2017	Mr. Rossini is a manager with extensive experience in infrastructure sector. Outside of his Non-Executive Director role at NED España Distribución Gas, Mr. Rossini is CEO and member of the board at Nortegas Energía

			Distribución and member of the board at NED Suministro GLP.
Izaskun Gorostiaga Melchisidor	Member	27 July 2017	Ms. Gorostiaga is a manager with extensive experience in infrastructure sector. Outside of her Non-Executive Director role at NED España Distribución Gas, Ms. Gorostiaga is Director of Operations at NorteGas Energía Distribución and member of the board of NED Suministro GLP.

There are no potential conflicts of interest between any duties owed by the members of the Board of Directors to NED España Distribución Gas, S.A.U. and their respective private interests or duties.

The business address of the members of the board of directors of NED España Distribución Gas, S.A.U. is at Plaza de la Gesta 2, 33007 Oviedo, Spain.

NED Suministro GLP, S.A.U.

As at the date of this Offering Circular, the joint directors of NED Suministro GLP, S.A.U., their position and their principal activities outside the Group, where these are significant, are the following:

Name of Director / Name of director	Position on Board	Date of first appointment	Principal activities outside the Group
Massimo Adelmo Lucio Rossini	Member	27 July 2017	Mr. Rossini is a manager with extensive experience in infrastructure sector. Outside of his Non-Executive Director role at NED Suministro GLP, Mr. Rossini is CEO and member of the board at Nortegas Energía Distribución and member of the board at NED España Distribución Gas
Izaskun Gorostiaga Melchisidor	Member	27 July 2017	Ms. Gorostiaga is a manager with extensive experience in infrastructure sector. Outside of her Non-Executive Director role at NED Suministro GLP, Ms. Gorostiaga is Director of Operations at NorteGas Energía Distribución and member of the board of NED España Distribución Gas.

There are no potential conflicts of interest between any of the duties owed by the members of the Board of Directors to NED Suministro GLP, S.A.U. and their respective private interests or duties.

The business address of the members of the board of directors of NED Suministro GLP, S.A.U. is at calle General Concha 20, 48010 Bilbao, Spain.

OVERVIEW OF THE SPANISH NATURAL GAS AND LPG SECTORS

Overview

The natural gas sector in Spain is comprised of a number of activities and assets involved in bringing natural gas from its points of entry in the gas system to end customers.

According to the 2016 Spanish Association of Gas ("**SEDIGAS**") and the Enagas GTS, S.A.U. ("**Enagas GTS**") Report "*Sistema Gasista Español 2016*", over 99.9% of the natural gas used in Spain is imported. Of these imports, approximately 58% is imported through six international pipelines (two pipelines with the North of Africa-Maghreb and Medgaz, two with France and two with Portugal). The remaining 42% is provided through six regasification plants.

According to the Enagas GTS Report, in Spain, conventional natural gas consumption (including industrial, commercial and household consumption) was 3.3% higher in 2016 compared to 2015 and non-conventional natural gas consumption (including production of electricity) in 2016 was 2.6% lower than in 2015. Total natural gas consumption in Spain in 2016 was 2.1% higher compared to 2015. According to Enagas GTS, the increase in natural gas consumption was mainly due to: (i) an increase of natural gas consumption in household-commercial and SME sectors, which increased by 3.2% compared to the previous year, and (ii) an increase in the demand of natural gas in the industrial sector, the main natural gas consumer, which also increased by 3.2% compared to 2015.

Regarding the gas system, it should be noted that the natural gas supply is liberalised, enabling all end users to choose which supplier to use. Access to the transmission and distribution grids is regulated, and it is managed in a transparent and non-discriminatory manner to ensure that shippers of gas can compete freely. Law 34/1998 of 7 October 1998 on the Hydrocarbons Sector ("**LSH**") marked the beginning of the liberalisation of the gas supply market in Spain. Since 1998 several players entered the market, which until that time was mainly operated by the Gas Natural group. In 2008, the supply market was fully liberalised. Natural gas in Spain is supplied by shippers or traders with the required technical and financial capacity, who pay tolls to the Gas System to access and use the transmission and distribution networks. The price of gas supply to end customers with an annual consumption of less than 50,000kWh is regulated (the so-called "last resort" tariff).

A number of different entities are active in the Spanish natural gas sector, including Enagas Transporte, S.A.U. ("**Enagas Transporte**"), which operates a large portion of the transmission network, storage facilities and regasification facilities and the Gas Natural group, which operates a large portion of the distribution network. There has been merger and acquisition activity affecting businesses active in the Spanish natural gas sector over the last several years. As such, there may be further activity affecting the entities active in the sector, and/or the regulation of the sector as a whole.

On the other hand, the LPG sector in Spain is comprised of a number of activities and assets involved in supplying LPG through various channels of distribution/supply to other suppliers or directly to end consumers. In principal, LPG activities can be freely carried out by any third party. However, the LPG sector continues to be heavily regulated in some aspects, as further explained below.

According to the 2015 Spanish Corporation of Strategic Oil Product Reserves ("**CORES**") Report, Spain is 99.5% dependent on external supply of oil. Moreover, approximately 41.6% of the LPG consumed in Spain in 2015 was imported from 12 countries, prominently from the USA (c. 46.2%) and Algeria (c. 26.3%). Total consumption of LPG in Spain increased by 12.8% in 2015 compared to the preceding year, according to the said CORES Report.

Likewise, there are a number of entities involved in the Spanish LPG sector. In the last years, several acquisition transactions have taken place in the Spanish market involving LPG assets/businesses.

The Group comprises of a natural gas and LPG distribution business in the autonomous regions of Asturias, Cantabria and the Basque Country. Thus, the following sections refer to the natural gas and LPG sector, focusing on the main regulatory aspects of the Group businesses.

Natural gas system

In Spain, the gas system is structured around two types of activities:

(i) Regulated activities, which include:

a) Transmission through primary networks: high pressure pipelines with a pressure of 60 bar or over. It includes the operation of international gas pipelines and connections.

b) Transmission through secondary networks: high pressure pipelines with a pressure of between 16 and 60 bar.

c) Regasification plants: at regasification plants the liquefied natural gas is converted into gas and introduced into the gas system.

d) Primary storage facilities: used for the storage of natural gas which will be poured directly into the gas system. These can be depleted reservoirs of oil and/or gas fields, aquifers or salt cavern formations. Natural gas is stored to modulate and adjust differences in supply and demand. Thereby variations due to interruptions in supply, or seasonal variations can be balanced and the transmission of natural gas optimised. The storage of gas also aims to maintain strategic reserves and enable the supply of gas in cases of unforeseen interruption in the supply chain.

e) Distribution networks: they are comprised of: (i) gas pipelines with a pressure of 16 or less bar and its ancillary installations, through which natural gas is delivered from the primary and secondary transmission network to end customers; and (ii) irrespective of their pressure, all pipelines distributing gas directly to single customers from the primary and secondary transmission networks.

In the Spanish gas sector, the following concepts shall also be considered, as they are relevant when analysing the rights and obligations of a company carrying out regulated activities (especially regarding the unbundling regime):

(a) the backbone network (*red troncal*), which is comprised by pipelines for primary transportation (above 60 bar pressure) and is essential for the system to work and for ensuring the security of the gas supply, especially including international connections, connections with gas storage and with regasification plants, and any ancillary component necessary for the network to function;

(b) the primary network (*red básica*), which includes all primary transmission assets, regasification plants and primary storage, as explained above (i.e. therefore excluding only the regulated activities of secondary transmission and distribution, as well as non-primary storage, which is not deemed to be a regulated activity).

(ii) Non-regulated activities, which include the production, liquefaction and supply of natural gas, as well as non-primary storage.

The most relevant non-regulated activity carried out in Spain is the supply of natural gas, as most of the natural gas is imported from other countries and therefore poured into the system through the regasification plants or through international pipelines (both regulated activities).

The gas supply activity consists of acquiring natural gas with the aim of selling it to end customers or other gas supply companies, or to carry out international transits (i.e. sales and purchases of the gas dispatched through international pipelines).

As a non-regulated activity, it is conducted on the free market; therefore, the market is open to all economic agents and prices can be set freely (with the exception of the so-called supply of "last resort"). The government’s role is limited in these cases to monitoring the industry, which involves the introduction of legislation to protect end customers.

Regulation of the Spanish natural gas sector

The regulation of the natural gas industry in Spain is primarily set forth in the LSH (as amended). LSH is complemented by a large number of regulation, including, *inter alia*:

- Law 12/2007 of 2 July 2007, amending the LSH conforming it to Directive 2003/55/ concerning common rules for the internal market in natural gas;
- Law 15/2012, of 27 December 2012, on tax measures for energy sustainability;
- Law 18/2014, of 15 October, ratifying RDL 8/2014 ("**Law 18/2014**");
- Law 8/2015, of 21 May 2015, amending Law 34/1998 of the hydrocarbon sector and certain tax and non-tax measures in connection with the exploration, research and exploitation of hydrocarbons;
- Royal Decree-Law 6/2000 of 23 June 2000, introducing urgent measures for the increase in competition in the goods and services;
- Royal Decree-Law 13/2012, of 30 March 2012, transposing measures concerning the domestic electricity and gas markets and electronic communications, and adopting measures to remedy diversions due to gaps between the costs and revenues of the electricity and gas industries;
- Royal Decree-Law 8/2014, of 4 July 2014, which approves urgent measures to encourage growth, competitiveness and efficiency;
- Royal Decree-Law 13/2014, of 3 October 2014 which approves urgent measures in relation to the natural gas sector and ownership of nuclear plants ("**RD 13/2014**");
- Royal Decree 949/2001 of 3 August 2001, regulating third-party access and establishing an integrated economic system for the natural gas sector ("**RD 949/2001**");
- Royal Decree 1434/2002 of 27 December 2002 regulating the transmission, distribution, wholesaling and supply activities of natural gas and natural gas facility authorisation procedures ("**RD 1434/2002**");
- Royal Decree 919/2006 of 28 July 2006 approving the technical regulations for the distribution and use of gaseous fuels and their supplementary technical instructions;
- Royal Decree 326/2008 of 29 February 2008, establishing the remuneration for transmission of natural gas for installations put into service after 1 January 2008;
- Royal Decree 984/2015, of 30 October 2015, regulating the organised gas market and third-party access to natural gas installations ("**RD 984/2015**");
- Ministerial Order ECO/2692/2002, of 28 October 2002, by which the procedures for the settlement of the remuneration of the regulated activities of the natural gas and for the specifically addressed quotas are regulated and the information systems that have to be provided by companies is established ("**Order ECO/2692/2002**");
- Ministerial Order ECO/31/2004 of 15 January 2004, establishing the methods for determining the remuneration for regulated activities in the natural gas sector;
- Ministerial Order ITC 3126/2005 of 5 October 2005, establishing the technical rules for the natural gas industry;
- Ministerial Order ITC/3992/2006, of 29 December 2006, by which the tariffs for natural gas and channelised manufactured gases, meter rental and service line royalties for consumers connected to networks with a supply pressure which is equals or less than 4 bar, are established;
- Ministerial Order ITC 3993/2006 of 29 December 2006, establishing the remuneration for certain regulated activities in the gas industry;

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

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

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

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

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

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

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

- Ministerial Order IET/2355/2014, of 12 December 2014, establishing the remuneration for the second period of 2014 ("**Order IET/2355/2014**");

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

- Ministerial Order IET/389/2015, of 5 March 2015, establishing an upgrade of the system to automatically determine maximum sale prices, before tax, of bottled liquefied petroleum gases and automatic determination of sales prices, before tax, of liquefied petroleum gases by pipeline changes;

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

- Ministerial Order IET/274/2016, of 29 February 2016, amending Ministerial Order IET/2736/2015;

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

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

Regulators

The main gas sector regulators are currently the Spanish Ministry of Energy, Tourism and Digital Agenda (*Ministerio de Energía, Turismo y Agenda Digital*) ("**MINETAD**") and the National Regulatory Authority (i.e. the CNMC). The latter was created by Law 3/2013, of 4 June 2013 ("**Law 3/2013**") and started its operations on 7 October 2013. The National Regulatory Authority was previously named CNE, Comisión Nacional de la Energía.

Regional governments are also important as they are responsible for regulating many of the distribution ancillary services and prices.

Gas System Operator

The major owner and operator of the gas transmission system, Enagas Transporte, S.A.U. ("**Enagas**") was appointed the technical manager of the gas system ("**GTS**") by the LSH. In the wake of Directive 2009/73/EC, Enagas created separate subsidiaries. One of those subsidiaries is Enagas GTS, S.A.U., which undertakes the role and functions of the GTS and as such is in charge of the technical management of the gas system and implements a set of rules to ensure a continuous and secure supply of gas and proper co-ordination among access points, storage facilities, transportation and distribution activities. All gas agents involved in the gas sector are required to comply with the National Network Code (*Normas de Gestion Tecnica del Sistema*), released by the ITC/3126/2005. Enagas GTS is a separate company from its affiliated company Enagas, which has been certified for the purposes of Directive 2009/73/EC as an ownership unbundled gas transmission company.

Permitions: main authorisations regime

As anticipated, the natural gas distribution activity is a regulated activity under Spanish law consisting of the construction, operation and expansion of gas facilities dedicated to deliver the gas to points of consumption for end consumers. Under the current regulation, distribution companies may also construct and operate certain secondary transmission assets.

As a regulated activity, the distribution activity requires certain administrative authorisations and permits. Both the LSH and, specifically, the RD 1434/2002 set forth the main authorisations required in the gas sector.

For the construction and operation of a gas distribution network in a specific area, (i) four main regional authorisations shall be obtained (to be granted by the relevant public authority on energy affairs of the corresponding autonomous region); and (ii) local licences are also required (to be granted by the Town Councils affected by the gas distribution facilities):

(i) **Prior and general administrative authorisation**

This authorisation refers to a given geographical area (normally, a municipality) but does not allow yet for the construction of specific facilities. It is granted for an indefinite period, so that it will remain effective provided that all the conditions under which it is granted remain duly fulfilled at all times.

In order to obtain the preliminary administrative authorisation, the relevant distribution company must prove its legal, technical and economic capacity:

a) Legal capacity: it shall be a Spanish or European Union public limited liability company (*sociedad anónima*).

b) Technical capacity: it may be proven by any means, but distribution companies are deemed to meet this requirement when one of the following points is satisfied: (i) they have at least three years' experience operating distribution networks, directly or through a subsidiary; or (ii) one of its shareholders with a 25% or greater stake meets the requirements in (i) above.

c) Financial capacity: it may be proven by any means, but distribution companies are deemed to have sufficient financial capacity when they have shareholders' equity allocated to the distribution activity of at least: (i) €1,000,000; or (ii) 50% of the budget for the new distribution facilities intended to be constructed.

Exclusivity issue

Although the Group currently holds 100% of the market share in the Autonomous Regions where it operates (i.e. Asturias, Cantabria and the Basque Country), it may be the case that several distribution companies are simultaneously interested in the same distribution area. In such an event, all the companies will compete to develop their gas distribution facilities within this area. The Group is granted a preferential right but there is no clear exclusivity right resulting from the granting of a prior administrative authorisation to a distribution company covering a specific municipality (therefore other distribution companies may be granted with prior administrative authorisations to cover a specific municipality, even if only partially).

This notwithstanding, the distribution company whose specific construction project has already been built or authorised has exclusivity over the area to which this project refers to and no new projects shall be authorised in the same area (as the regulation considers that it is not reasonable to authorise two networks in the same place).

Moreover, the existing distribution company has also "preference" regarding the approval of construction projects in adjacent areas to its existing network also covered by its prior administrative authorisations (*ex* article 73.7 of the LSH, as interpreted by the Spanish courts).

It should be noted that each Autonomous Region, as the authority in charge of granting the prior administrative authorisations, may have more detailed regulations on the exclusivity/preference rights. Nonetheless, as of the date hereof, the Autonomous Regions where the Group operates (i.e. Asturias, Cantabria and Basque Country) have not further regulated this matter. Therefore, general rules on exclusivity and preference -as explained above - should apply in these regions.

(ii) **Environmental impact assessment**

From an environmental perspective, natural gas distribution facilities are subject to a strict environmental control and are required, in most of the cases, to obtain an environmental impact assessment (*declaración de impacto ambiental*) from the relevant regional authorities on environmental affairs, before the construction work starts.

Moreover, in case of being required, the environmental impact assessment shall be carried out by the relevant regional authorities and take place (as an additional step) during the procedure for granting the prior and general administrative authorisation.

(iii) **Approval of the construction project**

These approvals refer to the construction project of each facility forming part of the network, i.e. allowing the beginning of the construction works related to a specific facility projected (thus, the project corresponding to each installation or set of installations forming part of a network shall be authorised separately).

A distribution company may simultaneously make, if necessary, a request for the declaration of public utility of such installation. This declaration will allow the expropriation of the affected plots of land and/or the use of the public domain needed for the construction of the relevant distribution installations.

(iv) **Commissioning authorisation**

This authorisation allows the start of operations of each specific facility constructed in accordance with the approved project (as in the case of the construction project, each facility shall obtain a separate commissioning authorisation). In order to obtain this commissioning authorisation, it is necessary to submit the relevant final works certificate.

(v) **Local licences**

The construction and commissioning of each distribution facility comprising a given network requires also the granting of local licences by the relevant authorities of the affected municipalities. By means of the local licences, the relevant Town Councils check whether the facilities, the construction works and the activities carried out within their municipalities are compatible with local requirements in terms of urban planning and environmental matters.

In short, the licences normally granted at a local level are as follows (although we note that minor discrepancies may result from the application of each local regulation):

a) Works licence: the local authority verifies that the project complies with the urban planning; the license allows the performance of the specific construction works in respect of the facilities to be located within the relevant municipality.

b) Activity and/or environmental licence: it is normally key to checking whether the project complies with local requirements (including environmental requirements) for the activity to be allowed in the corresponding municipality.

c) First occupancy licence: its main goal is to check that the actual works were carried out in compliance with all the requirements and conditions imposed by the prior works licences.

d) Opening licence: similarly to the first occupancy licence, its main goal is to check that the project, once completed, complies with all the requirements and conditions imposed by the prior activity (and/or environmental) licences.

Access to the transmission network by distribution companies

The LSH states, regarding transmission and distribution networks, that "*when the authorised installations must be connected to already existing installations owned by another party, the latter must permit the connection in the conditions established in the legislation*".

Article 6 of RD 1434/2002 establishes the obligation of the transmission companies to "*facilitate the connection to their installations by the owners of other installations or the qualified consumers, in accordance with the provisions established in this Royal Decree*". In the same sense, article 10 of RD 1434/2002 regulates the rights and obligations of the distribution companies, highlighting from among such rights that of "*connecting to the closest transmission network or the maximum pressure distribution network with a design greater than 4 bar with sufficient capacity to access the natural gas supply necessary to serve the demand in the area in which it is authorised to operate, in accordance with the provisions of article 12*".

Article 12 of RD 1434/2002 indicates that "*the distribution networks must preferentially be supplied from a transmission network, and may also be supplied from another maximum pressure distribution network with a design greater than 4 bar, provided that this means sufficient supply capacity, according to criteria of technical and economic rationality*". Additionally, Article 12 sets that *"The actual investment costs incurred for the connection facilities will be borne by the requesting distributor, as will the cost of the derivation position"*, this costs include the regulation and metering installation.

Third party access

Distribution companies must allow third party access ("**TPA**") to their distribution network by direct market consumers and gas suppliers complying with the conditions stipulated in the regulation, based on the principles of non-discrimination, transparency and objectivity. TPA to distribution gas facilities is regulated (not negotiated) and is basically governed by the provisions of Royal Decree 949/2001 (and subsequent amendments to adapt it to EU law) and by the "*Resolution of August 2, 2016, of the Secretary of State for Energy, approving the framework agreement for access to Spanish gas system Facilities"* (*Resolución de 2 de Agosto de 2016, de la Secretaría de Estado de Energía, por la que se aprueba el contrato marco de acceso a las instalaciones del sistema gasista español*). In particular, the TPA system is organised and supervised by the competent energy authorities (mainly the CNMC), based on mandatory tolls, charges and tariffs and standard form contracts drafted on a non-discriminatory and transparent basis approved by MINETAD. CNMC will approve the methodology that MINETAD may follow in order to approve the access tariffs.

The relevant user needs to execute a TPA contract with the owner of the entry point to the gas distribution network. That contract needs to be supplemented through the execution of an annex for each of the delivery or exit points connecting the end consumer.

The distribution companies may only refuse access to the network or TPA if they lack the necessary capacity. The refusal must be justifiable. The lack of the necessary capacity may only be justified on the grounds of security, regularity or quality of the supplies in line with the demands laid down in regulations to this end.

Distribution companies may invoice and charge gas suppliers and direct market consumers the TPA tolls, as established. They may also invoice and charge for other services related to supply, under the conditions established in regulatory development.

The tolls that the distribution companies charge for allowing third parties to use their facilities are not direct remuneration for them. On the contrary, they are part of the gas economic system's revenues, as explained below.

Criteria to determine TPA tolls

According to Article 25 of RD 949/2001, by Ministerial Order, the MINETAD issues the necessary provisions to set natural gas tolls for basic third party access services. The Ministerial Orders set out the concrete values of those tolls or a system to calculate and automatically update them. The same tolls apply nation-wide.

The tolls are calculated in line with the criteria established in article 92 of LSH and on the basis of the following elements: (i) gas demand forecast; (ii) remuneration of regulated activities; (iii) forecast for the use of regasification, storage and transmission and distribution installations; and (iv) variation resulting from the application of the settlement arrangements from the previous year.

Regarding transmission and distribution tolls, these are made up of two components: (i) a capacity reservation term; and (ii) a conveyance term, which is differentiated in line with the design pressure at which the consumer's installations are connected and the consumer's annual consumption.

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

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

Dispute Resolution in relation to TPA rights

The CNMC is entrusted with the role of resolving disputes in relation to the exercise of TPA rights. The time conferred to the CNMC to issue a resolution in relation to these matters is three months. CNMC resolutions may be appealed before the National High Court (*Audiencia Nacional*).

Remuneration scheme and other regulated revenues

Main sources of revenues of a gas distribution company in Spain

In Spain, the main source of income for natural gas distributors is the regulated remuneration, which is: (i) expressly recognised by law; (ii) determined annually by the MINETAD; and (iii) settled by the CNMC through the so-called "settlement system of the gas sector" (by means of which all its regulated costs and revenues are settled).

In addition, natural gas distribution companies in Spain might also obtain revenues from the provision of other services related to their core business of gas distribution. The price of some of these services is also regulated at a national or regional level. For example, the construction of connection points, activation of connection points, the rental of metering equipment to consumers and the inspection services are other regulated revenues. Nonetheless, these services are invoiced directly by the distribution company to the supplier through the TPA invoices and thus the revenues deriving therefrom are not included in the settlement system of the gas sector.

Conversely, the price of certain ancillary services is freely set by the distribution company (and also directly invoiced to the supplier as it is not part of the referred settlement system either). This is the case, for instance, for works carried out at the pipelines supplying gas to buildings (*instalaciones receptoras comunes*), or certain home services, like the replacement of a gas meter.

General principles and purpose of the regulated remuneration scheme

In general terms, the gas system is based on the principles of economic sustainability and long-term equilibrium, taking into consideration the fluctuations in demand, the costs development, the improvement in efficiencies and the degree of development of the existing gas infrastructures without impairing an adequate remuneration of the investments in regulated assets or the security of supply.

The general principles of the current remuneration regime of gas regulated activities are set forth in: (i) article 92 of the LSH, as implemented by articles 15 to 24 of RD 949/2001; and (ii) articles 56 to 66 of Act 18/2014.

As further detailed below, the gas settlement system works, in general terms, as a common deposit scheme, in which all relevant revenues generated within the system are (exclusively) applied to satisfy all of its costs (including the payment of the regulated remuneration to transmission and distribution companies).

The purpose of the distribution activity compensation scheme is to enable "efficient and well-managed" distributors of natural gas to recover their investment, as well as the operational and maintenance-related costs of their distribution network during their operational life, and to obtain a reasonable rate of return while encouraging at the same time, efficient management and improvement in productivity.

Methodology, parameters and "regulatory periods"

The regulated remuneration is determined annually by the MINETAD, using the: (i) methodology set out in Annex X of Law 18/2014; and (ii) the parameters established by the Government for periods of 6 years (each, a "regulatory period"). The first regulatory period started on 5 July 2014 and will end on 31 December 2020 (i.e. the second period will start on 1 January 2021).

The following table includes the annual amounts allocated to the Group for the last six years (i.e. 2012 to 2017), noting that only the amounts regarding the so-called "second period" of 2014 and years 2015, 2016 and 2017 have been determined in accordance with the provisions of Law 18/2014:

Year	Ministerial Order	Remuneration (including Tolosa Gasa S.A.)	Remuneration (excluding Tolosa Gasa S.A.)
2012	Order IET/3587/2011	€193,703,240	€192,732,087
2013	Order IET/2812/2012	€178,788,909	€177,844,432
2014 (1st period)	Order IET/2446/2013	€94,046,359	€93,566,544
2014 (2nd period)	Order IET/2355/2014	€86,804,280	€86,442,792
2015	Order IET/2445/2014	€177,578,896	€176,763,921
2016	Order IET/2736/2015	€164,019,539	€163,337,567
2017	Order ETU/1977/2016	€175,255,601.80	€174,462,928

The remuneration for each year shall be determined prior to 1 January of the corresponding calendar year. For that purpose:

- The CNMC, annually prepares proposals of: (i) the remuneration for each of the natural gas distributors; and (ii) the parameters that are deemed necessary to calculate said remunerations. These proposals are submitted to the MINETAD before 1 October of the preceding year (i.e. the year before to which the proposed remuneration shall apply).

- Then, the MINETAD prepares a remuneration proposal for each of the natural gas distributors, which is submitted to: (i) the stakeholders (i.e. gas companies, consumers, regions), so they can make any observations; and (ii) the CNMC, which issues a report on that proposal (taking into account the observations made by the stakeholders, if any).

- Finally, the MINETAD approves the annual remuneration, upon prior favourable resolution by the Government Delegated Commission on Economic Affairs (*Comisión Delegada del Gobierno para Asuntos Económicos*).

(vi) **Methodology**

The regulated remuneration of the distribution activity for a certain year is calculated for all the distribution facilities belonging to the same distribution company on an aggregate basis, in accordance with the methodology included in Annex X of Law 18/2014, as follows:

$$\mathbf{RD_n = RD_{n-1} + RN_n}$$

Where:

$\mathbf{RD_n}$: remuneration of year "n".

$\mathbf{RN_n}$: remuneration corresponding to the expansion of connection points and gas demand.

Furthermore, the remuneration of the expansion of connection points and gas demand shall be calculated according to the following formula:

$$\mathbf{RN_n = F^{mg}_{c<4b} \bullet \Delta Ct^{mg}_{c<4b} + F^{mgr}_{c<4b} \bullet \Delta Ct^{mgr}_{c<4b} + F^{1}_{v<4b} \bullet \Delta V^{1}_{v<4b} + F^{2}_{v<4b} \bullet \Delta V^{2}_{v<4b} + F_{v>4b} \bullet \Delta V_{v>4b}}$$

Where:

$\mathbf{F^{mg}_{c<4b}}$: unitary remuneration per connection point (**CP**) in gasified municipalities with a pressure equal or below 4 bar, expressed in €/CP.

$\mathbf{\Delta Ct^{mg}_{c<4b}}$: variation in the number of CPs in gasified municipalities with a pressure equal or below 4 bar, calculated as the average number of CPs forecasted for the year "n", minus the average number of CPs of the year "n-1".

$\mathbf{F^{mgr}_{c<4b}}$: unitary remuneration per CP in newly gasified municipalities, with a pressure equal or below 4 bar, expressed in €/CP.

$\mathbf{\Delta Ct^{mgr}_{c<4b}}$: variation in the number of CPs in newly gasified municipalities with a pressure equal or below 4 bar, calculated as the average number of CPs forecasted for the year "n", minus the average number of CPs of the year "n-1".

$\mathbf{F^{1}_{v<4b}}$: unitary remuneration for volume of gas demanded in CPs with a pressure equal or below 4 bar and an annual consumption equal or below 50 MWh, expressed in €/MWh.

$\mathbf{\Delta V^{1}_{v<4b}}$: variation of the volume of gas demanded in CPs with a pressure equal or below 4 bar and an annual consumption equal or below 50 MWh, expressed in MWh and calculated as the forecasted gas volume of demand in year "n", minus the estimate available for year "n-1" for CPs with such characteristics.

$\mathbf{F^{2}_{v<4b}}$: unitary remuneration for volume of gas demanded in CPs with a pressure equal or below 4 bar and an annual consumption above 50 MWh, expressed in €/MWh.

$\mathbf{V^{2}_{v<4b}}$: variation of the volume of gas demanded in CPs with a pressure equal or below 4 bar and an annual consumption above 50 MWh, expressed in MWh and calculated as the forecasted gas volume demand of year "n", minus the estimate available for year "n-1" for CPs with such characteristics.

$\mathbf{F_{v>4b}}$: unitary remuneration for volume of gas demanded in CPs with a pressure between 4 and 60 bar, expressed in €/MWh.

$\mathbf{\Delta V_{v>4b}}$: variation of the volume of gas demanded in CPs with a pressure between 4 and 60 bar, expressed in MWh, calculated as the forecasted gas volume demand of year "n", minus the estimate available for year "n-1" CPs with such characteristics.

For the purposes of this formula the volume of gas demand and the CPs of tariff type 3.5 (i.e. pressure below or equal to 4 bar and consumption greater than 8 GWh/year) shall receive the same treatment as pressure that is between 4 and 60 bar.

Moreover, "newly gasified municipalities" are those where the first gas connection has been carried out less than five years before the year "n". The unitary remuneration for new CPs with a pressure equal or below 4 bar in newly gasified municipalities shall be an incentive. Such incentive remuneration shall only be applicable to non-gasified municipalities where the relevant commissioning certificate is issued after 1 January 2014. In this regard, Additional Provision Six of Order IET/2736/2015 stipulates that the CNMC shall prepare and send to the MINETAD a proposal for the unitary remuneration per CP ($\mathbf{F^{mgr}_{c<4b}}$) in newly gasified municipalities that previously had piped networks of LPG.[14]

Furthermore, according to the said Additional Provision Six of Order IET/2736/2015, the CNMC shall also carry out the necessary checks to determine the "newly gasified municipalities" as from 2014 and shall send to the General Directorate of Energy Policy and Mines (*Dirección General de Política Energética y Minas*), along with the proposal of the regulated remuneration applicable to each year, a proposal of the "newly gasified municipalities" as of 31 December of the preceding year, specifying the "gasification" date of the said municipalities.

According to the formula, the remuneration for a given year ("n") results from the sum of: (i) the remuneration of the preceding year ("n-1"); and (ii) the remuneration corresponding to the variation (in comparison to the equivalent figures of n-1) in (a) the number of consumers connected to the gas distribution network (distinguishing between the municipalities where the network has recently been developed and those with existing networks) and (b) the volume of gas supplied using such a network (measured in €/MWh), in the latter case distinguishing between the type of pipeline used (i.e. less or 4 bar and between 4 and 60 bar).

As the regulated remuneration for each year is calculated *ex* ante, variations on connection points and demand are forecasted by each distribution company. This means that the regulated remuneration for a given year (n) is calculated in December of the previous year (n-1), based upon distributors' growth forecasts. Once actual figures are known, the remuneration for that year (n) is revised.

(vii) **Parameters currently applicable and review**

The remuneration parameters and values to be applied during the first regulatory period are also set out in Annex X of Law18/2014. These are:

$\mathbf{F^{mg}_{c<4b}}$ = 50€/CP.

$\mathbf{F^{mgr}_{c<4b}}$ =70€/CP.

$\mathbf{F^{1}_{v<4b}}$ =7.5 €/MWh.

$\mathbf{F^{2}_{v<4b}}$ =4.5 €/MWh.

$\mathbf{F_{v>4b}}$ = 1.25 €/MWh

The Spanish Government may review the remuneration parameters before the beginning of the next regulatory period. Otherwise, the existing values will be automatically applied to the next regulatory period.

Notwithstanding the general rule above, most of these parameters could also be adjusted every 3 years (for the rest of the relevant regulatory period) in case of significant variations in the revenues and costs considered. The only parameters which cannot be adjusted within a full six-year regulatory period are: (i) the financial retribution rate (which does not apply to the gas distribution activity); and (ii) the so-called efficiency ratio regarding productivity improvements (*coeficiente de eficiencia por mejoras de productividad*).

[14] Nonetheless, the current methodology does not provide for the application of such specific unitary remuneration (i.e. the formula does not differentiate between "types" of newly gasified municipalities depending on whether they previously had or had not piped networks of LPG).

Furthermore, no automatic update formula shall apply to any values related to the gas regulated activities (not even based on inflation rates).

Settlement

As mentioned, the distribution activity, as a regulated activity, forms part of the general gas settlement system.

Indeed, there is an integrated economic system created to remunerate all the regulated activities in the gas sector and balance all system costs with the regulated revenues obtained. It is set forth in the LSH, the RD 949/2001 and certain Ministerial Orders (in particular, Order ECO/2692/2002).

This settlement procedure considers

- as revenues, the invoiced TPA tolls and charges; and
- as costs, the recognised costs in connection with the remuneration of regulated activities (thus, the regulated remuneration of distributors represent one of the gas system costs).

Transmission and distribution companies operate as collection agents in respect of TPA tolls. The CNMC (until the MINETAD has the appropriate means for that purpose, in accordance with the Fourth Transitory Provision of CNMC Act) settles the costs and revenues on a monthly basis (the "provisional settlements") and annually (the so-called "final settlement"). In this sense, the final annual settlement of a given year (n) shall be completed before 1 December of the following year (n+1).

In the end, the CNMC settles the regulated remuneration owed to each of the transmission and distribution companies by calculating the difference between: (i) the tolls and charges invoiced by each of them; and (ii) the regulated remuneration established for each them.

Thus, every month the CNMC settles the regulated revenues and regulated costs of all agents which carry out activities in the gas system. As anticipated, the CNMC determines during the monthly settlement process the share of the annual remuneration applicable to that month and will compare that figure with the monthly amount already invoiced by the relevant distribution company to the suppliers/consumers with a TPA contract in place to access the distribution network. In this regard, the risk of non-payment of TPA tolls by final consumers connected to the distribution networks through a supplier is assumed by such supplier and not by the relevant distribution company (i.e. the supplier shall pay to the distribution companies the applicable TPA tolls regardless whether the final consumer pay such tolls to the supplier or not).

If the tolls and charges invoiced by a distribution company were higher than its regulated remuneration for that month, the CNMC would instruct how such excess amount shall be paid to other companies engaged in regulated activities. Conversely, if the monthly regulated remuneration is higher than the total amount invoiced to natural gas suppliers as tolls and charges, the distribution company shall receive the difference in accordance with the instructions given by the CNMC to other gas companies engaged in regulated activities (provided that the revenues of the gas system are sufficient to cover all costs for that month, including the regulated remuneration; otherwise, a short-term deficit will arise).

Finally, if there are no sufficient revenues to cover the annual remuneration of regulated activities, a tariff deficit in the gas system appears.

Tariff deficit

At present, two different kinds of deficit can be distinguished:

(i) **Structural or aggregated deficit until 31 December 2014**

As a consequence of costs exceeding revenues, tariff deficits have been generated in the Spanish natural gas system. In the past, the companies engaged in regulated activities (including distributors) did not receive their annual regulated remuneration in full.

On 24 November 2016, the CNMC approved the aggregated deficit in the gas sector as at 31 December 2014, amounting to circa €1 billion. The increase of this (structural) gas sector deficit during the past years was indeed one of the key drivers for the regulatory change introduced by Law 18/2014.

Law 18/2014 has expressly recognised the right of those companies which funded this aggregated deficit (until the end of 2014) to recover the portion that they "financed", plus an interest at a market rate, through various annual settlements over the following 15 years (starting on 25 November 2016 and ending on 24 November 2031).

The exact amount to be satisfied each year and the applicable interest rate have been approved by Order ETU/1977/2016. Below is the "portion" of the said tariff deficit until 31 December 2014 allocated to each of the companies of the Group that were engaged in distribution activities until such date (i.e. excluding the newly incorporated NED España Distribución Gas, S.A.U.):

Group company	Tariff deficit
NED	€55,920,866.71
Tolosa Gasa	€268,114.17
TOTAL	**€56,188,980.88**

Finally, according to the Law 18/2014, this credit has priority over other system costs (except for the payment of the collection rights described below (see "*Deficit resulting from the final annual settlement*"), which will rank *pari passu*) and the amounts due to Enagás Transporte, S.A.U. in respect of Castor's gas underground storage facility,[15] which will have absolute priority for payment).

(ii) **Deficit as of 2015**

As of 2015, two kinds of deficit could arise:

a) Short-term deficit resulting from monthly settlements

There might be deficit resulting from a short-term imbalance between costs and revenues shown in a given monthly provisional settlement. In this scenario all regulated participants in the Spanish natural gas system (including distributors) shall bear this deficit in proportion to the regulated remuneration to which they are entitled (so that they will not receive 100% of their regulated remuneration).

b) Deficit resulting from the final annual settlement

The shot-term imbalances between costs and revenues might not be solved prior to the end of a given year. In this case, the deficit would appear in the final annual settlement.

In this regard, Law 18/2014 has included the following measures to prevent the growth of a new structural deficit: (i) if the deficit exceeds 10% of the revenues generated by the gas system in a single year; or (ii) if the accumulated deficit exceeds 15% of revenues of a certain year, TPA tolls will be increased automatically in the same amount in which these limits were exceeded.

However, if the short-term imbalances are generated below these thresholds, all regulated participants in the Spanish natural gas system (including distributors) shall contribute (in proportion to the regulated remuneration to which they are entitled) to temporarily fund such imbalance.

[15] RD 13/2014 terminated the concession for operating the Castor natural gas underground storage facility and the relevant facilities to be put in hibernation. Enagas Transporte shall pay €1,350 million to the holder of the concession, as recognition for the investments made related to the research and exploration works undertaken to operate the Castor natural gas underground storage facility. This amount will be collected from the gas system over a period of 30 years and paid to Enagas Transporte starting from the first settlement of the gas system corresponding to the revenues accrued from 1 January 2016. In addition, Enagas Transporte will be in charge of the operation and maintenance of these facilities during its hibernation. The maintenance, operation and other costs established in the RD 13/2014 will also be collected from the gas system and paid to Enagas Transporte through the gas system's settlements corresponding to the monthly billing.

These contributions will imply a credit in favour of the companies ranking with priority over the payment of other costs of the system (except for the repayment of the credit rights described above (*Structural or aggregated deficit until 31 December 2014*), with which will rank *pari passu,* and the amounts due to Enagás Transporte, S.A.U. in respect of Castor's gas underground storage facility, which will have absolute priority for payment) and to be repaid, including an interest at market rate, over five years.

Following the implementation of these measures, in 2015 the tariff deficit amounted to circa €27 million. Moreover, Order ETU/1977/2016, of 23 December, approved the allocation of this deficit among the gas distribution companies in Spain. These amounts will be repaid, on a monthly basis, from 25 November 2016 until 24 November 2021. Finally, the said Order ETU/1977/2016 also sets a provisional interest rate at0.836%, applicable to such allocated amounts.

Below are the relevant credits held by the companies of the Group engaged in natural gas distribution as a consequence of the allocation of the 2015 tariff deficit (except for NED España Distribución Gas, S.A.U., which was recently set up and, thus, did not "funded" such deficit):

Group company	Tariff deficit
NED	€1,736,617.57
Tolosa Gasa	€8,007.60
TOTAL	**€1,744,625.17**

Other regulated revenues

As advanced, apart from this regulated remuneration, which represents their main source of revenues, natural gas distribution companies in Spain might also obtain revenues from the provision of other ancillary services, whose prices are also regulated. In particular, these are the following:

(i) **Connection points (*acometidas*)**

The connection points are defined in article 24 of RD 1434/2002 as the channeling and supplementary facilities between the distribution or transmission networks and the connection stopcocks (*llaves de acometida*) which are required to meet a new request of gas supply or to expand existing ones.

The prices for this activity (the so-called "connection point rights" or *derechos de acometida*) shall guarantee the recoupment of the investment and are regulated by the Autonomous Regions, taking into account: (i) the maximum volume of supply requested; and (ii) the location of the supply. Such connection point rights shall be, in any case, within the limits (cap and floor) determined by the MINETAD.

According to Twenty-first Transitory Provision of the LSH, if an Autonomous Region has not regulated the connection point rights applicable in its region, then the relevant calculation formula included in Annex I of RD 1434/2002 shall apply. This is the case of the Autonomous Regions where the Group carries out their gas distribution activity (i.e. Asturias, Cantabria and the Basque Country), which have not further regulated the connection rights.

(ii) **Activation of connection points (*derechos de alta*)**

The distribution companies may charge to new clients for contracting the supply of gas through pipelines or expanding existing ones (i.e. the so-called "activation rights"). In particular, the distribution companies charge activation rights for the following services:

a) activation (*alta*), consisting of administrative and logistic services (e.g. management of gas supply applications, installation of gas meters, consumers' data management, services required to make the gas facilities/devices ready for service -e.g. air purge of gas devices-, etc.);

b) connection (*enganche*), connecting the gas reception facilities (*instalaciones receptoras*) to the distribution network (including the re-coupling (*reenganche*) where the gas reception facilities were disconnected for causes attributable to the consumer, such as non-payment; and

c) verification of facilities, consisting in revising and verifying the technical and security conditions of the gas facilities.

If a distribution company decided not to charge for these activation rights, it shall be compelled to apply the same exemption to every client in its area of supply (i.e. no discriminatory treatment is allowed).

According to article 91.3 of LSH, the activation rights will be determined by the relevant Autonomous Regions. Consequently, each of the Asturias, Cantabria and the Basque Country governments have approved their own values for the activation rights.

(iii) **Rental of gas meters and telemetry equipment to consumers**

Generally, distribution companies rent the gas meters out to their consumers, although this equipment may also belong to the consumers or even to third parties. Distribution companies are forced to offer the meter rent services to <4bar consumers. The use of telemetry equipment is mandatory: (a) for clients with an annual consumption above 5,000,000 kWh/year; (b) for clients connected to >60 bar networks; and (c) for clients contracting natural gas for a term below one year (regardless of the volume consumed).

In both cases, the price to be paid by the clients to the distribution companies for the rental of these equipment is also regulated ("rental rates") and determined by the MINETAD on an annual basis.

(iv) **Inspection**

According to RD 919/2006, of 28 July, approving the technical regulation on distribution and use of gaseous fuels and ancillary technical instructions, gas reception facilities (*instalaciones receptoras*) connecting to the distribution network shall be subject to an inspection process every five years.

Gas reception facilities (*instalaciones receptoras*) include the pipelines and accessories located between the connection stopcock (*llave de acometida*), (but excluding the connection stopcock itself), and the devices stopcocks (*llaves de conexión de aparato*), but excluding the connections between devices.

These inspection services may be carried out by the distribution companies or by "installation companies" (upon the client's choice).

The price that the distribution companies may charge for these inspection services is also regulated. According to the First Additional provision of RD 984/2015, this price is comprised of the following items:

a) Management costs borne by the distribution company: including the expenses deriving from the client data base containing the inspection results, the monitoring of the facilities and the necessary communications to Public Administrations and to clients regarding the inspections.

   This item shall be established by the MINETAD pursuant to the relevant Order upon prior proposal from the CNMC. Nonetheless, and until the MINETAD adopts such Order (which, as of the date hereof, has not been adopted), the RD 984/2015 provides for a transitory regime, setting the value of this item at €12.8.

   This item is charged by the distribution company regardless of the company which has actually carried out the inspection (i.e. even if an installation company does the inspection).

b) Physical inspection costs: including, among others, the physical inspection, the issuance of certificates and the notification to the distribution companies.

   This item can only be charged if the inspection has been carried out by the distribution company or by personnel employed by it.

The relevant authorities of the Autonomous Region shall establish the maximum amount to be charged for this item. However, none of the Asturias, Cantabria or the Basque Country governments have reviewed these amounts since the release of the above mentioned RD 984/2015.

In this scenario, RD 984/2015 also provides for a transitory regime applicable until the relevant authorities in the Autonomous Regions approve and publish the price to be charged for this item. Under this transitory regime, the price for physical inspection shall be the difference between: (i) the maximum tariff applicable to the inspections currently in place; and (ii) the management costs (currently set at €12.8, as explained above). The total charge for the inspection service shall be invoiced by the distributor (or the installation company, where applicable) to the holder of the supply contract through the supply company. Then, the supply company shall reimburse such amounts to the distributor (together with the TPA tolls). Finally, the distributor shall make the subsequent payment to the installation company (if applicable).

However, no amounts shall be invoiced if the inspection has been carried out over facilities which had succeeded an inspection process in the last four years.

Finally, as anticipated none of the activities analysed in this section are included in the settlement system of the gas sector described above.

Development and investment rights and obligations

LSH and RD 1434/2002 set forth detailed rights and obligations of distribution companies. They provide a clear picture of the legal framework applicable to this regulated activity

Focusing on the main development and investment obligations of distribution companies, the following is identified:

(i) Keep facilities in good technical condition for the supply of natural gas, at the applicable quality standards, in accordance with the terms of the corresponding authorisations and follow the instructions given by the Gas System Operator (i.e. currently, Enagás GTS) in respect of the construction and operation and maintenance of their facilities.

(ii) Submit to the regional authority's annual and multi-annual investment plans, detailing each of the installations to be constructed during the following year/multi-year periods, which normally include their budgets and start-up deadlines. These plans shall be submitted to the relevant regional authorities on energy affairs prior to 15 October of each year.

(iii) Expand and facilitate the connections to the distribution networks within the geographical area covered by their prior administrative authorisations, whenever necessary to meet new gas supply demands. If there are several distribution companies whose facilities could be expanded to satisfy new supplies, but none of them decides to expand, the administration will decide which distribution company should do so, in line with their conditions.

However, there is no obligation by the distribution companies to expand their network to cover any other area outside the areas covered by their granted authorisations or in the approved annual or multi-annual plans.

Further, upon new requests implying the expansion of the distribution network/new installations within the areas covered by the relevant authorisations or investment plans, the applicant (as explained above) shall bear the costs (i.e. *acometidas*).

However, the distribution companies of the Group have certain rights, including, among others, the following development and investment rights:

(i) To promote the construction of internal service pipe work or gas riser (*instalaciones receptoras comunes*) with the purpose of expanding the natural gas supply;

(ii) submit to the Gas System Operator proposals to expand the secondary transmission facilities;

(iii) connect to the nearest transmission network or distribution network with a maximum rated pressure higher than 4 bar with sufficient capacity to access the natural gas supply necessary to cover the demand in the area granted in their authorisations;

(iv) occupy publicly owned land and, if necessary, the right to expropriate the land needed to build the distribution facilities; and

(v) pre-emptively obtain the relevant authorisations to construct and operate new distribution facilities within its area of activity (according to the prior administrative authorisations in place).

LPG sector

The LPG sector in Spain involves the following activities:

(i) Production, acquisition, intra-Community trade, import and export.

(ii) Storage, blending and bottling.

(iii) Transport.

(iv) Wholesale supply and retail supply: LPG can be distributed and supplied in gas cylinders or in bulk, including through pipelines.

(v) Installation, maintenance and revision of the facilities related to the above mentioned LPG activities

The assets currently held by the Group (NED and NED Suministro GLP, S.A.U.) include facilities for the distribution and supply of LPG (propane gas) to end consumers through pipelines.

Article 37 of the LSH states that any LPG activities can be freely carried out by any third party. However, the LPG sector continues to be heavily regulated in some aspects, as explained in the following sections.

Requirements to carry out LPG activities

In order to carry out the LPG distribution and supply activities, it is necessary to file a communication to the MINETAD (which then shall forward it to the CNMC and the CORES). Such communication shall be sent either when starting or ceasing to carry out LPG activities, and shall include a written statement acknowledging compliance with all the conditions and obligations required for the proper carrying out of the LPG-related activities.

These requirements are set forth by Royal Decree 1085/1992, of 11 September, and include evidencing legal capacity (which includes being up-to-date with tax and social security obligations), financial capacity (equity over €2,000,000, for wholesale supply, and €1,000,000, for supply to end consumers) and technical capacity (at least three years of experience in the LPG sector, which could be proven if a shareholder with more than 25% of the share capital has such experience or if a technical support or services agreement has been entered into with a company with the required experience). Additionally, the relevant company must have the relevant supplies contractually agreed with its supplier (in accordance with the annual supply plan to be established by the company for the first year).

Permitions regime

In addition, authorisations are required to construct and operate the corresponding LPG assets. The permitting regime applicable to LPG facilities is very similar to the one explained above in the section "*Permitions: main authorisations regime*" in respect of the construction and operation of facilities for the distribution of natural gas. Thus, it is necessary to obtain prior administrative authorisation (which shall identify the area covered by the authorisation), the corresponding environmental approvals and the local licences described above.

Main regulation of the different activities

There is a different regulation of the LPG activities, depending on the channel of distribution/supply (as previously discussed can be distributed and supplied in bulk, in gas cylinders or through pipelines) and the type of customer (supply to other suppliers or directly to end consumers).

The LPG supply through gas cylinders has been liberalised, although the Spanish Government still approves maximum prices every two months in respect of certain types of gas cylinders (e.g. those with a volume between 8 and 20 Kg and destined to domestic use). Additionally, the freedom to set prices applies to the supply

of LPG in bulk to other suppliers (i.e. wholesale), except when such supply is made to LPG distributors through pipelines (as discussed below), which have a regulated price that is approved by the Government.

In addition, the supply of LPG through pipelines to end consumers is regulated. However, the prices set out by the Government for both: (i) the wholesale supply in bulk; and (ii) the supply to end consumers through pipelines shall also be considered as maximum prices (and therefore any LPG supplier is free to apply discounts to such prices).

The following section discusses the regulation applicable to: (i) the wholesale supply in bulk, as this is the purpose of the gas supply agreement entered into with Repsol Butano, S.A.; and (ii) the supply of LPG (propane gas) to end consumers through pipelines, as all the LPG assets currently held by the Group are used for this purpose.

Determination of the price of the LPG

According to article 94 of the LSH, the relevant Ministry (i.e. in charge of energy affairs) shall approve the methodology for the calculation of the prices applicable to the LPG supply through pipelines. This methodology was approved for the first time by Ministerial Order of 16 July 1998, and then amended by Order ITC/3292/2008 of 14 November (which was also partially amended by Order IET/389/2015, of 5 March). This methodology is also applied to the determination of the price applicable to the wholesale supply in bulk to LPG distributors through pipelines.

Order ITC/3292/2008 (as amended) sets forth that the sale prices for the LPG supply shall be revised each month according to the formula established in article 1.1. In addition, it also sets out (in article 1.2) the formula according to which the corresponding costs of commercialisation recognised are calculated in July of each calendar year.

The values set out in the last two resolutions approved by the General Directorate of Energy Policy and Mines (*Dirección General de Política Energética y Minas*) following the provisions of Order ITC/3292/2008 are as follows:

Type of supply	Price item (before taxes)	Values March 2017	Values April 2017
Through pipelines to end consumers	Fixed term	1.56 €/month	1.56 €/month
	Variable term	77.1006 cents €/kg	70.8020 cents €/kg
In bulk to LPG distributors	Sale price	62.5928 cents €/kg	56.2942 cents €/kg

The following values have been considered for the purpose of calculating these sale prices:

Item	Values March 2017	Values April 2017
International index price (propane)	405.70USD/Tm	349.10 USD/Tm
Freight charge	19 USD/Tm	20 USD/Tm
Exchange rate €/USD (monthly average)	1.064265	1.068470

Finally, the costs of commercialisation considered are those calculated by article 1 of the resolution of the General Directorate of Energy Policy and Mines dated 11 July 2016 (as this value is only revised annually, as explained above). The value (before taxes) applicable to the distributors and suppliers of LPG is 21.2572 cents €/kg and the one applicable to end consumers is 35.7650 €/kg. The value for the fixed term to the final customer is set in 1.56 €/month.

Conversion of the LPG distribution assets into natural gas distribution assets

The Group will convert its LPG assets (to the extent technically and economically viable) into natural gas distribution assets, so that they form part of the gas distribution network of the Group.

According to article 46.8bis of the LSH: (i) an authorisation from the relevant authorities on industry affairs (the same authority that grants the prior administrative authorisation covering these LPG assets) will be required in order to convert LPG distribution assets into gas distribution assets; and (ii) the converted assets shall comply with all the technical and security conditions applicable to an "original" natural gas distribution asset.

Once converted and put into service, it could be the case that the municipalities where these newly-converted gas distribution assets are located are considered as "newly gasified municipalities" for the purposes of the regulated remuneration of gas distributors, provided that no other gas distribution facilities had been put into service in the same municipality at that time (as further detailed above, see "*Methodology, parameters and "regulatory periods*"").

Compatibility of the gas distribution activity with the distribution and supply of LPG

One of the main unbundling requirements is that any gas distribution company shall have the gas distribution activity as its exclusive corporate purpose (see article 63.1 LSH).

The CNMC has issued a report and several resolutions in which it concludes that the obligation imposed on all distribution companies to have an exclusive corporate purpose shall be interpreted broadly and therefore prohibits a gas distribution company from also holding and operating LPG assets. However, the CNMC accepts that a gas distribution company may hold and operate temporarily LPG assets: (i) if the final goal is to convert them into gas distribution assets; and (ii) only during a reasonable period of time, in light of the requirements to be fulfilled to effectively convert the relevant LPG assets to gas distribution. In a resolution dated 17 November 2016, the CNMC stated for the first time that the term during which LPG activities could be conducted by a gas distribution company should not exceed in any event three years.

Following the acquisition of the LPG assets from Repsol Butano, S.A. in 2016, NED transferred during the second half of 2016 and the first quarter of 2017 all LPG assets to its wholly-owned subsidiary NED Suministro GLP, S.A.U., in order to comply with this unbundling rule.

According to the information communicated to the CNMC, these LPG assets will remain in NED Suministro GLP, S.A.U. until their conversion (as the case may be) to gas distribution assets. Immediately prior to their conversion, they will be re-transferred to either NED España Distribución Gas, S.A.U. (if the relevant assets are located within the Basque Country) or NED España Distribución Gas, S.A.U. (if they are located in Cantabria or Asturias).

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date whether or not such change in law has retroactive effect.

Investors should also 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.

Kingdom of Spain

Payments made by the Issuer

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 made with retroactive effect.

This taxation summary solely addresses the principal Spanish tax consequences of the acquisition, the ownership and disposal of Notes issued by the Issuer after the date hereof held by a holder of Notes. It does not consider every aspect of taxation that may be relevant to a particular holder of Notes under special circumstances or who is subject to special treatment under applicable law or to the special tax regimes applicable in the Basque Country and Navarra (*Territorios Forales*). Where in this summary English terms and expressions are used to refer to Spanish concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Spanish concepts under Spanish tax laws. This summary assumes that each transaction with respect to the Notes is at arm's length.

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

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

(i) **Introduction**

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

a) of general application, Additional Provision One of Law 10/2014, of 26 June, on the supervision and solvency of credit entities (Law 10/2014) as well as Foral Decree 205/2008, of 22 December ("**Foral Decree 205/2008**") and Royal Decree 1065/2007 of 27 July ("**Royal Decree 1065/2007**"), as amended by Royal Decree 1145/2011 of 29 July;

b) for individuals resident for tax purposes in Spain which are subject to the Personal Income Tax ("**PIT**"), Law 35/2006 of 28 November, on the PIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, as amended by Law 26/2014 of 27 November, and Royal Decree 439/2007 of 30 March passing the IIT Regulations, as amended by Royal Decree 633/2015, of 10 July, along with law 19/1991 of 6 June, on Wealth Tax, along with Law 29/1987, of 18 December on the Inheritance and Gift Tax;

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

d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Foral Law 12/2013, of 5 December governing the NRIT, and Foral Decree 48/2014 of 15 April passing the Biscay NRIT Regulations, along with Foral Law 4/2015, of 25 March on the Biscay Inheritance and Gift Tax.

Regardless of the nature and residence of the Noteholder, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax passed by Royal Legislative Decree 1/1993, of 24 September and Foral Law 1/2011, of 24 March, and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December and Foral Law 7/1994, of 9 November, regulating such tax.

(ii) **Individuals with Tax Residency in Spain**

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

Spanish individuals with tax residency in Spain are subject to PIT on a worldwide basis. Accordingly, income obtained from the Notes will be taxed in Spain when obtained by individuals that are considered resident in Spain for tax purposes. The fact that a Spanish company pays interest or guarantee payments under a Note will not lead an individual or entity to be considered tax-resident in Spain.

Both interest payments periodically received and income derived from the transfer, redemption or exchange of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the PIT Law, and therefore must be included in the investor's PIT savings taxable base pursuant to the provisions of the aforementioned law and taxed at a flat rate of 19 per cent. on the first €6,000, 21 per cent. for taxable income between €6,001 and €50,000, and 23 per cent. for taxable income exceeding €50,000.

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

However, it should be noted that Foral Decree 205/2008 and Royal Decree 1065/2007 established certain procedures for the provision of information which are explained under section "*Taxation in Spain—Disclosure of Information in Connection with the Notes*" below and that, particularly, in the case of debt listed securities issued under Law 10/2014 and initially registered in a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state, as the Notes issued by NED:

a) it would not be necessary to provide the relevant Issuer with the identity of the Noteholders who are resident in Spain for tax purposes or to indicate the amount of income attributable to such individuals; and

b) interest paid to all Noteholders (whether tax resident in Spain or not) should be paid free of Spanish withholding tax provided that the information procedures are complied with.

Therefore, NED understands that, according to Foral Decree 205/2008 and Royal Decree 1065/2007, it has no obligation to withhold any tax amount for interest paid on the Notes corresponding to Noteholders who are individuals with tax residency in Spain provided that the information procedures (which do not require identification of the Noteholders) are complied with.

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

The amounts withheld, if any, may be credited by the relevant investors against its final PIT liability.

However, regarding the interpretation of Foral Decree 205/2008 and Royal Decree 1065/2007 and the information procedures, please refer to section "*Taxation in Spain—Disclosure of Information in connection with the Notes*" below.

Net Wealth Tax (*Impuesto sobre el Patrimonio*)

Net Wealth Tax may be levied in Spain on resident individuals, on a worldwide basis. Though for the years 2011 to 2017 the Spanish Central Government has repealed the 100% relief (*bonificación del 100%*) of this tax, the actual collection of this tax depends on the regulations of each Autonomous Community. Thus, Noteholders should consult their tax advisers according to the particulars of their situation.

Individuals with tax residency in Spain are subject to Net Wealth Tax to the extent that their net wealth exceeds €700,000. Therefore, they should consider the corresponding value of the Notes which they hold as at 31 December each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

Furthermore, in accordance with article 4 of the Royal Decree-Law 3/2016, of December 2016 adopting measures in the tax field aimed at the consolidation of public finances and other urgent social security measures, as from year 2018, the full relief (*bonificación del 100%*) on Spanish Wealth Tax would apply, and therefore from year 2018 Spanish individual Holders will be released from formal and filing obligations in relation to this Spanish Wealth Tax, unless the derogation of the exemptions is extended again.

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 Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules.

The applicable tax rates currently range between 7.65 per cent. and 81.6 per cent. depending on relevant factors. Thus, Noteholders should consult their tax advisers according to the particulars of their situation.

(iii) **Legal Entities with Tax Residency in Spain**

Corporate Income Tax (*Impuesto sobre Sociedades*)

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

Interest periodically received and income deriving 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 must be included in the profit and taxable income of legal entities with tax residency in Spain for corporation tax purposes in accordance with the Corporation tax rules. The current general tax rate according to the CIT Act is 25 per cent. However, such a tax rate will not be generally applicable to all CIT taxpayers and, for instance, it will not apply to banking institutions which will be taxable at a 30% rate.

Pursuant to Section 51.20 of Royal Decree 203/2013, of December 23, approving the Foral corporate income tax regulations (the "**Corporate Tax Regulations**"), there is no obligation to make a withholding on income obtained by taxpayers subject to Spanish CIT (which for the avoidance of doubt, includes Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. However, in the case of Notes held by a Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest and income deriving from the transfer may be subject to withholding tax at the current rate of 19 per cent. Such withholding may be made by the depositary or custodian if the Notes do not comply with the exemption requirements specified in the ruling issued by the DGT dated 27 July 2004 (that is, placement of the Notes outside of Spain in another OECD country and admission to listing of the Notes on an organised market in an OECD country other than Spain).

The amounts withheld, if any, may be credited by the relevant investors against their final CIT liability.

Notwithstanding the above, according to Foral Decree 205/2008 and Royal Decree 1065/2007, in the case of listed debt instruments issued under Law 10/2014 by an entity recognised under Spanish regulations or under those of another OECD member state (such as the Notes issued by NED), interest

paid to investors should be paid free of Spanish withholding tax. The foregoing is subject to certain information procedures having been fulfilled. These procedures are described in "*Taxation in Spain—Disclosure of Information in connection with the Notes*" below.

Therefore, NED considers that, pursuant to Foral Decree 205/2008 and Royal Decree 1065/2007, it has no obligation to withhold any tax on interest paid on the Notes in respect of Noteholders who are Spanish Corporation Tax payers, provided that the information procedures are complied with.

However, regarding the interpretation of Foral Decree 205/2008 and Royal Decree 1065/2007 and the information procedures, please refer to sections "*Risk Factors—Risks Relating to Withholding Tax*" and "*Risk Factors—Application of Law 10/204 to Notes Issued by NED*" above.

Net Wealth Tax (*Impuesto sobre el Patrimonio*)

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

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

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax.

(iv) **Individuals and Legal Entities with no Tax Residency in Spain**

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

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

b) With no permanent establishment in Spain

Both interest payments periodically received and income deriving from the transfer, redemption or repayment of the Notes, obtained by individuals or legal entities who have no tax residency in Spain, being 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 order for such exemption to apply, it is necessary to comply with the information procedures (including that the Paying Agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement), please see "*Taxation in Spain—Disclosure of Information in Connection with the Notes*" as set out in Article 55 of Foral Decree 205/2008 and Article 44 of Royal Decree 1065/2007.

If the paying agent fails or for any reason is unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income under the Notes, the Issuer will withhold Spanish withholding tax at the applicable rate (currently 19%) on such payment of income on the Notes and the Issuer will not pay Additional Amounts with respect to any such withholding tax.

Noteholders that are not resident in Spain for tax purposes and entitled to exemption from NRIT, but the payment to whom was not exempt from Spanish withholding tax due to the failure by the paying agent to deliver a duly executed and completed payment statement, may apply directly to

the Spanish tax authorities for any refund to which they may be entitled pursuant to the Direct Refund from Spanish Tax Authorities Procedures set out in Annex A hereto.

Please see ''Procedures for Direct Refund from the Spanish Tax Authorities'' set out in Annex A hereto.

Net Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Net Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights exceed €700,000 and are located in Spain, or that can be exercised within the Spanish territory , would be subject to Net Wealth Tax in the amount of the current applicable rates ranging between 0.2 per cent. and 2.5 per cent.

Noteholders resident in an EU or European Economic Area Member State .may be entitled to apply the specific regulation of the autonomous community where their most valuable assets are located and which trigger this Spanish Net Wealth Tax due to the fact that their assets and rights are located or are to be exercised within the Spanish territory.

Furthermore, in accordance with article 4 of the Royal Decree-Law 3/2016 adopting measures in the tax field aimed at the consolidation of public finances and other urgent social security measures, as from 2018, the full relief (*bonificación del 100%*) on Spanish Wealth Tax would apply, and therefore from 2018 Spanish individual holders will be released from formal filing obligations in relation to this Spanish Wealth Tax, unless the derogation of the exemptions is extended again.

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

Individuals who do not have tax residency in Spain and that acquire ownership or other rights over the Notes by inheritance, gift or legacy will not be subject to Inheritance and Gift Tax in Spain if the country in which such individual resides has entered into a double tax treaty with Spain in relation to Inheritance and Gift Tax. In such case, the individual will be subject to the relevant double tax treaty. In the absence of such treaty between the individual's country of residence and Spain, the individual will be subject to Inheritance and Gift tax in accordance with the applicable regional and state legislation.

Generally, individuals who are not residents of Spain for tax purposes, are subject to Spanish Inheritance and Gift Tax according to the rules set forth in the state legislation. However, if the deceased or the donee are resident in an EU or European Economic Area Member State, the applicable rules will be those corresponding to the relevant autonomous regions according to the law.

The tax rate, after applying all relevant factors, ranges between 7.65% and 81.6%.

Non-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 entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of the treaty will apply. In general, tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

Payments made by each Guarantor

In the opinion of the Guarantors, any payments of principal and interest made by the Guarantor under the Guarantee may be characterised as an indemnity and, accordingly, may be made free, clear of, and without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Kingdom of Spain or any political subdivision or authority thereof or therein having the power to tax.

However, although no clear precedent, statement of law or regulation exists in relation thereto, in the event that the Spanish Tax Authorities take the view that the Guarantors have validly, legally and effectively assumed all the obligations of the relevant Issuer under the Notes subject to and in accordance with the Guarantee, they may attempt to impose withholding tax in the Kingdom of Spain on any payments made by the Guarantor in respect of interest. In this case, should Law 10/2014 be applicable, the Guarantors, in accordance with Law 10/2014,

Foral Decree 205/2008 and Royal Decree 1065/2007, would not be obliged to withhold taxes in Spain on any interest paid under the Guarantee to the Noteholders, that (i) can be regarded as listed debt securities issued under Law 10/2014; and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OCDE member state, provided that the Fiscal Agent fulfils with the information procedures described in "*Taxation – Taxation in Spain – Disclosure of Information in connection with the Notes*" below.

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

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

Consequently, if the Notes are deposited with or placed in the custody of a non-Spanish entity, Noteholders resident in Spain will be obliged, if certain thresholds are met as described below, to declare before the Spanish Tax Authorities, between 1 January and 31 March every year, the ownership of the Notes as held on 31 December of the immediately preceding year (e.g. to declare between 1 January 2017 and 31 March 2017 the Notes held on 31 December 2016).

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

Taxation in Spain - Disclosure of Information in Connection with the Notes

Disclosure of Information in Connection with Interest Payments

In accordance with section 5 of Article 55 of Foral Decree 205/2008 and section 5 of Article 44 of Royal Decree 1065/2007 and provided that the Notes issued by NED are initially registered for clearance and settlement in Euroclear and Clearstream, Luxembourg, the Paying Agent designated by NED would be obliged to provide NED (or the Guarantor in relation to the payments made under the Deed of Guarantee) with a declaration (or payment statement, the form of which is set out in the Agency Agreement), which should include the following information:

a) description of the Notes (and date of payment of the interest income derived from such Notes);

b) total amount of interest derived from the Notes; and

c) total amount of interest allocated to each non-Spanish clearing and settlement entity involved (such as Euroclear and Clearstream).

In light of the above, the Issuer and the paying agent have entered into an agreement whereby, amongst other things, the paying agent undertakes to implement certain procedures for the timely provision by the paying agent to the Issuer of a duly executed and completed declaration or payment statement in connection with each income payment under the Notes and set out certain procedures which aim to facilitate such a process, along with a form of a payment statement to be used by the paying agent.

According to section 6 of Article 44 of Royal Decree 1065/2007, the relevant declaration (or payment statement) will have to be provided to NED (or the Guarantors, as the case may be) on the business day immediately preceding each Interest Payment Date. If this requirement is complied with, NED (or the Guarantors) will pay gross interest under the Notes (without deduction of any withholding tax) to all Noteholders (irrespective of whether they are tax resident in Spain).

In the event that the Paying Agent designated by NED failed to provide the information detailed above, according to section 7 of Article 55 of Foral Decree 205/2008 and section 7 of Article 44 of Royal Decree 1065/2007, NED (or the Guarantors, as the case may be) or the Paying Agent acting on its behalf would be

required to withhold tax from the relevant interest payments at the general withholding tax rate (currently, 19 per cent.). If on or before the 10th day of the month following the month in which the interest is payable, the Paying Agent designated by NED were to submit such information, NED (or the Guarantor) or the Paying Agent acting on its behalf would refund the total amount of taxes withheld.

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

Disclosure of Noteholder Information in Connection with the Redemption or Repayment of Zero Coupon Notes

In accordance with Article 55 of Foral Decree 205/2008 and Article 44 of Royal Decree 1065/2007, in the case of Zero Coupon Notes with a maturity of 12 months or less, the information obligations established in Section 44 (see "*Disclosure of Information in Connection with Interest Payments*" above) will have to be complied with upon the redemption or repayment of the Zero Coupon Notes.

If the Spanish tax authorities consider that such information obligations must also be complied with for Zero Coupon Notes with a maturity longer than 12 months, the relevant Issuer will, prior to the redemption or repayment of such Notes, adopt the necessary measures with the Clearing Systems in order to ensure its compliance with such information obligations as may be required by the Spanish tax authorities from time to time.

The proposed financial transactions tax ("FTT")

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

On 28 October 2016, the Council of the European Union published document No. 13608/16 concerning the status of the FTT at that time, according to which a certain degree of progress in the FTT negotiations has been observed. However, further work from the Council and its preparatory bodies will be required before a final agreement can be reached among the participating Member States that respects the competences, rights and obligations of the Member States not participating in the FTT.

The FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such taxation is uncertain. Additional EU Member States may decide to participate.

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

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to

instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. 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.

ANNEX A

PROCEDURES FOR DIRECT REFUND FROM THE SPANISH TAX AUTHORITIES

(1) Noteholders entitled to receive income payments in respect of the Notes free of any Spanish withholding taxes but in respect of whom income payments have been made net of Spanish withholding tax may apply directly to the Spanish tax authorities for any refund to which they may be entitled, following the 20th calendar day of the month immediately following the relevant payment date.

(2) Noteholders may claim the amount withheld from the Spanish Treasury within the first four years following the last day on which the Issuer may pay any amount so withheld to the Spanish Treasury (which is generally the 20th calendar day of the month immediately following the relevant payment date), by filing with the Spanish tax authorities (i) the relevant Spanish tax form, (ii) proof of ownership and (iii) a certificate of residency issued by the tax authorities of the country of tax residence of such Noteholders, amongst other documents.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banco Santander, S.A., BNP Paribas, Credit Agricole Corporate and Investment Bank, ING Bank N.V. and J.P. Morgan Securities plc, (together, the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement originally dated on or around 12 September 2017, as amended, supplemented, novated and/or restated from time to time, (the "**Dealer Agreement**") and made between the Issuer, the Guarantors and the Dealers. Any such agreement will, *inter alia,* make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America

The Notes and the Guarantee of the Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bearer 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 of 1986, as amended, and regulations thereunder.

Each Dealer (severally, and not jointly) has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each Dealer to which it sells Notes during the distribution compliance period relating thereto 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 the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, each Dealer (severally, and not jointly) has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prior to 1 January 2018, in relation to each Relevant Member State, each Dealer (severally, and not jointly) has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State, except that it may make an offer of such Notes to the public in that Relevant Member State:

(a) *Qualified investors:* at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) *Fewer than 150 offerees:* at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) *Other exempt offers:* at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer (severally, and not jointly) has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) *No deposit-taking:* in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) *Financial promotion:* it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(c) *General compliance:* it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Kingdom of Spain

The Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law *(Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores),* as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws.

Neither the Notes nor the Programme have been registered with the Spanish Securities Market Commission *(Comision Nacional del Mercado de Valores)* and therefore the Offering Circular is not intended for any public offer of the Notes in Spain.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended (the "**FIEA**")) and each Dealer (severally, and not jointly) has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not sold or offered and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer (severally, and not jointly) has represented, warranted and agreed that it has complied and will comply with all applicable 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 Offering Circular or any Pricing Supplement or any related offering material, in all cases at its own expense. Other persons into whose hands this Offering Circular or any Pricing Supplement comes are required by the Issuer, the Guarantors and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Offering Circular or any Pricing Supplement or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General"* above.

GENERAL INFORMATION

Authorisations

1. The establishment of the Programme was authorised by a resolution of the Issuer passed on 8 September 2017 and the Guarantee of the Notes was authorised by a resolution of NED España Distribución Gas, S.A.U. passed on 8 September 2017 and by a resolution by NED Suministro GLP, S.A.U. passed on 8 September 2017.

2. Each of the Issuer and the Guarantors has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Admission to the Official List and the Global Exchange Market of the Irish Stock Exchange

3. The admission of the Programme to the Official List of the Irish Stock Exchange was granted on or around 12 September 2017. It is expected that each Tranche of Notes which is to be listed on the Official List and admitted to trading on the Global Exchange Market will be so admitted to listing and trading upon submission to the Irish Stock Exchange and the Global Exchange Market of the relevant Pricing Supplement or Drawdown Offering Circular. However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the Irish Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing/trading and/or quotation by such listing authority, stock exchange and/or quotation system as the relevant Issuer and relevant Dealer(s) may agree.

Legal and Arbitration Proceedings

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

Significant/Material Change

5. Since 30 April 2017, there has been no material adverse change in the prospects of the Issuer or the Guarantors nor any significant change in the financial or trading position of the Issuer or the Guarantors.

Third Party Information

6. Where information in this Offering Circular has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer and the Guarantors are aware and are able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

Auditors

7. The audited consolidated annual accounts (including the consolidated directors' report) of the Issuer, and the audited annual accounts of the Issuer and each Guarantor (including the directors' report), for the four months ended 30 April 2017 and for the year ended 31 December 2016, and the audited annual accounts (including the directors' report) of the Issuer for the year ended 31 December 2015 have been audited without qualification by independent accountants KPMG Auditores, S.L., whose registered address is at Paseo de la Castellana, 259 C, 28046 Madrid, Spain.

   The latest consolidated equity position for NED does not currently reflect the fair value of the Guarantors' assets as illustrated in their individual audited accounts. The shareholders intend to merge the acquiring vehicle with NED through a downstream merger, and once the purchase price allocation exercise has been carried out this will allow for all of the Group's assets to be shown at fair value and in turn this will also have an impact on the consolidated equity position of the company (see "*Description of the Issuer and The Guarantors - Recent acquisition of the Issuer by the Sponsors and Potential Merger of BidCo and the Issuer*"). Both these steps are expected to occur in 2017.

Documents on Display

8. Copies of the following documents may be inspected in electronic form during normal business hours at the offices of the Issuer as long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to the Global Exchange Market:

   (i) the audited consolidated annual accounts of the Issuer, and the audited annual accounts of the Issuer and each Guarantor, in respect of the four months ended 30 April 2017 incorporated by reference herein;

   (ii) English translations of the audited consolidated annual accounts of the Issuer, and the audited annual accounts of the Issuer and each Guarantor, in respect of the year ended 31 December 2016, incorporated by reference herein;

   (iii) an English translation of the audited annual accounts of the Issuer in respect of the year ended 31 December 2015, incorporated by reference herein;

   (iv) the Agency Agreement;

   (v) the Programme Manual (which contains the forms of the Notes in global and definitive form);

   (vi) the Issuer-ICSD Agreement; and

   (vii) any supplements to this Offering Circular and any Pricing Supplement, save the Pricing Supplement relating to an unlisted Note which will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to their identity).

   This Offering Circular, the relevant Pricing Supplement for Notes that are listed on the Official List and admitted to trading on the Global Exchange Market of the Irish Stock Exchange will be published on the website of the Irish Stock Exchange at www.ise.ie.

Clearing of the Notes

9. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue John F. Kennedy L-1855 Luxembourg, Luxembourg and the address of SIS is Baslerstrasse 100, CH-4600 Olten. The address of any alternative clearing system will be specified in the applicable Pricing Supplement.

Issue Price and Yield

10. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes will be set out in the applicable Pricing Supplement. The Issuer does not intend to provide any post-issuance information in relation to any Notes. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

    The yield of each Tranche of Notes set out in the applicable Pricing Supplement will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

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